JACKSON CENTER
LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019

Julian & Grube
Serving Ohio Local Governments

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Education
Jackson Center Local School District
204 S. Linden Street
Jackson Center, Ohio 45334

We have reviewed the *Independent Auditor's Report* of the Jackson Center Local School District, Shelby County, prepared by Julian & Grube, Inc., for the audit period July 1, 2018 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

January 23, 2021

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JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County, Ohio, as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Jackson Center Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 Jackson Center Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Jackson Center Local School District'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 basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County, Ohio, as of June 30, 2020 and 2019, and the respective changes in cash basis financial position thereof and the budgetary comparison for the general fund for the fiscal years then ended in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting

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

Emphasis of Matters

As described in Note 3 to the financial statements, in 2020, the Jackson Center Local School District adopted new accounting guidance, GASBS No. 84, *Fiduciary Activities*. As described in Note 17 to the financial statements for the fiscal year ending June 30, 2020 the financial impact of COVD-19 and the continuing emergency measures may impact subsequent periods of the Jackson Center Local School District. Our opinions are not modified with respect to these matters.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Jackson Center Local School District's basic financial statements. The *management's discussion and analysis* listed in the table of contents, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information 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 November 30, 2020, on our consideration of the Jackson Center Local School 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 Jackson Center Local School 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 Jackson Center Local School District's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
November 30, 2020

The management's discussion and analysis of the Jackson Center Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- In total, net cash position of governmental activities increased $821,679 from restated fiscal year 2019.

- General receipts accounted for $7,111,437 or 80.94% of total cash receipts. Program specific receipts in the form of charges for services and sales and grants and contributions accounted for $1,674,723 or 19.06% of total cash receipts of $8,786,160.

- The District had $7,964,481 in cash disbursements related to governmental activities; $1,674,723 of these cash disbursements were offset by program specific charges for services, grants or contributions. General receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $7,111,437 were adequate to provide for these programs.

- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had $6,817,223 in receipts and $6,040,532 in disbursements and other financing uses. During fiscal year 2020, the general fund's fund cash balance increased $776,691 from $2,095,231 to $2,871,922.

- The bond retirement fund had $1,121,122 in receipts and $914,722 in disbursements. During fiscal year 2020, the bond retirement fund's fund cash balance increased $206,400 from $940,853 to $1,147,253.

Using the Cash Basis Basic Financial Statements (BFS)

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

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

Reporting the District as a Whole

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at cash basis financial transactions and asks the question, "How did the District do financially during fiscal year 2020?" The statement of net position – cash basis and the statement of activities – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

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

Notes to the Basic Financial Statements

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

The District as a Whole

The table below provides a summary of the District's net position – cash basis at June 30, 2020 and June 30, 2019. The net position at June 30, 2019 has been restated as described in Note 3.

Net Position

	Governmental Activities 2020	Restated Governmental Activities 2019
Assets		
Equity in pooled cash and investments	$ 4,725,121	$ 3,903,442
Total assets	4,725,121	3,903,442
Net position		
Restricted	1,852,212	1,834,523
Unrestricted	2,872,909	2,068,919
Total net position	$ 4,725,121	$ 3,903,442

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the District's total net position was $4,725,121.

A portion of the District's net position, $1,852,212, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of $2,872,909 may be used to meet the District's ongoing obligations to its students and creditors.

The table below shows the change in net cash position for fiscal years 2020 and 2019.

Change in Net Position

	Governmental Activities 2020	Restated Governmental Activities 2019
Receipts		
Program receipts:		
Charges for services and sales	$ 1,001,187	$ 983,450
Operating grants and contributions	673,536	568,632
Capital grants and contributions	-	158,370
General receipts:		
Property taxes	2,747,887	2,688,206
Income taxes	914,310	908,129
Grants and entitlements	3,217,120	3,357,921
Investment earnings	45,464	41,640
Miscellaneous	186,656	183,600
Total receipts	8,786,160	8,889,948

- Continued

Change in Net Position (Continued)

	Governmental Activities 2020	Restated Governmental Activities 2019
Disbursements		
Current:		
Instruction:		
Regular	$ 3,328,028	$ 3,214,511
Special	793,733	746,917
Vocational	1,543	1,700
Adult/continuing	1,988	1,903
Support services:		
Pupil	395,366	264,537
Instructional staff	104,556	97,599
Board of education	17,947	21,637
Administration	469,286	437,628
Fiscal	303,527	308,211
Operations and maintenance	658,526	713,052
Pupil transportation	365,061	246,398
Central	3,116	2,861
Operation of non-instructional services:		
Other non-instructional	1,970	-
Food service operations	255,658	242,367
Extracurricular activities	261,530	263,593
Facilities acquisition and construction	109,631	348,564
Debt service:		
Principal retirement	475,000	316,553
Interest and fiscal charges	418,015	426,314
Accreted interest on CABs	-	182,664
Total disbursements	7,964,481	7,837,009
Change in net position	821,679	1,052,939
Net position at beginning of year (restated)	3,903,442	2,850,503
Net position at end of year	$ 4,725,121	$ 3,903,442

Governmental Activities

Net cash position of the District's governmental activities increased $821,679. Total governmental disbursements of $7,964,481 were offset by program receipts of $1,674,723 and general receipts of $7,111,437. Program receipts supported 21.03% of the total governmental disbursements.

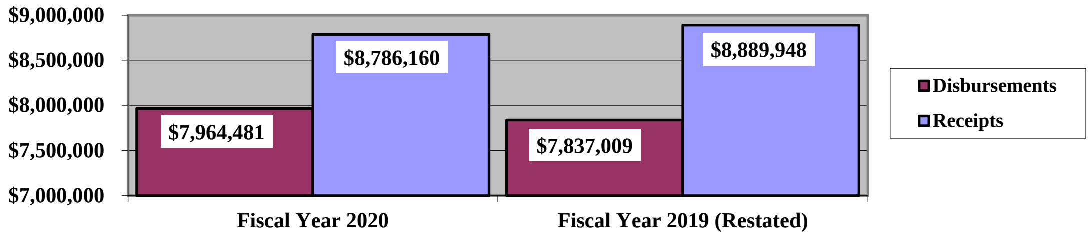
The primary sources of receipts for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These receipt sources represent 78.30% of the total governmental receipts.

The largest disbursement category of the District is instruction activities. Instruction activity disbursements totaled $4,125,292 or 51.80% of total governmental disbursements for fiscal year 2020.

There was a $127,472 increase in disbursements from restated fiscal year 2019 to fiscal year 2020. This is primarily due to a large amount of spending on facilities acquisitions and construction of the District's new building project that occurred in fiscal year 2019.

The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2020 and 2019. Fiscal year 2019 amounts have been restated as described in Note 3.

Governmental Activities - Receipts and Disbursements



The statement of activities – cash basis shows the cost of program services and the charges for services and grants offsetting those services. The table on the following page shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2020 and 2019. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general receipts. Fiscal year 2019 amounts have been restated as described in Note 3.

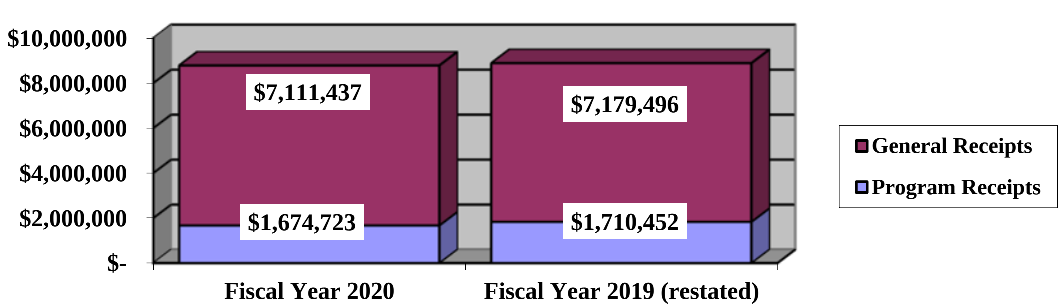
Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	Restated Total Cost of Services 2019	Restated Net Cost of Services 2019
Disbursements:				
Instruction:				
Regular	$ 3,328,028	$ 2,632,998	$ 3,214,511	$ 2,439,450
Special	793,733	426,401	746,917	469,264
Vocational	1,543	(4,510)	1,700	(4,353)
Adult/continuing	1,988	1,988	1,903	1,903
Support services:				
Pupil	395,366	197,855	264,537	197,944
Instructional staff	104,556	100,956	97,599	97,599
Board of education	17,947	15,217	21,637	17,947
Administration	469,286	469,286	437,628	437,628
Fiscal	303,527	303,527	308,211	308,211
Operations and maintenance	658,526	658,526	713,052	713,052
Pupil transportation	365,061	360,809	246,398	241,762
Central	3,116	3,116	2,861	2,861
Operation of non-instructional services:				
Operations of non-instructional services	1,970	1,970	-	-
Food service operations	255,658	67,626	242,367	29,963
Extracurricular activities	261,530	51,347	263,593	57,601
Facilities acquisition and construction	109,631	109,631	348,564	190,194
Debt service:				
Principal retirement	475,000	475,000	316,553	316,553
Interest and fiscal charges	418,015	418,015	426,314	426,314
Accreted interest on CABs	-	-	182,664	182,664
Total disbursements	$ 7,964,481	$ 6,289,758	$ 7,837,009	$ 6,126,557

The dependence upon taxes and other general cash receipts for governmental activities is apparent, as 74.10% of instructional activities are supported through taxes and other general receipts. For all governmental activities, general receipt support is 78.97%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for the District's students.

The graph below presents the District's governmental activities receipts for fiscal years 2020 and 2019.

Governmental Activities - General and Program Receipts



The District's Funds

The District's governmental funds reported a combined fund balance of $4,725,121, which is greater than last year's restated total fund balance of $3,903,442. The table below indicates the fund balance and the total change in fund balance as of June 30, 2020 and June 30, 2019.

	Fund Balance June 30, 2020	Restated Fund Balance June 30, 2019	Change	Percentage Change
General	$ 2,871,922	$ 2,095,231	$ 776,691	37.07 %
Bond retirement	1,147,253	940,853	206,400	21.94 %
Nonmajor governmental	705,946	867,358	(161,412)	(18.61) %
Total	$ 4,725,121	$ 3,903,442	$ 821,679	21.05 %

General Fund

The District's general fund balance increased $776,691 or 37.07%.

The table on the following page assists in illustrating the financial activities and fund balance of the general fund for fiscal years 2020 and 2019.

	2020 Amount	2019 Amount	Change	Percentage Change
Receipts				
Taxes	$ 2,565,686	$ 2,507,363	$ 58,323	2.33 %
Tuition	668,001	628,930	39,071	6.21 %
Earnings on investments	40,173	2,893	37,280	1,288.63 %
Intergovernmental	3,308,851	3,450,738	(141,887)	(4.11) %
Other receipts	234,512	228,362	6,150	2.69 %
Total	$ 6,817,223	$ 6,818,286	$ (1,063)	(0.02) %
Disbursements				
Instruction	$ 3,916,693	$ 3,778,454	$ 138,239	3.66 %
Support services	1,959,590	1,968,072	(8,482)	(0.43) %
Non-instructional services	1,970	-	1,970	N/A %
Extracurricular activities	104,379	117,586	(13,207)	(11.23) %
Facilities acquisition and construction	2,900	2,690	210	7.81 %
Debt service	-	24,878	(24,878)	(100.00) %
Total	$ 5,985,532	$ 5,891,680	$ 93,853	1.59 %

Overall receipts of the general fund decreased $1,063 or 0.02% during fiscal year 2020. Tuition receipts increased 6.21% primarily due to an increase in open enrollment foundation receipts. Earnings on investments increased by $37,280 due to increased investments with US Bank, STAR Plus and Star Ohio in 2020. All other receipt classifications remained comparable to the prior fiscal year.

Overall disbursements of the general fund increased $93,853 or 1.59% during fiscal year 2020. The $138,239 increase in instruction disbursements can be attributed to an increase in current year wages and benefits. All other disbursement classifications remained comparable to the prior fiscal year.

Bond Retirement Fund

During fiscal year 2020, the bond retirement fund's balance increased $206,400 from $940,853 to $1,147,253.

General Fund Budgeting Highlights

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

For the general fund, original budgeted receipts of $6,600,000 matched exactly to the final budgeted receipts. The actual receipts for fiscal year 2020 were $6,796,467. This represents a $196,467 increase from the final budgeted amounts.

General fund original and final budgeted disbursements and other financing uses for fiscal year 2020 were $6,640,604. The actual disbursements and other financing uses for fiscal year 2020 totaled $6,262,670, which were $377,934 lower than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. The District had facilities acquisition and construction cash disbursements of $109,631 during fiscal year 2020.

Debt Administration

At June 30, 2020, the District had $8,780,000 in capital improvement bonds and $2,415,000 in current interest bonds. Of this total, $490,000 is due within one year and $10,705,000 is due in more than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2020	Governmental Activities 2019
Capital improvement bonds	$ 8,780,000	$ 9,035,000
Current interest bonds	2,415,000	2,635,000
Total	$ 11,195,000	$ 11,670,000

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

Current Financial Related Activities

The District's financial status was solid in fiscal year 2020 in the 3rd year following completion of a new building. Revenues again outpaced expenditures. The financial outlook is questionable due to the impact of the COVID 19 pandemic which caused a late-year reduction in state support by 3.7% - which continues in fiscal year 2021 - and puts in question the impact on the District's earned income tax revenue. In response, the District has not replaced two part time positions and is having discussion with personnel about forgoing increases. These proactive measures will help ensure the District moves toward a 4th straight solvent year and should also help ensure vital interest income revenue. The District relies heavily upon property taxes to fund operations but has diversified through the passage of a 1.0% earned income tax (EIT), which took effect on January 1, 2010, and another 0.5% EIT, which took effect on January 1, 2014. The 0.5% EIT was in effect for a 5-year limit, but in May of 2018, voters aggressively approved to change this to a continuing status, making the total % of continuing EIT collected by the district, 1.5%. In a similar move in fiscal year 2020, support was strong by voters to make the 1.0 mill permanent improvement levy continuing in nature.

The District allowed a 7.5 mill, five-year limited property tax to roll off when this EIT began. The District is now hovering just above the 20 mill floor. A loss of State funding, particularly over $200,000 in a two-year period from the reduction of TPP Hold Harmless Payments, along with other State budget challenges at that time, were the main reasons for the additional 0.5% EIT. Within the state's biennial budget, Tangible Personal Property, Hold Harmless payments have ended. The District experienced about a 10% increase in enrollment around the opening of the new building and has maintained that enrollment which has improvement economies of scale.

Fiscal year 2021 is estimated for flat real estate revenues following a marginal increase in valuations after seeing 2 straight years of modest devaluation in the district. The previous year was the first devaluation in nearly 10 years. Agriculture has steadily grown to make up over 40% of the District's valuation but that peak will likely decline with changes in CAUV calculations. Additionally, a local business' abatement has ended (Plastipak), and instead of payments in lieu of taxes, real tax receipts will be realized, while two other businesses have grown through building expansion (Airstream) and a new building (EMI). In August of 2018, Airstream Corp. broke ground on a $40 million expansion and began manufacturing in early 2020. After a hiatus due to the pandemic, it is in full swing. The village of Jackson Center has seen an impressive bounce back in business since the recession ended nearly 10 years ago.

The District passed an 8.3 mill Building Levy in November of 2014 and passed a renewal of its 1.0 mill Permanent Improvement Levy in May of 2015. Groundbreaking for the $17 million K-8 building occurred in late spring of 2016 and the new building opened in August of 2017. Additional renovations were completed around November 2017. A new, 2-year contract maintains provides an approximate 4.1% & 4.0% increase to teaching staff, 3.25% and 3.0% to classified staff and 3.0% & 3.0% to Administrators. All of these increases in year 2, as mentioned, are likely to be forgone to ensure assistance is not needed from voters. Jackson Center's current approach does not have hidden increases via steps and pay rates other schools maintain and, would appear, unsustainable. In those cases, most schools will publicly state a "base increase" of a certain percentage but incur a higher actual cost because of the use of traditional salary schedules where increases are driven as much by each rate associated with the next step (year) than the quoted "base increase."

The District's academic test results have been strong but leveled off the last couple of years before another tick up in 2019 – when defined by the performance index.

The Board of Education has remained engaged in managing costs, with a focus on salaries and benefits. This focus, along with aforementioned manpower management, has resulted in a 10-year period where total salary cost has grown a total of 2.5%, or .25% per year for 10 years. This culminated in fiscal year 2018 disbursements being significantly outpaced by receipts when the building project expenditures are taken out of the equation.

A newer housing development in the area continues to grow and fill, with around 15 new homes built and a 2nd area has also begun on the southwest side with a handful of new homes already completed of the 15 large lots. It is unclear as to whether this development will continue, but vacant houses have recently declined in the area, which is a positive sign. The village has completed phase I of a multi-phase project to improve town parks and create youth sports fields and recently completed a full renovation of the public pool.

In conclusion, the District will remain focused on managing costs, while the five-year forecast has receipts outpacing disbursements in all fiscal years. The District is strong in nearly all aspects of operations and should remain in growing trend with regard to bank and general fund carryover balances.

Contacting the District's Financial Management

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

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and investments	$ 4,725,121
Total assets.	4,725,121
Net position:	
Restricted for:	
Capital projects	410,678
Classroom facilities maintenance	126,796
Debt service.	1,147,253
Locally funded programs	6,889
State funded programs	2,285
Student activities.	156,516
Other purposes.	1,795
Unrestricted.	2,872,909
Total net position	$ 4,725,121

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
	Cash Disbursements	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental activities:				
Instruction:				
Regular	$ 3,328,028	$ 688,506	$ 6,524	$ (2,632,998)
Special	793,733	6,973	360,359	(426,401)
Vocational	1,543	-	6,053	4,510
Adult/continuing	1,988	-	-	(1,988)
Support services:				
Pupil	395,366	-	197,511	(197,855)
Instructional staff	104,556	-	3,600	(100,956)
Board of education	17,947	-	2,730	(15,217)
Administration	469,286	-	-	(469,286)
Fiscal	303,527	-	-	(303,527)
Operations and maintenance	658,526	-	-	(658,526)
Pupil transportation	365,061	-	4,252	(360,809)
Central	3,116	-	-	(3,116)
Operation of non-instructional services:				
Other non-instructional services	1,970	-	-	(1,970)
Food service operations	255,658	98,845	89,187	(67,626)
Extracurricular activities	261,530	206,863	3,320	(51,347)
Facilities acquisition and construction	109,631	-	-	(109,631)
Debt service:				
Principal retirement	475,000	-	-	(475,000)
Interest and fiscal charges	418,015	-	-	(418,015)
Totals	$ 7,964,481	$ 1,001,187	$ 673,536	(6,289,758)

General receipts:	
Property taxes levied for:	
General purposes	1,651,376
Debt service	1,009,391
Capital outlay	54,402
Special revenue	32,718
Income taxes levied for:	
general purposes	914,310
Grants and entitlements not restricted to specific programs	3,217,120
Investment earnings	45,464
Miscellaneous	186,656
Total general receipts	7,111,437
Change in net position	821,679
Net position at beginning of year (restated)	3,903,442
Net position at end of year	$ 4,725,121

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	$ 2,871,922	$ 1,147,253	$ 705,946	$ 4,725,121
Total assets	$ 2,871,922	$ 1,147,253	$ 705,946	$ 4,725,121
Fund balances:				
Restricted:				
Debt service	$ -	$ 1,147,253	$ -	$ 1,147,253
Capital improvements	-	-	410,678	410,678
Classroom facilities maintenance	-	-	126,796	126,796
Food service operations	-	-	1,795	1,795
Extracurricular	-	-	156,516	156,516
Other purposes	-	-	9,174	9,174
Committed:				
Other purposes	-	-	4,615	4,615
Assigned:				
Student instruction	83,896	-	-	83,896
Student and staff support	168,302	-	-	168,302
Extracurricular activities	55	-	-	55
Unassigned (deficit)	2,619,669	-	(3,628)	2,616,041
Total fund balances	$ 2,871,922	$ 1,147,253	$ 705,946	$ 4,725,121

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Receipts:				
From local sources:				
Property taxes	$ 1,651,376	$ 1,009,391	$ 87,120	$ 2,747,887
Income taxes	914,310	-	-	914,310
Tuition	668,001	-	-	668,001
Earnings on investments	40,173	-	5,291	45,464
Charges for services	-	-	98,845	98,845
Extracurricular	20,378	-	186,485	206,863
Classroom materials and fees	27,478	-	-	27,478
Contributions and donations	15,701	-	3,320	19,021
Other local receipts	170,955	-	5,982	176,937
Intergovernmental - intermediate	-	-	4,446	4,446
Intergovernmental - state	3,261,226	111,731	148,664	3,521,621
Intergovernmental - federal	47,625	-	307,662	355,287
Total receipts	6,817,223	1,121,122	847,815	8,786,160
Disbursements:				
Current:				
Instruction:				
Regular	3,258,424	-	69,604	3,328,028
Special	654,738	-	138,995	793,733
Vocational	1,543	-	-	1,543
Adult/continuing	1,988	-	-	1,988
Support services:				
Pupil	204,203	-	191,163	395,366
Instructional staff	102,756	-	1,800	104,556
Board of education	14,747	-	3,200	17,947
Administration	469,286	-	-	469,286
Fiscal	279,897	21,707	1,923	303,527
Operations and maintenance	627,689	-	30,837	658,526
Pupil transportation	257,896	-	107,165	365,061
Central	3,116	-	-	3,116
Operation of non-instructional services:				
Other operation of non-instructional	1,970	-	-	1,970
Food service operations	-	-	255,658	255,658
Extracurricular activities	104,379	-	157,151	261,530
Facilities acquisition and construction	2,900	-	106,731	109,631
Debt service:				
Principal retirement	-	475,000	-	475,000
Interest and fiscal charges	-	418,015	-	418,015
Total disbursements	5,985,532	914,722	1,064,227	7,964,481
Excess (deficiency) of receipts over (under) disbursements	831,691	206,400	(216,412)	821,679
Other financing sources (uses):				
Transfers in	-	-	193,884	193,884
Transfers (out)	(55,000)	-	(138,884)	(193,884)
Total other financing sources (uses)	(55,000)	-	55,000	-
Net change in fund balances	776,691	206,400	(161,412)	821,679
Fund balances at beginning of year (restated)	2,095,231	940,853	867,358	3,903,442
Fund balances at end year	$ 2,871,922	$ 1,147,253	$ 705,946	$ 4,725,121

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Receipts:				
From local sources:				
Property taxes	$ 1,598,522	$ 1,598,522	$ 1,651,375	$ 52,853
Income taxes	885,047	885,047	914,310	29,263
Tuition	646,620	646,620	668,000	21,380
Earnings on investments	38,887	38,887	40,173	1,286
Classroom materials and fees	26,599	26,599	27,478	879
Contributions and donations	14,835	14,835	15,326	491
Other local receipts	186,542	186,542	170,955	(15,587)
Intergovernmental - state	3,156,847	3,156,847	3,261,225	104,378
Intergovernmental - federal	46,101	46,101	47,625	1,524
Total receipts	6,600,000	6,600,000	6,796,467	196,467
Disbursements:				
Current:				
Instruction:				
Regular	3,525,667	3,525,667	3,336,564	189,103
Special	697,928	697,928	660,493	37,435
Vocational	1,630	1,630	1,543	87
Adult/continuing	2,101	2,101	1,988	113
Support services:				
Pupil	219,058	219,058	207,308	11,750
Instructional staff	113,552	113,552	107,461	6,091
Board of education	19,769	19,769	18,709	1,060
Administration	509,154	509,154	481,845	27,309
Fiscal	310,361	310,361	293,714	16,647
Operations and maintenance	757,676	757,676	717,037	40,639
Pupil transportation	308,402	308,402	291,860	16,542
Central	3,293	3,293	3,116	177
Other operation of non-instructional services	2,082	2,082	1,970	112
Extracurricular activities	103,848	103,848	81,162	22,686
Facilities acquisition and construction	3,064	3,064	2,900	164
Total disbursements	6,577,585	6,577,585	6,207,670	369,915
Excess of receipts over disbursements	22,415	22,415	588,797	566,382
Other financing uses:				
Transfers (out)	(63,019)	(63,019)	(55,000)	8,019
Total other financing uses	(63,019)	(63,019)	(55,000)	8,019
Net change in fund balance	(40,604)	(40,604)	533,797	574,401
Unencumbered fund balance beginning of year	1,945,268	1,945,268	1,945,268	-
Prior year encumbrances appropriated	140,604	140,604	140,604	-
Unencumbered fund balance at end of year	$ 2,045,268	$ 2,045,268	$ 2,619,669	$ 574,401

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Jackson Center Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The District operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the District's two instructional/support facilities staffed by 17 non-certified employees, 39 certified full-time teaching personnel, and 3 administrative employees who provide services to 489 students and other community members.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

<u>Western Ohio Computer Organization (WOCO)</u>
WOCO is a council of governments composed of 29 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports WOCO based upon a per-pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months financial contributions. WOCO is governed by a Board of Directors consisting of Superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO, as the residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. The District paid $38,155 to WOCO during fiscal year 2020. Financial information is available from Donn Walls, who serves as Administrator, at 129 East Court Street, Sidney, Ohio 45365.

<u>Southwestern Ohio Educational Purchasing Council (SOEPC)</u>
The SOEPC is a purchasing cooperative made up of over 200 school districts in southwest Ohio. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

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

<u>Southwestern Ohio Instructional Technology Association (SOITA)</u>
The SOITA is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

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

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

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

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

<u>Shelby County Local Professional Development Committee (Committee)</u>
The District is a participant in the Committee, which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is an association of public-school districts within the boundaries of Shelby County.

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

INSURANCE PURCHASING POOLS

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

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

Each school district pays monthly premiums to the providers Anthem and Community National Assurance Company. Effective January 1, 2018, the consortium moved to the Jefferson Health Plan for health/surgical and dental. The Consortium is governed by an Administrative Committee, consisting of the Superintendent from each participating school district.

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

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

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

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

B. Basis of Accounting

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

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash position and changes in net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. As of June 30, 2020 the District has no fiduciary funds.

D. Basis of Presentation

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

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

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

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

E. Budgetary Process

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

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

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

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

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

F. Cash and Investments

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

During fiscal year 2020, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Treasury notes, U.S. Government money market funds, Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), commercial paper, and negotiable certificates of deposit. In accordance with the cash basis of accounting, with the exception of STAR Ohio, all District investments are reported at cost.

During fiscal year 2020, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2020, 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 $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. Interest receipts credited to the general fund during fiscal year 2020 amounted to $40,173, which includes $14,410 assigned from other funds.

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

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

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

G. Capital Assets

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

H. Unpaid Vacation Leave and Sick Leave

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

I. Long-Term Obligations

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

J. Fund Cash Balance

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

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

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

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

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

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

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

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

K. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District did not have any net cash position restricted by enabling legislation at June 30, 2020. Net cash position restricted for other purposes includes amounts restricted for food service operations. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available.

L. Inventory and Prepaid Items

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

M. Pensions/Other Postemployment Benefits (OPEB)

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

N. Interfund Balances

On the fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the statement of activities. The District had no interfund advance activity to report during fiscal year 2020.

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

O. Interfund Activity

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Fund Balances/Restatement of Net Position

For fiscal year 2020, the District has implemented GASB Statement No. 84 "*Fiduciary Activities*" and GASB Statement No. 90 "*Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. District reviewed its agency funds and certain funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District's financial statements.

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

A fund cash balance restatement is required in order to implement GASB Statement No 84. The June 30, 2019, fund cash balances have been restated as follows:

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Fund cash balance previously reported	$ 2,095,231	$ 940,853	$ 771,662	$ 3,807,746
GASB Statement No. 84	-	-	95,696	95,696
Restated fund cash balance at June 30, 2019	$ 2,095,231	$ 940,853	$ 867,358	$ 3,903,442

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net cash position restatement is required in order to implement GASB Statement No 84. The governmental activities and business-type activities at June 30, 2019 have been restated as follows:

	Governmental Activities
Net cash position	
as previously reported	$ 3,807,746
GASB Statement No. 84	95,696
Restated net cash position	
at June 30, 2019	$ 3,903,442

Due to the implementation of GASB Statement No. 84, there are no longer any fiduciary funds. Also related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and net cash position of $95,696.

B. Compliance

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

ii. Certain District disbursements were in excess of appropriations, contrary to Ohio Revised Code Section 5705.41(B).

iii. The District did not properly modify its appropriations, contrary to Ohio Revised Code Section 5705.40.

C. Deficit Fund Balances

Fund balances at June 30, 2020 included the following individual fund deficits:

Nonmajor funds	Deficit
Race to the top	$ 1
Title I	3,627

The general fund is liable for any deficit in these funds and provides transfers when cash is required.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and within certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);

8. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time if training requirements have been met; and,

9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At June 30, 2020, the District had $150 in undeposited cash on hand, which is included on the basic financial statements of the District as part of “equity in pooled cash and investments”.

B. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all District deposits was $2,331,636 and the bank balance of all District deposits was $2,479,361. Of the bank balance, $667,528 was covered by the FDIC and $1,811,833 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2020, the District’s financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

At June 30, 2020, the District had the following investments and maturities:

		Investment Maturities			
Investment type	Carrying Value	6 months or less	13 to 18 months	19 to 24 months	Greater than 24 months
Negotiable CD	$ 825,928	$ 134,973	$ 59,910	$ 109,780	$ 521,265
U.S. Treasury Note	99,758	99,758	-	-	-
FNMA	643,036	199,506	-	-	443,530
FFCB	189,969	-	-	89,969	100,000
Commercial paper	217,034	217,034	-	-	-
U.S. government money market	31,433	31,433	-	-	-
STAR Ohio	386,177	386,177	-	-	-
Total	$ 2,393,335	$1,068,881	$ 59,910	$ 199,749	$1,064,795

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Credit Risk: Standard & Poor's has assigned the U.S. Government money market funds an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAAm by Standard & Poor's. The District's investments in a U.S. Treasury Note and federal agency securities are rated AA+ and Aaa by Standard and Poor's and Moody's Investor Services, respectively. The District's investments in commercial paper are rated A-1 and P-1 by Standard & Poor's and Moody's Investor Services, respectively. The District's negotiable certificates of deposit are not rated. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2020:

Investment type	Carrying Value	% of Total
Negotiable CD	$ 825,928	34.50
U.S. Treasury Note	99,758	4.17
FNMA	643,036	26.87
FFCB	189,969	7.94
Commercial paper	217,034	9.07
U.S. government money market	31,433	1.31
STAR Ohio	386,177	16.14
Total	$ 2,393,335	100.00

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2020:

Cash and investments per note disclosure	
Carrying amount of deposits	$ 2,331,636
Investments	2,393,335
Cash on hand	150
Total	$ 4,725,121

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Cash and investments per statement of net position	
Governmental activities	$ 4,725,121
Total	$ 4,725,121

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

(a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a cash disbursement, as opposed to assigned, committed, or restricted fund cash balance for that portion of outstanding encumbrances (cash basis); and,

(b) Some funds are included in the general fund (cash basis) but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Cash Balance

	General fund
Budget basis	$ 533,797
Funds budgeted elsewhere	(2,519)
Adjustment for encumbrances	245,413
Cash basis	$ 776,691

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

NOTE 6 - INTERFUND TRANSACTIONS

Interfund transfers during fiscal year 2020 consisted of the following, as reported on the fund financial statements:

Transfers from the general fund to:	Amount
Nonmajor governmental fund	$ 55,000

Transfers to nonmajor governmental fund from:	Amount
Other nonmajor governmental funds	$ 138,884

NOTE 6 - INTERFUND TRANSACTIONS - (Continued)

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

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

In fiscal year 2020, the District transferred $7,917 from the classroom facilities fund, a nonmajor governmental fund, to the building fund, another nonmajor governmental fund, to move money in accordance with Ohio Facilities Construction Commission (OFCC) approval. The District also transferred $130,967 from the classroom facilities fund, a nonmajor governmental fund, to the permanent improvement fund, another nonmajor governmental fund, to assist with capital improvements throughout the District.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax receipts received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Shelby, Auglaize, and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2020, are available to finance fiscal year 2020 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 76,165,910	96.00	$ 76,466,320	95.75
Public utility personal	3,175,340	4.00	3,390,780	4.25
Total	$ 79,341,250	100.00	$ 79,857,100	100.00
Tax rate per $1,000 of assessed valuation	$53.80		$54.00	

NOTE 8 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. The tax became effective on January 1, 2010 and is a continuing tax. An additional tax of 0.50 percent was passed by the voters for a period of five years beginning January 1, 2014. In May 2018, the District renewed the 0.50 percent levy on a continuing basis, which became effective January 1, 2019. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts in the amount of $914,310 were credited to the general fund in fiscal year 2020.

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2020, the following changes occurred in the District's long-term obligations:

	Balance Outstanding 06/30/19	Additions	Reductions	Balance Outstanding 06/30/20	Amounts Due in One Year
Governmental activities:					
Series 2011 refunding bonds:					
Current interest bonds	$ 2,635,000	$ -	$ (220,000)	$ 2,415,000	$ 230,000
Series 2015 school improvement bonds:					
Serial and term bonds	9,035,000	-	(255,000)	8,780,000	260,000
Total long-term obligations	$ 11,670,000	$ -	$ (475,000)	$ 11,195,000	$ 490,000

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

This refunding issue is comprised of both current interest bonds and capital appreciation bonds in the amounts of $3,245,000 and $95,000, respectively. The interest rate on the current interest bonds ranges from 2.00% to 4.60%. The current interest bonds mature on December 1, 2028 and are repaid from the bond retirement fund. The capital appreciation bonds matured on December 1, 2017 (interest rate yield of 3.20%) and December 1, 2018 (interest rate yield of 3.50%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for both capital appreciation bonds is $225,000 each, with $355,000 representing interest that accretes over the term of the bonds. As of June 30, 2020, there is no obligation outstanding related to the capital appreciation bonds.

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

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	General Obligation Current Interest, Serial and Term Bonds Principal	Interest	Total
2021	$ 490,000	$ 404,183	$ 894,183
2022	505,000	387,639	892,639
2023	525,000	370,039	895,039
2024	540,000	352,252	892,252
2025	555,000	333,808	888,808
2026 - 2030	2,775,000	1,341,749	4,116,749
2031 - 2035	1,905,000	915,524	2,820,524
2036 - 2040	2,305,000	506,189	2,811,189
2041 - 2043	1,595,000	87,998	1,682,998
Total	$ 11,195,000	$ 4,699,381	$ 15,894,381

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin deficit of $2,860,608 (including available funds of $1,147,253) and an unvoted debt margin of $79,857. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a “special needs” school district.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the District contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (Note 2.A) for general liability, property, and fleet insurance. Insurance coverage provided includes the following:

Coverage	Insurer	Limits of Coverage	Deductible
Property	Brit Global Specialty	$1,000,000	$250,000 SIR /$5,000
General Liability	Brit Global Specialty	$1,000,000/$3,000,000	$150,000 SIR
Liability, Fleet & Property	Brit Global Specialty		
Occurrence		$1,000,000	
Aggregate		$3,000,000	
Excess Property	Travelers Indemnity company	$350,000,000	
School Board Legal Liability	QBE Specialty Insurance	$1,000,000	$10,000 / $15,000
Excess Liability	Brit Global Specialty	$4,000,000	
Pollution Liability	Ironshore Specialty Insurance Company		
Occurrence		$1,000,000	
Aggregate		$1,000,000	
Pollution Deductible			$25,000
Mold Deductible			$50,000
Cyber Liability /Cyber Deception	Indian Harbor Insurance Company	$2,000,000	$15,000
Boiler & Machinery	Travelers Property Casualty Co. of American	$250,000,000	$3,500

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

B. Workers' Compensation

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

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

C. Medical, Dental, and Life Insurance Benefits

For fiscal year 2020, the District participated in the Shelby County Schools Consortium (the "Consortium"), an insurance purchasing pool (Note 2.A). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the Consortium.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability is disclosed as a commitment and not report on the face of the financial statements as a liability because of the use of the cash basis framework. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit: or 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was $114,207 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 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 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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 fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $313,742 for fiscal year 2020.

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.02433820%	0.01966479%	
Proportion of the net pension liability current measurement date	0.02143150%	0.01940251%	
Change in proportionate share	-0.00290670%	-0.00026228%	
Proportionate share of the net pension liability	$ 1,282,284	$ 4,290,748	$ 5,573,032

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

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

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Discount Rate **-** The total pension liability was calculated using the discount rate of 7.50%. 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%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate **-** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, 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%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	$ 1,796,939	$ 1,282,284	$ 850,682

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	$ 6,270,451	$ 4,290,748	$ 2,614,829

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework. OPEB is a component of exchange transactions–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment 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 2020, this amount was $19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was $12,243.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $12,243 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.02425840%	0.01966479%	
Proportion of the net OPEB liability/asset current measurement date	0.02174360%	0.01940251%	
Change in proportionate share	-0.00251480%	-0.00026228%	
Proportionate share of the net OPEB liability	$ 546,806	$ -	$ 546,806
Proportionate share of the net OPEB asset	$ -	321,352	$ 321,352

Actuarial Assumptions - SERS

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 663,719	$ 546,806	$ 453,846

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 438,102	$ 546,806	$ 691,029

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

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

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

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	$ 274,210	$ 321,352	$ 360,988

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	$ 364,399	$ 321,352	$ 268,631

NOTE 13 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 14 - SET-ASIDES

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

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

	Capital Improvements
Set-aside balance June 30, 2019	$ -
Current year set-aside requirement	93,195
Current year qualifying disbursements	(93,195)
Total	$ -
Balance carried forward to fiscal year 2021	$ -
Set-aside balance June 30, 2020	$ -

During fiscal years 2002 and 2015, the District issued $14,865,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount for future years. The amount presented for prior year offset from debt proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to $0. The District is responsible for tracking the amount of debt proceeds that may be used as an offset in future periods, which was $14,410,449 at June 30, 2020.

NOTE 15 - COMMITMENTS

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

Fund	Year-End Encumbrances
General fund	$ 246,082
Nonmajor governmental funds	20,133
Total	$ 266,215

NOTE 16 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The Village of Jackson Center entered into property tax abatement agreements with local businesses under The Ohio Community Reinvestment Area ("CRA") program. The CRA program is a directive incentive tax exemption program benefiting those who renovate or construct new buildings. Under this program, the Village of Jackson Center designated areas to encourage revitalization and the development of new structures. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by $101,589 during fiscal year 2020.

NOTE 17 - COVID

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The management's discussion and analysis of the Jackson Center Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- In total, net cash position of governmental activities increased $1,048,560 from fiscal year 2018.

- General receipts accounted for $7,179,496 or 81.32% of total cash receipts. Program specific receipts in the form of charges for services and sales and grants and contributions accounted for $1,648,798 or 18.68% of total cash receipts of $8,828,294.

- The District had $7,779,734 in cash disbursements related to governmental activities; $1,648,798 of these cash disbursements were offset by program specific charges for services, grants or contributions. General receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $7,179,496 were adequate to provide for these programs.

- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had $6,818,286 in receipts and $5,736,558 in disbursements and other financing uses. During fiscal year 2019, the general fund's fund cash balance increased $771,484 from $1,323,747 to $2,095,231.

- The bond retirement fund had $1,114,086 in receipts and $922,774 in disbursements. During fiscal year 2019, the bond retirement fund's fund cash balance increased $191,312 from $749,541 to $940,853.

Using the Cash Basis Basic Financial Statements (BFS)

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

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

Reporting the District as a Whole

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at cash basis financial transactions and asks the question, "How did the District do financially during fiscal year 2019?" The statement of net position – cash basis and the statement of activities – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

The District's statement of net position – cash basis and statement of activities – cash basis can be found on pages 60-61 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 56. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The basic governmental fund financial statements can be found on pages 62-64 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position – cash basis on page 65. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 66-98 of this report.

The District as a Whole

The table below provides a summary of the District's net position – cash basis at June 30, 2019 and June 30, 2018.

Net Position

	Governmental Activities 2019	Governmental Activities 2018
Assets		
Equity in pooled cash and investments	$ 3,807,746	$ 2,759,186
Total assets	3,807,746	2,759,186
Net position		
Restricted	1,738,827	1,455,053
Unrestricted	2,068,919	1,304,133
Total net position	$ 3,807,746	$ 2,759,186

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's total net position was $3,807,746.

A portion of the District's net position, $1,738,827, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of $2,068,919 may be used to meet the District's ongoing obligations to its students and creditors.

The table below shows the change in net cash position for fiscal years 2019 and 2018.

Change in Net Position

	Governmental Activities 2019	Governmental Activities 2018
Receipts		
Program receipts:		
Charges for services and sales	$ 923,427	$ 822,353
Operating grants and contributions	567,001	707,503
Capital grants and contributions	158,370	11,017
General receipts:		
Property taxes	2,688,206	2,753,983
Income taxes	908,129	909,430
Grants and entitlements	3,357,921	3,359,264
Investment earnings	41,640	46,496
Miscellaneous	183,600	160,779
Total receipts	8,828,294	8,770,825

- Continued

Change in Net Position (Continued)

	Governmental Activities 2019	Governmental Activities 2018
Disbursements		
Current:		
Instruction:		
Regular	$ 3,190,583	$ 3,161,792
Special	746,917	660,582
Vocational	1,700	430
Adult/continuing	1,903	1,631
Support services:		
Pupil	264,537	269,066
Instructional staff	97,599	96,375
Board of education	21,637	35,866
Administration	437,628	428,322
Fiscal	308,211	284,593
Operations and maintenance	713,052	618,900
Pupil transportation	246,398	240,094
Central	2,861	2,856
Operation of non-instructional services:		
Food service operations	242,367	255,363
Extracurricular activities	230,246	228,458
Facilities acquisition and construction	348,564	6,580,398
Debt service:		
Principal retirement	316,553	320,703
Interest and fiscal charges	426,314	431,204
Accreted interest on CABs	182,664	172,336
Total disbursements	7,779,734	13,788,969
Change in net position	1,048,560	(5,018,144)
Net position at beginning of year	2,759,186	7,777,330
Net position at end of year	$ 3,807,746	$ 2,759,186

Governmental Activities

Net cash position of the District's governmental activities increased $1,048,560. Total governmental disbursements of $7,779,734 were offset by program receipts of $1,648,798 and general receipts of $7,179,496. Program receipts supported 21.20% of the total governmental disbursements.

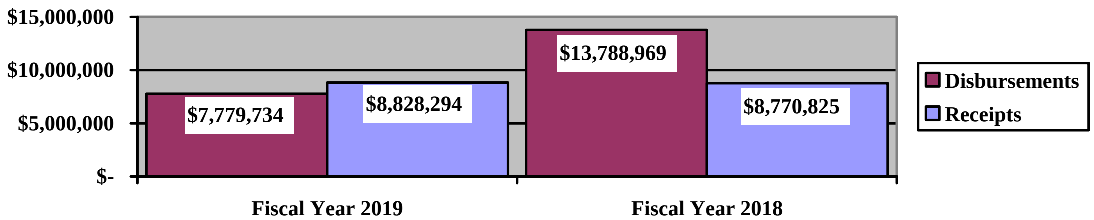
The primary sources of receipts for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These receipt sources represent 78.77% of the total governmental receipts.

The largest disbursement category of the District is instruction activities. Instruction activity disbursements totaled $3,941,103 or 50.66% of total governmental disbursements for fiscal year 2019.

There was a $6,009,235 decrease in disbursement from fiscal year 2018 to fiscal year 2019. This is primarily due to a large amount of spending on facilities acquisitions and construction of the District's new building project that occurred in fiscal year 2018.

The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2019 and 2018.

Governmental Activities - Receipts and Disbursements



The statement of activities – cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2019 and 2018. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general receipts.

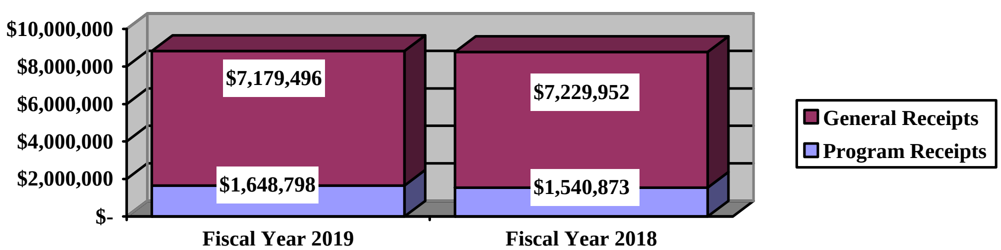
Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Disbursements:				
Instruction:				
Regular	$ 3,190,583	$ 2,415,522	$ 3,161,792	$ 2,516,934
Special	746,917	469,264	660,582	265,834
Vocational	1,700	(4,353)	430	(5,623)
Adult/continuing	1,903	1,903	1,631	1,631
Support services:				
Pupil	264,537	197,944	269,066	115,781
Instructional staff	97,599	97,599	96,375	92,775
Board of education	21,637	17,947	35,866	32,666
Administration	437,628	437,628	428,322	428,322
Fiscal	308,211	308,211	284,593	284,593
Operations and maintenance	713,052	713,052	618,900	618,900
Pupil transportation	246,398	241,762	240,094	236,144
Central	2,861	2,861	2,856	2,856
Operation of non-instructional services:				
Food service operations	242,367	29,963	255,363	46,743
Extracurricular activities	230,246	85,908	228,458	116,916
Facilities acquisition and construction	348,564	190,194	6,580,398	6,569,381
Debt service:				
Principal retirement	316,553	316,553	320,703	320,703
Interest and fiscal charges	426,314	426,314	431,204	431,204
Accreted interest on CABs	182,664	182,664	172,336	172,336
Total disbursements	$ 7,779,734	$ 6,130,936	$ 13,788,969	$ 12,248,096

The dependence upon taxes and other general cash receipts for governmental activities is apparent, as 73.14% of instructional activities are supported through taxes and other general receipts. For all governmental activities, general receipt support is 78.81%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for the District's students.

The graph below presents the District's governmental activities receipts for fiscal years 2019 and 2018.

Governmental Activities - General and Program Receipts



The District's Funds

The District's governmental funds reported a combined fund balance of $3,807,746, which is greater than last year's total fund balance of $2,759,186. The table below indicates the fund balance and the total change in fund balance as of June 30, 2019 and June 30, 2018.

	Fund Balance June 30, 2019	Fund Balance June 30, 2018	Change	Percentage Change
General	$ 2,095,231	$ 1,323,747	$ 771,484	58.28 %
Bond retirement	940,853	749,541	191,312	25.52 %
Nonmajor governmental	771,662	685,898	85,764	12.50 %
Total	$ 3,807,746	$ 2,759,186	$ 1,048,560	38.00 %

General Fund

The District's general fund balance increased $771,484 or 58.28%.

The table that follows assists in illustrating the financial activities and fund balance of the general fund for fiscal years 2019 and 2018.

	2019 Amount	2018 Amount	Change	Percentage Change
Receipts				
Taxes	$ 2,507,363	$ 2,552,750	$ (45,387)	(1.78) %
Tuition	628,930	544,159	84,771	15.58 %
Earnings on investments	2,893	1,923	970	50.44 %
Intergovernmental	3,450,738	3,464,628	(13,890)	(0.40) %
Other receipts	228,362	225,516	2,846	1.26 %
Total	$ 6,818,286	$ 6,788,976	$ 29,310	0.43 %
Disbursements				
Instruction	$ 3,778,454	$ 3,710,220	$ 68,234	1.84 %
Support services	1,968,072	1,809,433	158,639	8.77 %
Extracurricular activities	117,586	118,633	(1,047)	(0.88) %
Facilities acquisition and construction	2,690	-	2,690	100.00 %
Debt service	24,878	24,878	-	- %
Total	$ 5,891,680	$ 5,663,164	$ 228,517	4.04 %

Overall receipts of the general fund increased $29,310 or 0.43% during fiscal year 2019. Intergovernmental receipts decreased by $13,890 or 0.40% due to a decrease in intergovernmental state receipts related to tangible personal property tax loss. Tuition receipts increased 15.58% primarily due to an increase in open enrollment foundation receipts. All other receipt classifications remained comparable to the prior fiscal year.

Overall disbursements of the general fund increased $228,517 or 4.04% during fiscal year 2019. The increases in instruction and support services disbursements can be attributed to an increase in current year wages and benefits. All other disbursement classifications remained comparable to the prior fiscal year.

Bond Retirement Fund

During fiscal year 2019, the bond retirement fund's balance increased $191,312 from $749,541 to $940,853.

General Fund Budgeting Highlights

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

For the general fund, original budgeted receipts of $6,700,000 matched exactly to the final budgeted receipts. The actual receipts for fiscal year 2019 were $6,802,108. This represents a $102,108 increase from the final budgeted amounts.

General fund original and final budgeted disbursements and other financing uses for fiscal year 2019 were $6,631,359. The actual disbursements and other financing uses for fiscal year 2019 totaled $6,173,830, which were $457,529 lower than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. The District had facilities acquisition and construction cash disbursements of $348,564 during fiscal year 2019.

Debt Administration

At June 30, 2019, the District had $9,035,000 in capital improvement bonds and $2,635,000 in current interest bonds. Of this total, $475,000 is due within one year and $11,195,000 is due in more than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2019	Governmental Activities 2018
Capital improvement bonds	$ 9,035,000	$ 9,285,000
Current interest bonds	2,635,000	2,635,000
Capital appreciation bonds	-	42,336
Accreted interest	-	159,419
Capital lease obligations	-	24,217
Total	$ 11,670,000	$ 12,145,972

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

Current Financial Related Activities

The District's financial status was solid in fiscal year 2019, as the 2nd year following completion of a new building project saw revenues outpace expenditures. The financial outlook is projected to continue improvement over the course of the current five-year forecast. As the preceding information shows, the District relies heavily upon property taxes to fund operations but has diversified through the passage of a 1.0% earned income tax (EIT), which took effect on January 1, 2010, and another 0.5% EIT, which took effect on January 1, 2014. The 0.5% EIT was in effect for a 5-year limit, but in May of 2018, voters aggressively approved to change this to a continuing status, making the total % of continuing EIT collected by the district, 1.5%

The District allowed a 7.5 mill, five-year limited property tax to roll off when this EIT began. The District is now, essentially, at the 20-mill floor. A loss of State funding, particularly over $200,000 in a two-year period from the reduction of TPP Hold Harmless Payments, along with other State budget challenges at that time, were the main reasons for the additional 0.5% EIT. Within the state's biennial budget, Tangible Personal Property, Hold Harmless payments are scheduled for total elimination following the 2020 fiscal year. The previous biennial budget strengthened assistance to the District, buoyed mainly by 1 of 3 new components, which supplements districts who generate less than the state average for 1 mill. The biennial budget for fiscal years 2018 and 2019 contained small reductions in funding to the district, but most, if not all of those reductions were offset by the growth in enrollment over the past few years.

Fiscal year 2020 is estimated for a slight decline in real estate receipts after the 2nd straight year of devaluation in the district. The previous year was the first devaluation in nearly 10 years. Agriculture has steadily grown to make up over 40% of the District's valuation. Additionally, a local business' abatement has ended (Plastipak), and instead of payments in lieu of taxes, real tax receipts will be realized, while two other businesses have grown through building expansion (Airstream) and a new building (EMI). In August of 2018, Airstream Corp. broke ground on a $40 million expansion and it is tentatively scheduled to open in late 2019 or early 2020. The village of Jackson Center has seen an impressive bounce back in business since the recession ended nearly 10 years ago.

The District passed an 8.3 mill Building Levy in November of 2014 and passed a renewal of its 1.0 mill Permanent Improvement Levy in May of 2015. Groundbreaking for the $17 million K-8 building occurred in late spring of 2016 and the new building opened in August of 2017. Additional renovations were completed around November 2017. A new, 2-year contract maintains provides an approximate 4.1% & 4.0% increase to teaching staff, 3.25% and 3.0% to classified staff and 3.0% & 3.0% to Administrators. Jackson Center's current approach does not have hidden increases via steps and pay rates other schools maintain and, would appear, unsustainable. In those cases, most schools will publicly state a "base increase" of a certain % but incur a higher actual cost because of the use of traditional salary schedules where increases are driven as much by each rate associated with the next step (year) than the quoted "base increase."

The District's enrollment remained relatively unchanged when looked at over several years, until the last two years of increase. The District's academic test results have been strong but leveled off the last couple of years before another tick up in 2019 – when defined by the performance index.

The Board of Education has remained engaged in managing costs, with a focus on salaries and benefits. This focus, along with aforementioned manpower management, has resulted in a 10-year period where total salary cost has grown a total of 2.5%, or .25%/year for 10 years. This culminated in fiscal year 2018 disbursements being significantly outpaced by receipts when the building project expenditures are taken out of the equation.

A newer housing development in the area continues to grow and fill, with around 15 new homes built. It is unclear as to whether this development will continue, but vacant houses have recently declined in the area, which is a positive sign. Another housing development of 15 or so larger lots is completed with new construction of 2 homes begun with 2 more beginning.

In conclusion, the District will remain focused on managing costs, while the five-year forecast has receipts outpacing disbursements in all fiscal years. The District is strong in nearly all aspects of operations and should remain in growing trend with regard to bank and general fund carryover balances.

Contacting the District's Financial Management

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

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and investments	$ 3,807,746
Total assets	3,807,746
Net position:	
Restricted for:	
Capital projects	586,165
Classroom facilities maintenance	98,768
Debt service	940,853
Locally funded programs	41,696
State funded programs	485
Student activities	56,439
Other purposes	14,421
Unrestricted	2,068,919
Total net position	$ 3,807,746

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Position
	Cash Disbursements	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental activities:					
Instruction:					
Regular	$ 3,190,583	$ 655,560	$ 119,501	$ -	$ (2,415,522)
Special	746,917	2,624	275,029	-	(469,264)
Vocational	1,700	-	6,053	-	4,353
Adult/continuing	1,903	-	-	-	(1,903)
Support services:					
Pupil	264,537	-	66,593	-	(197,944)
Instructional staff	97,599	-	-	-	(97,599)
Board of education	21,637	-	3,690	-	(17,947)
Administration	437,628	-	-	-	(437,628)
Fiscal	308,211	-	-	-	(308,211)
Operations and maintenance	713,052	-	-	-	(713,052)
Pupil transportation	246,398	-	4,636	-	(241,762)
Central	2,861	-	-	-	(2,861)
Operation of non-instructional services:					
Food service operations	242,367	123,341	89,063	-	(29,963)
Extracurricular activities	230,246	141,902	2,436	-	(85,908)
Facilities acquisition and construction	348,564	-	-	158,370	(190,194)
Debt service:					
Principal retirement	316,553	-	-	-	(316,553)
Interest and fiscal charges	426,314	-	-	-	(426,314)
Accreted interest on CABs	182,664	-	-	-	(182,664)
Totals	$ 7,779,734	$ 923,427	$ 567,001	$ 158,370	(6,130,936)

General receipts:	
Property taxes levied for:	
General purposes	1,599,234
Debt service	1,002,883
Capital outlay	53,759
Special revenue	32,330
Income taxes levied for:	
general purposes	908,129
Grants and entitlements not restricted to specific programs	3,357,921
Investment earnings	41,640
Miscellaneous	183,600
Total general receipts	7,179,496
Change in net position	1,048,560
Net position at beginning of year	2,759,186
Net position at end of year	$ 3,807,746

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments.	$ 2,095,231	$ 940,853	$ 771,662	$ 3,807,746
Total assets	$ 2,095,231	$ 940,853	$ 771,662	$ 3,807,746
Fund balances:				
Restricted:				
Debt service	$ -	$ 940,853	$ -	$ 940,853
Capital improvements	-	-	586,165	586,165
Classroom facilities maintenance	-	-	98,768	98,768
Food service operations	-	-	14,421	14,421
Extracurricular.	-	-	56,439	56,439
Other purposes.	-	-	42,181	42,181
Committed:				
Other purposes.	-	-	5,085	5,085
Assigned:				
Student instruction	34,055	-	-	34,055
Student and staff support.	113,850	-	-	113,850
Extracurricular activities	189	-	-	189
Other purposes.	1,869	-	-	1,869
Unassigned (deficit)	1,945,268	-	(31,397)	1,913,871
Total fund balances	$ 2,095,231	$ 940,853	$ 771,662	$ 3,807,746

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Receipts:				
From local sources:				
Property taxes	$ 1,599,234	$ 1,002,883	$ 86,089	$ 2,688,206
Income taxes	908,129	-	-	908,129
Tuition	628,930	-	-	628,930
Earnings on investments	2,893	-	38,747	41,640
Charges for services	-	-	123,341	123,341
Extracurricular	16,178	-	125,724	141,902
Classroom materials and fees	29,254	-	-	29,254
Contributions and donations	22,800	-	34,865	57,665
Other local receipts	160,130	-	5,254	165,384
Intergovernmental - intermediate	-	-	39,105	39,105
Intergovernmental - state	3,393,871	111,203	128,009	3,633,083
Intergovernmental - federal	56,867	-	314,788	371,655
Total receipts	6,818,286	1,114,086	895,922	8,828,294
Disbursements:				
Current:				
Instruction:				
Regular	3,125,258	-	65,325	3,190,583
Special	649,593	-	97,324	746,917
Vocational	1,700	-	-	1,700
Adult/continuing	1,903	-	-	1,903
Support services:				
Pupil	189,765	-	74,772	264,537
Instructional staff	97,599	-	-	97,599
Board of education	18,437	-	3,200	21,637
Administration	437,628	-	-	437,628
Fiscal	284,160	22,121	1,930	308,211
Operations and maintenance	691,224	-	21,828	713,052
Pupil transportation	246,398	-	-	246,398
Central	2,861	-	-	2,861
Operation of non-instructional services:				
Food service operations	-	-	242,367	242,367
Extracurricular activities	117,586	-	112,660	230,246
Facilities acquisition and construction	2,690	-	345,874	348,564
Debt service:				
Principal retirement	24,217	292,336	-	316,553
Interest and fiscal charges	661	425,653	-	426,314
Accreted interest on CABs	-	182,664	-	182,664
Total disbursements	5,891,680	922,774	965,280	7,779,734
Excess of receipts over/(under) disbursements	926,606	191,312	(69,358)	1,048,560
Other financing sources (uses):				
Transfers in	-	-	232,242	232,242
Transfers (out)	(155,122)	-	(77,120)	(232,242)
Total other financing sources (uses)	(155,122)	-	155,122	-
Net change in fund balances	771,484	191,312	85,764	1,048,560
Fund balances at beginning of year	1,323,747	749,541	685,898	2,759,186
Fund balances at end year	$ 2,095,231	$ 940,853	$ 771,662	$ 3,807,746

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	**Final**	**Actual**	
Receipts:				
From local sources:				
Property taxes	$ 1,604,746	$ 1,604,746	$ 1,599,234	$ (5,512)
Income taxes	911,259	911,259	908,129	(3,130)
Tuition	631,098	631,098	628,930	(2,168)
Earnings on investments	2,903	2,903	2,893	(10)
Classroom materials and fees	29,355	29,355	29,254	(101)
Contributions and donations	22,879	22,879	22,800	(79)
Contract services	(70)	(70)	-	70
Other local receipts	160,752	160,752	160,130	(622)
Intergovernmental - state	3,280,015	3,280,015	3,393,871	113,856
Intergovernmental - federal	57,063	57,063	56,867	(196)
Total receipts	6,700,000	6,700,000	6,802,108	102,108
Disbursements:				
Current:				
Instruction:				
Regular	3,490,216	3,490,216	3,183,555	306,661
Special	712,863	712,863	650,229	62,634
Vocational	1,864	1,864	1,700	164
Adult/continuing	2,086	2,086	1,903	183
Support services:				
Pupil	210,764	210,764	192,246	18,518
Instructional staff	110,242	110,242	100,556	9,686
Board of education	26,408	26,408	24,088	2,320
Administration	486,248	486,248	443,525	42,723
Fiscal	320,119	320,119	291,992	28,127
Operations and maintenance	831,768	831,768	758,686	73,082
Pupil transportation	285,569	285,569	260,478	25,091
Central	3,137	3,137	2,861	276
Extracurricular activities	114,236	114,236	104,199	10,037
Facilities acquisition and construction	2,949	2,949	2,690	259
Total disbursements	6,598,469	6,598,469	6,018,708	579,761
Excess of receipts over disbursements	101,531	101,531	783,400	681,869
Other financing uses:				
Transfers (out)	(32,890)	(32,890)	(155,122)	(122,232)
Total other financing uses	(32,890)	(32,890)	(155,122)	(122,232)
Net change in fund balance	68,641	68,641	628,278	559,637
Unencumbered fund balance beginning of year	1,185,631	1,185,631	1,185,631	-
Prior year encumbrances appropriated	131,359	131,359	131,359	-
Unencumbered fund balance at end of year	$ 1,385,631	$ 1,385,631	$ 1,945,268	$ 559,637

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2019

	Agency
Assets:	
Equity in pooled cash	
and investments	$ 95,696
Total assets	$ 95,696
Net position:	
Held for student activities	$ 95,696
Total net position	$ 95,696

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Jackson Center Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The District operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the District's two instructional/support facilities staffed by 23 non-certified employees, 44 certified full-time teaching personnel, and 3 administrative employees who provide services to 476 students and other community members.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization (WOCO)
WOCO is a council of governments composed of 29 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports WOCO based upon a per-pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months financial contributions. WOCO is governed by a Board of Directors consisting of Superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO, as the residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. The District paid $35,804 to WOCO during fiscal year 2019. Financial information is available from Donn Walls, who serves as Administrator, at 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council (SOEPC)
The SOEPC is a purchasing cooperative made up of over 200 school districts in southwest Ohio. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

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

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

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

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

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

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

<u>Shelby County Local Professional Development Committee (Committee)</u>
The District is a participant in the Committee, which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is an association of public-school districts within the boundaries of Shelby County.

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

INSURANCE PURCHASING POOLS

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

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

Each school district pays monthly premiums to the providers Anthem and Community National Assurance Company. Effective January 1, 2018, the consortium moved to the Jefferson Health Plan for health/surgical and dental. The Consortium is governed by an Administrative Committee, consisting of the Superintendent from each participating school district.

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

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

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

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

B. Basis of Accounting

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

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

FIDUCIARY FUNDS

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

D. Basis of Presentation

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

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

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

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

E. Budgetary Process

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

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

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

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

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

F. Cash and Investments

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

During fiscal year 2019, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Treasury notes, U.S. Government money market funds, Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB) and negotiable certificates of deposit. In accordance with the cash basis of accounting, with the exception of STAR Ohio, all District investments are reported at cost.

During fiscal year 2019, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, 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 $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. Interest receipts credited to the general fund during fiscal year 2019 amounted to $2,893, which includes $1,163 assigned from other funds.

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

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

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

G. Capital Assets

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

H. Unpaid Vacation Leave and Sick Leave

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

I. Long-Term Obligations

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

J. Fund Cash Balance

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

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

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

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

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

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

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

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

K. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District did not have any net cash position restricted by enabling legislation at June 30, 2019. Net cash position restricted for other purposes includes amounts restricted for food service operations. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available.

L. Inventory and Prepaid Items

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

M. Pensions/Other Postemployment Benefits (OPEB)

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

N. Interfund Balances

On the fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the statement of activities. The District had no interfund advance activity to report during fiscal year 2019.

O. Interfund Activity

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

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the District has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*" and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

B. Compliance

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

ii. Certain District disbursements were in excess of appropriations, contrary to Ohio Revised Code Section 5705.41(B).

iii. The District did not properly modify its appropriations, contrary to Ohio Revised Code Section 5705.40.

C. Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficits:

Nonmajor funds	Deficit
Race to the top	$ 1
IDEA Part - B	13,980
Title I	17,416

The general fund is liable for any deficit in these funds and provides transfers when cash is required.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and within certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);

8. Certain banker’s acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time if training requirements have been met; and,

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At June 30, 2019, the District had $150 in undeposited cash on hand, which is included on the basic financial statements of the District as part of “equity in pooled cash and investments.”

B. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all District deposits was $2,054,308 and the bank balance of all District deposits was $2,228,925. Of the bank balance, $661,199 was covered by the FDIC and $1,567,726 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2019, the District’s financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

At June 30, 2019, the District had the following investments and maturities:

		Investment Maturities		
Investment Type	Carrying Value	6 Months or Less	7 to 12 Months	Greater than 24 Months
Negotiable CD	$ 161,516	$ -	$ -	$ 161,516
U.S. Treasury note	529,400	411,027	118,373	-
FNMA	98,942	98,942	-	-
FHLB	159,495	99,495	-	60,000
FHLMC	184,728	89,728	-	95,000
FFCB	59,802	-	-	59,802
U.S. government money market	275,275	275,275	-	-
STAR Ohio	379,826	379,826	-	-
Total	$ 1,848,984	$ 1,354,293	$ 118,373	$ 376,318

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

Credit Risk: Standard & Poor's has assigned the U.S. Government money market funds an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAAm by Standard & Poor's. The District's investments in a U.S. Treasury Note and federal agency securities are rated AA+ and Aaa by Standard and Poor's and Moody's Investor Services, respectively. The District's negotiable certificates of deposit are not rated. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2019:

Investment Type	Carrying Value	% to Total
Negotiable CD	$ 161,516	8.74
U.S. Treasury note	529,400	28.63
FNMA	98,942	5.35
FHLB	159,495	8.63
FHLMC	184,728	9.99
FFCB	59,802	3.23
U.S. Government Money Market	275,275	14.89
STAR Ohio	379,826	20.54
Total	$ 1,848,984	100.00

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2019:

Cash and investments per note disclosure	
Carrying amount of deposits	$ 2,054,308
Investments	1,848,984
Cash on hand	150
Total	$ 3,903,442
Cash and investments per statement of net position	
Governmental activities	$ 3,807,746
Agency fund	95,696
Total	$ 3,903,442

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

(a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a cash disbursement, as opposed to assigned, committed, or restricted fund cash balance for that portion of outstanding encumbrances (cash basis); and,

(b) Some funds are included in the general fund (cash basis) but have separate legally adopted budgets (budget basis).

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Cash Balance

	General fund
Budget basis	$ 628,278
Funds budgeted elsewhere	2,602
Adjustment for encumbrances	140,604
Cash basis	$ 771,484

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

NOTE 6 - INTERFUND TRANSACTIONS

Interfund transfers during fiscal year 2019 consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	Amount
Nonmajor governmental fund	$ 155,122

Transfers to nonmajor governmental fund from:	Amount
Nonmajor governmental fund	$ 77,120

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

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

In fiscal year 2019, the District transferred $77,120 from the classroom facilities fund, a nonmajor governmental fund, to the building fund, another nonmajor governmental fund, to move money in accordance with Ohio Facilities Construction Commission (OFCC) approval.

NOTE 7 - PROPERTY TAXES

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

NOTE 7 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax receipts received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Shelby, Auglaize, and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2019, are available to finance fiscal year 2019 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 76,751,420	96.16	$ 76,165,910	96.00
Public utility personal	3,062,570	3.84	3,175,340	4.00
Total	$ 79,813,990	100.00	$ 79,341,250	100.00
Tax rate per $1,000 of assessed valuation	$ 54.00		$ 53.80	

NOTE 8 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. The tax became effective on January 1, 2010 and is a continuing tax. An additional tax of 0.50 percent was passed by the voters for a period of five years beginning January 1, 2014. In May 2018, the District renewed the 0.50 percent levy on a continuing basis, which became effective January 1, 2019. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts in the amount of $908,129 were credited to the general fund in fiscal year 2019.

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2019, the following changes occurred in the District's long-term obligations:

	Balance Outstanding July 1, 2018	Additions	Reductions	Balance Outstanding June 30, 2019	Amounts Due in One Year
Governmental activities:					
Series 2011 refunding bonds:					
Current interest bonds	$ 2,635,000	$ -	$ -	$ 2,635,000	$ 220,000
Capital appreciation bonds	42,336	-	(42,336)	-	-
Accreted interest	159,419	23,245	(182,664)	-	-
Series 2015 school improvement bonds:					
Serial and term bonds	9,285,000	-	(250,000)	9,035,000	255,000
Capital lease obligations	24,217	-	(24,217)	-	-
Total long-term obligations	$ 12,145,972	$ 23,245	$ (499,217)	$ 11,670,000	$ 475,000

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

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

This refunding issue is comprised of both current interest bonds and capital appreciation bonds in the amounts of $3,245,000 and $95,000, respectively. The interest rate on the current interest bonds ranges from 2.00% to 4.60%. The current interest bonds mature on December 1, 2028 and are repaid from the bond retirement fund. The capital appreciation bonds matured on December 1, 2017 (interest rate yield of 3.20%) and December 1, 2018 (interest rate yield of 3.50%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for both capital appreciation bonds is $225,000 each, with $355,000 representing interest that accretes over the term of the bonds. As of June 30, 2019, there is no obligation outstanding related to the capital appreciation bonds.

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

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	General Obligation Current Interest, Serial, and Term Bonds Principal	Interest	Total
2020	$ 475,000	$ 418,015	$ 893,015
2021	490,000	404,183	894,183
2022	505,000	387,639	892,639
2023	525,000	370,039	895,039
2024	540,000	352,252	892,252
2025 - 2029	2,990,000	1,451,119	4,441,119
2030 - 2034	1,835,000	987,700	2,822,700
2035 - 2039	2,220,000	591,661	2,811,661
2040 - 2043	2,090,000	154,788	2,244,788
Total	$ 11,670,000	$ 5,117,396	$ 16,787,396

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of $(3,588,525) (including available funds of $940,853) and an unvoted debt margin of $79,340. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a “special needs” school district.

NOTE 10 - CAPITAL LEASES

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

Principal and interest payments in fiscal year 2019 totaled $24,217 and $661, respectively, and were paid by the general fund. As of June 30, 2019, the District has no obligation outstanding related to capital leases.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the District contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (Note 2.A) for general liability, property, and fleet insurance. Insurance coverage provided includes the following:

Coverage	Insurer	Limits of Coverage	Deductible
Property	Brit Global Specialty	$1,000,000	$5,000
General Liability	Brit Global Specialty	$1,000,000/$3,000,000	
Liability, Fleet & Property	Brit Global Specialty		
Occurrence		$1,000,000	
Aggregate		$3,000,000	
Excess Property	Travelers Indemnity company	$350,000,000	
School Board Legal Liability	QBE Specialty Insurance	$1,000,000	$10,000 / $15,000
Excess Liability	Brit Global Specialty	$5,000,000	
Pollution Liability	Ironshore Specialty Insurance Company		
Occurrence		$1,000,000	
Aggregate		$1,000,000	
Pollution Deductible			$25,000
Mold Deductible			$50,000
Cyber Liability /Cyber Deception	Indian Harbor Insurance Company	$2,000,000	$15,000
Boiler & Machinery	Travelers Property Casualty Co. of American	$250,000,000	$3,500

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

B. Workers' Compensation

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

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

C. Medical, Dental, and Life Insurance Benefits

For fiscal year 2019, the District participated in the Shelby County Schools Consortium (the "Consortium"), an insurance purchasing pool (Note 2.A). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the Consortium.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability is disclosed as a commitment and not report on the face of the financial statements as a liability because of the use of the cash basis framework. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit: or 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above of below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $108,746 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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 fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $314,127 for fiscal year 2019.

Net Pension Liability

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.02146350%	0.01921329%	
Proportion of the net pension liability current measurement date	0.02433820%	0.01966479%	
Change in proportionate share	0.00287470%	0.00045150%	
Proportionate share of the net pension liability	$ 1,393,894	$ 4,323,846	$ 5,717,740

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. 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%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, 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%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 1,963,405	$ 1,393,894	$ 916,397

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$ 6,314,408	$ 4,323,846	$ 2,639,105

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability is disclosed as a commitment and not report on the face of the financial statements as a liability because of the use of the cash basis framework. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% 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 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was $11,184.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $15,212 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.02168170%	0.01921329%	
Proportion of the net OPEB liability/asset current measurement date	0.02425840%	0.01966479%	
Change in proportionate share	0.00257670%	0.00045150%	
Proportionate share of the net OPEB liability	$ 672,994	$ -	$ 672,994
Proportionate share of the net OPEB asset	$ -	$ 315,993	$ 315,993

Actuarial Assumptions - SERS

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

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

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

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

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

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate **-** The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates **-** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 3.75%) and higher (8.5% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	$ 816,625	$ 672,994	$ 559,265

	1% Decrease (6.5 % decreasing to 3.75 %)	Current Trend Rate (7.5 % decreasing to 4.75 %)	1% Increase (8.5 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	$ 542,982	$ 672,994	$ 845,152

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018		July 1, 2017
Inflation	2.50%		2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation
Payroll increases	3.00%		3.00%
Cost-of-living adjustments (COLA)	0.00%		0.00%, effective July 1, 2017
Discounted rate of return	7.45%		N/A
Blended discount rate of return	N/A		4.13%
Health care cost trends			6 to 11% initial, 4.50% ultimate
	Initial	Ultimate	
Medical			
Pre-Medicare	6.00%	4.00%	
Medicare	5.00%	4.00%	
Prescription Drug			
Pre-Medicare	8.00%	4.00%	
Medicare	-5.23%	4.00%	

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower 6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	$ 270,836	$ 315,993	$ 353,946

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	$ 351,803	$ 315,993	$ 279,625

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 15 - SET-ASIDES

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

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

	Capital Improvements
Set-aside balance June 30, 2018	$ -
Current year set-aside requirement	93,891
Current year qualifying disbursements	(197,261)
Total	$ (103,370)
Balance carried forward to fiscal year 2020	$ -
Set-aside balance June 30, 2019	$ -

During fiscal years 2002 and 2015, the District issued $14,865,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount for future years. The amount presented for prior year offset from debt proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to $0. The District is responsible for tracking the amount of debt proceeds that may be used as an offset in future periods, which was $14,410,449 at June 30, 2019.

NOTE 16 - COMMITMENTS

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

Fund	Year End Encumbrances
General fund	$ 142,033
Nonmajor governmental funds	85,084
Total	$ 227,117

NOTE 17 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The Village of Jackson Center entered into property tax abatement agreements with local businesses under The Ohio Community Reinvestment Area ("CRA") program. The CRA program is a directive incentive tax exemption program benefiting those who renovate or construct new buildings. Under this program, the Village of Jackson Center designated areas to encourage revitalization and the development of new structures. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by $96,394 during fiscal year 2019.

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Independent Auditor's 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*

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

To the Board of Education:

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County, Ohio, as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Jackson Center Local School District's basic financial statements, and have issued our report thereon dated November 30, 2020, wherein we noted as described in Note 3 to the financial statements for the fiscal year ending June 30, 2020, the Jackson Center Local School District adopted GASBS No. 84, *Fiduciary Activities*. Furthermore, as described in Note 17 to the financial statements for the fiscal year ending June 30, 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods. We also noted the Jackson Center Local School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Jackson Center Local School District's internal control over financial reporting (internal control) as a basis for designing 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 Jackson Center Local School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jackson Center Local School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in the internal control that we consider to be material weaknesses and a significant deficiency.

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 Jackson Center Local School District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-002 and 2020-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of finding and responses as item 2020-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jackson Center Local School 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 financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-001 through 2020-003.

Jackson Center Local School District's Responses to Findings

The Jackson Center Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Jackson Center Local School 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 Jackson Center Local School 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 Jackson Center Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Julian & Grube, Inc.

Julian & Grube, Inc.
November 30, 2020

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020 AND 2019

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2020-001

Noncompliance:

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

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

Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

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

Client Response: The decision to prepare cash basis financial statements is a decision the Board of Education believes to be in the best interest of the District. The Board evaluated the cost-benefit relationship of preparing GAAP statements for the fiscal years ended June 30, 2020 & 2019 and made the decision that the significant dollars saved, outweighed the benefit received.

Finding Number	2020-002

Material Weakness/Noncompliance:

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

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020 AND 2019

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2020-002 - (Continued)

The District had disbursements plus current year encumbrances exceeding appropriations plus prior year encumbrances in the following funds for the fiscal year ended June 30, 2020:

Governmental Fund	Appropriations	Disbursements	Excess
Food Services (Nonmajor)	$250,000	$258,227	$8,226
Special Trust (Nonmajor)	$0	$1,869	$1,869
Public School (Nonmajor)	$15,000	$22,072	$7,073
Other Grants (Nonmajor)	$34,000	$40,443	$6,443
Education Foundation (Nonmajor)	$0	$6,400	$6,400
Student Managed Student Activity (Nonmajor)	$76,000	$80,073	$4,074
Data Communication (Nonmajor)	$1,800	$3,600	$1,800
Student Wellness and Success (Nonmajor)	$0	$138,278	$138,278
Title I, Disadvantaged Children (Nonmajor)	$68,927	$73,171	$4,243

The District had disbursements plus current year encumbrances exceeding appropriations plus prior year encumbrances in the following funds for the fiscal year ended June 30, 2019:

Governmental Fund	Appropriations	Disbursements	Excess
Permanent Improvement (Nonmajor)	$318,981	$357,981	$39,000
Building (Nonmajor)	$7,394	$85,955	$78,561
Public School (Nonmajor)	$14,100	$15,005	$905
Other Grants (Nonmajor)	$2,500	$37,451	$34,951
Education Foundation (Nonmajor)	$2,500	$6,400	$3,900
District Managed Student Activity (Nonmajor)	$115,000	$119,619	$4,619
Improving Teacher Quality (Nonmajor)	$0	$7,843	$7,843

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

We recommend the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring disbursements, so they do not exceed lawful appropriations and amending the budget prior to year-end. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

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

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2020-003

Material Weakness/Noncompliance:

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

The District did not properly modify its appropriations throughout the fiscal years ended June 30, 2020 and 2019.

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

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

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

Finding Number	2020-004

Significant Deficiency – Financial Statement Presentation:

In our engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial Statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Certain adjustments were recorded to the financial statements for fiscal years 2020 and 2019 to properly state intergovernmental receipts.

Sound financial reporting is the responsibility of management and the Board of Education and is essential to ensure information provided to readers of the financial statements is complete and accurate. A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to a misrepresentation of the District's activity.

We recommend the District implement additional control procedures that enable management to more timely prevent or detect and correct potential misstatements in the basic financial statements prior to filing them on the Hinkle system.

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

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020 AND 2019

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2018-001	2007	Noncompliance - Ohio Admin. Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.	Not Corrected	Repeated as finding 2020-001 as financial statements were prepared on a cash basis.
2018-002	2018	Noncompliance - Ohio Revised Code Section 5705.36, in part requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination that revenue to be collected will be greater or less than the amount in the last certified amended certificate. However, the District had appropriations in excess of its estimated resources, indicating it did not timely amend certificates through the year.	Partially Corrected	Corrective action taken in fiscal year 2020. Finding is reissued in Management Letter for fiscal year 2019.
2018-003	2018	Noncompliance - Ohio Revised Code Section 5705.39, in part requires that a subdivision's total appropriations from each fund should not exceed total estimated resources. However, the District had total appropriations exceeding total estimated resources in a certain fund.	Partially Corrected	Corrective action taken in fiscal year 2020. Finding is reissued in Management Letter for fiscal year 2019.
2018-004	2018	Noncompliance - Ohio Revised Code Section 5705.36(A)(4) states that upon determination that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the Budget Commission, and the Budget Commission shall certify an amended certificate reflecting the deficiency. However, the District had appropriations in excess of actual resources, which consists of actual revenues and beginning unencumbered fund balance, in a certain fund.	Partially Corrected	Finding is reissued in Management Letter for fiscal years 2020 and 2019.

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2018-005	2018	Noncompliance - Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. However, the District had disbursements exceeding appropriations in certain funds.	Not Corrected	Repeated as finding 2020-002 as several funds had disbursements exceeding appropriations for fiscal years 2020 and 2019.
2018-006	2018	Noncompliance - Ohio Revised Code Section 5705.40 requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations. However, the District did not properly modify its appropriations.	Not Corrected	Repeated as finding 2020-003 as appropriations were not properly modified for fiscal years 2020 and 2019.

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OHIO AUDITOR OF STATE
KEITH FABER

JACKSON CENTER LOCAL SCHOOL DISTRICT

SHELBY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 2/4/2021

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