

CITY OF JACKSON
JACKSON COUNTY, OHIO

Basic Financial Statements
(Audited)

For the Year Ended
December 31, 2019



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Members of City Council
City of Jackson
P. O. Box 1090
145 Broadway Street
Jackson, Ohio 45640

We have reviewed the *Independent Auditor's Report* of the City of Jackson, Jackson County, prepared by Julian & Grube, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

September 28, 2020

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CITY OF JACKSON, OHIO

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Independent Auditor's Report

City of Jackson
Jackson County
PO Box 1090
Jackson, Ohio 45640

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Jackson County, Ohio, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Jackson'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 accounting principles generally accepted in the United States of America; this includes 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 City of Jackson'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 City of Jackson'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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Jackson County, Ohio, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during 2019, the City of Jackson adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. It was also discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the City of Jackson. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit assets and liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2020, on our consideration of the City of Jackson'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 City of Jackson's internal control over financial reporting and compliance.



Julian & Grube, Inc.
July 29, 2020

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

The management's discussion and analysis of the City of Jackson's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- The total net position of the City increased \$1,980,745 from 2018's restated total net position. Net position of governmental activities decreased \$127,371 or 1.05% from 2018's restated net position and net position of business-type activities increased \$2,108,116 or 4.40% from 2018's net position.
- General revenues accounted for \$2,378,395 or 52.62% of total governmental activities revenue. Program specific revenues accounted for \$2,141,632 or 47.38% of total governmental activities revenue.
- The City had \$4,647,398 in expenses related to governmental activities; \$2,141,632 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,505,766 were offset by general revenues (primarily property and other local taxes and unrestricted grants and entitlements) of \$2,378,395.
- The general fund had revenues and other financing sources of \$3,032,518 in 2019. The general fund had expenditures and other financing uses of \$2,968,072 in 2019. The net increase in fund balance for the general fund was \$64,446 or 4.89%.
- Net position for the business-type activities, which are made up of the water, sewer, and electric major enterprise funds and the railroad and garbage nonmajor enterprise funds, increased in 2019 by \$2,108,116. This increase in net position was due primarily to charges for service revenues being greater than expenses.
- The water fund had operating revenues of \$2,524,650 and operating expenses of \$2,534,656 in 2019. The water fund also had net non-operating expenses of \$236. The net decrease in net position for the water fund was \$10,242 or 0.20%.
- The sewer fund had operating revenues of \$4,134,734 and operating expenses of \$4,036,409 in 2019. The sewer fund also had net non-operating expenses of \$54,532 and capital contributions of \$396,710. The net increase in net position for the sewer fund was \$440,503 or 4.01%.
- The electric fund had operating revenues of \$21,029,982 and operating expenses of \$19,283,575 in 2019. The electric fund also had net non-operating revenues of \$42,510. The net increase in net position for the electric fund was \$1,788,917 or 6.89%.
- In the general fund, the actual revenues and other financing sources were \$208,240 more than they were in the final budget and actual expenditures and other financing uses were \$289,014 less than the amount in the final budget. Budgeted revenues and other financing sources decreased \$13,185 from original to the final budget and budgeted expenditures and other financing uses increased \$185,395 from original to the final budget.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and other local taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, electric, railroad and garbage operations are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's only major governmental fund is the general fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, railroad, and garbage functions. The City's water, sewer and electric funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City did not have any fiduciary funds.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability/asset, along with contributions to the pension systems and net OPEB liability.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2019 compared to 2018.

| | Net Position | | | | | |
|-----------------------------|------------------------------------|--|-------------------------------------|-------------------------------------|----------------------|---------------------------|
| | 2019 Governmental Activities | Restated 2018 Governmental Activities | 2019 Business-type Activities | 2018 Business-type Activities | 2019 Total | Restated 2018 Total |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 7,536,465 | \$ 8,960,346 | \$ 24,065,439 | \$ 26,587,125 | \$ 31,601,904 | \$ 35,547,471 |
| Investment in Joint Venture | - | - | 213,335 | 213,335 | 213,335 | 213,335 |
| Capital assets, net | <u>12,101,210</u> | <u>11,825,475</u> | <u>48,884,066</u> | <u>44,632,396</u> | <u>60,985,276</u> | <u>56,457,871</u> |
| Total assets | <u>19,637,675</u> | <u>20,785,821</u> | <u>73,162,840</u> | <u>71,432,856</u> | <u>92,800,515</u> | <u>92,218,677</u> |
| Total Deferred outflows | <u>1,798,305</u> | <u>1,033,465</u> | <u>1,975,718</u> | <u>1,090,433</u> | <u>3,774,023</u> | <u>2,123,898</u> |
| <u>Liabilities</u> | | | | | | |
| Long-term liabilities | 7,983,789 | 8,179,506 | 22,985,551 | 21,531,292 | 30,969,340 | 29,710,798 |
| Other liabilities | <u>133,752</u> | <u>130,742</u> | <u>1,890,293</u> | <u>2,100,811</u> | <u>2,024,045</u> | <u>2,231,553</u> |
| Total liabilities | <u>8,117,541</u> | <u>8,310,248</u> | <u>24,875,844</u> | <u>23,632,103</u> | <u>32,993,385</u> | <u>31,942,351</u> |
| Total Deferred inflows | <u>1,360,642</u> | <u>1,423,870</u> | <u>252,965</u> | <u>989,553</u> | <u>1,613,607</u> | <u>2,413,423</u> |
| <u>Net Position</u> | | | | | | |
| Net investment | | | | | | |
| in capital assets | 11,654,835 | 11,339,108 | 34,812,786 | 33,744,486 | 46,467,621 | 45,083,594 |
| Restricted | 2,994,647 | 4,094,726 | - | - | 2,994,647 | 4,094,726 |
| Unrestricted (deficit) | <u>(2,691,685)</u> | <u>(3,348,666)</u> | <u>15,196,963</u> | <u>14,157,147</u> | <u>12,505,278</u> | <u>10,808,481</u> |
| Total net position | <u>\$ 11,957,797</u> | <u>\$ 12,085,168</u> | <u>\$ 50,009,749</u> | <u>\$ 47,901,633</u> | <u>\$ 61,967,546</u> | <u>\$ 59,986,801</u> |

The net pension liability/asset is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net pension asset.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability/asset or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability/asset and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$61,967,546. At year-end, net position was \$11,957,797 and \$50,009,749 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets net represented 65.72% of total assets. Capital assets include land, artwork and historical treasures, construction in progress, land improvements, buildings, equipment, vehicles, and infrastructure. The net investment in capital assets at December 31, 2019, was \$11,654,835 and \$34,812,786 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2019, the City's governmental activities unrestricted net position was a deficit balance of \$2,691,685. This deficit is due to the implementation of GASB 68 and GASB 75. A portion of the City's net position, \$2,994,647 represents resources that are subject to external restriction on how they may be used.

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CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The table below shows the changes in net position for years 2019 and 2018. The net position at December 31, 2018 have been restated as described in Note 3B.

| | Change in Net Position | | | | | |
|--|------------------------------------|--|-------------------------------------|-------------------------------------|----------------------|---------------------------|
| | 2019 Governmental Activities | Restated 2018 Governmental Activities | 2019 Business-Type Activities | 2018 Business-Type Activities | 2019 Total | Restated 2018 Total |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,273,220 | \$ 1,372,734 | \$ 28,441,547 | \$ 29,811,010 | \$ 29,714,767 | \$ 31,183,744 |
| Operating grants and contributions | 584,296 | 410,804 | 66,154 | - | 650,450 | 410,804 |
| Capital grants and contributions | 284,116 | 1,829,538 | 474,608 | 371,268 | 758,724 | 2,200,806 |
| Total program revenues | 2,141,632 | 3,613,076 | 28,982,309 | 30,182,278 | 31,123,941 | 33,795,354 |
| General revenues: | | | | | | |
| Property and other local taxes | 1,457,138 | 1,501,922 | - | - | 1,457,138 | 1,501,922 |
| Income taxes | 6,034 | 862,797 | - | - | 6,034 | 862,797 |
| Unrestricted grants and entitlements | 246,026 | 228,754 | - | - | 246,026 | 228,754 |
| Investment earnings | 514,615 | 418,109 | 88,985 | 36,550 | 603,600 | 454,659 |
| Miscellaneous | 154,582 | 411,716 | 319,562 | 188,755 | 474,144 | 600,471 |
| Total general revenues | 2,378,395 | 3,423,298 | 408,547 | 225,305 | 2,786,942 | 3,648,603 |
| Total revenues | 4,520,027 | 7,036,374 | 29,390,856 | 30,407,583 | 33,910,883 | 37,443,957 |
| Expenses: | | | | | | |
| General government | 1,623,503 | 1,267,251 | - | - | 1,623,503 | 1,267,251 |
| Security of persons and property | 936,957 | 2,718,327 | - | - | 936,957 | 2,718,327 |
| Public health and welfare | 354,852 | 357,453 | - | - | 354,852 | 357,453 |
| Transportation | 1,292,291 | 916,901 | - | - | 1,292,291 | 916,901 |
| Community environment | 19,966 | 20,882 | - | - | 19,966 | 20,882 |
| Leisure time activities | 406,304 | 208,470 | - | - | 406,304 | 208,470 |
| Interest and fiscal charges | 13,525 | 15,186 | - | - | 13,525 | 15,186 |
| Water | - | - | 2,566,749 | 2,244,940 | 2,566,749 | 2,244,940 |
| Sewer | - | - | 4,127,719 | 4,238,514 | 4,127,719 | 4,238,514 |
| Electric | - | - | 19,367,990 | 20,064,240 | 19,367,990 | 20,064,240 |
| Other enterprise | - | - | 1,220,282 | 941,860 | 1,220,282 | 941,860 |
| Total expenses | 4,647,398 | 5,504,470 | 27,282,740 | 27,489,554 | 31,930,138 | 32,994,024 |
| Change in net position | (127,371) | 1,531,904 | 2,108,116 | 2,918,029 | 1,980,745 | 4,449,933 |
| Net position at beginning of year (restated) | 12,085,168 | 10,553,264 | 47,901,633 | 44,983,604 | 59,986,801 | 55,536,868 |
| Net position at end of year | \$ 11,957,797 | \$ 12,085,168 | \$ 50,009,749 | \$ 47,901,633 | \$ 61,967,546 | \$ 59,986,801 |

Governmental Activities

Governmental activities net position decreased \$127,371 in 2019.

Security of persons and property, which primarily supports the operations of the police department accounted for \$936,957 of the total expenses of the City. The decrease in security of persons and property expenses was due to a decrease in the net OPEB liability, related to structural changes made by the pension system. These expenses were funded by \$1,040,014 in direct charges to users of the services and 14,916 in operating grants and contributions. Transportation expenses totaled \$1,292,291. Transportation expenses were funded by \$490,296 in operating grants and contributions and \$271,014 in capital grants and contributions.

CITY OF JACKSON, OHIO

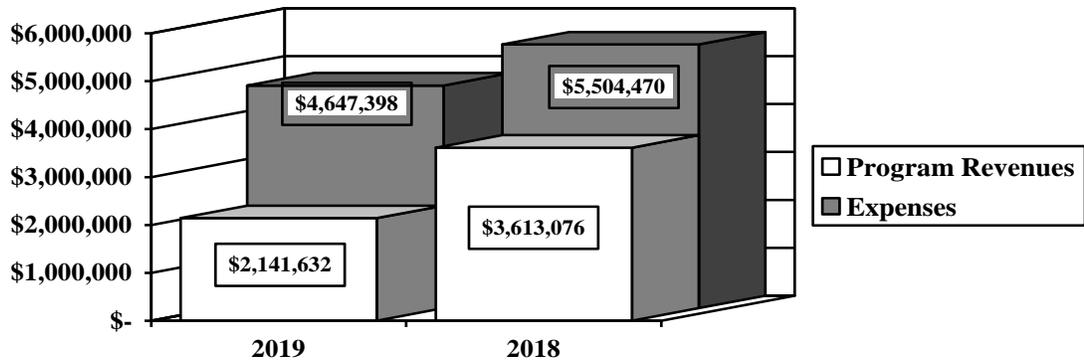
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The state and federal government contributed to the City a total of \$584,296 in operating grants and contributions and \$284,116 in capital grants and contributions.

General revenues totaled \$2,378,395 and amounted to 52.62% of total governmental revenues. These revenues primarily consist of property and other local tax revenue and income taxes of \$1,463,172. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds, making up \$246,026.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

Governmental Activities - Program Revenues vs. Total Expenses



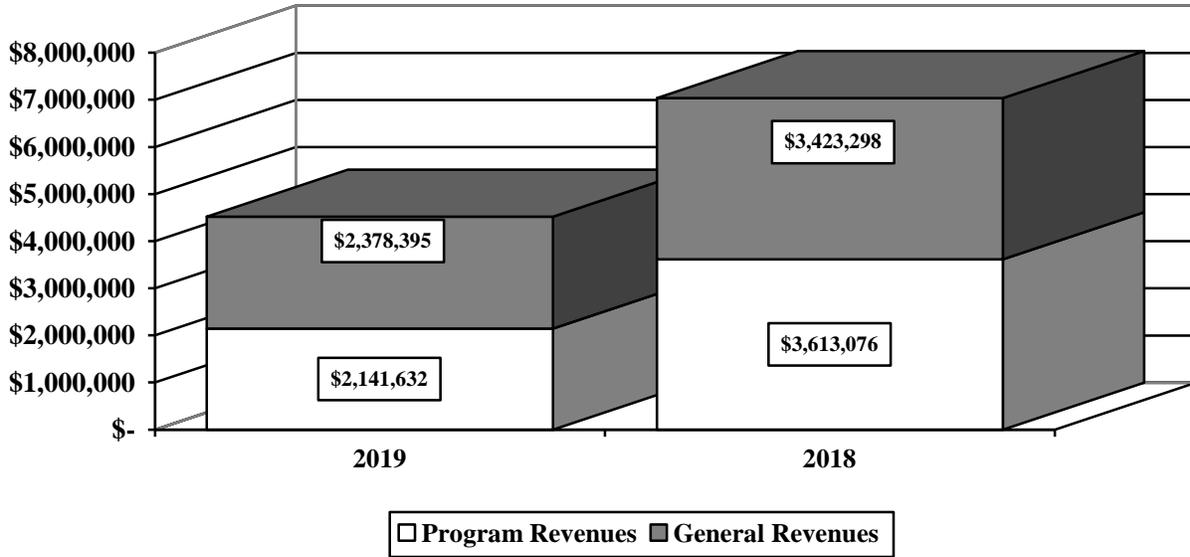
| | Governmental Activities | | | |
|----------------------------------|--------------------------------|----------------------------|----------------------------|----------------------------|
| | Total Cost of Services | Total Cost of Services | Net Cost of Services | Net Cost of Services |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Program Expenses: | | | | |
| General government | \$ 1,623,503 | \$ 1,267,251 | \$ 1,480,832 | \$ 1,154,093 |
| Security of persons and property | 936,957 | 2,718,327 | (117,973) | 1,640,378 |
| Public health and welfare | 354,852 | 357,453 | 283,627 | 217,399 |
| Transportation | 1,292,291 | 916,901 | 530,981 | (693,489) |
| Community environment | 19,966 | 20,882 | 17,270 | 16,370 |
| Leisure time activity | 406,304 | 208,470 | 297,504 | (458,543) |
| Interest and fiscal charges | <u>13,525</u> | <u>15,186</u> | <u>13,525</u> | <u>15,186</u> |
| Total Expenses | <u><u>\$ 4,647,398</u></u> | <u><u>\$ 5,504,470</u></u> | <u><u>\$ 2,505,766</u></u> | <u><u>\$ 1,891,394</u></u> |

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The dependence upon general revenues for governmental activities is apparent, with 53.92% of expenses supported through taxes and other general revenues.

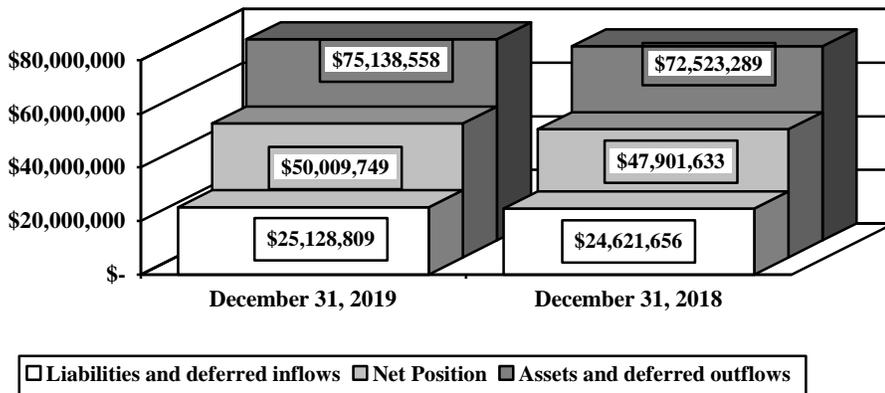
Governmental Activities - General and Program Revenues



Business-Type Activities

Business-type activities include the water, sewer, and electric major enterprise funds and the railroad and garbage nonmajor enterprise funds. These programs had program revenues of \$28,982,309, general revenues of \$408,547 and expenses of \$27,282,740 for 2019. The graph below shows the business-type activities assets and deferred outflows, liabilities and deferred inflows and net position at year-end 2019 and 2018.

Net Position in Business - Type Activities



CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds reported a combined fund balance of \$5,500,659 which is \$986,081 below last year's restated total of \$6,486,740. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2019 for all major and nonmajor governmental funds. The fund balance at December 31, 2018 have been restated as described in Note 3B.

| | <u>Fund Balances 12/31/19</u> | <u>Restated Fund Balances 12/31/18</u> | <u>Change</u> |
|-----------------------------------|---------------------------------------|--|----------------------------|
| General | \$ 1,383,272 | \$ 1,318,826 | \$ 64,446 |
| Other nonmajor governmental funds | <u>4,117,387</u> | <u>5,167,914</u> | <u>(1,050,527)</u> |
| Total | <u>\$ 5,500,659</u> | <u>\$ 6,486,740</u> | <u>\$ (986,081)</u> |

General Fund

The City's general fund balance increased 4.89%, primarily as a result of increasing revenues. The City's income tax was repealed at the end of 2018. The table that follows assists in illustrating the revenues of the general fund.

| | <u>2019 Amount</u> | <u>2018 Amount</u> | <u>Percentage Change</u> |
|------------------------|----------------------------|----------------------------|------------------------------|
| <u>Revenues</u> | | | |
| Taxes | \$ 1,056,062 | \$ 1,133,204 | (6.81) % |
| Charges for services | 1,036,913 | 1,034,573 | 0.23 % |
| Licenses and permits | 90,099 | 77,749 | 15.88 % |
| Fines and forfeitures | 28,991 | 41,057 | (29.39) % |
| Investment income | 514,615 | 418,109 | 23.08 % |
| Intergovernmental | 194,612 | 193,320 | 0.67 % |
| Other | <u>108,276</u> | <u>100,204</u> | 8.06 % |
| Total | <u>\$ 3,029,568</u> | <u>\$ 2,998,216</u> | 1.05 % |

Tax revenue represents 34.86% of all general fund revenue. The increase in investment income is related to an increase in interest revenue received during the year.

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The table that follows assists in illustrating the expenditures of the general fund.

| | <u>2019</u> <u>Amount</u> | <u>2018</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|----------------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Expenditures</u> | | | |
| General government | \$ 1,045,426 | \$ 984,011 | 6.24 % |
| Security of persons and property | 1,494,209 | 2,243,762 | (33.41) % |
| Transportation | 205,676 | 140,347 | 46.55 % |
| Community environment | 19,966 | 20,882 | (4.39) % |
| Debt service | <u>2,295</u> | <u>2,295</u> | - % |
| Total | <u>\$ 2,767,572</u> | <u>\$ 3,391,297</u> | (18.39) % |

Total expenditures decreased 18.39% from 2018. The decrease in securities of person and property is due to a decrease in public safety expenditures. Transportation expenditures increased due to an increase in capital outlay expenditures related to roadway improvement projects.

Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. From time to time during the year, the fund's budget may be amended as needs or conditions change.

The City made several revisions to the original appropriations approved by City Council. Overall, these changes resulted in an increase from the original budget of \$74,895. The City's general fund actual revenues and other financing sources were \$208,240 greater than the final budgeted revenues and expenditures and other financing uses were \$289,014 less than appropriations due to conservative spending.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities.

The water fund had operating revenues of \$2,524,650 and operating expenses of \$2,534,656 in 2019. The water fund also had non-operating expenses of \$17,195 and non-operating revenues of 16,959. The net decrease in net position for the water fund was \$10,242 or 0.20%.

The sewer fund had operating revenues of \$4,134,734 and operating expenses of \$4,036,409 in 2019. The sewer fund also had net non-operating expenses of \$76,737, non-operating revenues of \$22,205 and capital contributions of \$396,710. The net increase in net position for the sewer fund was \$440,503 or 4.01%.

The electric fund had operating revenues of \$21,029,982 and operating expenses of \$19,283,575 in 2019. The electric fund also had non-operating expenses of \$69,517 and non-operating revenues of \$112,027. The net increase in net position for the electric fund was \$1,788,917 or 6.89%.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Capital Assets and Debt Administration

Capital Assets

At the end of 2019, the City had \$60,985,276 (net of accumulated depreciation) invested in land, artwork and historical treasures, construction in progress, land improvements, buildings, equipment, vehicles, and infrastructure. Of this total, \$12,101,210 was reported in governmental activities and \$48,884,066 was reported in business-type activities.

The following table shows 2019 capital asset balances compared to 2018:

**Capital Assets at December 31
(Net of Depreciation)**

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|-----------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Land | \$ 1,408,141 | \$ 1,408,141 | \$ 3,482,332 | \$ 3,482,332 | \$ 4,890,473 | \$ 4,890,473 |
| Art work and historical treasures | 291,000 | 291,000 | - | - | 291,000 | 291,000 |
| Land improvements | 160,696 | 144,421 | 14,496 | 15,226 | 175,192 | 159,647 |
| Buildings | 1,287,119 | 1,344,461 | 533,571 | 544,496 | 1,820,690 | 1,888,957 |
| Equipment | 194,460 | 223,842 | 1,258,972 | 678,306 | 1,453,432 | 902,148 |
| Infrastructure | 5,474,516 | 4,419,772 | 36,608,421 | 38,075,239 | 42,082,937 | 42,495,011 |
| Vehicles | 838,751 | 927,865 | 1,072,098 | 752,656 | 1,910,849 | 1,680,521 |
| Construction in progress | <u>2,446,527</u> | <u>3,065,973</u> | <u>5,914,176</u> | <u>1,084,141</u> | <u>8,360,703</u> | <u>4,150,114</u> |
| Totals | <u>\$ 12,101,210</u> | <u>\$ 11,825,475</u> | <u>\$ 48,884,066</u> | <u>\$ 44,632,396</u> | <u>\$ 60,985,276</u> | <u>\$ 56,457,871</u> |

The City's largest capital asset category is infrastructure which includes roads, water lines, and sewer lines. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 69.00% of the City's total capital assets. See Note 7 to the basic financial statements for additional capital asset detail.

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CITY OF JACKSON, OHIO

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2019 and 2018:

| | Governmental Activities | |
|-----------------------------------|--------------------------|---------------|
| | 2019 | 2018 |
| Notes payable | \$ 81,140 | \$ 94,126 |
| Lease purchase agreements | 345,209 | 392,241 |
| Police and Fire Pension Liability | 25,804 | 26,965 |
| Total long-term obligations | \$ 452,153 | \$ 513,332 |
| | Business-type Activities | |
| | 2019 | 2018 |
| Bonds payable | \$ 6,078,285 | \$ 6,539,483 |
| Notes payable | 118,949 | 137,657 |
| Lease Purchase Agreement | 28,662 | 56,820 |
| OPWC loans | 610,106 | 586,115 |
| OWDA loans | 7,506,630 | 8,155,653 |
| Total long-term obligations | \$ 14,342,632 | \$ 15,475,728 |

See Note 13 to the basic financial statements for detail on the City’s long-term obligations.

Economic Conditions and Outlook

The City’s administration considers the impact of various economic factors when establishing the 2019 budget. The continued challenges resulting from regional loss of employment, stagnant economic development, and the general national recession, have yielded significant influence on the objectives established in the 2019 budget. The primary objectives include continued improvement to constituent service delivery as well as long-term fiscal stability.

Despite the uncertainty surrounding the economy, the City continues to carefully monitor two primary sources of revenue—local property taxes and shared intergovernmental (state) revenue. In order to stabilize the impact of the fluctuations in these revenue sources, City Council continues to pursue economic development and job creation; maintain the community’s reputation for high public safety standards; and adoption of a budget designed to promote long-term fiscal stability. In 2018 The City imposed a 1% income tax which was collected for a five month period from July 1st to November 24th. This tax was used to support the City Police Department. The remainder of these funds will be expended in 2020 and will have to be picked up by the General fund in 2021 to fund the Police Department if another revenue source is not found. Furthermore, the City’s investment earnings, which were once a significant source of revenue for the City, had been increasing and because of Covid-19 have drastically decreased over the past several months. With no expectation of interest rates increasing substantially in the near future, this will continue to remain an issue for the City.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

The average unemployment rate for Jackson County in 2018 was 7.1% compared to the 4.80% State of Ohio average. The City Auditor anticipates the 2018 rate to continue through 2019 with the potential for it to increase during the year. In order to meet these challenges, further cost containment and/or revenue enhancement actions will be essential. The City will continue conservative budgeting practices and be constantly looking for ways to generate additional revenue, including the reinstatement of the income tax.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the city's finances and to show the city's accountability for the money it receives. If you have questions about this report, please contact the City of Jackson's Auditor's Office by calling (740) 286-2423 or by writing the City Auditor at 145 Broadway Street, Jackson, Ohio 45640-1656.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF JACKSON, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2019

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Assets: | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 5,023,253 | \$ 20,154,451 | \$ 25,177,704 |
| Receivables: | | | |
| Income taxes | 11,586 | - | 11,586 |
| Real and other taxes | 830,266 | - | 830,266 |
| Accounts | 38,420 | 2,033,656 | 2,072,076 |
| Accrued interest | 50,711 | 3,565 | 54,276 |
| Due from other governments | 788,338 | 779,190 | 1,567,528 |
| Loans receivable | 354 | - | 354 |
| Materials and supplies inventory | 106,757 | 1,090,518 | 1,197,275 |
| Prepayments | 93,791 | 121,992 | 215,783 |
| Internal balance | 585,551 | (585,551) | - |
| Net pension asset | 7,438 | 14,816 | 22,254 |
| Restricted assets: | | | |
| Customer deposits | - | 452,802 | 452,802 |
| Investment in joint venture | - | 213,335 | 213,335 |
| Capital assets: | | | |
| Land, artwork and construction in progress | 4,145,668 | 9,396,508 | 13,542,176 |
| Depreciable capital assets, net | 7,955,542 | 39,487,558 | 47,443,100 |
| Total capital assets, net | <u>12,101,210</u> | <u>48,884,066</u> | <u>60,985,276</u> |
| Total assets | <u>19,637,675</u> | <u>73,162,840</u> | <u>92,800,515</u> |
| Deferred outflows of resources: | | | |
| Unamortized deferred charges on debt refunding | - | 75,871 | 75,871 |
| Pension | 1,495,855 | 1,680,695 | 3,176,550 |
| OPEB | 302,450 | 219,152 | 521,602 |
| Total deferred outflows of resources | <u>1,798,305</u> | <u>1,975,718</u> | <u>3,774,023</u> |
| Liabilities: | | | |
| Accounts payable | 8,870 | 1,246,159 | 1,255,029 |
| Contracts payable | 20,026 | 40,213 | 60,239 |
| Accrued wages and benefits payable | 75,467 | 103,007 | 178,474 |
| Due to other governments | 26,017 | 2,226 | 28,243 |
| Accrued interest payable | 3,372 | 15,068 | 18,440 |
| Claims payable | - | 30,818 | 30,818 |
| Customer deposits payable | - | 452,802 | 452,802 |
| Long-term liabilities: | | | |
| Due within one year | 213,892 | 1,376,746 | 1,590,638 |
| Net pension liability | 5,472,102 | 5,457,644 | 10,929,746 |
| Net OPEB liability | 1,546,066 | 2,472,687 | 4,018,753 |
| Due in more than one year | 751,729 | 13,678,474 | 14,430,203 |
| Total liabilities | <u>8,117,541</u> | <u>24,875,844</u> | <u>32,993,385</u> |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next fiscal year | 743,723 | - | 743,723 |
| Pension | 328,002 | 190,346 | 518,348 |
| OPEB | 288,917 | 62,619 | 351,536 |
| Total deferred inflows of resources | <u>1,360,642</u> | <u>252,965</u> | <u>1,613,607</u> |
| Net position: | | | |
| Net investment in capital assets | 11,654,835 | 34,812,786 | 46,467,621 |
| Restricted for: | | | |
| Community development | 646,454 | - | 646,454 |
| Youth arts program | 545,099 | - | 545,099 |
| Cemetery | 413,900 | - | 413,900 |
| Transportation projects | 262,046 | - | 262,046 |
| Public safety | 581,467 | - | 581,467 |
| Capital projects | 2,654 | - | 2,654 |
| Cemetery endowment: | | | |
| Nonexpendable | 100,000 | - | 100,000 |
| Expendable | 295,107 | - | 295,107 |
| Other purposes | 147,920 | - | 147,920 |
| Unrestricted (deficit) | (2,691,685) | 15,196,963 | 12,505,278 |
| Total net position | <u>\$ 11,957,797</u> | <u>\$ 50,009,749</u> | <u>\$ 61,967,546</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSON, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Expenses | Program Revenues | | |
|--|----------------------|--------------------------------|------------------------------------|----------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 1,623,503 | \$ 129,959 | \$ 12,712 | \$ - |
| Security of persons and property . . . | 936,957 | 1,040,014 | 14,916 | - |
| Public health and welfare | 354,852 | 45,883 | 25,342 | - |
| Transportation | 1,292,291 | - | 490,296 | 271,014 |
| Community environment | 19,966 | 2,696 | - | - |
| Leisure time activity | 406,304 | 54,668 | 41,030 | 13,102 |
| Interest and fiscal charges | 13,525 | - | - | - |
| Total governmental activities | <u>4,647,398</u> | <u>1,273,220</u> | <u>584,296</u> | <u>284,116</u> |
| Business-type activities: | | | | |
| Water | 2,566,749 | 2,497,436 | 16,959 | - |
| Sewer | 4,127,719 | 4,113,203 | 21,880 | 396,710 |
| Electric | 19,367,990 | 20,951,130 | 23,042 | - |
| Other business-type activities: | | | | |
| Garbage | 887,199 | 879,778 | 4,273 | - |
| Railroad | 333,083 | - | - | 77,898 |
| Total business-type activities | <u>27,282,740</u> | <u>28,441,547</u> | <u>66,154</u> | <u>474,608</u> |
| Total primary government | <u>\$ 31,930,138</u> | <u>\$ 29,714,767</u> | <u>\$ 650,450</u> | <u>\$ 758,724</u> |

General revenues:

| | |
|---|--|
| Property taxes levied for: | |
| General purposes | |
| Cemetery | |
| Fire Protection | |
| Other purposes | |
| Income taxes levied for: | |
| Special purposes | |
| Grants and entitlements not restricted | |
| to specific programs | |
| Investment earnings | |
| Miscellaneous | |
| Total general revenues | |
| Change in net position | |
| Net position at beginning of year (restated) . . | |
| Net position at end of year | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|----------------------|
| \$ (1,480,832) | \$ - | \$ (1,480,832) |
| 117,973 | - | 117,973 |
| (283,627) | - | (283,627) |
| (530,981) | - | (530,981) |
| (17,270) | - | (17,270) |
| (297,504) | - | (297,504) |
| (13,525) | - | (13,525) |
| <u>(2,505,766)</u> | <u>-</u> | <u>(2,505,766)</u> |
| - | (52,354) | (52,354) |
| - | 404,074 | 404,074 |
| - | 1,606,182 | 1,606,182 |
| - | (3,148) | (3,148) |
| - | (255,185) | (255,185) |
| <u>-</u> | <u>1,699,569</u> | <u>1,699,569</u> |
| <u>(2,505,766)</u> | <u>1,699,569</u> | <u>(806,197)</u> |
| 1,058,963 | - | 1,058,963 |
| 167,040 | - | 167,040 |
| 157,975 | - | 157,975 |
| 73,160 | - | 73,160 |
| 6,034 | - | 6,034 |
| 246,026 | - | 246,026 |
| 514,615 | 88,985 | 603,600 |
| 154,582 | 319,562 | 474,144 |
| <u>2,378,395</u> | <u>408,547</u> | <u>2,786,942</u> |
| (127,371) | 2,108,116 | 1,980,745 |
| <u>12,085,168</u> | <u>47,901,633</u> | <u>59,986,801</u> |
| <u>\$ 11,957,797</u> | <u>\$ 50,009,749</u> | <u>\$ 61,967,546</u> |

CITY OF JACKSON, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---|---|
| Assets: | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 1,312,553 | \$ 3,710,700 | \$ 5,023,253 |
| Receivables: | | | |
| Income taxes. | - | 11,586 | 11,586 |
| Real and other taxes | 464,039 | 366,227 | 830,266 |
| Accounts. | 23,619 | 14,801 | 38,420 |
| Interfund loans. | - | 180,000 | 180,000 |
| Accrued interest | 37,084 | 13,627 | 50,711 |
| Due from other governments. | 161,377 | 626,961 | 788,338 |
| Loans receivable. | 354 | - | 354 |
| Materials and supplies inventory. | 13,507 | 93,250 | 106,757 |
| Prepayments | 63,636 | 30,155 | 93,791 |
| Total assets | <u>\$ 2,076,169</u> | <u>\$ 5,047,307</u> | <u>\$ 7,123,476</u> |
| Liabilities: | | | |
| Accounts payable. | \$ 6,840 | \$ 2,030 | \$ 8,870 |
| Contracts payable. | - | 20,026 | 20,026 |
| Accrued wages and benefits payable | 60,560 | 14,907 | 75,467 |
| Due to other governments | 23,159 | 2,858 | 26,017 |
| Total liabilities | <u>90,559</u> | <u>39,821</u> | <u>130,380</u> |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next fiscal year. . . | 416,223 | 327,500 | 743,723 |
| Delinquent property tax revenue not available. . . | 42,754 | 33,641 | 76,395 |
| Miscellaneous revenue not available. | 23,619 | - | 23,619 |
| Income tax revenue not available | - | 9,845 | 9,845 |
| Intergovernmental revenue not available. | 119,742 | 519,113 | 638,855 |
| Total deferred inflows of resources | <u>602,338</u> | <u>890,099</u> | <u>1,492,437</u> |
| Fund balances: | | | |
| Nonspendable | 128,327 | 123,405 | 251,732 |
| Restricted. | - | 3,549,805 | 3,549,805 |
| Committed | - | 444,177 | 444,177 |
| Assigned | 538,238 | - | 538,238 |
| Unassigned. | 716,707 | - | 716,707 |
| Total fund balances. | <u>1,383,272</u> | <u>4,117,387</u> | <u>5,500,659</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 2,076,169</u> | <u>\$ 5,047,307</u> | <u>\$ 7,123,476</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSON, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

| | | |
|---|-------------|----------------------|
| Total governmental fund balances | | \$ 5,500,659 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | |
| The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds. | | 7,438 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 12,101,210 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | |
| Income taxes receivable | \$ 9,845 | |
| Real and other taxes receivable | 76,395 | |
| Accounts receivable | 23,619 | |
| Intergovernmental receivable | 638,855 | |
| Total | | 748,714 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. A portion of the internal service fund is owed to governmental activities on the statement of net position. | | 405,551 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (3,372) |
| The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Deferred outflows | 1,495,855 | |
| Deferred inflows | (328,002) | |
| Net Pension Liability | (5,472,102) | |
| Total | | (4,304,249) |
| The net OPEB liability is not available to pay for current period expenditures and are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Deferred outflows of resources | 302,450 | |
| Deferred inflows of resources | (288,917) | |
| Net OPEB liability | (1,546,066) | |
| Total | | (1,532,533) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | (513,468) | |
| Police and fire pension liability | (25,804) | |
| Notes and lease purchase payable | (426,349) | |
| Total | | (965,621) |
| Net position of governmental activities | | \$ 11,957,797 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---|---|
| Revenues: | | | |
| Income taxes | \$ - | \$ 92,291 | \$ 92,291 |
| Real and other taxes. | 1,056,062 | 396,987 | 1,453,049 |
| Intergovernmental. | 194,612 | 1,128,133 | 1,322,745 |
| Charges for services. | 1,036,913 | 103,247 | 1,140,160 |
| Fines and forfeitures | 28,991 | 3,101 | 32,092 |
| Licenses and permits | 90,099 | - | 90,099 |
| Investment income. | 514,615 | 57,161 | 571,776 |
| Rental income | 2,916 | - | 2,916 |
| Contributions and donations. | - | 25,271 | 25,271 |
| Other | 105,360 | 37,292 | 142,652 |
| Total revenues | <u>3,029,568</u> | <u>1,843,483</u> | <u>4,873,051</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 1,045,426 | - | 1,045,426 |
| Security of persons and property | 1,494,209 | 578,240 | 2,072,449 |
| Public health and welfare. | - | 399,760 | 399,760 |
| Transportation | 205,676 | 885,514 | 1,091,190 |
| Community environment | 19,966 | - | 19,966 |
| Leisure time activity | - | 373,993 | 373,993 |
| Capital outlay | - | 786,895 | 786,895 |
| Debt service: | | | |
| Principal retirement. | 1,161 | 60,018 | 61,179 |
| Interest and fiscal charges | 1,134 | 12,865 | 13,999 |
| Total expenditures | <u>2,767,572</u> | <u>3,097,285</u> | <u>5,864,857</u> |
| Excess (deficiency) of revenues over (under) expenditures. | <u>261,996</u> | <u>(1,253,802)</u> | <u>(991,806)</u> |
| Other financing sources (uses): | | | |
| Sale of capital assets. | 2,950 | 2,775 | 5,725 |
| Transfers in | - | 213,284 | 213,284 |
| Transfers (out). | <u>(200,500)</u> | <u>(12,784)</u> | <u>(213,284)</u> |
| Total other financing sources (uses) | <u>(197,550)</u> | <u>203,275</u> | <u>5,725</u> |
| Net change in fund balances | 64,446 | (1,050,527) | (986,081) |
| Fund balances at beginning of year (restated) | <u>1,318,826</u> | <u>5,167,914</u> | <u>6,486,740</u> |
| Fund balances at end of year | <u>\$ 1,383,272</u> | <u>\$ 4,117,387</u> | <u>\$ 5,500,659</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSON, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | |
|---|------------|------------------|
| Net change in fund balances - total governmental funds | \$ | (986,081) |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period. | | |
| Capital asset additions | \$ 773,997 | |
| Current year depreciation | (493,221) | |
| Total | | 280,776 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to increase net position. | | |
| | | (5,041) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Income taxes | (86,257) | |
| Real and other taxes | 4,089 | |
| Intergovernmental revenues | (271,141) | |
| Other revenues | (399) | |
| Total | | (353,708) |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. | | |
| | | 61,179 |
| In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due. | | |
| | | 474 |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | 1,443 |
| Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| Pension | | 329,201 |
| OPEB | | 3,139 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities. | | |
| Pension | | (876,575) |
| OPEB | | 1,450,929 |
| The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. A portion of the net revenue of the internal service fund is allocated among the governmental activities. | | |
| | | (33,107) |
| Change in net position of governmental activities | \$ | (127,371) |

CITY OF JACKSON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|---------------------|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Real and other taxes. | \$ 1,080,000 | \$ 1,080,000 | \$ 1,116,422 | \$ 36,422 |
| Intergovernmental. | 167,750 | 167,750 | 193,067 | 25,317 |
| Charges for services. | 1,036,913 | 1,036,913 | 1,036,913 | - |
| Fines and forfeitures | 40,000 | 29,084 | 29,204 | 120 |
| Licenses and permits | 65,400 | 65,050 | 90,099 | 25,049 |
| Special assessments | 500,000 | 500,000 | 541,846 | 41,846 |
| Rental income | 1,000 | 1,000 | 2,916 | 1,916 |
| Other. | 23,500 | 21,581 | 96,201 | 74,620 |
| Total revenues | <u>2,914,563</u> | <u>2,901,378</u> | <u>3,106,668</u> | <u>205,290</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,108,825 | 1,163,894 | 1,051,560 | 112,334 |
| Security of persons and property | 1,668,700 | 1,682,026 | 1,528,964 | 153,062 |
| Transportation | 219,300 | 225,800 | 202,252 | 23,548 |
| Debt service: | | | | |
| Principal retirement. | 1,165 | 1,165 | 1,161 | 4 |
| Interest and fiscal charges | 1,200 | 1,200 | 1,134 | 66 |
| Total expenditures | <u>2,999,190</u> | <u>3,074,085</u> | <u>2,785,071</u> | <u>289,014</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(84,627)</u> | <u>(172,707)</u> | <u>321,597</u> | <u>494,304</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | - | - | 2,950 | 2,950 |
| Transfer (out) | <u>(90,000)</u> | <u>(200,500)</u> | <u>(200,500)</u> | <u>-</u> |
| Total other financing uses | <u>(90,000)</u> | <u>(200,500)</u> | <u>(197,550)</u> | <u>2,950</u> |
| Net change in fund balances | (174,627) | (373,207) | 124,047 | 497,254 |
| Fund balances at beginning of year | 1,059,774 | 1,059,774 | 1,059,774 | - |
| Prior year encumbrances appropriated | 774 | 774 | 774 | - |
| Fund balance at end of year | <u>\$ 885,921</u> | <u>\$ 687,341</u> | <u>\$ 1,184,595</u> | <u>\$ 497,254</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSON, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2019

| | Business-type Activities - Enterprise Funds | | | | | Internal Service Fund |
|--|---|----------------------|----------------------|---------------------------|-------------------|-----------------------|
| | Water | Sewer | Electric | Nonmajor Enterprise Funds | Total | |
| Assets: | | | | | | |
| Current assets: | | | | | | |
| Equity in pooled cash and cash equivalents | \$ 1,963,389 | \$ 3,537,412 | \$ 13,136,740 | \$ 620,833 | \$ 19,258,374 | \$ 896,077 |
| Receivables: | | | | | | |
| Accounts | 231,767 | 311,816 | 1,410,650 | 63,843 | 2,018,076 | 15,580 |
| Accrued interest | - | - | 3,565 | - | 3,565 | - |
| Due from other governments | 18,065 | 567,915 | 108,161 | 85,049 | 779,190 | - |
| Materials and supplies inventory | 142,924 | 19,957 | 926,701 | 936 | 1,090,518 | - |
| Prepayments | 35,892 | 48,288 | 29,062 | 8,750 | 121,992 | - |
| Restricted assets: | | | | | | |
| Customer deposits | 67,471 | 66,892 | 299,903 | 18,536 | 452,802 | - |
| Total current assets | 2,459,508 | 4,552,280 | 15,914,782 | 797,947 | 23,724,517 | 911,657 |
| Noncurrent assets: | | | | | | |
| Investment in joint venture | - | - | 213,335 | - | 213,335 | - |
| Net pension asset | 3,813 | 4,305 | 5,235 | 1,463 | 14,816 | - |
| Capital assets: | | | | | | |
| Land and construction in progress | 1,238,656 | 180,878 | 6,332,706 | 1,644,268 | 9,396,508 | - |
| Depreciable capital assets, net | 4,445,403 | 16,371,329 | 15,276,831 | 3,393,995 | 39,487,558 | - |
| Total capital assets, net | 5,684,059 | 16,552,207 | 21,609,537 | 5,038,263 | 48,884,066 | - |
| Total noncurrent assets | 5,687,872 | 16,556,512 | 21,828,107 | 5,039,726 | 49,112,217 | - |
| Total assets | 8,147,380 | 21,108,792 | 37,742,889 | 5,837,673 | 72,836,734 | 911,657 |
| Deferred outflows of resources: | | | | | | |
| Unamortized deferred charges on debt refunding | 17,969 | - | 57,902 | - | 75,871 | - |
| Pension | 423,762 | 478,004 | 611,270 | 167,659 | 1,680,695 | - |
| OPEB | 49,938 | 56,376 | 89,343 | 23,495 | 219,152 | - |
| Total deferred outflows of resources | 491,669 | 534,380 | 758,515 | 191,154 | 1,975,718 | - |
| Total assets and deferred outflows of resources | 8,639,049 | 21,643,172 | 38,501,404 | 6,028,827 | 74,812,452 | 911,657 |
| Liabilities: | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 10,965 | 13,227 | 1,217,847 | 4,120 | 1,246,159 | - |
| Contracts payable | - | 20,300 | 19,913 | - | 40,213 | - |
| Accrued wages and benefits payable | 26,204 | 29,640 | 35,939 | 11,224 | 103,007 | - |
| Due to other governments | 378 | 426 | 521 | 901 | 2,226 | - |
| Interfund loans payable | - | - | 180,000 | - | 180,000 | - |
| Accrued interest payable | 615 | - | 14,453 | - | 15,068 | - |
| Compensated absences payable - current | 31,069 | 49,819 | 66,890 | 3,622 | 151,400 | - |
| OWDA loans payable - current | 69,014 | 584,210 | - | - | 653,224 | - |
| OPWC loans payable - current | - | 24,752 | - | - | 24,752 | - |
| Notes payable - current | 6,964 | 11,744 | - | - | 18,708 | - |
| Claims payable | - | - | - | - | - | 30,818 |
| Capital lease obligations payable | - | - | - | 28,662 | 28,662 | - |
| Payables from restricted assets: | | | | | | |
| Revenue bonds payable - current | 45,000 | - | 455,000 | - | 500,000 | - |
| Customer deposits payable | 67,471 | 66,892 | 299,903 | 18,536 | 452,802 | - |
| Total current liabilities | 257,680 | 801,010 | 2,290,466 | 67,065 | 3,416,221 | 30,818 |
| Long-term liabilities: | | | | | | |
| Compensated absences payable | 67,693 | 169,558 | 323,508 | 429 | 561,188 | - |
| Revenue bonds payable | 313,285 | - | 5,265,000 | - | 5,578,285 | - |
| OWDA loans payable | 655,641 | 6,197,765 | - | - | 6,853,406 | - |
| OPWC loans payable | - | 585,354 | - | - | 585,354 | - |
| Notes payable | 47,131 | 53,110 | - | - | 100,241 | - |
| Net pension liability | 1,404,619 | 1,585,766 | 1,928,265 | 538,994 | 5,457,644 | - |
| Net OPEB liability | 636,389 | 718,461 | 873,636 | 244,201 | 2,472,687 | - |
| Total long-term liabilities | 3,124,758 | 9,310,014 | 8,390,409 | 783,624 | 21,608,805 | - |
| Total liabilities | 3,382,438 | 10,111,024 | 10,680,875 | 850,689 | 25,025,026 | 30,818 |
| Deferred inflows of resources: | | | | | | |
| Pension | 41,194 | 74,528 | 64,297 | 10,327 | 190,346 | - |
| OPEB | 11,054 | 29,059 | 20,405 | 2,101 | 62,619 | - |
| Total deferred inflows of resources | 52,248 | 103,587 | 84,702 | 12,428 | 252,965 | - |
| Total liabilities and deferred inflows of resources | 3,434,686 | 10,214,611 | 10,765,577 | 863,117 | 25,277,991 | 30,818 |
| Net position: | | | | | | |
| Net investment in capital assets | 4,564,993 | 9,074,972 | 16,163,220 | 5,009,601 | 34,812,786 | - |
| Unrestricted | 639,370 | 2,353,589 | 11,572,607 | 156,109 | 14,721,675 | 880,839 |
| Total net position | \$ 5,204,363 | \$ 11,428,561 | \$ 27,735,827 | \$ 5,165,710 | 49,534,461 | \$ 880,839 |

Some amounts reported for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities:

| | |
|---|----------------------|
| Net position of the internal service amount | 880,839 |
| Amount owed to governmental activities | (405,551) |
| Net position of business-type activities | <u>\$ 50,009,749</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSON, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Business-type Activities - Enterprise Funds | | | | | Internal Service Fund |
|---|---|----------------------|----------------------|------------------------------|---------------------|--------------------------|
| | Water | Sewer | Electric | Nonmajor Enterprise Funds | Total | |
| Operating revenues: | | | | | | |
| Charges for services | \$ 2,497,436 | \$ 4,113,203 | \$ 20,951,130 | \$ 879,778 | \$ 28,441,547 | \$ - |
| Other operating revenues | 27,214 | 21,531 | 78,852 | 184,920 | 312,517 | 166,329 |
| Total operating revenues. | <u>2,524,650</u> | <u>4,134,734</u> | <u>21,029,982</u> | <u>1,064,698</u> | <u>28,754,064</u> | <u>166,329</u> |
| Operating expenses: | | | | | | |
| Personal services | 778,054 | 858,441 | 1,080,082 | 298,935 | 3,015,512 | - |
| Fringe benefits. | 603,169 | 661,518 | 853,704 | 255,721 | 2,374,112 | 249,096 |
| Contract services. | 575,719 | 624,279 | 16,406,848 | 335,417 | 17,942,263 | - |
| Materials and supplies. | 125,548 | 316,834 | 187,832 | 36,074 | 666,288 | - |
| Utilities | 134,597 | 365,539 | 13,735 | 4,980 | 518,851 | - |
| Depreciation. | 297,126 | 846,209 | 463,026 | 217,109 | 1,823,470 | - |
| Other | 20,443 | 363,589 | 278,348 | 66,063 | 728,443 | - |
| Total operating expenses. | <u>2,534,656</u> | <u>4,036,409</u> | <u>19,283,575</u> | <u>1,214,299</u> | <u>27,068,939</u> | <u>249,096</u> |
| Operating income (loss) | <u>(10,006)</u> | <u>98,325</u> | <u>1,746,407</u> | <u>(149,601)</u> | <u>1,685,125</u> | <u>(82,767)</u> |
| Nonoperating revenues (expenses): | | | | | | |
| Interest and fiscal charges | (17,195) | (76,737) | (69,517) | (1,017) | (164,466) | - |
| Gain on sale of capital assets. | - | 325 | - | 7,045 | 7,370 | - |
| Interest income. | - | - | 88,985 | - | 88,985 | - |
| Intergovernmental | 16,959 | 21,880 | 23,042 | 4,273 | 66,154 | - |
| Total nonoperating revenues (expenses). | <u>(236)</u> | <u>(54,532)</u> | <u>42,510</u> | <u>10,301</u> | <u>(1,957)</u> | <u>-</u> |
| Income (loss) before capital contributions. | <u>(10,242)</u> | <u>43,793</u> | <u>1,788,917</u> | <u>(139,300)</u> | <u>1,683,168</u> | <u>(82,767)</u> |
| Capital contributions. | <u>-</u> | <u>396,710</u> | <u>-</u> | <u>77,898</u> | <u>474,608</u> | <u>-</u> |
| Change in net position | <u>(10,242)</u> | <u>440,503</u> | <u>1,788,917</u> | <u>(61,402)</u> | <u>2,157,776</u> | <u>(82,767)</u> |
| Net position at beginning of year | <u>5,214,605</u> | <u>10,988,058</u> | <u>25,946,910</u> | <u>5,227,112</u> | | <u>963,606</u> |
| Net position at end of year | <u>\$ 5,204,363</u> | <u>\$ 11,428,561</u> | <u>\$ 27,735,827</u> | <u>\$ 5,165,710</u> | | <u>\$ 880,839</u> |
| Some amounts reported for business-type activities in the statement of net position are different because the net revenue of the internal service fund is reported with business-type activities. | | | | | (49,660) | |
| Change in net position of business-type activities. | | | | | <u>\$ 2,108,116</u> | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSON, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2019

| | Business-type Activities - Enterprise Funds | | | | | Internal Service Fund |
|--|---|---------------------|----------------------|------------------------------|----------------------|--------------------------|
| | Water | Sewer | Electric | Nonmajor Enterprise Funds | Total | |
| Cash flows from operating activities: | | | | | | |
| Cash received from customers | \$ 2,542,451 | \$ 4,126,594 | \$ 21,267,394 | \$ 895,248 | \$ 28,831,687 | \$ - |
| Cash received from other operations | 27,214 | 21,067 | 93,870 | 181,509 | 323,660 | 151,605 |
| Cash payments for employee services and benefits | (1,109,717) | (1,287,633) | (1,516,955) | (445,342) | (4,359,647) | - |
| Cash payments for goods and services | (890,157) | (1,360,723) | (16,801,908) | (463,956) | (19,516,744) | - |
| Cash payments for claims | - | - | - | - | - | (237,082) |
| Cash payments for other expenses | (20,443) | (363,589) | (278,348) | (66,063) | (728,443) | - |
| Net cash provided by (used in) operating activities | 549,348 | 1,135,716 | 2,764,053 | 101,396 | 4,550,513 | (85,477) |
| Cash flows from capital and related financing activities: | | | | | | |
| Capital contributions | - | - | - | 77,898 | 77,898 | - |
| Gain (loss) on sale of capital assets | - | 325 | - | 7,045 | 7,370 | - |
| Note proceeds | - | 57,300 | - | - | 57,300 | - |
| Acquisition of capital assets | (232,412) | (598,228) | (4,925,232) | (319,268) | (6,075,140) | - |
| Principal retirement on OPWC loans | - | (33,309) | - | - | (33,309) | - |
| Principal retirement on OWDA loans | (69,015) | (580,008) | - | - | (649,023) | - |
| Principal retirement on notes | (6,964) | (11,744) | - | - | (18,708) | - |
| Principal retirement on general obligation bonds | (45,000) | - | - | - | (45,000) | - |
| Principal retirement on revenue bonds | - | - | (415,000) | - | (415,000) | - |
| Principal retirement on capital leases | - | - | - | (28,158) | (28,158) | - |
| Interest and fiscal charges | (16,563) | (76,737) | (106,161) | (1,017) | (200,478) | - |
| Net cash provided by (used in) capital and related financing activities | (369,954) | (1,242,401) | (5,446,393) | (263,500) | (7,322,248) | - |
| Cash flows from investing activities: | | | | | | |
| Interest received | - | - | 94,545 | - | 94,545 | - |
| Net cash provided by investing activities | - | - | 94,545 | - | 94,545 | - |
| Net increase (decrease) in cash and cash equivalents | 179,394 | (106,685) | (2,587,795) | (162,104) | (2,677,190) | (85,477) |
| Cash and cash equivalents at beginning of year | 1,851,466 | 3,710,989 | 16,024,438 | 801,473 | 22,388,366 | 981,554 |
| Cash and cash equivalents at end of year | <u>\$ 2,030,860</u> | <u>\$ 3,604,304</u> | <u>\$ 13,436,643</u> | <u>\$ 639,369</u> | <u>\$ 19,711,176</u> | <u>\$ 896,077</u> |

-- Continued

CITY OF JACKSON, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2019

| | Business-type Activities - Enterprise Funds | | | | | Internal Service Funds |
|--|---|---------------------|---------------------|------------------------------|---------------------|---------------------------|
| | Water | Sewer | Electric | Nonmajor Enterprise Funds | Total | |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Operating income (loss) | \$ (10,006) | \$ 98,325 | \$ 1,746,407 | \$ (149,601) | \$ 1,685,125 | \$ (82,767) |
| Adjustments: | | | | | | |
| Depreciation. | 297,126 | 846,209 | 463,026 | 217,109 | 1,823,470 | - |
| Changes in assets, deferred inflows, liabilities and deferred outflows: | | | | | | |
| Decrease (increase) in materials and supplies inventory | (38,022) | 8,395 | (19,667) | 446 | (48,848) | - |
| Decrease in prepayments. | 5,200 | 1,151 | 26,256 | 6,870 | 39,477 | 3,178 |
| Increase in due from other governments | (974) | (1,356) | (84,969) | (85,009) | (172,308) | - |
| Decrease (increase) in accounts receivable. | 45,045 | 23,838 | 414,500 | 20,145 | 503,528 | (14,724) |
| Increase in net pension asset. | (271) | (160) | (274) | (168) | (873) | - |
| Increase in deferred outflows - pension | (230,717) | (257,440) | (285,856) | (98,783) | (872,796) | - |
| Decrease (increase) in deferred outflows - OPEB | (10,341) | (10,036) | 5,945 | (9,024) | (23,456) | - |
| Increase in contracts payable. | - | 20,300 | 19,913 | - | 40,213 | - |
| Decrease in accounts payable. | (5,120) | (80,745) | (138,198) | (13,710) | (237,773) | - |
| Increase in accrued wages and benefits. | 11,351 | 12,982 | 16,432 | 11,224 | 51,989 | - |
| Decrease in intergovernmental payable. | (7,660) | (9,367) | (10,737) | (1,902) | (29,666) | - |
| Decrease in interfund loans payable. | - | - | (60,000) | - | (60,000) | - |
| Increase (decrease) in compensated absences payable. | 10,517 | (22,725) | 10,123 | (534) | (2,619) | - |
| Increase (decrease) in customer deposits payable. | (30) | 833 | 1,796 | (935) | 1,664 | - |
| Decrease deferred inflows - pension | (165,416) | (182,442) | (206,815) | (66,802) | (621,475) | - |
| Decrease deferred inflows - OPEB | (35,622) | (28,506) | (35,691) | (15,294) | (115,113) | - |
| Increase in net pension liability. | 585,597 | 627,266 | 781,253 | 239,672 | 2,233,788 | - |
| Increase in net OPEB liability. | 98,691 | 89,194 | 120,609 | 47,692 | 356,186 | - |
| Increase in claims payable. | - | - | - | - | - | 8,836 |
| Net cash provided by (used in) operating activities | <u>\$ 549,348</u> | <u>\$ 1,135,716</u> | <u>\$ 2,764,053</u> | <u>\$ 101,396</u> | <u>\$ 4,550,513</u> | <u>\$ (85,477)</u> |

Non-cash transactions

Receivables in the amount of \$544,511 have been recorded for capital grants in 2019 for the Sewer fund.
 Receivables in the amount of \$77,898 have been recorded for capital grants in 2019 for the Railroad fund.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - REPORTING ENTITY

The City of Jackson (the "City") 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 City is operated under a statutory form of government and is a municipal corporation under the laws of the State of Ohio. The City operates under a Mayor/Council form of government. The City serves as the County Seat.

The Mayor, Auditor, and Treasurer, all with four year terms, and an eight member Council, plus a Council President, with two year terms, are elected. Department directors and public members of various boards and commissions are appointed by the Mayor.

The financial reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments that are not legally separate from the City. Services provided by the primary government include police and fire protection, cemetery services, street maintenance and repairs, community and economic development, parks and recreation, and water, sewer, garbage, and electrical services. The City also maintains a rail spur. A staff provides support (i.e., payroll processing, accounts payable, revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the City Mayor and City Auditor through administrative and managerial requirements and procedures, and all are included as part of the reporting entity.

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

The City's Electric Utility Enterprise Fund has entered into an ongoing joint venture agreement called the Ohio Municipal Electric Generation Agency Joint Venture (OMEGA JV5), with 41 other Ohio municipalities for the construction, installation, and operation of a 42 megawatt hydroelectric generator and related facilities at the Belleville locks and dam on the Ohio River. Additional information concerning this joint venture is presented in Note 16.

The City is also associated with a purchasing pool, the Ohio Rural Water Association (ORWA) Workers' Compensation Group Rating Program.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Jackson have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

The City'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 and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited expectations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City 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 City at this more detailed level. The focus of governmental and enterprise 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Governmental Funds - Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, and liabilities and deferred inflows is reported as fund balance. The City reports the following major governmental fund:

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

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than capital projects.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City reports the following proprietary funds:

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City reports the following major enterprise funds:

Water Fund -To account for water services provided to individuals and commercial users. The costs of providing these services are financed primarily through user charges.

Sewer Fund -To account for sanitary sewer services provided to individuals and commercial users. The costs of providing these services are financed primarily through user charges.

Electric Fund -To account for electric services provided to individuals and commercial users. The costs of providing these services are financed primarily through user charges.

The other enterprise funds of the City account for other fee-based services provided by the City and grants, including garbage pickup and railroad activities.

Internal Service Fund - Internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The internal service fund is used to account for the reimbursement to employees for deductibles on their health insurance.

Fiduciary Funds - 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 City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Custodial fund deposits held by the City and due to other governments, individuals, or other entities. The City does not have any fiduciary funds.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

C. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty-days of year-end.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

The non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year in which the taxes are levied. Revenues from grants and entitlements are recognized in the year eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the City on a reimbursable basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, interest, federal and state grants, state-levied locally shared taxes (including motor vehicle registration fees and gasoline taxes), and fees and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Notes 8 and 9 for deferred outflows of resources related the City's net pension liability/asset and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, see Notes 8 and 9 for deferred inflows of resources related to the City's net pension liability/asset and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, other than 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 City Council may appropriate. The appropriations resolution is the City Council's authorization to spend resources and sets annual limits on the expenditures plus encumbrances at the level of control selected by the City Council. The legal level of budgetary control is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the city auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were adopted by City Council.

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled (See Note 4). Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During 2019, the City invested in STAR Ohio and non-negotiable certificates of deposit. 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 City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

Provisions of the Ohio Revised Code restrict investment procedures. During 2019, interest was distributed to the general fund, certain special revenue funds, capital projects funds, and the permanent fund. Interest revenue credited to the general fund during 2019 amounted to \$514,615, of which \$489,143 was assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

G. Receivables and Payables

Receivables and payables to be recorded on the City's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and, in the case of receivables, collectability.

H. Inventory of Materials and Supplies

Inventories represent supplies held for consumption, are presented at cost on a first-in, first-out basis and are expended/expensed when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

J. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted assets of the City include cash held for customer deposits.

K. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities columns of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. The City’s capitalization threshold is \$5,000.

All reported capital assets are depreciated except for land, artwork and historical treasures and construction in progress. Improvements are depreciated over the remaining useful life of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Governmental Activities | Business-Type Activities |
|-------------------|-------------------------|--------------------------|
| | Estimated Lives | Estimated Lives |
| Land Improvements | 25-50 years | 25-50 years |
| Buildings | 25-50 years | 25-50 years |
| Equipment | 5-20 years | 5-20 years |
| Infrastructure | 25-60 years | 25-60 years |
| Vehicles | 5-12 years | 5-12 years |

The City’s infrastructure consists of streets, curbs and gutters, traffic lights, water, sewer, and storm waterlines and only includes infrastructure acquired after December 31,1980.

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “interfund loans receivable/payable.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at year end, taking into consideration any limits specified in the City’s termination policy.

The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City records a liability for accumulated unused sick leave for employees after five years of service.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

N. Accrued Liabilities and Long-Term Obligations

The City reports all payables, accrued liabilities, and long-term obligations in the government-wide financial statements and it reports all payables, accrued liabilities, and long-term obligations payable from proprietary funds in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and special termination benefits that are paid from governmental funds are reported as a liability on the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. The City recognizes long-term notes as a liability in the enterprise fund financial statements when due.

O. Bond Premium/Discount and Accounting Loss

Bond premiums/discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resource or a deferred inflow of resources.

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City 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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) 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.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Q. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the constitutional provisions or through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations or other governments. The amount restricted for other purposes includes the amounts restricted for the Lillian Jones Museum, continuing professional development, FEMA grants, flood mitigation and the visitor's center.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

R. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between 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 revenues in the seller funds and as expenditures/expenses in the purchaser fund. Flows of cash or goods from one fund to another without a requirement for repayment should be reported as internal transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the fund financial statements.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

S. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

T. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer, electric, garbage, and railroad utility services, and health insurance contributions for the internal service fund. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting the definition are reported as nonoperating.

U. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

V. Extraordinary and Special Items

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

W. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related pensions/OPEB, and pension/OPEB expense, 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.

X. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

Y. Electric Utility Minimum Cash Reserve

The City has established, by ordinance, an electric utility minimum cash reserve policy to ensure adequate resources for unforeseen emergencies, revenue shortfalls, capital improvements/replacements, and debt service requirements. The City's policy details the calculation of the minimum cash reserve which is maintained at or above the calculated amount in a separate electric reserve fund (a component of the City's electric enterprise fund). The calculation of the minimum cash reserve is performed annually in conjunction with the budget process and the electric utility's financial projections.

At December 31, 2019, the City's minimum cash reserve balance was \$5,842,063. This amount is reported as a component of unrestricted net position in the electric fund.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2019, the City has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations", GASB Statement No. 84, "Fiduciary Activities", GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" and GASB Statement No. 90, "Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61".

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

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

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the City; however, certain note disclosures in Note 13 have been modified to conform to the new requirements.

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

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Position and Fund Balances

The implementation of GASB 84 had the following effect on fund balance as reported at December 31, 2018:

| | General | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------------------|--------------------------------|
| Fund Balance as previously reported | \$ 1,318,826 | \$ 5,153,209 | \$ 6,472,035 |
| GASB Statement No. 84 | - | 14,705 | 14,705 |
| Restated Fund Balance, at December 31, 2018 | <u>\$ 1,318,826</u> | <u>\$ 5,167,914</u> | <u>\$ 6,486,740</u> |

The implementation of the GASB 84 pronouncement and restatement of income taxes receivable had the following effect on the net position as reported at December 31, 2018:

| | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| Net position as previously reported | \$ 12,147,158 | \$ 47,901,633 |
| Income taxes receivable restatement | (76,695) | - |
| GASB Statement No. 84 | 14,705 | - |
| Restated net position at December 31, 2018 | <u>\$ 12,085,168</u> | <u>\$ 47,901,633</u> |

Effective November 24, 2018, the City's income tax was repealed, causing an overstatement of income taxes receivable at December 31, 2018. The income taxes receivable had no effect on the City's fund balances.

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of \$0, as all funds formerly considered agency funds are now classified as nonmajor special revenue funds. Also, related to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. At December 31, 2018, agency funds reported assets and liabilities \$14,705.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Inactive deposits are public deposits that Council 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 deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (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;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

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. Historically, the City has not purchased these types of investments or issued these types of notes. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the City had \$1,750 in undeposited cash on hand which is included on the financial statements of the City as part of “equity in pooled cash and cash equivalents.”

B. Deposits with Financial Institutions

At December 31, 2019, the carrying amount of all City deposits was \$5,593,688 and the bank balance of all City deposits was \$5,886,557. Of the bank balance, \$5,208,000 was covered by the FDIC and \$678,557 was covered by the Ohio Pooled Collateral System. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City’s 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 (2) participation in the 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 pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the City’s financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of December 31, 2019, the City had the following investment and maturity:

| <u>Measurement/ Investment</u> | <u>Measurement Amount</u> | <u>Maturity</u> | <u>Mody's</u> | <u>Percent of Total Investments</u> |
|-------------------------------------|-------------------------------|--------------------|---------------|---|
| Net Asset Value (NAV) Per Share: | | | | |
| STAR Ohio | <u>\$ 20,035,068</u> | Less than 6 months | Aaa | 100% |

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principals. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2019. The City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quote, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data.

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The City's investment policy does not specifically address credit risk beyond requiring the City to invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash to the Statement of Net Position

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of December 31, 2019:

| | |
|---|----------------------|
| <u>Cash per note</u> | |
| Carrying amount of deposits | \$ 5,593,688 |
| Investments | 20,035,068 |
| Cash on hand | <u>1,750</u> |
| Total | <u>\$ 25,630,506</u> |
| <u>Cash per statement of net position</u> | |
| Governmental activities | \$ 5,023,253 |
| Business type activities | <u>20,607,253</u> |
| Total | <u>\$ 25,630,506</u> |

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Auditor collects property taxes on behalf of all taxing districts in the County, including the City of Jackson. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2019 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflow of resources since the current taxes were not levied to finance 2019 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2019 was \$6.70 per \$1,000 of assessed value. The assessed values of real and public utility property for tax year 2019 are as follows:

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 5 - PROPERTY TAXES - (Continued)

| | |
|---|----------------|
| Real property | \$ 124,321,610 |
| Public utility real and personal property | 10,062,850 |
| Total assessed value | \$ 134,384,460 |

NOTE 6 - RECEIVABLES

Receivables at December 31, 2019, consisted primarily of taxes, intergovernmental receivables arising from grants, loans, entitlements and shared revenues, interest on investments, and utility accounts. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables are expected to be collected within one year, with the exception of delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$76,394. The financial statements reflect loans receivable of \$354. This amount is owed to the City for Federal Community Development Block Grant monies loaned to an individual for home improvements. The loan is interest-free and is to be repaid over a period of thirty years.

A summary of intergovernmental receivables follows:

| <u>Governmental Activities:</u> | | <u>Business-type Activities:</u> | |
|---------------------------------|------------|----------------------------------|------------|
| Recreation Projects | \$ 358,154 | Sewer Projects | \$ 544,511 |
| Local Government Funds | 83,130 | Railroad Projects | 77,898 |
| Sales Tax | 21,918 | Accrued Interest | 85,014 |
| Gasoline & Motor Vehicle Tax | 189,373 | Ohio BWC Refund | 66,154 |
| Homestead and Rollback | 31,250 | Miscellaneous | 5,613 |
| Permissive Tax | 4,349 | Total Business-type Activities | \$ 779,190 |
| Ohio BWC Refund | 75,856 | | |
| School security | 230 | | |
| Miscellaneous | 24,078 | | |
| Total Governmental Activities | \$ 788,338 | | |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 7 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2019, was as follows:

| | Balance 12/31/2018 | Additions | Reductions | Balance 12/31/2019 |
|--|-----------------------|---------------------|-----------------------|-----------------------|
| <u>Governmental Activities:</u> | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Art work and historical treasures | \$ 291,000 | \$ - | \$ - | \$ 291,000 |
| Construction in progress | 3,065,973 | 579,636 | (1,199,082) | 2,446,527 |
| Land | 1,408,141 | - | - | 1,408,141 |
| Total Non-Depreciable Capital Assets | <u>4,765,114</u> | <u>579,636</u> | <u>(1,199,082)</u> | <u>4,145,668</u> |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 363,025 | 27,358 | - | 390,383 |
| Buildings | 2,537,808 | - | - | 2,537,808 |
| Equipment | 1,509,089 | 25,167 | (17,902) | 1,516,354 |
| Infrastructure | 10,115,168 | 1,298,630 | - | 11,413,798 |
| Vehicles | 2,699,591 | 42,288 | (52,719) | 2,689,160 |
| Total Depreciable Capital Assets | <u>17,224,681</u> | <u>1,393,443</u> | <u>(70,621)</u> | <u>18,547,503</u> |
| Accumulated Depreciation: | | | | |
| Land Improvements | (218,604) | (11,083) | - | (229,687) |
| Buildings | (1,193,347) | (57,342) | - | (1,250,689) |
| Equipment | (1,285,247) | (49,508) | 12,861 | (1,321,894) |
| Infrastructure | (5,695,396) | (243,886) | - | (5,939,282) |
| Vehicles | (1,771,726) | (131,402) | 52,719 | (1,850,409) |
| Total Accumulated Depreciation | <u>(10,164,320)</u> | <u>(493,221)</u> | <u>65,580</u> | <u>(10,591,961)</u> |
| Total Depreciable Capital Assets, Net | <u>7,060,361</u> | <u>900,222</u> | <u>(5,041)</u> | <u>7,955,542</u> |
| Governmental Capital Assets, Net | <u>\$ 11,825,475</u> | <u>\$ 1,479,858</u> | <u>\$ (1,204,123)</u> | <u>\$ 12,101,210</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|--|-------------------|
| <u>Governmental Activities:</u> | |
| General Government | \$ 208,063 |
| Security of Persons and Property | 141,465 |
| Public Health Services | 7,874 |
| Transportation | 111,195 |
| Leisure Time Activities | 24,624 |
| Total Depreciation Expense | <u>\$ 493,221</u> |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 7 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2019 was as follows:

| | Balance 12/31/2018 | Additions | Reductions | Balance 12/31/2019 |
|---|-----------------------|--------------|------------|-----------------------|
| <u>Business-Type Activities:</u> | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 3,482,332 | \$ - | \$ - | \$ 3,482,332 |
| Construction in Progress | 1,084,141 | 4,830,035 | - | 5,914,176 |
| Total Non-Depreciable Capital Assets | 4,566,473 | 4,830,035 | - | 9,396,508 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 34,348 | - | - | 34,348 |
| Buildings | 1,185,272 | 11,371 | - | 1,196,643 |
| Equipment | 3,519,580 | 731,183 | (5,450) | 4,245,313 |
| Infrastructure | 54,561,276 | 31,968 | - | 54,593,244 |
| Vehicles | 2,716,036 | 470,583 | (104,910) | 3,081,709 |
| Total Depreciable Capital Assets | 62,016,512 | 1,245,105 | (110,360) | 63,151,257 |
| Accumulated Depreciation: | | | | |
| Land Improvements | (19,122) | (730) | - | (19,852) |
| Buildings | (640,776) | (22,296) | - | (663,072) |
| Equipment | (2,841,274) | (150,517) | 5,450 | (2,986,341) |
| Infrastructure | (16,486,037) | (1,498,786) | - | (17,984,823) |
| Vehicles | (1,963,380) | (151,141) | 104,910 | (2,009,611) |
| Total Accumulated Depreciation | (21,950,589) | (1,823,470) | 110,360 | (23,663,699) |
| Total Depreciable Capital Assets, Net | 40,065,923 | (578,365) | - | 39,487,558 |
| Business-Type Activities Capital Assets, Net | \$ 44,632,396 | \$ 4,251,670 | \$ - | \$ 48,884,066 |

Depreciation expense was charged to the enterprise funds as follows:

| | |
|---|--------------|
| <u>Business-Type Activities:</u> | |
| Water | \$ 297,126 |
| Sewer | 846,209 |
| Electric | 463,026 |
| Garbage | 74,030 |
| Railroad | 143,079 |
| Total Depreciation Expense | \$ 1,823,470 |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. 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/asset represents the City'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/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68 assumes any net pension liability/asset 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 proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability/asset on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual basis of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

| Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Group C Members not in other Groups and members hired on or after January 7, 2013 |
|--|--|--|
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 |

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.00% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS’s Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local |
|--|--------------------|
| 2019 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee *** | 10.0 % |
| 2019 Actual Contribution Rates | |
| Employer: | |
| Pension | 14.0 % |
| Post-employment Health Care Benefits **** | 0.0 % |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

***Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
****This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City’s contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$634,521 for 2019.

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | Police |
|--|---------|
| 2019 Statutory Maximum Contribution Rates | |
| Employer | 19.50 % |
| Employee | 12.25 % |
| 2019 Actual Contribution Rates | |
| Employer: | |
| Pension | 19.00 % |
| Post-employment Health Care Benefits | 0.50 % |
| Total Employer | 19.50 % |
| Employee | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$117,142 for 2019.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Net Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2018, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

| | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | OP&F | Total |
|--|------------------------|---------------------|--------------------------------|---------------------|---------------|
| Proportion of the net pension liability/asset prior measurement date | 0.03120900% | 0.01553500% | 0.00076600% | 0.03666100% | |
| Proportion of the net pension liability/asset current measurement date | <u>0.02993000%</u> | <u>0.01988700%</u> | <u>0.00073500%</u> | <u>0.03347600%</u> | |
| Change in proportionate share | <u>-0.00127900%</u> | <u>0.00435200%</u> | <u>-0.00003100%</u> | <u>-0.00318500%</u> | |
| Proportionate share of the net pension liability | \$ 8,197,220 | \$ - | \$ - | \$ 2,732,526 | \$ 10,929,746 |
| Proportionate share of the net pension asset | - | (22,237) | (17) | - | (22,254) |
| Pension expense | 1,706,793 | 6,171 | (4) | 324,717 | 2,037,677 |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS - Traditional | OPERS - Combined | Member- Directed | OP&F | Total |
|--|------------------------|---------------------|---------------------|-------------------|---------------------|
| Deferred outflows of resources | | | | | |
| Differences between expected and actual experience | \$ 378 | \$ - | \$ 71 | \$ 112,268 | \$ 112,717 |
| Net difference between projected and actual earnings on pension plan investments | 1,112,592 | 4,790 | 5 | 336,645 | 1,454,032 |
| Changes of assumptions | 713,588 | 4,966 | 7 | 72,442 | 791,003 |
| Changes in employer's proportionate percentage/difference between employer contributions | 35,651 | - | - | 31,483 | 67,134 |
| Contributions subsequent to the measurement date | 621,617 | 12,484 | 420 | 117,142 | 751,663 |
| Total deferred outflows of resources | <u>\$ 2,483,826</u> | <u>\$ 22,240</u> | <u>\$ 503</u> | <u>\$ 669,981</u> | <u>\$ 3,176,550</u> |
| Deferred inflows of resources | | | | | |
| Differences between expected and actual experience | \$ 107,634 | \$ 9,082 | \$ - | \$ 2,552 | \$ 119,268 |
| Changes in employer's proportionate percentage/difference between employer contributions | 209,639 | - | - | 189,441 | 399,080 |
| Total deferred inflows of resources | <u>\$ 317,273</u> | <u>\$ 9,082</u> | <u>\$ -</u> | <u>\$ 191,993</u> | <u>\$ 518,348</u> |

\$751,663 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2020.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | OP&F | Total |
|--------------------------|------------------------|---------------------|--------------------------------|-------------------|---------------------|
| 2020 | \$ 646,227 | \$ 751 | \$ 11 | \$ 122,857 | \$ 769,846 |
| 2021 | 278,056 | (206) | 10 | 50,885 | 328,745 |
| 2022 | 103,215 | (104) | 10 | 61,645 | 164,766 |
| 2023 | 517,437 | 1,394 | 10 | 121,147 | 639,988 |
| 2024 | 1 | (573) | 9 | 4,312 | 3,749 |
| Thereafter | - | (588) | 33 | - | (555) |
| Total | <u>\$ 1,544,936</u> | <u>\$ 674</u> | <u>\$ 83</u> | <u>\$ 360,846</u> | <u>\$ 1,906,539</u> |

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification 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. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

| | |
|---|--|
| Wage inflation | 3.25% |
| Future salary increases, including inflation COLA or ad hoc COLA | 3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple |
| Investment rate of return | |
| Current measurement date | 7.20% |
| Prior measurement date | 7.50% |
| Actuarial cost method | Individual entry age |

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|---|
| Fixed income | 23.00 % | 2.79 % |
| Domestic equities | 19.00 | 6.21 |
| Real estate | 10.00 | 4.90 |
| Private equity | 10.00 | 10.81 |
| International equities | 20.00 | 7.83 |
| Other investments | 18.00 | 5.50 |
| Total | <u>100.00 %</u> | <u>5.95 %</u> |

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate

- The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---------------|--------------------------|--------------|
| City's proportionate share of the net pension liability (asset): | | | |
| Traditional Pension Plan | \$ 12,109,678 | \$ 8,197,220 | \$ 4,945,933 |
| Combined Plan | (7,358) | (22,237) | (33,012) |
| Member-Directed Plan | (7) | (17) | (29) |

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below.

| | |
|----------------------------|---|
| Valuation date | 1/1/18 with actuarial liabilities rolled forward to 12/31/18 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 8.00% |
| Projected salary increases | 3.75% - 10.50% |
| Payroll increases | 3.25% |
| Inflation assumptions | 2.75%, plus productivity increase rate of 0.50% |
| Cost of living adjustments | 3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00% |

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

| Age | Police | Fire |
|------------|--------|------|
| 67 or less | 77% | 68% |
| 68-77 | 105% | 87% |
| 78 and up | 115% | 120% |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

| Age | Police | Fire |
|------------|--------|------|
| 59 or less | 35% | 35% |
| 60-69 | 60% | 45% |
| 70-79 | 75% | 70% |
| 80 and up | 100% | 90% |

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OP&F's Board and were effective beginning with the January 1, 2018 actuarial valuation.

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018 are summarized below:

| Asset Class | Target Allocation | 10 Year Expected Real Rate of Return ** | 30 Year Expected Real Rate of Return ** |
|-----------------------------|----------------------|--|--|
| Cash and Cash Equivalents | - % | 1.00 % | 0.80 % |
| Domestic Equity | 16.00 | 5.30 | 5.50 |
| Non-US Equity | 16.00 | 6.10 | 5.90 |
| Private Markets | 8.00 | 8.40 | 8.40 |
| Core Fixed Income * | 23.00 | 2.20 | 2.60 |
| High Yield Fixed Income | 7.00 | 4.20 | 4.80 |
| Private Credit | 5.00 | 8.30 | 7.50 |
| U.S. Inflation | | | |
| Linked Bonds * | 17.00 | 1.30 | 2.30 |
| Master Limited Partnerships | 8.00 | 6.70 | 6.40 |
| Real Assets | 8.00 | 7.00 | 7.00 |
| Private Real Estate | 12.00 | 5.70 | 6.10 |
| Total | 120.00 % | | |

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

OP&F’s Board of Trustees has incorporated the risk parity concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. 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 longer-term assumed investment rate of return 8.00%. 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, a 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 City'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 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|--------------|--------------------------|--------------|
| City's proportionate share of the net pension liability | \$ 3,591,717 | \$ 2,732,526 | \$ 2,014,548 |

NOTE 9 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual basis of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$168 for 2019.

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Beginning January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$3,082 for 2019.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | OPERS | OP&F | Total |
|---|---------------------|---------------------|----------------|
| Proportion of the net OPEB liability prior measurement date | 0.02960000% | 0.03666100% | |
| Proportion of the net OPEB liability current measurement date | <u>0.02848600%</u> | <u>0.03347600%</u> | |
| Change in proportionate share | <u>-0.00111400%</u> | <u>-0.00318500%</u> | |
| Proportionate share of the net OPEB liability | \$ 3,713,903 | \$ 304,850 | \$ 4,018,753 |
| OPEB expense | \$ 303,697 | \$ (1,536,897) | \$ (1,233,200) |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|---|-------------------|-------------------|-------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 1,258 | \$ - | \$ 1,258 |
| Net difference between projected and actual earnings on OPEB plan investments | 170,261 | 10,319 | 180,580 |
| Changes of assumptions | 119,741 | 158,020 | 277,761 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 25,122 | 33,631 | 58,753 |
| Contributions subsequent to the measurement date | 168 | 3,082 | 3,250 |
| Total deferred outflows of resources | <u>\$ 316,550</u> | <u>\$ 205,052</u> | <u>\$ 521,602</u> |
| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ 10,077 | \$ 8,167 | \$ 18,244 |
| Changes of assumptions | - | 84,397 | 84,397 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 107,810 | 141,085 | 248,895 |
| Total deferred inflows of resources | <u>\$ 117,887</u> | <u>\$ 233,649</u> | <u>\$ 351,536</u> |

\$3,250 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending December 31: | OPERS | OP&F | Total |
|--------------------------|-------------------|--------------------|-------------------|
| 2020 | \$ 93,578 | \$ (1,736) | \$ 91,842 |
| 2021 | (7,617) | (1,736) | (9,353) |
| 2022 | 26,763 | (1,736) | 25,027 |
| 2023 | 85,771 | 1,383 | 87,154 |
| 2024 | - | (3,536) | (3,536) |
| Thereafter | - | (24,318) | (24,318) |
| Total | \$ 198,495 | \$ (31,679) | \$ 166,816 |

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | |
|--|--|
| Wage Inflation | 3.25% |
| Projected Salary Increases, including inflation | 3.25 to 10.75% including wage inflation |
| Single Discount Rate: | |
| Current measurement date | 3.96% |
| Prior Measurement date | 3.85% |
| Investment Rate of Return | |
| Current measurement date | 6.00% |
| Prior Measurement date | 6.50% |
| Municipal Bond Rate | |
| Current measurement date | 3.71% |
| Prior Measurement date | 3.31% |
| Health Care Cost Trend Rate | |
| Current measurement date | 10.00% initial, 3.25% ultimate in 2029 |
| Prior Measurement date | 7.50%, initial 3.25%, ultimate in 2028 |
| Actuarial Cost Method | Individual Entry Age |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is a loss of 5.60% for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------------|----------------------|---|
| Fixed Income | 34.00 % | 2.42 % |
| Domestic Equities | 21.00 | 6.21 |
| Real Estate Investment Trust | 6.00 | 5.98 |
| International Equities | 22.00 | 7.83 |
| Other investments | 17.00 | 5.57 |
| Total | 100.00 % | 5.16 % |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|--------------|
| City's proportionate share of the net OPEB liability | \$ 4,751,465 | \$ 3,713,903 | \$ 2,888,765 |

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

| | 1% Decrease | Current Health Care Trend Rate Assumption | 1% Increase |
|---|--------------|---|--------------|
| City's proportionate share of the net OPEB liability | \$ 3,569,866 | \$ 3,713,903 | \$ 3,879,793 |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

| | |
|----------------------------|---|
| Valuation Date | January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018 |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |
| Investment Rate of Return | 8.00% |
| Projected Salary Increases | 3.75% to 10.50% |
| Payroll Growth | Inflation rate of 2.75% plus productivity increase rate of 0.50% |
| Single discount rate: | |
| Current measurement date | 4.66% |
| Prior measurement date | 3.24% |
| Cost of Living Adjustments | 3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00% |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

| Age | Police | Fire |
|------------|--------|------|
| 67 or less | 77% | 68% |
| 68-77 | 105% | 87% |
| 78 and up | 115% | 120% |

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

| Age | Police | Fire |
|------------|--------|------|
| 59 or less | 35% | 35% |
| 60-69 | 60% | 45% |
| 70-79 | 75% | 70% |
| 80 and up | 100% | 90% |

The most recent experience study was completed for the five-year period ended December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. 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.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

| Asset Class | Target Allocation | 10 Year Expected Real Rate of Return ** | 30 Year Expected Real Rate of Return ** |
|-----------------------------|-------------------|---|---|
| Cash and Cash Equivalents | - % | 1.00 % | 0.80 % |
| Domestic Equity | 16.00 | 5.30 | 5.50 |
| Non-US Equity | 16.00 | 6.10 | 5.90 |
| Private Markets | 8.00 | 8.40 | 8.40 |
| Core Fixed Income * | 23.00 | 2.20 | 2.60 |
| High Yield Fixed Income | 7.00 | 4.20 | 4.80 |
| Private Credit | 5.00 | 8.30 | 7.50 |
| U.S. Inflation | | | |
| Linked Bonds * | 17.00 | 1.30 | 2.30 |
| Master Limited Partnerships | 8.00 | 6.70 | 6.40 |
| Real Assets | 8.00 | 7.00 | 7.00 |
| Private Real Estate | 12.00 | 5.70 | 6.10 |
| Total | 120.00 % | | |

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

OP&F’s Board of Trustees has incorporated the risk parity concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total OPEB liability was calculated using the discount rate of 4.66%. A discount rate of 3.24% was used to measure the total OPEB liability at December 31, 2017. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13% at December 31, 2018 and 3.16% at December 31, 2017, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 4.66%.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66%), or one percentage point higher (5.66%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| City's proportionate share of the net OPEB liability | \$ 371,391 | \$ 304,850 | \$ 248,995 |

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Due to the change from a self-funded plan to the stipend plan, disclosure of the healthcare cost trend rate for OP&F is no longer available.

Changes Between Measurement Date and Report Date - Beginning January 1, 2019 OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current healthcare model to the stipend based healthcare model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Although the exact amount of these changes is not known, the overall decrease to the City’s net OPEB liability is expected to be significant.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

City employees and elected officials participate in a statewide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

B. Additional Insurance

The City provides \$40,000 in life insurance and accidental death and dismemberment insurance to its full-time employees working a minimum of twenty hours per week through Guardian Life Insurance Company.

The City provides comprehensive major medical insurance through Anthem Blue Cross/Blue Shield. The City pays 94 percent of the total monthly premiums of \$1,490 for family coverage and \$496 for single coverage.

C. Compensated Absences

Vacation leave is earned at varying rates based upon length of service. A maximum number of vacation hours may be accumulated based on length of service. At the time of termination of employment or death, an employee (or his estate) is paid for his unused vacation leave.

Sick leave is earned at the rate of four and six tenths hours per eighty hours of service and can be accumulated without limit. In the case of death or retirement of an employee who has five to nine years of service, the employee or his estate is paid for fifty percent of his accumulated sick leave, and an employee who has ten years or more is paid one hundred percent of his accumulated sick leave.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2019, the City contracted with Jones-Stephenson for property and general liability, automobile liability, boiler and machinery liability, law enforcement liability, and public officials' liability.

Under the Jones-Stephenson program for general liability, law enforcement liability, and public officials' liability, the City has \$1,000,000 of total liability coverage for each occurrence, and a \$2,000,000 aggregate limit. Property insurance is covered to a limit of \$60,999,008 with a \$5,000 deductible. Under automobile liability the City has \$1,000,000 of total liability coverage for each occurrence. Automobile insurance carries a \$500 per vehicle deductible for comprehensive coverage and a \$1,000 per vehicle collision coverage. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 - RISK MANAGEMENT - (Continued)

The City is a member in good standing of the Ohio Rural Water Association (ORWA) group rating plan. The intent of the City's membership in the ORWA is to achieve the benefit of reduced workers' compensation premiums, foster safer working conditions, and promote cost effective claims management by virtue of its grouping and representation with other members of the ORWA. The City pays a workers' compensation premium based on its individual workers' compensation claim experience; then the workers' compensation claim experience of the ORWA members is calculated as one experience. A comparison is calculated and each member's individual workers' compensation claim experience is compared to the workers' compensation claim experience of the ORWA members. A member may then receive a refund for a favorable comparison to the group or contribute to an equity pooling fund for an unfavorable comparison. The equity pooling arrangement ensures that each member shares equally in the overall experience of the ORWA members. CompManagement, Inc. is the third party administrator that provides case management, consulting and administrative services to participating members of the ORWA.

Beginning in 2004, the City manages the deductible portion of employee health benefits on a self-insured basis. The employee health benefit plan provides this coverage through Peoples Bank – Insurance Division, the third party administrator of the program, which reviews and pays the claims. Patrick and Associates charges the City a monthly administration fee of \$7 per employee. The claims liability of \$30,818 reported in the self-insurance fund at December 31, 2019, is estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses

| | Balance at Beginning of Year | Current Year Claims | Claim Payments | Balance at End of Year |
|------|------------------------------------|---------------------------|-------------------|------------------------------|
| 2019 | \$21,982 | \$249,096 | (\$240,260) | \$ 30,818 |
| 2018 | 25,663 | 254,311 | (257,992) | 21,982 |

NOTE 12 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

Governmental Activities:

During a prior year, the City entered into two lease purchase agreements to assist in the purchase of a new aerial platform truck and a new pumper fire truck.

General capital assets acquired by the agreement have been capitalized in the amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide financial statements. Payments will be made from the Fire Tax Levy fund (a nonmajor governmental fund).

Capital assets consisting of vehicles have been capitalized in the amount of \$526,400. This amount represents the present value of the minimum lease payments at the time of acquisition.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2019:

| <u>Year Ending December 31,</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2020 | \$ 56,857 |
| 2021 | 56,857 |
| 2022 | 56,859 |
| 2023 | 56,857 |
| 2024 | 56,858 |
| 2025 - 2027 | <u>94,661</u> |
| Total minimum lease payments | 378,949 |
| Less: amount representing interest | <u>(33,740)</u> |
| Present value of future minimum lease payments | <u>\$ 345,209</u> |

Business-Type Activities

During a prior year, the City entered into a lease purchase agreement to assist in the purchase of a new garbage truck.

Capital assets consisting of vehicles have been capitalized in the amount of \$140,833. This amount represents the present value of the minimum lease payments at the time of acquisition.

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2019:

| <u>Year Ending December 31,</u> | <u>Business-type Activities</u> |
|---|-------------------------------------|
| 2020 | <u>\$ 29,175</u> |
| Total minimum lease payments | 29,175 |
| Less: amount representing interest | <u>(513)</u> |
| Present value of future minimum lease payments | <u>\$ 28,662</u> |

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 13 - LONG-TERM OBLIGATIONS

During 2019, the following changes occurred in the City's long-term obligations.

| | Balance 12/31/2018 | Additions | Reductions | Balance 12/31/2019 | Amounts Due Within One Year |
|---|-----------------------|---------------------|-----------------------|-----------------------|-----------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| <u>Notes -Direct Borrowings:</u> | | | | | |
| Building Acquisition Note 4.0% | \$ 52,263 | \$ - | \$ (7,210) | \$ 45,053 | \$ 7,458 |
| Building Improvement Note 4.0% | 41,863 | - | (5,776) | 36,087 | 5,975 |
| WesBanco Aerial Truck Lease Purchase | 237,893 | - | (31,201) | 206,692 | 32,071 |
| Milton Pumper Truck Lease Purchase | 154,348 | - | (15,831) | 138,517 | 16,138 |
| Total Notes and Lease Purchases | <u>486,367</u> | <u>-</u> | <u>(60,018)</u> | <u>426,349</u> | <u>61,642</u> |
| Police and Fire Pension Liability | 26,965 | - | (1,161) | 25,804 | 1,211 |
| Compensated Absences | 568,920 | 22,448 | (77,900) | 513,468 | 151,039 |
| Net Pension Liability | 3,922,270 | 1,549,832 | - | 5,472,102 | - |
| Net OPEB Liability | 3,174,984 | 143,376 | (1,772,294) | 1,546,066 | - |
| Total Governmental Activities | <u>\$ 8,179,506</u> | <u>\$ 1,715,656</u> | <u>\$ (1,911,373)</u> | <u>\$ 7,983,789</u> | <u>\$ 213,892</u> |
| <u>Business-Type Activities:</u> | | | | | |
| <u>Bonds:</u> | | | | | |
| 2007 Water System General Obligation Bonds 4% | \$ 395,000 | \$ - | \$ (45,000) | \$ 350,000 | \$ 45,000 |
| Unamortized Bond Premium | 9,483 | - | (1,198) | 8,285 | - |
| 2014 Refunded Electric System Revenue Bonds - Direct Placement | 1,570,000 | - | (200,000) | 1,370,000 | 205,000 |
| Electric System Improvement Revenue Series 2018 - Direct Placement | 4,565,000 | - | (215,000) | 4,350,000 | 250,000 |
| Total Bonds Payable | <u>6,539,483</u> | <u>-</u> | <u>(461,198)</u> | <u>6,078,285</u> | <u>500,000</u> |
| <u>Notes Payable</u> | | | | | |
| 2001 Holzer Hospital Water Lines 0% | 61,059 | - | (6,964) | 54,095 | 6,964 |
| 2002 Holzer Hospital Lift Station 0% | 76,598 | - | (11,744) | 64,854 | 11,744 |
| Total Notes Payable | <u>137,657</u> | <u>-</u> | <u>(18,708)</u> | <u>118,949</u> | <u>18,708</u> |
| <u>OPWC Loans - Direct Borrowings:</u> | | | | | |
| 2019 OPWC Loan 0% | - | 57,300 | (1,910) | 55,390 | 3,820 |
| 2015 OPWC Loan 0% | 586,115 | - | (31,399) | 554,716 | 20,932 |
| Total OPWC Loan | <u>586,115</u> | <u>57,300</u> | <u>(33,309)</u> | <u>610,106</u> | <u>24,752</u> |
| <u>OWDA Loans - Direct Borrowings:</u> | | | | | |
| 2007 OWDA Loan 1% (#4668) | 4,024,940 | - | (405,942) | 3,618,998 | 410,011 |
| 2009 OWDA Loan 0% (#5387) | 793,670 | - | (69,015) | 724,655 | 69,014 |
| 2015 OWDA Loan 3.41% (#7011) | 163,609 | - | (3,881) | 159,728 | 4,014 |
| 2015 OWDA Loan 1% (#7047) | 3,173,434 | - | (170,185) | 3,003,249 | 170,185 |
| Total OWDA Loans | <u>8,155,653</u> | <u>-</u> | <u>(649,023)</u> | <u>7,506,630</u> | <u>653,224</u> |
| <u>Other Long-Term Obligations</u> | | | | | |
| Garbage Truck Lease Purchase | 56,820 | - | (28,158) | 28,662 | 28,662 |
| Compensated Absences Payable | 715,207 | 50,119 | (52,738) | 712,588 | 151,400 |
| Net Pension Liability | 3,223,856 | 2,233,788 | - | 5,457,644 | - |
| Net OPEB Liability | 2,116,501 | 356,186 | - | 2,472,687 | - |
| Total Business-Type Activities | <u>\$ 21,531,292</u> | <u>\$ 2,697,393</u> | <u>\$ (1,243,134)</u> | <u>\$ 22,985,551</u> | <u>\$ 1,376,746</u> |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Governmental Activities:

Notes Payable

The City will pay the Building Acquisition and Improvement Notes from the Community Improvement Nonmajor Special Revenue Fund. These notes are a direct borrowing with WesBanco Bank Inc. The notes include a default interest rate provision, increasing the interest rate by 5% over the prevailing interest rate at the time of default. The notes are secured by the mortgage deed on property at 14 North Main Street, Jackson Ohio. Principal and interest requirements to retire these outstanding notes at December 31, 2019, are:

| Year | Principal | Interest | Total |
|-------|-----------|----------|-----------|
| 2020 | \$ 13,433 | \$ 2,593 | \$ 16,026 |
| 2021 | 13,911 | 2,116 | 16,027 |
| 2022 | 14,398 | 1,628 | 16,026 |
| 2023 | 14,903 | 1,124 | 16,027 |
| 2024 | 15,422 | 605 | 16,027 |
| 2025 | 9,073 | 103 | 9,176 |
| Total | \$ 81,140 | \$ 8,169 | \$ 89,309 |

Lease Purchase Agreement

See Note 12 for detail the lease purchase agreements.

Police and Fire Pension Liability

The City will pay the Police and Fire Pension Liability from the General Fund. Principal and interest requirements to retire the City's police and fire pension liability outstanding at December 31, 2019, are:

| Year | Principal | Interest | Total |
|-------------|-----------|----------|-----------|
| 2020 | \$ 1,211 | \$ 1,084 | \$ 2,295 |
| 2021 | 1,263 | 1,032 | 2,295 |
| 2022 | 1,317 | 978 | 2,295 |
| 2023 | 1,373 | 922 | 2,295 |
| 2024 | 1,433 | 862 | 2,295 |
| 2025 - 2029 | 8,139 | 3,336 | 11,475 |
| 2030 - 2034 | 10,043 | 1,432 | 11,475 |
| 2035 - 2036 | 1,025 | 22 | 1,047 |
| Total | \$ 25,804 | \$ 9,668 | \$ 35,472 |

Compensated Absences Payable

The City will pay compensated absences from the General Fund and the Cemetery and Street Construction, Maintenance and Repair Nonmajor Special Revenue Funds.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

As of December 31, 2019, the City’s overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$14,029,228, with an unvoted debt margin of \$7,391,145.

Net Pension Liability and Net OPEB Liability

See Notes 8 and 9 for details on the net pension liability and net OPEB liability. The City pays obligations related to employee compensation from the fund benefiting from their service, which for the City, is primarily the general fund.

Business-Type Activities:

Bonds

In 1993, Water System Revenue Bonds were issued in the amount of \$2,910,000 for the purpose of (1) current refunding and permanent financing of \$2,540,000 of the City’s bond anticipation notes issued to pay part of the costs of water system improvements, (2) funding a debt service reserve account, and (3) paying certain costs related to the issuance of the Series 1993 Bonds, together with other permissible costs under the Uniform Public Securities Law.

On October 9, 2007, the City issued \$2,375,000 in Water System General Obligation Bonds, with a premium of \$22,761, for the purpose of (1) defeasing the 1993 Water System Revenue Bonds, and (2) paying for additional water system improvements.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$49,314. This difference, reported as unamortized deferred charges on debt refunding, is being charged to interest through 2026.

The refunding bonds are serial bonds and are not subject to redemption prior to stated maturity.

Principal and interest requirements for the Water System General Obligation Bonds are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|-------------------|------------------|-------------------|
| 2020 | \$ 45,000 | \$ 14,762 | \$ 59,762 |
| 2021 | 45,000 | 12,962 | 57,962 |
| 2022 | 50,000 | 11,050 | 61,050 |
| 2023 | 50,000 | 8,925 | 58,925 |
| 2024 | 50,000 | 6,800 | 56,800 |
| 2025 - 2026 | 110,000 | 7,013 | 117,013 |
| Total | <u>\$ 350,000</u> | <u>\$ 61,512</u> | <u>\$ 411,512</u> |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

On September 12, 2014, the City issued electric system revenue refunding bonds (Series 2014), par value \$2,680,000. This was a direct placement debt sold to Branch Banking and Trust Company. The proceeds were used to advance refund the Series 2006 revenue bonds. The issuance proceeds were deposited into an escrow trust fund, which consists of cash and direct or guaranteed non-callable government obligations. The principal of this escrow trust, when due, will be sufficient to pay on the redemption date the principal of, redemption premium and interest on the Series 2006 bonds. This refunded debt is considered defeased (in substance) and accordingly, has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$101,854. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

On September 27, 2018, the City issued \$4,565,000 in Electric System Improvement Revenue Bonds for the purpose of paying the costs of improving the City’s electric system by the construction and implementation of a new electrical substation. This was direct placement debt sold to Huntington Public Capital Corporation.

The City has pledged future electric customer revenues, net of specified operating expenses, to repay \$7,245,000 in electric system revenue bonds issued in 2014 and 2018. Proceeds from the original bonds provided financing for various electric utility projects. The bonds are payable solely from electric customer net revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require 27.36 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$6,984,897. Principal and interest paid for the current year and total customer net revenues were \$628,741 and \$2,298,418, respectively.

Principal and interest requirements for revenue bonds are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|---------------------|---------------------|
| 2020 | \$ 455,000 | \$ 175,375 | \$ 630,375 |
| 2021 | 445,000 | 162,202 | 607,202 |
| 2022 | 480,000 | 149,194 | 629,194 |
| 2023 | 495,000 | 135,287 | 630,287 |
| 2024 | 510,000 | 120,933 | 630,933 |
| 2025 - 2029 | 1,890,000 | 402,264 | 2,292,264 |
| 2030 - 2033 | <u>1,445,000</u> | <u>119,642</u> | <u>1,564,642</u> |
| Total | <u>\$ 5,720,000</u> | <u>\$ 1,264,897</u> | <u>\$ 6,984,897</u> |

Notes Payable

The Holzer Hospital loans were for improvements to water and sewer lines to and from the hospital facility. Payment for this debt will come in the form of reduced user fees paid by the hospital until the debt is paid.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

OWDA Loans

The City has loans in the amounts of \$6,781,975 for sewer projects and \$793,670 for water projects from OWDA. The sewer loans have a 1.00 and 3.41 percent interest rate and mature July 1, 2028 and July 1, 2045. The water loan has a zero percent interest rate and matures July 1, 2030.

The City has entered into debt financing arrangements through the OWDA to fund construction projects. The amounts due to the OWDA are payable solely from sewer and water revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2019, the City has outstanding borrowings of \$7,506,630. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down. This is a direct borrowing. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest and/or late charges associated with the default.

The City has pledged future sewer revenues to repay the OWDA loans. These loans are payable solely from sewer fund revenues and are payable through 2045. Annual principal and interest payments on the loan are 69.53 percent of net customer revenues. The total principal and interest remaining to be paid on the loans is \$7,027,657. Principal and interest paid for the current year were \$656,744 and total net revenues were \$944,534.

The City has pledged future water revenues to repay the 2009 OWDA loan. This loan is payable solely from water fund revenues and are payable through 2030. Annual principal and interest payments on the loan are 24.04 percent of net customer revenues. The total principal and interest remaining to be paid on the loan is \$724,655. Principal paid for the current year was \$69,015 and total net revenues were \$287,120.

OWDA loan #7047 is currently “open” meaning the final disbursements have not yet been made from OWDA, therefore no amortization schedule is available.

Principal and interest requirements are as follows:

| <u>OWDA Sewer Loan</u> | | | | <u>OWDA Water Loan</u> | |
|------------------------|---------------------|-------------------|---------------------|------------------------|-------------------|
| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Year</u> | <u>Principal</u> |
| 2020 | \$ 414,025 | \$ 40,581 | \$ 454,606 | 2020 | \$ 69,014 |
| 2021 | 418,273 | 36,332 | 454,605 | 2021 | 69,015 |
| 2022 | 422,568 | 32,037 | 454,605 | 2022 | 69,015 |
| 2023 | 426,909 | 27,696 | 454,605 | 2023 | 69,015 |
| 2024 | 431,298 | 23,309 | 454,607 | 2024 | 69,015 |
| 2025 - 2029 | 1,552,885 | 52,375 | 1,605,260 | 2025 - 2029 | 345,074 |
| 2030 - 2034 | 30,150 | 16,985 | 47,135 | 2030 | 34,507 |
| 2035 - 2039 | 35,703 | 11,432 | 47,135 | | |
| 2040 - 2044 | 42,280 | 4,855 | 47,135 | | |
| 2045 | 4,635 | 79 | 4,714 | | |
| Total | \$ 3,778,726 | \$ 245,681 | \$ 4,024,407 | Total | \$ 724,655 |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

OPWC Loans

The City entered into two debt financing arrangements through the Ohio Public Works Commission (OPWC), direct borrowings to fund McCarty Lane Sanitary Sewer Improvements. The first loan amount was for \$627,980, with semi-annual payments in January and July. Payments during 2019 totaled \$31,399. The loan matures July 1, 2046. Principal payments are made from the sewer fund. The second loan amount was for \$57,300, with semi-annual payments in January and July. Payments during 2019 totaled \$1,910. The loan matures January 1, 2034. Principal payments are made from the sewer fund. The loans are interest free. In the event of default, the OPWC may (1) charge an 8% default interest rate from the date of the default to the date of the payment and charge the City for all costs incurred by the OPWC in curing the default, (2) in accordance with Ohio Revised Code 164.05, direct the county treasurer of the county in which the City is located to pay the amount of the default from funds that would otherwise be appropriated to the City from such county's undivided local government fund pursuant to ORC 5747.51-5747.53 or (3) at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges become immediately due and payable.

Principal and interest requirements are as follows:

| <u>OPWC Sewer Loan</u> | | <u>OPWC Loan (McCarthy Lane Re-Build)</u> | |
|------------------------|-------------------|---|------------------|
| <u>Year</u> | <u>Principal</u> | <u>Year</u> | <u>Principal</u> |
| 2020 | \$ 20,932 | 2020 | \$ 3,820 |
| 2021 | 20,933 | 2021 | 3,820 |
| 2022 | 20,933 | 2022 | 3,820 |
| 2023 | 20,933 | 2023 | 3,820 |
| 2024 | 20,933 | 2024 | 3,820 |
| 2025 - 2029 | 104,665 | 2025 - 2029 | 19,100 |
| 2030 - 2034 | 104,665 | 2030 - 2034 | 17,190 |
| 2035 - 2039 | 104,665 | | |
| 2040 - 2044 | 104,665 | | |
| 2045 - 2046 | 31,391 | | |
| Total | <u>\$ 554,715</u> | Total | <u>\$ 55,390</u> |

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Lease Purchase Agreement

See Note 12 for detail the lease purchase agreements.

Compensated Absences Payable

The City will pay compensated absences from the Water, Sewer, Garbage, and Electric Enterprise Funds.

Net Pension Liability and Net OPEB Liability

See Notes 8 and 9 for details on the net pension liability and net OPEB liability. The City pays obligations related to employee compensation from the fund benefiting from their service, which for the City, is primarily the water fund, the sewer fund, the garbage fund and the electric fund.

NOTE 14 - INTERFUND ACTIVITY

A. Transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following, as reported on the fund financial statements:

| <u>Transfer from</u> | <u>Transfer to Other Governmental Funds</u> |
|--------------------------|---|
| General Fund | \$ 200,500 |
| Other Governmental Funds | <u>12,784</u> |
| Total | <u>\$ 213,284</u> |

The transfers from the General Fund were to use unrestricted revenue to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers from other governmental funds were to move endowment fund earnings to the related operating funds.

All transfers made were in accordance with Ohio Revised Code Section 5705.14, 5705.15 and 5705.16.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 14 - INTERFUND ACTIVITY - (Continued)

B. Loans

On April 23, 2018, the City passed and adopted Ordinance No. 12-18. The City sold 6 acres of the land from the governmental activities to the City's Electric Fund. As part of this agreement, the City's Electric Fund will pay \$60,000 per year for 6 years to the City's Cemetery fund (a nonmajor governmental fund). The first payment was made in 2018. At December 31, 2019, the loan balance was \$180,000.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ 124,047 |
| Net adjustment for revenue accruals | (86,298) |
| Net adjustment for expenditure accruals | 18,814 |
| Funds budgeted elsewhere | (10,768) |
| Adjustment for encumbrances | <u>18,651</u> |
| GAAP basis | <u>\$ 64,446</u> |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis.

NOTE 16 - JOINT VENTURE

The City of Jackson is a Financing Participant with an ownership percentage of 7.14%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Also, pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2019, the City has met their debt coverage obligation.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 16 - JOINT VENTURE - (Continued)

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30-year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. In 2016 the note was refunded in full by the issuance of 2016 Beneficial Interest Certificates.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$213,335 at December 31, 2019. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

NOTE 17 - CONTINGENT LIABILITIES

A. Litigation

The City is party to other legal proceedings as a defendant. Although the outcome of the legal proceedings is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material, adverse effect on the financial condition of the City.

B. Federal and State Grants

For the period January 1, 2019 to December 31, 2019, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 18 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| Fund balance | General | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|---------------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | |
| Materials and supplies inventory | \$ 13,507 | \$ 93,250 | \$ 106,757 |
| Prepaid | 63,636 | 30,155 | 93,791 |
| Unclaimed monies | <u>51,184</u> | <u>-</u> | <u>51,184</u> |
| Total nonspendable | <u>128,327</u> | <u>123,405</u> | <u>251,732</u> |
| Restricted: | | | |
| Community development | - | 625,892 | 625,892 |
| Cemetery | - | 749,274 | 749,274 |
| Transportation | - | 477,946 | 477,946 |
| Public safety | - | 223,142 | 223,142 |
| Lillian Jones museum | - | 422,892 | 422,892 |
| Youth art program | - | 545,099 | 545,099 |
| Capital Projects | - | 2,654 | 2,654 |
| Other purposes | <u>-</u> | <u>502,906</u> | <u>502,906</u> |
| Total restricted | <u>-</u> | <u>3,549,805</u> | <u>3,549,805</u> |
| Committed: | | | |
| Capital projects | - | 7,330 | 7,330 |
| Recreation | - | 312,975 | 312,975 |
| Other purposes | <u>-</u> | <u>123,872</u> | <u>123,872</u> |
| Total committed | <u>-</u> | <u>444,177</u> | <u>444,177</u> |
| Assigned: | | | |
| General government | 17,206 | - | 17,206 |
| Public safety | 220 | - | 220 |
| Community development | 25,624 | - | 25,624 |
| Recreation | 3,624 | - | 3,624 |
| Other purposes | 2,137 | - | 2,137 |
| Subsequent year appropriations | <u>489,427</u> | <u>-</u> | <u>489,427</u> |
| Total assigned | <u>538,238</u> | <u>-</u> | <u>538,238</u> |
| Unassigned | <u>716,707</u> | <u>-</u> | <u>716,707</u> |
| Total fund balances | <u>\$ 1,383,272</u> | <u>\$ 4,117,387</u> | <u>\$ 5,500,659</u> |

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 19 - COMMITMENTS

A. Contractual Commitments

At December 31, 2019, the City had the following contractual commitments:

| Project | Purchase Commitments | Amount Paid as of 12/31/2019 | Amount Remaining on Contracts |
|---|-------------------------|------------------------------------|-------------------------------------|
| Parkview to Main Street Sewer Line | \$ 28,399 | \$ 28,149 | \$ 250 |
| St Rt 93 Corridor Project | 513,000 | - | 513,000 |
| Main Street Brick Removal | 1,199,081 | 1,199,081 | 0 |
| Utility Office Software Upgrade | 38,540 | 3,854 | 34,686 |
| Jamestown Electric Substation | 6,607,583 | 5,737,525 | 870,058 |
| McCarty Lane Pump Station Renovation | 122,348 | 79,390 | 42,958 |
| McCarty Lane Reconstruction Project | 2,020,925 | 1,975,333 | 45,592 |
| Liftstation Electric Generators Project | 79,142 | 41,623 | 37,519 |
| N. High Street Bridge Replacement | 202,676 | 57,884 | 144,792 |
| Manpower Park Improvement Project | 127,967 | 127,967 | - |
| Mound Street Improvement Project | 113,037 | 113,037 | - |
| 2019 Ford Explorer | 29,943 | 29,943 | - |
| Washer / Laundry Extractor | 5,672 | 5,672 | - |
| Altec Bucket Truck | 205,087 | - | 205,087 |
| | <u>\$ 11,293,400</u> | <u>\$ 9,399,458</u> | <u>\$ 1,893,942</u> |

B. Other Commitments

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

| <u>Fund</u> | Year-End <u>Encumbrances</u> |
|-----------------------------|---------------------------------|
| General fund | \$ 17,426 |
| Nonmajor governmental funds | <u>179,441</u> |
| Total | <u>\$ 196,867</u> |

NOTE 20 - SIGNIFICANT SUBSEQUENT EVENTS

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

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SIX YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|--------------|--------------|--------------|
| <i>Traditional Plan:</i> | | | | |
| City's proportion of the net pension liability | 0.029930% | 0.031209% | 0.031261% | 0.031380% |
| City's proportionate share of the net pension liability | \$ 8,197,220 | \$ 4,896,087 | \$ 7,098,841 | \$ 5,435,412 |
| City's covered payroll | \$ 3,723,043 | \$ 4,124,331 | \$ 4,041,175 | \$ 4,093,642 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 220.18% | 118.71% | 175.66% | 132.78% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.70% | 84.66% | 77.25% | 81.08% |
| <i>Combined Plan:</i> | | | | |
| City's proportion of the net pension asset | 0.019887% | 0.015535% | 0.010959% | 0.011720% |
| City's proportionate share of the net pension asset | \$ 22,237 | \$ 21,148 | \$ 6,099 | \$ 5,703 |
| City's covered payroll | \$ 85,057 | \$ 63,623 | \$ 42,658 | \$ 42,658 |
| City's proportionate share of the net pension asset as a percentage of its covered payroll | 26.14% | 33.24% | 14.30% | 13.37% |
| Plan fiduciary net position as a percentage of the total pension asset | 126.64% | 137.28% | 116.55% | 116.90% |
| <i>Member Directed Plan:</i> | | | | |
| City's proportion of the net pension asset | 0.000735% | 0.000766% | 0.000809% | 0.000880% |
| City's proportionate share of the net pension asset | \$ 17 | \$ 27 | \$ 3 | \$ 3 |
| City's covered payroll | \$ 4,200 | \$ 4,200 | \$ 504 | \$ 4,900 |
| City's proportionate share of the net pension asset as a percentage of its covered payroll | 0.40% | 0.64% | 0.60% | 0.06% |
| Plan fiduciary net position as a percentage of the total pension asset | 113.42% | 124.46% | 103.40% | 103.91% |

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| | <u>2015</u> | <u>2014</u> |
|----|-------------|--------------|
| | 0.031404% | 0.031404% |
| \$ | 3,787,674 | \$ 3,702,121 |
| \$ | 3,659,608 | \$ 3,779,815 |
| | 103.50% | 97.94% |
| | 86.45% | 86.36% |
| | 0.012157% | 0.012157% |
| \$ | 4,682 | \$ 1,275 |
| \$ | 44,433 | \$ 50,962 |
| | 10.54% | 2.50% |
| | 114.83% | 104.56% |
| | n/a | n/a |

CITY OF JACKSON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST SIX YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability | 0.03347600% | 0.03666100% | 0.03610600% | 0.03745200% |
| City's proportionate share of the net pension liability | \$ 2,732,526 | \$ 2,250,039 | \$ 2,286,896 | \$ 2,409,344 |
| City's covered payroll | \$ 871,874 | \$ 889,758 | \$ 863,416 | \$ 888,521 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 313.41% | 252.88% | 264.87% | 271.16% |
| Plan fiduciary net position as a percentage of the total pension liability | 63.07% | 70.91% | 68.36% | 66.77% |

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> |
|--------------|--------------|
| 0.03705100% | 0.03705100% |
| \$ 1,919,396 | \$ 1,804,500 |
| \$ 769,095 | \$ 833,772 |
| 249.57% | 216.43% |
| 72.20% | 73.00% |

CITY OF JACKSON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|------------------|------------------|
| <i>Traditional Plan:</i> | | | | |
| Contractually required contribution | \$ 621,617 | \$ 521,226 | \$ 536,163 | \$ 484,941 |
| Contributions in relation to the contractually required contribution | <u>(621,617)</u> | <u>(521,226)</u> | <u>(536,163)</u> | <u>(484,941)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 4,440,121 | \$ 3,723,043 | \$ 4,124,331 | \$ 4,041,175 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 13.00% | 12.00% |
| <i>Combined Plan:</i> | | | | |
| Contractually required contribution | \$ 12,484 | \$ 11,908 | \$ 8,271 | \$ 5,119 |
| Contributions in relation to the contractually required contribution | <u>(12,484)</u> | <u>(11,908)</u> | <u>(8,271)</u> | <u>(5,119)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 89,171 | \$ 85,057 | \$ 63,623 | \$ 42,658 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 13.00% | 12.00% |
| <i>Member Directed Plan:</i> | | | | |
| Contractually required contribution | \$ 420 | \$ 420 | \$ 420 | \$ 504 |
| Contributions in relation to the contractually required contribution | <u>(420)</u> | <u>(420)</u> | <u>(420)</u> | <u>(504)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 4,200 | \$ 4,200 | \$ 4,200 | \$ 4,200 |
| Contributions as a percentage of covered payroll | 10.00% | 10.00% | 10.00% | 12.00% |

Note: Information prior to 2015 was unavailable for the City's Member Directed Plan. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 491,237 | \$ 439,153 | \$ 491,376 | \$ 365,450 | \$ 364,759 | \$ 304,917 |
| <u>(491,237)</u> | <u>(439,153)</u> | <u>(491,376)</u> | <u>(365,450)</u> | <u>(364,759)</u> | <u>(304,917)</u> |
| <u>\$ -</u> |
| \$ 4,093,642 | \$ 3,659,608 | \$ 3,779,815 | \$ 3,654,500 | \$ 3,647,590 | \$ 3,419,630 |
| 12.00% | 12.00% | 13.00% | 10.00% | 10.00% | 8.92% |
| \$ 5,119 | \$ 5,332 | \$ 6,625 | \$ 4,214 | \$ 2,917 | \$ - |
| <u>(5,119)</u> | <u>(5,332)</u> | <u>(6,625)</u> | <u>(4,214)</u> | <u>(2,917)</u> | <u>-</u> |
| <u>\$ -</u> |
| \$ 42,658 | \$ 44,433 | \$ 50,962 | \$ 53,006 | \$ 36,692 | \$ - |
| 12.00% | 12.00% | 13.00% | 7.95% | 7.95% | 9.69% |
| \$ 588 | | | | | |
| <u>(588)</u> | | | | | |
| <u>\$ -</u> | | | | | |
| \$ 4,900 | | | | | |
| 12.00% | | | | | |

CITY OF JACKSON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|------------------|------------------|
| <i>Police:</i> | | | | |
| Contractually required contribution | \$ 117,139 | \$ 165,656 | \$ 169,054 | \$ 164,049 |
| Contributions in relation to the contractually required contribution | <u>(117,139)</u> | <u>(165,656)</u> | <u>(169,054)</u> | <u>(164,049)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 616,521 | \$ 871,874 | \$ 889,758 | \$ 863,416 |
| Contributions as a percentage of covered payroll | 19.00% | 19.00% | 19.00% | 19.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|------------------|------------------|------------------|-----------------|-----------------|-----------------|
| \$ 168,819 | \$ 146,128 | \$ 132,403 | \$ 96,149 | \$ 93,383 | \$ 88,651 |
| <u>(168,819)</u> | <u>(146,128)</u> | <u>(132,403)</u> | <u>(96,149)</u> | <u>(93,383)</u> | <u>(88,651)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 888,521 | \$ 769,095 | \$ 833,597 | \$ 754,110 | \$ 732,416 | \$ 695,302 |
| 19.00% | 19.00% | 15.88% | 12.75% | 12.75% | 12.75% |

CITY OF JACKSON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

LAST THREE YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|--------------|
| City's proportion of the net OPEB liability | 0.028486% | 0.029600% | 0.029476% |
| City's proportionate share of the net OPEB liability | \$ 3,713,903 | \$ 3,214,342 | \$ 2,977,217 |
| City's covered payroll | \$ 3,812,300 | \$ 4,192,154 | \$ 4,088,033 |
| City's proportionate share of the net OPEB liability as a percentage of its covered payroll | 97.42% | 76.68% | 72.83% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 46.33% | 54.14% | 54.05% |

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND**

LAST THREE YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------|--------------|--------------|
| City's proportion of the net OPEB liability | 0.03347600% | 0.03666100% | 0.03610600% |
| City's proportionate share of the net OPEB liability | \$ 304,850 | \$ 2,077,144 | \$ 1,713,871 |
| City's covered payroll | \$ 871,874 | \$ 889,758 | \$ 863,416 |
| City's proportionate share of the net OPEB liability as a percentage of its covered payroll | 34.96% | 233.45% | 198.50% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 46.57% | 14.13% | 15.96% |

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|--------------|-----------------|-----------------|
| Contractually required contribution | \$ 168 | \$ 168 | \$ 42,047 | \$ 81,760 |
| Contributions in relation to the contractually required contribution | <u>(168)</u> | <u>(168)</u> | <u>(42,047)</u> | <u>(81,760)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 4,533,492 | \$ 3,812,300 | \$ 4,192,154 | \$ 4,088,033 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 1.00% | 2.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| \$ 82,725 | \$ 77,516 | \$ 38,291 | \$ 149,387 | \$ 148,123 | \$ 197,299 |
| <u>(82,725)</u> | <u>(77,516)</u> | <u>(38,291)</u> | <u>(149,387)</u> | <u>(148,123)</u> | <u>(197,299)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 4,141,200 | \$ 3,704,041 | \$ 3,830,777 | \$ 3,707,506 | \$ 3,684,282 | \$ 3,419,630 |
| 2.00% | 2.09% | 1.00% | 4.03% | 4.02% | 5.77% |

CITY OF JACKSON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|----------------|----------------|----------------|----------------|
| <i>Police:</i> | | | | |
| Contractually required contribution | \$ 3,082 | \$ 4,359 | \$ 4,449 | \$ 4,317 |
| Contributions in relation to the contractually required contribution | <u>(3,082)</u> | <u>(4,359)</u> | <u>(4,449)</u> | <u>(4,317)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 616,521 | \$ 871,874 | \$ 889,758 | \$ 863,416 |
| Contributions as a percentage of covered payroll | 0.50% | 0.50% | 0.50% | 0.50% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 4,563 | \$ 3,848 | \$ 29,644 | \$ 50,903 | \$ 49,438 | \$ 46,933 |
| <u>(4,563)</u> | <u>(3,848)</u> | <u>(29,644)</u> | <u>(50,903)</u> | <u>(49,438)</u> | <u>(46,933)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 888,521 | \$ 769,095 | \$ 833,597 | \$ 754,110 | \$ 732,416 | \$ 695,302 |
| 0.50% | 0.50% | 3.56% | 6.75% | 6.75% | 6.75% |

CITY OF JACKSON, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019 the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple. There were no changes in assumptions for 2019.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018. For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%.

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

City of Jackson
Jackson County
PO Box 1090
Jackson, Ohio 45640

To the Members of Council and Mayor:

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Jackson County, Ohio, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Jackson's basic financial statements and have issued our report thereon dated July 29, 2020, wherein we noted, as discussed in Note 3, the City of Jackson adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted, as discussed in Note 20, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City of Jackson's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City of Jackson'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 City of Jackson'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City of Jackson's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 City of Jackson's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City of Jackson's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
July 29, 2020

OHIO AUDITOR OF STATE KEITH FABER



CITY OF JACKSON

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 10/8/2020

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