



OHIO AUDITOR OF STATE
KEITH FABER



**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Jackson City School District
Jackson County
450 Vaughn Street
Jackson, Ohio 45640

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2020, and the respective changes in modified cash financial position for the year then ended in accordance with the accounting basis described in Note 1.

Accounting Basis

Ohio Administrative Code 117-2-03(B) requires the 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 1 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during 2020, the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Also, as discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding these matters.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2021, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, stylized "K" and "F".

Keith Faber
Auditor of State
Columbus, Ohio

August 10, 2021

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Jackson City School District
 Jackson County, Ohio
 Statement of Net Position - Modified Cash Basis
 June 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 16,672,215
Cash and cash equivalents with fiscal agent	1,670,677
Total Assets	\$ 18,342,892
Net Position:	
Restricted for:	
Local grant programs	\$ 19,861
State grant programs	192,430
Food service operations	232,112
Music and athletic programs	154,696
Student enrichment programs	337,927
Elementary student development programs	2,823,888
Debt service	1,925,168
Capital improvements	376,558
Classroom facilities	475,403
Student field of interest activities	1,670,677
Endowments:	
Expendable	56,566
Nonexpendable	165,476
Unrestricted	9,912,130
Total Net Position	\$ 18,342,892

See accompanying notes to the basic financial statements.

Jackson City School District
 Jackson County, Ohio
 Statement of Activities - Modified Cash Basis
 For the Fiscal Year Ended June 30, 2020

		Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	\$ 11,085,011	\$ 1,900,748	\$ 337,611	\$ -	\$ (8,846,652)
Special	7,506,075	147,959	3,043,459	-	(4,314,657)
Support Services:					
Pupils	813,609	-	-	-	(813,609)
Instructional staff	520,622	-	-	-	(520,622)
Board of education	25,795	-	-	-	(25,795)
Administration	1,931,935	-	-	-	(1,931,935)
Fiscal	701,041	-	-	-	(701,041)
Business	73,724	-	-	-	(73,724)
Operation and maintenance of plant	3,147,955	3,276	41,541	-	(3,103,138)
Pupil transportation	1,730,445	-	-	-	(1,730,445)
Central	61,236	-	-	-	(61,236)
Operation of non-instructional services	1,213,634	323,035	719,894	-	(170,705)
Extracurricular activities	947,020	515,034	17,123	5,840	(409,023)
Debt Service:					
Principal	237,257	-	-	-	(237,257)
Interest	251,210	-	-	-	(251,210)
CAB Accretion	706,743	-	-	-	(706,743)
Total	\$ 30,953,312	\$ 2,890,052	\$ 4,159,628	\$ 5,840	(23,897,792)
General Receipts:					
Property Taxes Levied for:					
General purposes					5,854,691
Debt service					1,074,884
Capital projects					640,918
Grants and entitlements not restricted to specific programs					14,935,616
Investment earnings					161,117
Miscellaneous					83,071
Total General Receipts					22,750,297
Change in Net Position					(1,147,495)
Net Position, Beginning of Year - Restated					19,490,387
Net Position, End of Year					\$ 18,342,892

See accompanying notes to the basic financial statements.

Jackson City School District
Jackson County, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Bond Retirement</u>	<u>Jones Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 8,934,173	\$ 1,925,168	\$ 2,823,888	\$ 2,988,986	\$ 16,672,215
Cash and cash equivalents with fiscal agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,670,677</u>	<u>1,670,677</u>
Total Assets	<u>\$ 8,934,173</u>	<u>\$ 1,925,168</u>	<u>\$ 2,823,888</u>	<u>\$ 4,659,663</u>	<u>\$ 18,342,892</u>
Fund Balances:					
Nonspendable:					
Endowments	\$ -	\$ -	\$ -	\$ 165,476	\$ 165,476
Restricted for:					
Local grant programs	-	-	-	19,861	19,861
State grant programs	-	-	-	192,430	192,430
Food service operations	-	-	-	232,112	232,112
Music and athletic programs	-	-	-	163,957	163,957
Student enrichment programs	-	-	-	385,232	385,232
Elementary student development programs	-	-	2,823,888	-	2,823,888
Debt service	-	1,925,168	-	-	1,925,168
Capital improvements	-	-	-	376,558	376,558
Classroom facilities	-	-	-	475,403	475,403
Student field of interest activities	-	-	-	1,670,677	1,670,677
Committed for:					
Employee benefits	526,259	-	-	-	526,259
Future severance payments	239,812	-	-	-	239,812
Capital improvements	-	-	-	691,980	691,980
Athletic facility equipment	-	-	-	452,827	452,827
Educational equipment	-	-	-	16,850	16,850
Assigned for:					
School support activities	344,708	-	-	-	344,708
Purchases on order	661,750	-	-	-	661,750
Unassigned	<u>7,161,644</u>	<u>-</u>	<u>-</u>	<u>(183,700)</u>	<u>6,977,944</u>
Total Fund Balances	<u>\$ 8,934,173</u>	<u>\$ 1,925,168</u>	<u>\$ 2,823,888</u>	<u>\$ 4,659,663</u>	<u>\$ 18,342,892</u>

See accompanying notes to the basic financial statements.

Jackson City School District
Jackson County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Bond Retirement	Jones Trust	Other Governmental Funds	Total Governmental Funds
Receipts:					
Taxes	\$ 5,854,691	\$ 1,074,884	\$ -	\$ 640,918	\$ 7,570,493
Intergovernmental	15,073,644	132,196	-	3,533,129	18,738,969
Investment earnings	138,867	17,875	29,490	35,220	221,452
Tuition and fees	2,080,867	-	-	-	2,080,867
Extracurricular activities	42,063	-	-	496,704	538,767
Charges for services	-	-	-	261,992	261,992
Gifts and contributions	3,043	-	210,099	88,638	301,780
Rent	3,276	-	-	5,789	9,065
Miscellaneous	28,818	-	-	38,614	67,432
Total Receipts	<u>23,225,269</u>	<u>1,224,955</u>	<u>239,589</u>	<u>5,101,004</u>	<u>29,790,817</u>
Disbursements:					
Current:					
Instruction:					
Regular	10,614,222	-	317,422	153,367	11,085,011
Special	5,320,012	-	-	2,186,063	7,506,075
Support Services:					
Pupils	742,353	-	160	71,096	813,609
Instructional staff	475,705	-	34,878	10,039	520,622
Board of education	25,795	-	-	-	25,795
Administration	1,931,251	-	684	-	1,931,935
Fiscal	628,917	39,541	-	32,583	701,041
Business	59,446	-	-	14,278	73,724
Operation and maintenance of plant	2,321,642	-	22,910	803,403	3,147,955
Pupil transportation	1,579,067	-	-	151,378	1,730,445
Central	61,236	-	-	-	61,236
Operation of non-instructional services	69,678	-	-	1,143,956	1,213,634
Extracurricular activities	556,194	-	5,183	385,643	947,020
Debt Service:					
Principal	-	237,257	-	-	237,257
Interest	-	251,210	-	-	251,210
CAB Accretion	-	706,743	-	-	706,743
Total Disbursements	<u>24,385,518</u>	<u>1,234,751</u>	<u>381,237</u>	<u>4,951,806</u>	<u>30,953,312</u>
Excess of Disbursements Over Receipts	<u>(1,160,249)</u>	<u>(9,796)</u>	<u>(141,648)</u>	<u>149,198</u>	<u>(1,162,495)</u>
Other Financing Sources (Uses):					
Proceeds from sale of capital assets	15,000	-	-	-	15,000
Advances in	201,562	-	-	21,857	223,419
Advances out	-	-	-	(223,419)	(223,419)
Transfers in	-	3,795	-	631,609	635,404
Transfers out	(177,911)	-	-	(457,493)	(635,404)
Total Other Financing Sources (Uses)	<u>38,651</u>	<u>3,795</u>	<u>-</u>	<u>(27,446)</u>	<u>15,000</u>
Net Change in Fund Balance	(1,121,598)	(6,001)	(141,648)	121,752	(1,147,495)
Fund Balance, Beginning of Year - Restated	<u>10,055,771</u>	<u>1,931,169</u>	<u>2,965,536</u>	<u>4,537,911</u>	<u>19,490,387</u>
Fund Balance, End of Year	<u>\$ 8,934,173</u>	<u>\$ 1,925,168</u>	<u>\$ 2,823,888</u>	<u>\$ 4,659,663</u>	<u>\$ 18,342,892</u>

See accompanying notes to the basic financial statements.

Jackson City School District
 Jackson County, Ohio
 Statement of Fiduciary Net Position - Modified Cash Basis
 June 30, 2020

	Private Purpose Trust Fund	Custodial Fund
Assets:		
Equity in pooled cash and cash equivalents	\$ 1,729,436	\$ 281
Net Position:		
Restricted for scholarships	\$ 1,729,436	\$ -
Restricted for individuals, organizations, and other governments	-	281
Total Net Position	\$ 1,729,436	\$ 281

See accompanying notes to the basic financial statements.

Jackson City School District
Jackson County, Ohio

Statement of Changes in Fiduciary Net Position - Modified Cash Basis
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust Fund	Custodial Fund
Additions:		
Investment earnings	\$ 67,798	\$ -
Gifts and contributions	8,088	-
Extracurricular amounts collected for other organizations	-	45,700
Total Additions	75,886	45,700
Deductions:		
Scholarships payments in accordance with trust agreements	24,350	-
Extracurricular distributions to other organizations	-	45,572
Total Deductions	24,350	45,572
Change in Net Position	51,536	128
Net Position, Beginning of Year - Restated	1,677,900	153
Net Position, End of Year	\$ 1,729,436	\$ 281

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

Jackson City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 149 classified employees and 217 certified teaching and administrative personnel who provide services to 2,277 students and other community members.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District participates in the Metropolitan Educational Technology Association, the Gallia-Jackson-Vinton Joint Vocational School District, and the Coalition and Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, which is defined as an insurance purchasing pool. These organizations are presented in Notes 11 and 12.

Basis of Presentation

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

Government-wide Financial Statements

The statement of net position – modified cash basis and the statement of activities – modified cash basis display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net position – modified cash basis presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities – modified cash basis compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified 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 modified cash basis or draws from the general receipts of the School District.

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

Bond Retirement Fund – The Bond Retirement Fund is used to account for resources generated by voter approved bond levies which are restricted for principal and interest payments on the District's general obligation bonds.

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

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

Proprietary Fund Type

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

Fiduciary Fund Type

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Custodial funds are used to account for fiduciary activities not accounted for within a trust fund. The School District's fiduciary funds include private-purpose trust funds, which account for student college scholarships, and a custodial fund used to account for State tournament events.

Basis of Accounting

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

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

Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the School District.

Cash and Cash Equivalents

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

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

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

For 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund; the Food Service, Special Trust, Jones Trust, Columbus Foundation, and Classroom Maintenance Special Revenue Funds; the Bond Retirement Debt Service Fund; the Permanent Improvement Capital Projects Fund; and the Lloyd Trust and Esnaugle Memorial Music Trust Permanent Funds. Interest revenue credited to the General Fund during fiscal year 2020 amounted to \$138,867, which includes \$31,674 assigned from other School District funds.

Inventory and Prepaid Items

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

Capital Assets

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

Interfund Receivables/Payables

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

Accumulated Leave

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

Pensions/Other Postemployment Benefits (OPEB)

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

Long-Term Obligations

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

Net Position

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

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

Fund Balance

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

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

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

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

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

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

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

Interfund Activity

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

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. If there is an intention for repayment, the flows of cash or goods between funds are reported as interfund advances. Both interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statement.

NOTE 2 – COMPLIANCE

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

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the School District's deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits as follows:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities to be 102 percent of the deposits being secured or at a rate set by the Treasurer of State.

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposits or savings or deposits accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitation bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made 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.

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The table below identifies the School District's recurring fair value measurements as of June 30, 2020. All District investment, except for STAR Ohio and money market mutual funds, are measured at fair value and are valued using quoted market prices (Level 1 inputs).

Jackson City School District
 Jackson County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2020

As of June 30, 2020, the School District had the following investments:

Investment Type	Measurement Value	Maturity			% of Portfolio
		less than 1yr	1yr to 3yrs	3yrs to 5yrs	
Fair Value:					
FHLB	\$ 754,708	\$ 251,958	\$ -	\$ 502,750	5.58%
Farmer MAC	252,785	252,785	-	-	1.87%
FFCB	500,030	-	500,030	-	3.69%
FHLMC	2,252,545	251,555	500,090	1,500,900	16.64%
Net Asset Value (NAV) Per Share:					
Money Market Mutual Funds	433,984	433,984	-	-	3.21%
STAR Ohio Plus	2,198,694	2,198,694	-	-	16.24%
STAR Ohio	7,142,216	7,142,216	-	-	52.77%
Total	\$ 13,534,962	\$ 10,531,192	\$ 1,000,120	\$ 2,003,650	100.00%

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

Credit Risk – STAR Ohio and the Money Market Fund both have a rating of AAAm by Standard and Poor’s, while the federal agency securities are rated AA+ and Aaa by Standard and Poor’s and Moody’s, respectively. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has an investment policy, but the policy does not limit investment choices further than State law.

Concentration of Credit Risk – The School District’s investment policy places no limit on the amount it may invest in any one issuer.

NOTE 4 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Public utility real property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at thirty- five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Jackson City School District
 Jackson County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2020

The School District receives property taxes from Jackson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	<u>2019 Second Half Collections</u>		<u>2020 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 226,268,460	72.75%	\$ 226,716,250	70.76%
Commerical/Industrial and Public Utility Real	63,450,610	20.40%	64,549,430	20.14%
Public utility personal	<u>21,319,900</u>	<u>6.85%</u>	<u>29,118,960</u>	<u>9.10%</u>
Total	<u>\$ 311,038,970</u>	<u>100.00%</u>	<u>\$ 320,384,640</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed value		\$ 29.82		\$ 29.57

NOTE 5 – COMMITMENTS

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

General Fund	\$ 661,750
Jones Trust Fund	16,753
Other Governmental Funds	<u>168,482</u>
Total	<u>\$ 846,985</u>

NOTE 6 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The 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 School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB Statement No. 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)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2% for the first 30 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.

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School 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, and Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the 14% was allocated to only three of the funds (Pension Trust Fund, Death Benefit Fund and Medicare B Fund).

The School District's contractually required pension contribution to SERS was \$560,185 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% 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.

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 2% goes 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 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 Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14% of their annual covered salary. The School 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 School District's contractually required pension contributions to STRS was \$1,630,472 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 School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$ 6,351,859	\$ 21,767,358	\$ 28,119,217
Proportion of the Net Pension Liability:			
Current Year	0.1061620%	0.0984307%	
Prior Year	<u>0.1094695%</u>	<u>0.0981358%</u>	
Change in Proportionate Share	<u>-0.0033075%</u>	<u>0.0002949%</u>	

Actuarial Assumptions - SERS

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will consider the employee's entire career with the employer and 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:

Inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment rate of return	7.50 percent of net investment expense, including inflation
Actuarial cost method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females for active members. 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 were 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 actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US 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	<u>10.00%</u>	3.00%
Total	<u>100.00%</u>	

Discount Rate – Total pension liability was calculated using the discount rate of 7.5%. 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 (7.5%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine

the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5%, 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 (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 8,901,225	\$ 6,351,859	\$ 4,213,896

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disability 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.

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

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	<u>1.00%</u>	2.25%
Total	<u>100.00%</u>	

- * - Target weights will be phased in over a 24-month period concluding on July 1, 2019.
- ** - 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's 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. 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.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$ 31,810,568	\$ 21,767,358	\$ 13,265,266

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Net OPEB Asset and Liability

OPEB are 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 asset or liability represents the School 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 asset or liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, health care cost trend rates and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 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 2020, there was no portion allocated 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 2020, the minimum compensation 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 School District's surcharge obligation was \$78,825.

Plan Description - State Teachers Retirement System (STRS)

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

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

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School 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
Proportionate Share of the Net OPEB Asset (Liability)	\$ (2,750,752)	\$ 1,630,249	\$ (1,120,503)
Proportion of the Net OPEB Asset/Liability:			
Current Year	0.1093830%	0.0984307%	
Prior Year	<u>0.1114815%</u>	<u>0.0981358%</u>	
Change in Proportionate Share	<u>-0.0020985%</u>	<u>0.0002949%</u>	

Actuarial Assumptions – SERS

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will consider the employee's entire career with the employer and 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 OPEB liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

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Investment rate of return	7.50% of net investment expense, including inflation
Inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Municipal bond index rate:	
Prior measurement date	3.62%
Measurement date	3.13%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Prior measurement date	3.70%
Measurement date	3.22%
Medical Trend Assumption:	
Pre-Medicare	7.00% - 4.75%
Medicare	5.25% - 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. PR-2000 Disabled Mortality Table with 90% for males rate and 100% for female rates set back five years.

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 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 in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US 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	<u>10.00%</u>	3.00%
Total	<u>100.00%</u>	

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 at June 30, 2018 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS 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 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. 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 School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare 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 calculated using the discount rate of 3.22%, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22%) and one percentage point higher (4.22%) than the current rate.

Rate	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 3,338,892	\$ 2,750,752	\$ 2,283,113

The following table presents the net OPEB liability calculated using the current health care cost trend rates, as well as what each plan's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current rates.

Rate	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 2,203,910	\$ 2,750,752	\$ 3,476,280

Actuarial Assumptions – STRS

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends:	Initial	Ultimate
Medical:		
Pre-Medicare	5.87%	4.00%
Medicare	4.93%	4.00%
Prescription Drug		
Pre-Medicare	7.73%	4.00%
Medicare	9.62%	4.00%

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.

Since the prior measurement date, 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.

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

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

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

** - 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's 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 liability 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 of current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% was used to measure the total OPEB liability as of June 30, 2019.

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

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	1% Decrease	Current Discount Rate	1% Increase
Rate	6.45%	7.45%	8.45%
School District's proportionate share of the net OPEB asset	\$ 1,391,093	\$ 1,630,249	\$ 1,831,323
	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
School District's proportionate share of the net OPEB asset	\$ 1,848,627	\$ 1,630,249	\$ 1,362,788

NOTE 8 – EMPLOYEE BENEFITS

Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Teachers and administrators are limited to a total accumulation of 339 days; classified employees are limited to a total accumulation of 285 days. Upon retirement, payment is made to certificated employees at 25 percent up to a maximum of 84.75 days, and at 25 percent up to a maximum of 71.25 days for classified employees.

Insurance Benefits

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

Health and vision insurance coverage is provided by Medical Mutual. Monthly premiums for this coverage are \$2,287 for family plans and \$918 for single plans. The School District pays 92 percent for both family and single coverage premiums. Dental insurance is also provided by Anthem Blue Cross/Blue Shield. Monthly premiums for this coverage are \$57 for family plans and \$22 for single plans. The School District pays 100 percent of the dental premiums.

NOTE 9 – TERMINATION BENEFITS

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

NOTE 10 – RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. For fiscal year 2020, the School District contracted with Liberty Mutual Insurance through Reed and Baur Insurance Agency for the following coverage:

Coverage	Limits of Coverage
Building and Contents - Replacement Cost (\$2,500 deductible)	\$ 129,586,567
General Liability:	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Products - Complete Operations Aggregate Limit	2,000,000
Personal and Advertising Injury Limit - Each Offense	1,000,000
Damage to Premises Rented	500,000
Earthquake (5 percent deductible)	5,000,000
Errors and Omissions (\$5,000 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000
Employers' Liability:	
Each Occurrence	1,000,000
Disease - Each Employee	1,000,000
Disease - Policy Limit	1,000,000
Aggregate Limit	2,000,000
Employee Benefits Liability (\$1,000 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Automobile Insurance (\$1,000 Comprehensive/\$1,000 Collision):	
Each Occurrence	1,000,000
Uninsured Motorists	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2019.

Workers' Compensation

For fiscal year 2020, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META)

The School District participates in the Metropolitan Educational Technology Association (META), formed from the merger of the Metropolitan Educational Council (MEC) and the Southern Ohio Voluntary Education Cooperative (SEOVEC), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one

delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During fiscal year 2020, the School District paid \$59,749 for services with META. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

Gallia-Jackson-Vinton Joint Vocational School District

The Gallia-Jackson-Vinton Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the various City and County Boards within Gallia, Jackson, and Vinton Counties. The Board possesses its own budgeting and taxing authority. During fiscal year 2020, the School District paid \$750 to the Joint Vocational District. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School District, Stephanie Rife who serves as Treasurer, 351 Buckeye Hills Road, Rio Grande, Ohio, 45674.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2020, the School District made a payment of \$415 for a membership fee. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at Lindley Hall Room 200, Ohio University, Athens, Ohio 45701.

NOTE 12 – INSURANCE PURCHASING POOL

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

NOTE 13 – CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2020, if applicable, cannot be determined at this time.

Litigation

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

Foundation Reviews

The School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. Adjustments known to date have not resulted in any significant adjustments to the State Foundation payments the School District received for fiscal year 2020.

COVID-19 Pandemic

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 ensuing emergency measures impacted the second half of fiscal year 2020 and will impact subsequent periods for the School District. The ultimate impact on the School District's future operating costs, receipts, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated at this time.

NOTE 14 – INTERFUND ACTIVITY AND BALANCES

Transfers

Interfund transfers for the fiscal year ended June 30, 2020, consisted of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 177,911
Bond Retirement Fund	3,795	-
Other Governmental Funds:		
Permanent Improvement Fund	-	457,493
Food Service	150,849	-
Student Managed Activities	1,680	-
District Managed Activities	25,383	-
Classroom Maintenance	453,697	-
Total Other Governmental Funds	<u>631,609</u>	<u>457,493</u>
Total All Funds	<u>\$ 635,404</u>	<u>\$ 635,404</u>

Transfers made out of the General Fund to provide operating resources to other funds during the fiscal year. The transfers made out of the Permanent Improvement Fund were to provide resources to the Classroom Maintenance Fund as well as for debt service requirements for the fiscal year.

Advances

The advances noted below represent temporary transfer of cash flow resources from the Permanent Improvement Fund to the Special Trust – Athletic Program Fundraising to provide financing for certain improvements to the School District's athletic facilities and equipment. This advance, or loan, will be repaid by through future fundraising events to the Permanent Improvement Fund. The advance out of the non-major grant funds to the General Fund represent a return of funding provided in the prior year to cover cash deficits until grant funding was received during the first part of the current fiscal year.

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Interfund cash advances at June 30, 2020, were as follows:

Fund	Advances In	Advances Out
General Fund	\$ 201,562	\$ -
Other Governmental Funds:		
Permanent Improvement Fund	-	21,857
Special Trust - Athletic Programs	21,857	-
Title VI-B IDEA Grant	-	50,626
Title I Grant	-	128,206
Special Education - Preschool	-	8,993
Title II-A Grant	-	11,493
Miscellaneous Federal Grants	-	2,244
Total Other Governmental Funds	<u>21,857</u>	<u>223,419</u>
Total All Funds	<u>\$ 223,419</u>	<u>\$ 223,419</u>

NOTE 15 – LONG-TERM DEBT OBLIGATIONS

The activity of the School District's long-term debt obligations during fiscal year 2020 was as follows:

	Restated Principal Outstanding June 30, 2019	Additions	Reductions	Principal Outstanding June 30, 2020	Amounts Due in One Year
Governmental Activities:					
2013 Classroom Facilities					
Refunding Bonds:					
Serial (0.40% to 3.20%)	\$ 5,560,000	\$ -	\$ -	\$ 5,560,000	\$ 440,000
Capital Appreciation Bonds	249,992	-	178,257	71,735	71,735
Accretion on Capital Appreciation Bonds	1,059,633	23,869	706,743	376,759	376,759
2015 Classroom Facilities					
Refunding Bonds:					
Serial (3.67%)	2,435,000	-	10,000	2,425,000	10,000
2013 2.35% Energy Conservation Refunding Bonds	<u>372,000</u>	<u>-</u>	<u>49,000</u>	<u>323,000</u>	<u>50,000</u>
Total Governmental Activities Long-Term Obligations	<u>\$ 9,676,625</u>	<u>\$ 23,869</u>	<u>\$ 944,000</u>	<u>\$ 8,756,494</u>	<u>\$ 948,494</u>

2013 Classroom Facilities Refunding Bonds:

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

The capital appreciation bonds for the 2013 issue mature December 1, 2023, through December 1, 2026. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a principal liability. The maturity amount of the bonds is \$1,340,000. Accretion for fiscal year 2020 was \$23,869.

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Principal and interest requirements to retire the 2013 Classroom Facilities Refunding Bonds outstanding at June 30, 2020, are as follows:

Fiscal Year Ended June 30,	Serial		Capital Appreciation		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2021	\$ 440,000	\$ 149,132	\$ 71,735	\$ 383,265	\$ 511,735	\$ 532,397
2022	935,000	133,416	-	-	935,000	133,416
2023	970,000	109,820	-	-	970,000	109,820
2024	1,000,000	82,960	-	-	1,000,000	82,960
2025	1,085,000	52,435	-	-	1,085,000	52,435
2026	1,130,000	18,080	-	-	1,130,000	18,080
Total	<u>\$ 5,560,000</u>	<u>\$ 545,843</u>	<u>\$ 71,735</u>	<u>\$ 383,265</u>	<u>\$ 5,631,735</u>	<u>\$ 929,108</u>

2015 Classroom Facilities Refunding Bonds:

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

Principal and interest requirements to retire the 2015 Classroom Facilities Refunding Bonds outstanding at June 30, 2020, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 10,000	\$ 88,814	\$ 98,814
2022	10,000	88,447	98,447
2023	10,000	88,080	98,080
2024	10,000	87,713	97,713
2025	10,000	87,346	97,346
2026-2028	2,375,000	175,151	2,550,151
Total	<u>\$ 2,425,000</u>	<u>\$ 615,551</u>	<u>\$ 3,040,551</u>

2013 House Bill 264 Energy Conservation Refunding Bonds:

Principal and interest requirements to retire the Energy Conservation Tax Anticipation Bonds outstanding at June 30, 2020, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 50,000	\$ 7,003	\$ 57,003
2022	51,000	5,816	56,816
2023	53,000	4,594	57,594
2024	55,000	3,326	58,326
2025	56,000	2,021	58,021
2026	58,000	682	58,682
Total	<u>\$ 323,000</u>	<u>\$ 23,442</u>	<u>\$ 346,442</u>

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

The overall debt margin of the School District at June 30, 2020 was \$22,380,051, with an unvoted debt margin of \$320,385.

NOTE 16 – SET-ASIDE CALCULATIONS

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

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

	Capital Improvements
Set-aside reserve balance as of June 30, 2019	\$ -
Current year set-aside requirement	435,502
Current year offsets	(710,379)
Total	\$ (274,877)
Balance carried forward to fiscal year 2021	\$ -
Set-aside balance June 30, 2020	\$ -

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

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLES

Adoption of Accounting Principles

For the fiscal year ended June 30, 2020, the School District implemented GASB Statements No. 84, *Fiduciary Activities* and No. 90, *Majority Equity Interests – an amendment of GASB Statement 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 School District will no longer be reporting agency funds. The School District reviewed the fund previously reported as agency funds and have reclassified those funds as governmental funds, which resulted in the restatement of the School District's financial statements.

Jackson City School District
 Jackson County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2020

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School District.

Restatement of Net Position/Fund Balance:

The implementation of GASB Statement No. 84 had the following effect on the amounts reported at June 30, 2019 for the School District's cash net position governmental activities and custodial funds, as well as cash fund balance for the General and Other Governmental Funds:

	Governmental Activities	General Fund	Other Governmental Funds
Net Assets/Fund Balance, 6/30/2019, as previously reported	\$ 19,314,965	\$ 9,970,563	\$ 4,447,697
Reclassification of funds required by GASB Statement No. 84	175,422	85,208	90,214
Net Assets/Fund Balance, 6/30/2019 as restated	\$ 19,490,387	\$ 10,055,771	\$ 4,537,911
	Agency/Custodial Funds		
Net Assets/Fund Balance, 6/30/2019, as previously reported	\$ 175,575		
Reclassification of funds required by GASB Statement No. 84	(175,422)		
Net Assets/Fund Balance, 6/30/2019 as restated	\$ 153		

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2019/2020	\$75.608
Cash Assistance:			
School Breakfast Program	10.553	2019/2020	111.038
Covid-19 School Breakfast Program	10.553	2019/2020	55.892
National School Lunch Program	10.555	2019/2020	332.067
Covid-19 National School Lunch Program	10.555	2019/2020	104.157
Total Child Nutrition Cluster			<u>678.762</u>
Total U.S. Department of Agriculture			<u>678.762</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2020	733.151
		2019	150.081
Total Title I Grants to Local Educational Agencies			<u>883.232</u>
Special Education Cluster			
Special Education Grants to States	84.027	2020	448.683
		2019	84.323
Total Special Education Grants to States			<u>533.006</u>
Special Education Preschool Grant	84.173	2020	12.256
		2019	2.107
Total Special Education Preschool Grant			<u>14.363</u>
Total Special Education Cluster			547.369
Twenty-First Century Community Learning Centers	84.287	2020	200.000
Rural Education	84.358	2020	47.957
		2019	6.575
Total Rural Education			<u>54.532</u>
Supporting Effective Instruction State Grant	84.367	2020	66.323
		2019	11.582
Total Supporting Effective Instruction State Grant			<u>77.905</u>
Student Support and Academic Enrichment Program	84.424	2020	3.198
		2019	60.472
Total Student Support and Academic Enrichment Program			<u>63.670</u>
Total U.S. Department of Education			<u>1.826.708</u>
Total Expenditures of Federal Awards			<u>\$2.505.470</u>

The accompanying notes are an integral part of this Schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Jackson City School District, Jackson County, Ohio (the School District) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - MATCHING REQUIREMENTS

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

OHIO AUDITOR OF STATE KEITH FABER



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

Jackson City School District
Jackson County
450 Vaughn Street
Jackson, Ohio 45640

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated August 10, 2021, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2020-002 through 2020-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2020-001 and 2020-002.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Corrective Action Plan. We did not subject the School District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

August 10, 2021

OHIO AUDITOR OF STATE KEITH FABER



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

Jackson City School District
Jackson County
450 Vaughn Street
Jackson, Ohio 45640

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Jackson City School District, Jackson County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Jackson City School District's major federal programs for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in finding 2020-005 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding Activities Allowed or Unallowed and Allowable Costs/Costs Principles applicable to its CFDA 84.010 Title I Grants to Local Educational Agencies major federal program. Compliance with these requirements is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Title I Grants to Local Educational Agencies* paragraph, the Jackson City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Title I Grants to Local Educational Agencies* for the year ended June 30, 2020.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Jackson City School District complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying Schedule of Findings and Questioned costs as item 2020-005.

Jackson City School District
Jackson County
Independent Auditor's Report On Compliance With Requirements
Applicable To Each Major Federal Program And On Internal Control Over
Compliance Required By The Uniform Guidance
Page 3

The School District's response to our internal control over compliance finding is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. We did not subject the School District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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



Keith Faber
Auditor of State
Columbus, Ohio

August 10, 2021

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**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster, CFDA 84.027 and 84.173 Title I Grants to Local Educational Agencies, CFDA 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2020-001

Noncompliance

Ohio Rev. Code § 117.38 provides that 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 Admin. Code 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
2 CFR § 200.515
JUNE 30, 2020
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2020-001(Continued)

Noncompliance - Ohio Rev. Code §117.38 (Continued)

The School District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response: The manner in which the school district reports is more cost effective.

FINDING NUMBER 2020-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the School District's Jones Special Trust fund had expenditures in excess of appropriations of \$100,171, as of June 30, 2020. Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The School Board should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Treasurer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response: We will work to correct.

FINDING NUMBER 2020-003

Material Weakness- Budget vs. System

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The appropriation resolution and subsequent amendments establish the legal spending authority of the School District and the appropriation ledger provides the process by which the School District controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
2 CFR § 200.515
JUNE 30, 2020
(Continued)**

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

FINDING NUMBER 2020-003 (Continued)

Material Weakness- Budget vs. System (Continued)

The original certificate and amendments establish the amounts available for expenditures for the School District and the receipts ledger provides the process by which the School District controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The School District did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The original budgeted receipts and appropriations approved by the Board were not properly posted to the accounting system. At June 30, 2020, final budgeted amounts posted to the accounting system varied from those approved by the Board as follows:

Fund	Approved Estimated Receipts	Estimated Receipts in the Accounting System	Variance
Food Service (006)	\$1,148,531	\$1,048,893	\$99,638

Fund	Approved Appropriations	Appropriations in the Accounting System	Variance
General Fund (001)	\$26,147,638	\$24,389,865	\$1,757,773
Jones Trust Fund (007)	226,250	326,420	(100,170)
Title II-A Fund (590)	166,285	81,224	85,061
Title I Fund (572)	914,785	802,853	111,932
Food Service (006)	1,189,702	952,026	237,676.00

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the School District should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The School District should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response: We will work to correct.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
2 CFR § 200.515
JUNE 30, 2020
(Continued)

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

FINDING NUMBER 2020-004

Material Weakness- Bank Reconciliations

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis and the Board is responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were prepared each month of fiscal year 2020. However, these reconciliations included unidentified "plug" amounts and other misidentified reconciling items for March 2020 through June 2020. Failure to reconcile monthly increases the possibility that the School District will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Treasurer, or designated employee, should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response: We are presently working to correct. One of the accounts in question is presently being transferred and returned to the district for accounting purposes.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number:	2020-005
CFDA Number and Title:	Title I Grants to Local Educational Agencies, CFDA 84.010
Federal Award Identification Number / Year:	2020
Federal Agency:	U.S. Department of Education
Compliance Requirement:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No
Prior Audit Finding Number:	N/A

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
2 CFR § 200.515
JUNE 30, 2020
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2020-005 (Continued)

Questioned Cost/Noncompliance/ Material Weakness- Title I Grants to Local Educational Agencies

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for **2 C.F.R. § 200.430** which states, in part, that costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities. In addition, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; be incorporated into the official records of the non-Federal entity; and reasonably reflect the total activity for which the employee is compensated by the non-Federal entity.

The School District approved Policy 6116- Time and Effort Reporting *effective June 28, 2016* to govern the controls and records needed to demonstrate Time and Effort for federal expenditures. The School District used semi-annual certifications to meet the documentation requirements and serve as established internal control over the process. During fiscal year 2020, the School District expended \$36,488 in wages and \$5637 in related employee benefits from Title I Grants to Local Educational Agencies to pay for a teacher. The School District failed to identify this teacher as a Title I teacher during the fiscal year and, as such, did not obtain the required semi-annual certifications. Therefore, we consider the salaries and related benefits for these administrators in the amount of \$42,125 to be a questioned cost. Failure to maintain the appropriate time and effort documentation could lead to future questioned costs, reduced future federal funding, and the requirement to repay the Ohio Department of Education

The Treasurer and Director of Special Programs should ensure all employees charging salaries and benefits to federal grants maintain the appropriate documentation supporting the time spent on the grant, in accordance with the School District's policy. Appropriate supporting documentation could include semi-annual certifications for employees working solely on a single cost objective or timesheets when an employee works on multiple activities.

Officials' Response: We will work to correct. The District believed this individual was Title I eligible and on standby list should funds become available.

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Jackson City School District



Mr. Phil Howard, Superintendent

Mrs. Rachel Strawser, Treasurer

450 Vaughn Street
Jackson, Ohio 45640
740-286-6442 (Voice) 740-286-6445 (Fax)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	A material noncompliance citation was issued under Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not preparing the annual financial report pursuant to generally accepted accounting principles.	Not Corrected	The School District has chosen the most cost-effective financial reporting method available. The additional cost associated with the GAAP financial statements would be a direct burden upon instructional resources.

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Jackson City School District



Mr. Phil Howard, Superintendent

Mrs. Rachel Strawser, Treasurer

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Jackson, Ohio 45640
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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2020

Finding Number:	2020-001
Planned Corrective Action:	The manner in which the school district reports is more cost effective.
Anticipated Completion Date:	June 30, 2021
Responsible Contact Person:	Rachel Strawser, Treasurer
Finding Number:	2020-002
Planned Corrective Action:	We will work to correct.
Anticipated Completion Date:	June 30, 2021
Responsible Contact Person:	Rachel Strawser, Treasurer
Finding Number:	2020-003
Planned Corrective Action:	We will work to correct.
Anticipated Completion Date:	June 30, 2021
Responsible Contact Person:	Rachel Strawser, Treasurer
Finding Number:	2020-004
Planned Corrective Action:	We are presently working to correct. One of the accounts in question is presently being transferred and returned to the district for accounting purposes.
Anticipated Completion Date:	Fiscal Year 2022
Responsible Contact Person:	Rachel Strawser, Treasurer
Finding Number:	2020-05
Planned Corrective Action:	We will work to correct.
Anticipated Completion Date:	Fiscal Year 2022
Responsible Contact Person:	Rachel Strawser, Treasurer

OHIO AUDITOR OF STATE KEITH FABER



JACKSON CITY SCHOOL DISTRICT

JACKSON 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 8/31/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov