



OHIO AUDITOR OF STATE  
**KEITH FABER**





**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY  
JUNE 30, 2021**

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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, 2021, 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.

**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, 2021, and the respective changes in modified cash financial position thereof 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.

**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 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 November 10, 2022, 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 School District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

November 10, 2022

Jackson City School District  
 Jackson County, Ohio  
 Statement of Net Position - Modified Cash Basis  
 June 30, 2021

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 16,834,545
Cash and cash equivalents with fiscal agent	1,662,058
Total Assets	\$ 18,496,603
Net Position:	
Restricted for:	
Local grant programs	\$ 25,861
State grant programs	1,072,733
Federal grant programs	364,035
Food service operations	126,555
Music and athletic programs	115,874
Student enrichment programs	365,960
Elementary student development programs	2,619,899
Debt service	1,961,439
Capital improvements	710,757
Classroom facilities	337,967
Student field of interest activities	1,662,058
Endowments:	
Expendable	56,566
Nonexpendable	165,476
Unrestricted	8,911,423
Total Net Position	\$ 18,496,603

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, 2021

		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	\$ 11,382,202	\$ 2,057,867	\$ 570,820	\$ -	\$ (8,753,515)
Special	7,473,551	275,001	1,898,542	-	(5,300,008)
Support Services:					
Pupils	922,825	-	-	-	(922,825)
Instructional staff	405,699	-	1,170,273	-	764,574
Board of education	22,847	-	-	-	(22,847)
Administration	1,979,138	-	-	-	(1,979,138)
Fiscal	754,936	-	-	-	(754,936)
Business	67,107	-	-	-	(67,107)
Operation and maintenance of plant	3,234,342	12,375	181,690	-	(3,040,277)
Pupil transportation	1,683,671	-	360,057	-	(1,323,614)
Central	62,495	-	-	-	(62,495)
Operation of non-instructional services	1,317,314	181,208	841,084	-	(295,022)
Extracurricular activities	824,174	222,096	9,856	2,450	(589,772)
Debt Service:					
Principal	571,735	-	-	-	(571,735)
Interest	244,950	-	-	-	(244,950)
CAB Accretion	383,265	-	-	-	(383,265)
Total	\$ 31,330,251	\$ 2,748,547	\$ 5,032,322	\$ 2,450	(23,546,932)
General Receipts:					
Property Taxes Levied for:					
General purposes					6,261,057
Debt service					1,153,581
Capital projects					661,367
Grants and entitlements not restricted to specific programs					15,247,491
Investment earnings					116,197
Miscellaneous					260,950
Total General Receipts					23,700,643
Change in Net Position					153,711
Net Position, Beginning of Year					18,342,892
Net Position, End of Year					\$ 18,496,603

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, 2021

	<u>General</u>	<u>Bond Retirement</u>	<u>Jones Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents	\$ 7,716,520	\$ 1,961,439	\$ 2,619,899	\$ 4,536,687	\$ 16,834,545
Cash and cash equivalents with fiscal agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,662,058</u>	<u>1,662,058</u>
<b>Total Assets</b>	<u><b>\$ 7,716,520</b></u>	<u><b>\$ 1,961,439</b></u>	<u><b>\$ 2,619,899</b></u>	<u><b>\$ 6,198,745</b></u>	<u><b>\$ 18,496,603</b></u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Endowments	\$ -	\$ -	\$ -	\$ 165,476	\$ 165,476
<b>Restricted for:</b>					
Local grant programs	-	-	-	25,861	25,861
State grant programs	-	-	-	1,072,733	1,072,733
Federal grant expenditures	-	-	-	364,035	364,035
Food service operations	-	-	-	126,555	126,555
Music and athletic programs	-	-	-	125,135	125,135
Student enrichment programs	-	-	-	413,265	413,265
Elementary student development programs	-	-	2,619,899	-	2,619,899
Debt service	-	1,961,439	-	-	1,961,439
Capital improvements	-	-	-	710,757	710,757
Classroom facilities	-	-	-	337,967	337,967
Student field of interest activities	-	-	-	1,662,058	1,662,058
<b>Committed for:</b>					
Employee benefits	522,196	-	-	-	522,196
Future severance payments	286,850	-	-	-	286,850
Capital improvements	-	-	-	691,980	691,980
Athletic facility equipment	-	-	-	491,631	491,631
Educational equipment	-	-	-	11,292	11,292
<b>Assigned for:</b>					
School support activities	98,715	-	-	-	98,715
Purchases on order	137,003	-	-	-	137,003
Subsequent appropriations	1,222,967	-	-	-	1,222,967
Unassigned	<u>5,448,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,448,789</u>
<b>Total Fund Balances</b>	<u><b>\$ 7,716,520</b></u>	<u><b>\$ 1,961,439</b></u>	<u><b>\$ 2,619,899</b></u>	<u><b>\$ 6,198,745</b></u>	<u><b>\$ 18,496,603</b></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, 2021

	General	Bond Retirement	Jones Trust	Other Governmental Funds	Total Governmental Funds
Receipts:					
Taxes	\$ 6,261,057	\$ 1,153,581	\$ -	\$ 661,367	\$ 8,076,005
Intergovernmental	15,245,572	119,814	-	4,628,226	19,993,612
Investment earnings	113,663	1,990	2,687	32,353	150,693
Tuition and fees	2,432,431	-	-	-	2,432,431
Extracurricular activities	-	-	-	210,339	210,339
Charges for services	-	-	-	100,921	100,921
Gifts and contributions	5,573	-	206,796	41,786	254,155
Rent	12,375	-	-	-	12,375
Miscellaneous	211,887	-	-	39,292	251,179
<b>Total Receipts</b>	<b><u>24,282,558</u></b>	<b><u>1,275,385</u></b>	<b><u>209,483</u></b>	<b><u>5,714,284</u></b>	<b><u>31,481,710</u></b>
Disbursements:					
Current:					
Instruction:					
Regular	10,473,597	-	402,755	505,850	11,382,202
Special	5,852,205	-	1,794	1,619,552	7,473,551
Support Services:					
Pupils	570,853	-	-	351,972	922,825
Instructional staff	347,990	-	8,923	48,786	405,699
Board of education	22,847	-	-	-	22,847
Administration	1,979,138	-	-	-	1,979,138
Fiscal	642,070	42,372	-	70,494	754,936
Business	52,729	-	-	14,378	67,107
Operation and maintenance of plant	2,372,440	-	-	861,902	3,234,342
Pupil transportation	1,497,311	-	-	186,360	1,683,671
Central	62,019	-	-	476	62,495
Operation of non-instructional services	85,609	-	-	1,231,705	1,317,314
Extracurricular activities	555,342	-	-	268,832	824,174
Debt Service:					
Principal	-	571,735	-	-	571,735
Interest	-	244,950	-	-	244,950
CAB Accretion	-	383,265	-	-	383,265
<b>Total Disbursements</b>	<b><u>24,514,150</u></b>	<b><u>1,242,322</u></b>	<b><u>413,472</u></b>	<b><u>5,160,307</u></b>	<b><u>31,330,251</u></b>
<b>Excess of Disbursements Over Receipts</b>	<b><u>(231,592)</u></b>	<b><u>33,063</u></b>	<b><u>(203,989)</u></b>	<b><u>553,977</u></b>	<b><u>151,459</u></b>
Other Financing Sources (Uses):					
Proceeds from sale of capital assets	2,252	-	-	-	2,252
Advances in	-	-	-	601,340	601,340
Advances out	(601,340)	-	-	-	(601,340)
Transfers in	-	3,208	-	559,768	562,976
Transfers out	(386,973)	-	-	(176,003)	(562,976)
<b>Total Other Financing Sources (Uses)</b>	<b><u>(986,061)</u></b>	<b><u>3,208</u></b>	<b><u>-</u></b>	<b><u>985,105</u></b>	<b><u>2,252</u></b>
<b>Net Change in Fund Balance</b>	<b>(1,217,653)</b>	<b>36,271</b>	<b>(203,989)</b>	<b>1,539,082</b>	<b>153,711</b>
<b>Fund Balance, Beginning of Year</b>	<b><u>8,934,173</u></b>	<b><u>1,925,168</u></b>	<b><u>2,823,888</u></b>	<b><u>4,659,663</u></b>	<b><u>18,342,892</u></b>
<b>Fund Balance, End of Year</b>	<b><u>\$ 7,716,520</u></b>	<b><u>\$ 1,961,439</u></b>	<b><u>\$ 2,619,899</u></b>	<b><u>\$ 6,198,745</u></b>	<b><u>\$ 18,496,603</u></b>

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, 2021

	Private Purpose Trust Fund	Custodial Fund
Assets:		
Equity in pooled cash and cash equivalents	\$ 2,016,235	\$ 817
Net Position:		
Restricted for scholarships	\$ 2,016,235	\$ -
Restricted for individuals, organizations, and other governments	-	817
Total Net Position	\$ 2,016,235	\$ 817

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, 2021

	Private Purpose Trust Fund	Custodial Fund
Additions:		
Investment earnings	\$ 304,984	\$ -
Gifts and contributions	7,415	-
Extracurricular amounts collected for other organizations	-	2,850
Total Additions	312,399	2,850
Deductions:		
Scholarships payments in accordance with trust agreements	25,600	-
Extracurricular distributions to other organizations	-	2,314
Total Deductions	25,600	2,314
Change in Net Position	286,799	536
Net Position, Beginning of Year	1,729,436	281
Net Position, End of Year	\$ 2,016,235	\$ 817

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 168 classified employees and 190 certified teaching and administrative personnel who provide services to 2,216 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.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

***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 2021, 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 2021, 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 \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 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 2021 amounted to \$113,663, which includes \$40,877 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.



**Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

**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

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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, 2021. 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).

As of June 30, 2021, 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	\$ 2,485,010	\$ -	\$ -	\$ 2,485,010	23.73%
FFCB	995,540	-	995,540	-	9.51%
Net Asset Value (NAV) Per Share:					
Money Market Mutual Funds	334,853	334,853	-	-	3.20%
STAR Ohio	6,654,309	6,654,309	-	-	63.56%
Total	\$ 10,469,712	\$ 6,989,162	\$ 995,540	\$ 2,485,010	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.

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

**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 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, 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

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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 2021 represents collections of calendar year 2020 taxes. Public utility real property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at thirty- five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Jackson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 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 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 226,716,250	70.76%	\$ 252,695,930	73.12%
Commerical/Industrial and Public Utility Real	64,549,430	20.14%	63,552,430	18.39%
Public utility personal	29,118,960	9.10%	29,341,410	8.49%
Total	\$ 320,384,640	100.00%	\$ 345,589,770	100.00%
Tax Rate per \$1,000 of assessed value		\$ 29.57		\$ 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	\$ 137,003
Jones Trust Fund	118,800
Other Governmental Funds	541,378
Total	\$ 797,181

**NOTE 6 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB). 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. The net pension liability is not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the modified cash basis framework.

***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](http://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.

Prior to January 1, 2018, on the anniversary of the initial date of retirement, the allowances of all retirees and survivors are increased 3% of the base benefit. On and after January 1, 2018, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W, measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0% nor greater than 2.5%. COLAs were suspended for calendar years 2018, 2019 and 2020. On and after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement. 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, 2021, 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 \$576,677 for fiscal year 2021.

***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](http://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. Increases in age and service requirements increase effective August 1, 2015 and 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, 2021, 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 2021 contribution rates were equal to the statutory maximum rates.

The School District's contractually required pension contributions to STRS was \$1,708,610 for fiscal year 2021.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2020, 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	\$ 7,803,115	\$ 24,028,059	\$ 31,831,174
Proportion of the Net Pension Liability:			
Current Year	0.1179750%	0.0993041%	
Prior Year	<u>0.1061620%</u>	<u>0.0984307%</u>	
Change in Proportionate Share	<u>0.0118130%</u>	<u>0.0008734%</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, 2020, 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:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00%	1.85%
US stocks	22.50%	5.75%
Non-US stocks	22.50%	6.50%
Fixed income	19.00%	2.85%
Private equity	12.00%	7.60%
Real assets	17.00%	6.60%
Multi-asset strategies	<u>5.00%</u>	6.65%
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	\$ 10,689,315	\$ 7,803,115

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2020 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:

<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%
<b>Total</b>	<b><u>100.00%</u></b>	

\* - 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, 2020. 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, 2020. 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, 2020.

**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:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net pension liability	\$ 34,211,773	\$ 24,028,059	\$ 15,398,210

**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 Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://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 2021, 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 2021, the minimum compensation amount was \$23,000. 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 2021, the School District’s surcharge obligation was \$106,178.

**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 partial premium reimbursements will be continued indefinitely. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://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, 2021, STRS did not allocate any employer contributions to post-employment health care.

**Net OPEB Asset/Liability**

The net OPEB asset/liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net OPEB asset/liability 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 OPEB plans:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Asset (Liability)	\$ (2,661,361)	\$ 1,745,268	\$ (916,093)
Proportion of the Net OPEB Asset/Liability:			
Current Year	0.1224556%	0.0993041%	
Prior Year	<u>0.1093830%</u>	<u>0.0981358%</u>	
Change in Proportionate Share	<u>0.0130726%</u>	<u>0.0011683%</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, 2020, are presented below:

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	3.13%
Measurement date	2.45%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Prior measurement date	3.22%
Measurement date	2.63%
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:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00%	1.85%
US stocks	22.50%	5.75%
Non-US stocks	22.50%	6.50%
Fixed income	19.00%	2.85%
Private equity	12.00%	7.60%
Real assets	17.00%	6.60%
Multi-asset strategies	<u>5.00%</u>	6.65%
Total	<u>100.00%</u>	

**Discount Rate** – The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.63%. The discount rate used to measure total OPEB liability at June 30, 2019 was 3.22%. 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, 2035. 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, 2034 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45% as of June 30, 2020 (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 Health Care Cost Trend Rates** – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 2.63%, 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 (1.63%) and one percentage point higher (3.63%) than the current rate.

Rate	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$ 3,257,440	\$ 2,661,361	\$ 2,187,479

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District’s net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.00% decreasing to 3.75%) and one percentage point higher (8.00% decreasing to 5.75%) than the current rates.

Rate	Current		
	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$ 2,095,619	\$ 2,661,361	\$ 3,417,902

**Actuarial Assumptions – STRS**

The total OPEB liability in the June 30, 2020 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	5.00%	4.00%
Medicare	-6.69%	4.00%
Prescription Drug		
Pre-Medicare	6.50%	4.00%
Medicare	11.87%	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, 2020 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, 2021 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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>	

\* - 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, 2020. 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, 2020. 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, 2020.

**Sensitivity of the School District’s Proportionate Share of the Net OPEB (Asset) to Changes in the Discount Rate and the Health Care 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:

	1% Decrease	Current Discount Rate	1% Increase
Rate	6.45%	7.45%	8.45%
School District's proportionate share of the net OPEB asset	\$ 1,518,497	\$ 1,745,268	\$ 1,937,675
	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
School District's proportionate share of the net OPEB asset	\$ 1,925,732	\$ 1,745,268	\$ 1,525,436

**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 \$917 for single plans. The School District pays 92 percent for both family and single coverage premiums. Dental insurance is also provided by Medical Mutual. Monthly premiums for this coverage are \$61 for family plans and \$23 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 2021, 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 2020.

**Workers' Compensation**

For fiscal year 2021, 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 2021, the School District paid \$58,681 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 2021, the School District made no payments 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 2021, the School District made a payment of \$325 for a membership fee. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at Lindley Hall Room 200, Ohio University, Athens, Ohio 45701.

**NOTE 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, 2021, 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 2021.

**NOTE 14 – INTERFUND ACTIVITY AND BALANCES**

**Transfers**

Interfund transfers for the fiscal year ended June 30, 2021, consisted of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 386,973
Bond Retirement Fund	3,208	-
Other Governmental Funds:		
Permanent Improvement Fund	-	176,003
Food Service	363,634	-
District Managed Activities	23,340	-
Classroom Maintenance	<u>172,794</u>	<u>-</u>
Total Other Governmental Funds	<u>559,768</u>	<u>176,003</u>
Total All Funds	<u>\$ 562,976</u>	<u>\$ 562,976</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 General Fund to other funds for operating purposes until grant or other funding is received in the subsequent fiscal year. Once funding is received by the funds receiving the advance in, those funds will repay the advance back to the General Fund.

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Interfund cash advances at June 30, 2021, were as follows:

Fund	Advances In	Advances Out
General Fund	\$ -	\$ 601,340
Other Governmental Funds:		
Special Trust - Athletic and Music	6,661	-
ESSER program	115,340	-
Title IV Part 2 Grant	43,438	-
Title VI-B IDEA Grant	65,551	-
Title I Grant	230,470	-
Special Education - Preschool	3,028	-
Title II-A Grant	55,708	-
Miscellaneous Federal Grants	81,144	-
Total Other Governmental Funds	<u>601,340</u>	<u>-</u>
Total All Funds	<u>\$ 601,340</u>	<u>\$ 601,340</u>

**NOTE 15 – LONG-TERM DEBT OBLIGATIONS**

The activity of the School District's long-term debt obligations during fiscal year 2021 was as follows:

	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	\$ -	\$ 440,000	\$ 5,120,000	\$ 935,000
Capital Appreciation Bonds	71,735	-	71,735	-	-
Accretion on Capital Appreciation Bonds	376,759	6,506	383,265	-	-
2015 Classroom Facilities					
Refunding Bonds:					
Serial (3.67%)	2,425,000	-	10,000	2,415,000	10,000
2013 2.35% Energy Conservation Refunding Bonds	<u>323,000</u>	<u>-</u>	<u>50,000</u>	<u>273,000</u>	<u>51,000</u>
Total Governmental Activities Long-Term Obligations	<u>\$ 8,756,494</u>	<u>\$ 6,506</u>	<u>\$ 955,000</u>	<u>\$ 7,808,000</u>	<u>\$ 996,000</u>

**2013 Classroom Facilities Refunding Bonds:**

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

The capital appreciation bonds for the 2013 issue mature December 1, 2023, through December 1, 2026. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a principal liability. The maturity amount of the bonds is \$1,340,000. Accretion for fiscal year 2021 was \$6,506.

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Principal and interest requirements to retire the 2013 Classroom Facilities Refunding Bonds outstanding at June 30, 2021, are as follows:

Fiscal Year Ended June 30,	Serial		Total
	Principal	Interest	
2022	\$ 935,000	\$ 133,416	\$ 1,068,416
2023	970,000	109,820	1,079,820
2024	1,000,000	82,960	1,082,960
2025	1,085,000	52,435	1,137,435
2026	1,130,000	18,080	1,148,080
Total	<u>\$ 5,120,000</u>	<u>\$ 396,711</u>	<u>\$ 5,516,711</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, 2021, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	10,000	88,080	98,080
2024	10,000	87,713	97,713
2025	10,000	87,346	97,346
2026	10,000	86,979	96,979
2027-2028	2,365,000	88,172	2,453,172
Total	<u>\$ 2,415,000</u>	<u>\$ 526,737</u>	<u>\$ 2,941,737</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, 2021, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
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>\$ 273,000</u>	<u>\$ 16,439</u>	<u>\$ 289,439</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, 2021 was \$25,256,518, with an unvoted debt margin of \$345,590.

**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, 2020	\$ -
Current year set-aside requirement	437,262
Current year offsets	(747,634)
Total	\$ (310,372)
Balance carried forward to fiscal year 2022	\$ -
Set-aside balance June 30, 2021	\$ -

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 – 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. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

During fiscal year 2021, the School District received \$583,263 in Elementary and Secondary School Emergency Relief funding, \$35,646 in BroadbandOhio Connectivity Coronavirus Relief funding, and \$145,894 in Rural and Small Town School District Coronavirus Relief funding.

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JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2020/2021	\$65,672
Cash Assistance:			
School Breakfast Program	10.553	2020/2021	146,136
COVID-19 School Breakfast Program	10.553	2020/2021	24,602
National School Lunch Program	10.555	2020/2021	400,562
COVID-19 National School Lunch Program	10.555	2020/2021	64,844
Total Child Nutrition Cluster			<u>701,816</u>
Fresh Fruits and Vegetable Program	10.582	2020/2021	<u>78,149</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>779,965</u></b>
<b>U.S. DEPARTMENT OF TREASURY</b>			
<i>Passed through Department of Education</i>			
COVID-19: Coronavirus Relief Fund (Rural and Small Town)	21.019	2021	145,894
COVID-19: Coronavirus Relief Fund (Broadband Ohio Connectivity)	21.019	2021	35,646
Total Coronavirus Relief Funds			<u>181,540</u>
<b>Total U.S. Department of Treasury</b>			<b>181,540</b>
<b>NATIONAL ENDOWMENT FOR HUMANITIES</b>			
<i>Passed through State Library of Ohio</i>			
COVID-19: Grants to States	45.310	2021	<u>2,636</u>
<b>Total National Endowment for Humanities</b>			<b>2,636</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010A	2021 2020	681,449 <u>87,945</u>
Total Title I Grants to Local Educational Agencies			769,394
Special Education Cluster			
Special Education Grants to States	84.027A	2021 2020	500,902 <u>83,198</u>
Total Special Education Grants to States			584,100
Special Education Preschool Grant	84.173A	2021 2020	13,165 <u>2,166</u>
Total Special Education Preschool Grant			<u>15,331</u>
Total Special Education Cluster			599,431
Twenty-First Century Community Learning Centers	84.287A	2021	156,562
Rural Education	84.358B	2021	44,126
Supporting Effective Instruction State Grant	84.367A	2021 2020	68,298 <u>3,319</u>
Total Supporting Effective Instruction State Grant			71,617
Student Support and Academic Enrichment Program	84.424A	2021	42,799
COVID-19: Education Stabilization Fund	84.425D	2021	648,633
<b>Total U.S. Department of Education</b>			<b><u>2,332,562</u></b>
<b>Total Receipts and Expenditures of Federal Awards</b>			<b><u>\$3,296,703</u></b>

The accompanying notes are an integral part of this schedule.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2021**

**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, 2021. 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, 2021, 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 November 10, 2022, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the 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 2021-002 through 2021-004 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 2021-001 and 2021-002.

***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

November 10, 2022

# 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 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 the Jackson City School District's major federal programs for the year ended June 30, 2021. 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 Education Stabilization Fund***

As described in finding 2021-005 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/Cost Principles applicable to its AL # 84.425 *Education Stabilization Fund* major federal program. Compliance with these requirements are necessary, in our opinion, for the School District to comply with requirements applicable to this program.

***Qualified Opinion on Education Stabilization Fund***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Education Stabilization Fund* paragraph, the Jackson City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Education Stabilization Fund for the year ended June 30, 2021.

***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 its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Cost for the year ended June 30, 2021.

***Other Matters***

The School District's response to our noncompliance 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.

***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 a 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 2021-005.

The School District's response to our internal control over compliance finding is described in the accompanying Schedule of Findings and Questioned Cost 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

November 10, 2022

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**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
2 CFR § 200.515  
JUNE 30, 2021**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified for all major programs except for Education Stabilization Fund, which we qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• COVID-19 – Education Stabilization Fund, AL # 84.425D</li> <li>• Title I Grants to Local Educational Agencies, AL # 84.010</li> </ul>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

**FINDING NUMBER 2021-001**

**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 School 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, 2021  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
---

**FINDING NUMBER 2021-001 (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 cash basis of accounting (modified cash basis of accounting) 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.

**Official's Response:** 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.

**FINDING NUMBER 2021-002**

**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 Trust Fund, Auxiliary Services Fund, and Improving Teacher Quality Fund had expenditures in excess of appropriations of \$47,129, \$68,633, and \$43,438 as of June 30, 2021, respectively. The 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 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.

**Official's Response:** The School District has undergone a series of administrative changes in the Treasurer's office. Those in office at the time of these findings are no longer with the School District.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
---

**FINDING NUMBER 2021-003**

**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 2021. However, these reconciliations included unidentified “plug” amounts and other misidentified reconciling items throughout the audit period. 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.

**Official’s Response:** The School District has contracted with a 3<sup>rd</sup> party Independent Public Accounting Firm to correct the reconciling items. Once completed, the School District will be reconciled with additional internal controls in place to prevent future issues. This School District has closed unnecessary bank accounts and is operating its general checking account as a clearing account, making reconciliations easier to complete.

**FINDING NUMBER 2021-004**

**Material Weakness- Financial Reporting**

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

JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)

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

**FINDING NUMBER 2021-004 (Continued)**

**Material Weakness- Financial Reporting (Continued)**

Certain transactions were misclassified resulting in material audit adjustment. In the Jones Trust Fund, Gifts and Contributions were posted to Earnings on Investment in the amount of \$103,398. As a result, adjustments, with which the School District's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

The Treasurer should review all postings to the system and take additional care in assuring amounts are posted to the proper line items.

**Official's Response:** The School District has undergone a series of administrative changes in the Treasurer's office. Those in office at the time of these findings are no longer with the School District. The account in question has been closed in an effort to prevent incorrect postings to this account.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Time and Effort Support**

<b>Finding Number:</b>	<b>2021-005</b>
<b>Assistance Listing Number and Title:</b>	<b>AL #84.425 COVID-19 – Education Stabilization Fund</b>
<b>Federal Award Identification Number / Year:</b>	<b>2021</b>
<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Compliance Requirement:</b>	<b>Section A: Activities Allowed or Unallowed Section B: Allowable Costs/Cost Principles</b>
<b>Pass-Through Entity:</b>	<b>Ohio Department of Education</b>
<b>Repeat Finding from Prior Audit?</b>	<b>No</b>

**Questioned Cost, Material Weakness, and Noncompliance**

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for 2 CFR 200.403 (g) which provides that except where otherwise authorized by statute, costs must be adequately documented in order to be allowable under Federal awards. Further, 2 C.F.R § 200.303(a) provides that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The School District has established approved rates of pay for employees. Further, timesheets and/or an Elementary and Secondary School Emergency Relief (ESSER) Fund spreadsheet was used to document time and effort of personnel relating to ESSER activities. However, calculations of allowable amounts based on approved rates and timesheets/spreadsheets resulted in an estimated \$74,451 in ESSER expenditures that could not be supported as related to ESSER activities. As such, the \$74,451 from the Education Stabilization Fund AL # 84.425D is considered a questioned cost. Failure to maintain the appropriate time and effort documentation and properly calculate ESSER portions resulted in questioned costs and can result in reduced future federal funding or the requirement to repay the Ohio Department of Education.

JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)

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

**FINDING NUMBER 2021-005 (Continued)**

**Questioned Cost, Material Weakness, and Noncompliance- Time and Effort Support (Continued)**

The Treasurer 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.

**Official's Response:** The School District has undergone a series of administrative changes in the Treasurer's office. Those in office at the time of these findings are no longer with the School District. The School District is working to begin electronic methods of tracking time which should allow for better controls.

**4. OTHER – FINDINGS FOR RECOVERY**

In addition, we identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS or Single Audit Compliance and Controls reports.

**FINDING NUMBER 2021-006**

**Finding for Recovery**

The Negotiated Agreement Between Jackson City Board of Education and Jackson City Education Association effective August 1, 2017 through July 31, 2021, Article 33 - Severance and Absence Policy Part A(2) provides that the retiree shall be paid for a maximum of one-quarter (1/4) of 339 unused accumulated sick leave days computed at the actual rate of pay earned for the day's work, excluding extended service or pay for additional duties, according to state statute. Further, Part C provides that teachers at thirty (30) years of STRS service credit (but not more than thirty (30) years of service credit) may be eligible for a "super-severance" based upon the one-third (1/3) of accumulated sick leave days rather than the one-fourth (1/4) of accumulated sick leave days.

Debra Mauk was employed as a teacher of the District with a contracted salary of \$72,485, which included \$68,985 base salary and \$3,500 retirement planning salary, for 182 days during fiscal year 2020. She retired, effective May 31, 2020, with 30 years of service credit and a sick leave balance of 189 days. Ms. Mauk was paid \$26,039 for severance on July 10, 2020. Review of the District's calculation of severance indicated the \$3,500 retirement planning salary was included in the salary calculation twice in error. As a result, an overpayment of \$948 occurred.

	189	Days: Sick Leave balance at Retirement
x	<u>1/3</u>	Per Severance Policy (1/3 subject to payout)
	63	Calculated Days for Severance
x	<u>\$ 398.27</u>	Actual Daily Rate
	\$ 25,091	Calculated Severance
	<u>\$ 26,039</u>	Actual Amount paid for Severance on July 10, 2020
	<u>\$ 948</u>	Overpayment

JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)

4. OTHER – FINDINGS FOR RECOVERY (Continued)

FINDING NUMBER 2021-006 (Continued)

**Finding for Recovery (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former employee Debra Mauk in the amount of \$948 and in favor of the District's General Fund in the amount of \$948.

**Officials' Response:** The School District has undergone a series of administrative changes in the Treasurer's office. Those in office at the time of these findings are no longer with the School District. A new method of calculating severance at the School District has been implemented which has generated additional internal controls surrounding termination benefits.

# Jackson City School District



Mr. Phil Howard, Superintendent

Mr. Jared Bunting, Treasurer/CFO

450 Vaughn Street • Jackson, Ohio 45640  
 (740) 286-6442 Telephone • (740) 286-6445 Facsimile  
[www.jcs.k12.oh.us](http://www.jcs.k12.oh.us)

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**2 CFR 200.511(b)**  
**JUNE 30, 2021**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2020-001	Noncompliance with Ohio Rev. Code § 117.38 due to reporting on a modified cash basis.	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.
2020-002	Material Weakness and Noncompliance with Ohio Rev. Code § 5705.41(B) the School District's Jones Special Trust fund had expenditures in excess of appropriations.	Not Corrected	The School District has undergone a series of administrative changes in the Treasurer's office. Those in office at the time of these findings are no longer with the School District.
2020-003	Material Weakness due to Budgetary information in the accounting system varying from approved amounts.	Fully Corrected	N/A
2020-004	Material Weakness due to unidentified reconciling items in the monthly bank to book reconciliations.	Not Corrected	The School District has contracted with a 3 <sup>rd</sup> party IPA to correct the reconciling items. Once Completed the School District will be reconciled with additional internal controls in place to prevent future issues. This School District has closed unnecessary bank accounts and is operating its general checking account as a clearing account, making reconciliations easier to complete.
2020-005	Questioned Cost/Noncompliance/ Material Weakness relating to Title I Grants to Local Educational Agencies relating to time and effort documentation.	Fully Corrected	N/A

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## **CORRECTIVE ACTION PLAN** **2 CFR § 200.511(c)** **JUNE 30, 2021**

**Finding Number:** 2021-001  
**Planned Corrective Action:** 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.

**Anticipated Completion Date:** None  
**Responsible Contact Person:** Jared M Bunting

**Finding Number:** 2021-002  
**Planned Corrective Action:** The Treasurer's Office has instituted additional budgeting measure to ensure compliance with appropriations and amended certificates. The electronic requisition system now requires funds to be appropriated within the accounting software before it can be submitted for approval. This requires individuals to request budgeting adjustments prior to submitting requisitions. A correlating budget reduction must accompany a budget move, unless additional funds are being certified available.

**Anticipated Completion Date:** 07/01/2022  
**Responsible Contact Person:** Jared M Bunting

**Finding Number:** 2021-003  
**Planned Corrective Action:** The School District has contracted with a 3rd party Independent Public Accounting Firm to correct the reconciling items. Once completed the School District will be reconciled with additional internal controls in place to prevent future issues. This School District has closed unnecessary bank accounts and is operating its general checking account as a clearing account, making reconciliations easier to complete.

**Anticipated Completion Date:** 12/31/2022  
**Responsible Contact Person:** Jared M Bunting

**Finding Number:** 2021-004  
**Planned Corrective Action:** The School District has undergone a series of administrative changes in the Treasurer's office. Those in office at the time of these findings are no longer with the district. The account in question has been closed in an effort to prevent incorrect postings to this account.

**Anticipated Completion Date:** 10/01/2022  
**Responsible Contact Person:** Jared M Bunting

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2021**  
**(Continued)**

**Finding Number:** 2021-005  
**Planned Corrective Action:** The School District has undergone a series of administrative changes in the Treasurer's office. Those in office at the time of these findings are no longer with the School District. The School District is working to begin electronic methods of tracking time which should allow for better controls.  
**Anticipated Completion Date:** 07/01/2022  
**Responsible Contact Person:** Jared M Bunting

**Finding Number:** 2021-006  
**Planned Corrective Action:** The School District has undergone a series of administrative changes in the Treasurer's office. Those in office at the time of these findings are no longer with the School District. A new method of calculating severance at the School District has been implemented which has generated additional internal controls surrounding termination benefits.  
**Anticipated Completion Date:** 07/01/2022  
**Responsible Contact Person:** Jared M Bunting

# 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 11/22/2022**

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](http://www.ohioauditor.gov)