

CITY OF JACKSON
JACKSON COUNTY, OHIO

REGULAR AUDIT

**FOR THE YEAR ENDED
DECEMBER 31, 2021**

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Member of the City Council and Mayor
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, 2021 through December 31, 2021. 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.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 29, 2022

This page intentionally left blank.

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 3
Management’s Discussion and Analysis	4 - 16
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19 - 20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	21
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	25
Community Improvement Fund	26
City Income Tax Fund	27
Statement of Net Position - Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	29
Statement of Cash Flows – Proprietary Funds	31 - 32
Notes to the Basic Financial Statements	34 - 84
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability/Net Pension Asset:	
Ohio Public Employees Retirement System (OPERS)	87 - 88
Ohio Police and Fire Pension Fund (OP&F)	89 - 90
Schedule of City Pension Contributions:	
Ohio Public Employees Retirement System (OPERS)	91 - 92
Ohio Police and Fire Pension Fund (OP&F)	93 - 94
Schedule of the City’s Proportionate Share of the Net OPEB Liability:	
Ohio Public Employees Retirement System (OPERS)	95
Ohio Police and Fire Pension Fund (OP&F)	96
Schedule of City OPEB Contributions:	
Ohio Public Employees Retirement System (OPERS)	97 - 98
Ohio Police and Fire Pension Fund (OP&F)	99 - 100
Notes to Required Supplementary Information	101 - 102
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	103 - 104
Schedule of Findings and Responses	105

This page intentionally left blank.

Independent Auditor's Report

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

To the Members of the City Council and Mayor:

Report on the Audit of the Financial Statements

Opinions

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, 2021, 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.

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, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Community Improvement Fund, and the City Income Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City of Jackson and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City of Jackson. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Jackson's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Jackson's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Jackson's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, 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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022, on our consideration of the City of Jackson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Jackson's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Jackson's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 7, 2022

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021. 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 2021 are as follows:

- The total net position of the City increased \$8,730,363 from 2020's total net position. Net position of governmental activities increased \$4,063,208 or 23.31% from 2020's net position and net position of business-type activities increased \$4,667,155 or 9.01% from 2020's net position.
- General revenues accounted for \$5,383,783 or 70.90% of total governmental activities revenue. Program specific revenues accounted for \$2,209,335 or 29.10% of total governmental activities revenue.
- The City had \$3,529,910 in expenses related to governmental activities; \$2,209,335 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$1,320,575 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,383,783.
- The general fund had revenues and other financing sources of \$2,808,933 in 2021. The general fund had expenditures and other financing uses of \$2,216,289 in 2021. The net increase in fund balance for the general fund was \$592,644 or 32.89%.
- The community improvement fund had revenues of \$2,226,229 and expenditures of \$2,400,449 in 2021. The net decrease in fund balance for the community improvement fund was \$174,220 or 23.71%.
- The City income tax fund had revenues of \$2,929,422 and expenditures of \$1,270,483 in 2021. The net increase in fund balance for the City income tax fund was \$1,658,939 or 1,605.60%. This increase was due to the election results approving an income tax at the rate of 1.5% commencing January 1, 2021.
- 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 2021 by \$4,667,155. This increase in net position was due primarily to charges for service revenues being greater than expenses.
- The water fund had operating revenues of \$2,620,098 and operating expenses of \$1,718,349 in 2021. The water fund also had non-operating revenues of \$452 and non-operating expenses of \$14,283. The net increase in net position for the water fund was \$887,918 or 15.33%.
- The sewer fund had operating revenues of \$4,407,297 and operating expenses of \$3,050,463 in 2021. The sewer fund also had non-operating revenues of \$17,166, non-operating expenses of \$66,257 and capital contributions of \$28,140. The net increase in net position for the sewer fund was \$1,335,883 or 11.37%.
- The electric fund had operating revenues of \$20,157,408 and operating expenses of \$17,727,089 in 2021. The electric fund also had net non-operating expenses of \$166,509. The net increase in net position for the electric fund was \$2,263,810 or 7.87%.
- In the general fund, the actual revenues and other financing sources were \$311,274 more than they were in the final budget and actual expenditures and other financing uses were \$588,505 less than the amount in the final budget. Budgeted revenues remained the same from original to the final budget and budgeted expenditures and other financing uses increased \$221,527 from original to the final budget.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

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.

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 2021?" 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, 2021

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 major governmental funds are the general fund, the community improvement fund and the City income tax 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 and net OPEB liability/asset.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 2021 compared to 2020.

	Net Position					
	2021 Governmental Activities	2020 Governmental Activities	2021 Business-type Activities	2020 Business-type Activities	2021 Total	2020 Total
<u>Assets</u>						
Current and other assets	\$ 14,539,627	\$ 13,503,253	\$ 27,438,224	\$ 24,508,199	\$ 41,977,851	\$ 38,011,452
Investment in joint venture	-	-	213,335	213,335	213,335	213,335
Capital assets, net	<u>13,603,648</u>	<u>11,559,481</u>	<u>48,249,003</u>	<u>50,056,841</u>	<u>61,852,651</u>	<u>61,616,322</u>
Total assets	<u>28,143,275</u>	<u>25,062,734</u>	<u>75,900,562</u>	<u>74,778,375</u>	<u>104,043,837</u>	<u>99,841,109</u>
Total deferred outflows	<u>578,350</u>	<u>891,051</u>	<u>570,189</u>	<u>1,092,542</u>	<u>1,148,539</u>	<u>1,983,593</u>
<u>Liabilities</u>						
Long-term liabilities	3,637,567	5,766,400	16,017,907	20,525,624	19,655,474	26,292,024
Other liabilities	<u>523,832</u>	<u>174,505</u>	<u>1,641,176</u>	<u>2,244,384</u>	<u>2,165,008</u>	<u>2,418,889</u>
Total liabilities	<u>4,161,399</u>	<u>5,940,905</u>	<u>17,659,083</u>	<u>22,770,008</u>	<u>21,820,482</u>	<u>28,710,913</u>
Total deferred inflows	<u>3,064,512</u>	<u>2,580,374</u>	<u>2,372,173</u>	<u>1,328,569</u>	<u>5,436,685</u>	<u>3,908,943</u>
<u>Net Position</u>						
Net investment						
in capital assets	13,302,317	11,190,220	35,710,169	36,489,641	49,012,486	47,679,861
Restricted	6,675,716	8,746,581	-	-	6,675,716	8,746,581
Unrestricted	<u>1,517,681</u>	<u>(2,504,295)</u>	<u>20,729,326</u>	<u>15,282,699</u>	<u>22,247,007</u>	<u>12,778,404</u>
Total net position	<u>\$ 21,495,714</u>	<u>\$ 17,432,506</u>	<u>\$ 56,439,495</u>	<u>\$ 51,772,340</u>	<u>\$ 77,935,209</u>	<u>\$ 69,204,846</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, the net pension asset and the net OPEB asset.

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.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

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.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2021, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$77,935,209. At year-end, net position was \$21,495,714 and \$56,439,495 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 59.45% 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, 2021, was \$13,302,317 and \$35,710,169 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.

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

As of December 31, 2021, the City's governmental activities unrestricted net position was a balance of \$1,517,681. A portion of the City's net position, \$6,675,716 represents resources that are subject to external restriction on how they may be used.

The table below shows the changes in net position for years 2021 and 2020.

Change in Net Position

	2021 Governmental Activities	2020 Governmental Activities	2021 Business-Type Activities	2020 Business-Type Activities	2021 Total	2020 Total
Revenues						
Program revenues:						
Charges for services	\$ 1,321,642	\$ 1,244,286	\$ 28,011,137	\$ 27,284,959	\$ 29,332,779	\$ 28,529,245
Operating grants and contributions	886,858	1,296,295	-	-	886,858	1,296,295
Capital grants and contributions	835	5,729,004	28,140	123,667	28,975	5,852,671
Total program revenues	<u>2,209,335</u>	<u>8,269,585</u>	<u>28,039,277</u>	<u>27,408,626</u>	<u>30,248,612</u>	<u>35,678,211</u>
General revenues:						
Property and other local taxes	1,541,926	1,520,916	-	-	1,541,926	1,520,916
Income taxes	3,296,699	-	-	-	3,296,699	-
Unrestricted grants and entitlements	247,405	216,042	-	-	247,405	216,042
Investment earnings	200,523	206,216	255	4,842	200,778	211,058
Miscellaneous	97,230	208,464	98,121	409,770	195,351	618,234
Total general revenues	<u>5,383,783</u>	<u>2,151,638</u>	<u>98,376</u>	<u>414,612</u>	<u>5,482,159</u>	<u>2,566,250</u>
Total revenues	<u>7,593,118</u>	<u>10,421,223</u>	<u>28,137,653</u>	<u>27,823,238</u>	<u>35,730,771</u>	<u>38,244,461</u>
Expenses:						
General government	968,081	1,529,947	-	-	968,081	1,529,947
Security of persons and property	1,224,346	1,846,733	-	-	1,224,346	1,846,733
Public health and welfare	192,246	240,144	-	-	192,246	240,144
Transportation	949,198	987,942	-	-	949,198	987,942
Community environment	-	2,965	-	-	-	2,965
Leisure time activities	186,008	124,640	-	-	186,008	124,640
Interest and fiscal charges	10,031	11,822	-	-	10,031	11,822
Water	-	-	1,736,105	2,378,766	1,736,105	2,378,766
Sewer	-	-	3,120,194	3,925,382	3,120,194	3,925,382
Electric	-	-	17,900,063	18,894,063	17,900,063	18,894,063
Other enterprise	-	-	714,136	1,064,757	714,136	1,064,757
Total expenses	<u>3,529,910</u>	<u>4,744,193</u>	<u>23,470,498</u>	<u>26,262,968</u>	<u>27,000,408</u>	<u>31,007,161</u>
Increase in net position before transfers	4,063,208	5,677,030	4,667,155	1,560,270	8,730,363	7,237,300
Transfers	-	(202,321)	-	202,321	-	-
Change in net position	4,063,208	5,474,709	4,667,155	1,762,591	8,730,363	7,237,300
Net position at beginning of year	<u>17,432,506</u>	<u>11,957,797</u>	<u>51,772,340</u>	<u>50,009,749</u>	<u>69,204,846</u>	<u>61,967,546</u>
Net position at end of year	<u>\$ 21,495,714</u>	<u>\$ 17,432,506</u>	<u>\$ 56,439,495</u>	<u>\$ 51,772,340</u>	<u>\$ 77,935,209</u>	<u>\$ 69,204,846</u>

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Governmental Activities

Governmental activities net position increased \$4,063,208 in 2021.

Security of persons and property, which primarily supports the operations of the police department accounted for \$1,224,346 of the total expenses of the City. These expenses were partially funded by \$1,064,843 in direct charges to users of the services and \$18,738 in operating grants and contributions. Transportation expenses totaled \$949,198. Transportation expenses were partially funded by \$2,156 in direct charges to users of the services, \$811,460 in operating grants and contributions and \$835 in capital grants and contributions.

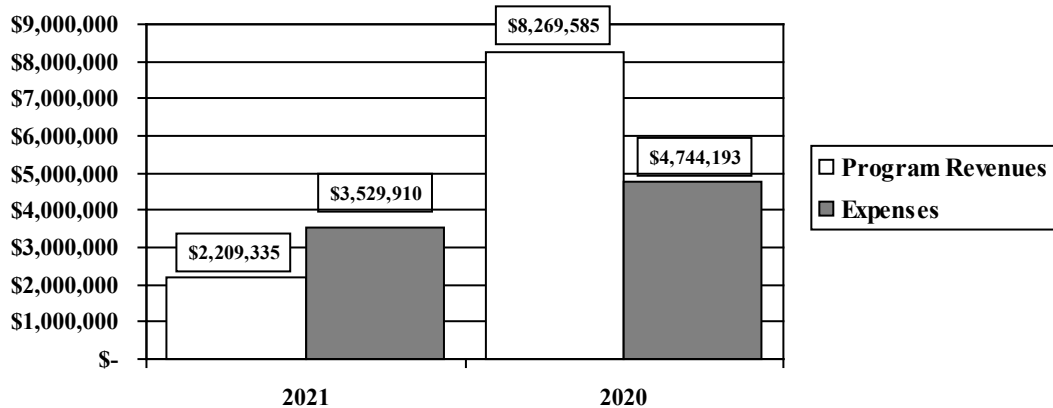
The state and federal government contributed to the City a total of \$886,858 in operating grants and contributions and \$835 in capital grants and contributions.

General revenues totaled \$5,383,783 and amounted to 70.90% of total governmental revenues. These revenues primarily consist of property and other local tax revenue of \$1,541,926. The other primary source of general revenues is income taxes, making up \$3,296,699. The voters approved a 1.5% income tax in the November 2021 election effective January 1, 2021 for 5 years to fund the City's Police Department as well as for infrastructure and improvements City-wide.

Expenses of the governmental activities decreased \$1,214,283 or 25.60%. This decrease is primarily the result of the decrease in OPEB expense for the Ohio Public Employees Retirement System (OPERS). On an accrual basis, the City had OPEB expense of (\$1,030,043) in 2021 compared to \$104,754 in 2020. On January 15, 2020, OPERS approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation which are reported by the City at December 31, 2021. These changes along with changes in assumptions related to an increase in discount rate from 3.16% to 6.00% significantly decreased the total OPEB liability for the measurement date December 31, 2020.

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



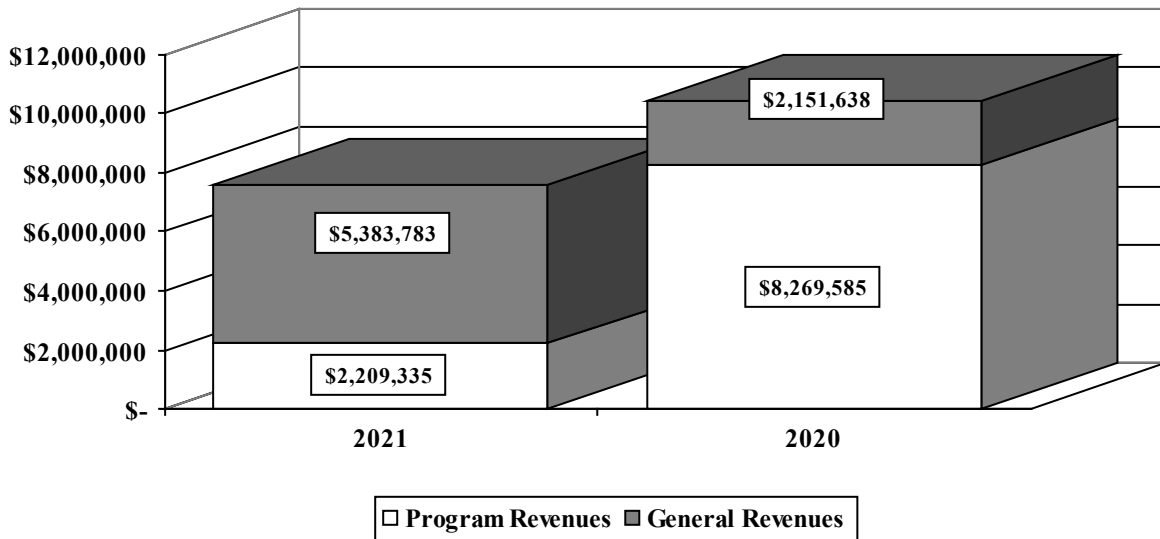
CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Governmental Activities

	Total Cost of Services <u>2021</u>	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2021</u>	Net Cost of Services <u>2020</u>
Program Expenses:				
General government	\$ 968,081	\$ 1,529,947	\$ 842,851	\$ 1,306,494
Security of persons and property	1,224,346	1,846,733	140,765	387,192
Public health and welfare	192,246	240,144	97,868	133,034
Transportation	949,198	987,942	134,747	(5,491,524)
Community environment	-	2,965	-	2,965
Leisure time activity	186,008	124,640	94,313	124,625
Interest and fiscal charges	<u>10,031</u>	<u>11,822</u>	<u>10,031</u>	<u>11,822</u>
Total Expenses	<u>\$ 3,529,910</u>	<u>\$ 4,744,193</u>	<u>\$ 1,320,575</u>	<u>\$ (3,525,392)</u>

Governmental Activities - General and Program Revenues



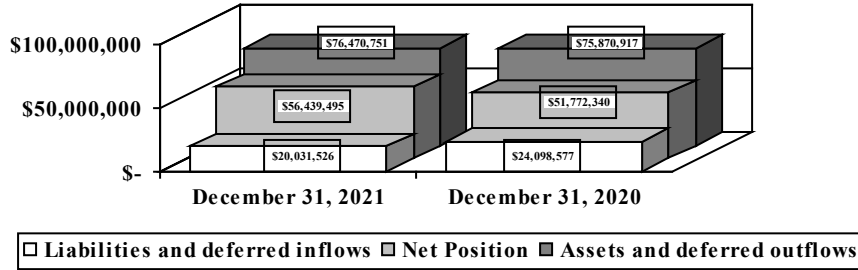
Business-Type Activities

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 \$28,039,277, general revenues of \$98,376 and expenses of \$23,470,498 for 2021. The graph on the following page shows the business-type activities assets and deferred outflows, liabilities and deferred inflows and net position at year-end 2021 and 2020.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Net Position in Business - Type Activities



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 \$8,122,586 which is \$1,980,524 above last year's total of \$6,142,062. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2021 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/21</u>	Fund Balances <u>12/31/20</u>	<u>Change</u>
General	\$ 2,394,672	\$ 1,802,028	\$ 592,644
Community improvement	560,719	734,939	(174,220)
City income tax	1,762,261	103,322	1,658,939
Other nonmajor governmental funds	<u>3,404,934</u>	<u>3,501,773</u>	<u>(96,839)</u>
Total	<u>\$ 8,122,586</u>	<u>\$ 6,142,062</u>	<u>\$ 1,980,524</u>

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

General Fund

The City's general fund balance increased 32.89%. The table that follows assists in illustrating the revenues of the general fund.

	<u>2021</u>	<u>2020</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 1,133,673	\$ 1,132,323	0.12 %
Intergovernmental	219,688	198,263	10.81 %
Charges for services	1,052,763	1,040,613	1.17 %
Fines and forfeitures	24,617	23,676	3.97 %
Licenses and permits	88,654	94,925	(6.61) %
Investment income	200,523	206,216	(2.76) %
Other	<u>65,285</u>	<u>258,652</u>	(74.76) %
Total	<u>\$ 2,785,203</u>	<u>\$ 2,954,668</u>	(5.74) %

Tax revenue represents 40.70% of all general fund revenue. Other income decreased 74.76% primarily as a result of additional miscellaneous revenue received during 2020 compared to 2021.

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

	<u>2021</u>	<u>2020</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,083,344	\$ 1,065,292	1.69 %
Security of persons and property	889,720	1,080,280	(17.64) %
Transportation	185,430	206,630	(10.26) %
Community environment	-	2,965	(100.00) %
Debt service	<u>2,295</u>	<u>2,295</u>	- %
Total	<u>\$ 2,160,789</u>	<u>\$ 2,357,462</u>	(8.34) %

Total expenditures decreased 8.34% from 2020 which is primarily a result of the City's efforts to control expenditures due to the COVID-19 pandemic. The decrease in securities of person and property is due to a decrease in public safety expenditures. Community environment expenditures decreased due to a decrease in expenditures related to the City's program income (home) fund.

Community Improvement Fund

The community improvement fund had revenues of \$2,226,229 and expenditures of \$2,400,449 in 2021. The net decrease in fund balance for the community improvement fund was \$174,220 or 23.71%.

City Income Tax Fund

The City income tax fund had revenues of \$2,929,422 and expenditures of \$1,270,483 in 2021. The net increase in fund balance for the City income tax fund was \$1,658,939 or 1,605.60%.

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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 \$2,963,455. The City's general fund actual revenues and other financing sources were \$311,274 greater than the final budgeted revenues and expenditures and other financing uses were \$588,505 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 \$2,620,098 and operating expenses of \$1,718,349 in 2021. The water fund also had non-operating revenues of \$452 and non-operating expenses of \$14,283. The net increase in net position for the water fund was \$887,918 or 15.33%.

The sewer fund had operating revenues of \$4,407,297 and operating expenses of \$3,050,463 in 2021. The sewer fund also had non-operating revenues of \$17,166, non-operating expenses of \$66,257 and capital contributions of \$28,140. The net increase in net position for the sewer fund was \$1,335,883 or 11.37%.

The electric fund had operating revenues of \$20,157,408 and operating expenses of \$17,727,089 in 2021. The electric fund also had net non-operating expenses of \$166,509. The net increase in net position for the electric fund was \$2,263,810 or 7.87%.

Capital Assets and Debt Administration

Capital Assets

At the end of 2021, the City had \$61,852,651 (net of accumulated depreciation) invested in land, artwork and historical treasures, construction in progress, land improvements, buildings, equipment, infrastructure, and vehicles. Of this total, \$13,603,648 was reported in governmental activities and \$48,249,003 was reported in business-type activities.

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

The following table shows 2021 capital asset balances compared to 2020:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</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
Construction in progress	822,812	178,110	38,540	723,191	861,352	901,301
Land improvements	139,976	149,121	13,276	13,886	153,252	163,007
Buildings	1,172,660	1,229,852	496,998	519,698	1,669,658	1,749,550
Equipment	120,661	159,898	1,387,827	1,586,107	1,508,488	1,746,005
Infrastructure	8,973,035	7,428,145	41,879,631	42,612,834	50,852,666	50,040,979
Vehicles	675,363	715,214	950,399	1,118,793	1,625,762	1,834,007
Totals	<u>\$ 13,603,648</u>	<u>\$ 11,559,481</u>	<u>\$ 48,249,003</u>	<u>\$ 50,056,841</u>	<u>\$ 61,852,651</u>	<u>\$ 61,616,322</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 82.22% of the City's total capital assets.

See Note 7 to the basic financial statements for additional capital asset detail.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2021 and 2020:

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Notes payable	\$ 53,796	\$ 67,707
Lease purchase agreements	247,535	297,000
Police and Fire Pension Liability	<u>23,331</u>	<u>24,594</u>
Total long-term obligations	<u>\$ 324,662</u>	<u>\$ 389,301</u>
	<u>Business-type Activities</u>	
	<u>2021</u>	<u>2020</u>
Bonds payable	\$ 5,085,889	\$ 5,577,087
Notes payable	73,424	96,643
OPWC loans	631,209	644,761
OWDA loans	<u>6,802,249</u>	<u>7,136,684</u>
Total long-term obligations	<u>\$ 12,592,771</u>	<u>\$ 13,455,175</u>

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

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

Economic Conditions and Outlook

The City's administration considers the impact of various economic factors when establishing the 2021 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 2021 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 was expended in 2021 to fund the Police Department. The voters approved a 1.5% income tax in the November 2021 election effective January 1, 2021 for 5 years to fund the City's Police Department as well as for infrastructure and improvements City-wide. 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.

The average unemployment rate for Jackson County in 2021 was 6.1% compared to the 5.1% State of Ohio average. The City Auditor anticipates the 2021 rate to continue through 2022 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

CITY OF JACKSON, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 7,680,030	\$ 23,951,882	\$ 31,631,912
Receivables:			
Income taxes	920,206	-	920,206
Real and other taxes	935,636	-	935,636
Accounts	92,826	2,115,601	2,208,427
Accrued interest	9,468	-	9,468
Due from other governments	4,198,084	12,913	4,210,997
Loans receivable	354	-	354
Materials and supplies inventory	24,815	919,152	943,967
Prepayments	82,741	108,047	190,788
Internal balance	420,897	(420,897)	-
Net pension asset	10,959	21,410	32,369
Net OPEB asset	163,611	319,625	483,236
Restricted assets:			
Customer deposits	-	410,491	410,491
Investment in joint venture	-	213,335	213,335
Capital assets:			
Land, artwork and construction in progress	2,521,953	3,520,872	6,042,825
Depreciable capital assets, net	11,081,695	44,728,131	55,809,826
Total capital assets, net	<u>13,603,648</u>	<u>48,249,003</u>	<u>61,852,651</u>
Total assets	<u>28,143,275</u>	<u>75,900,562</u>	<u>104,043,837</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	-	53,937	53,937
Pension	353,255	356,266	709,521
OPEB	225,095	159,986	385,081
Total deferred outflows of resources	<u>578,350</u>	<u>570,189</u>	<u>1,148,539</u>
Liabilities:			
Accounts payable	8,161	992,652	1,000,813
Accrued wages and benefits payable	145,693	157,407	303,100
Due to other governments	41,320	51,023	92,343
Accrued interest payable	2,358	12,750	15,108
Claims payable	-	16,853	16,853
Customer deposits payable	-	410,491	410,491
Unearned revenue	326,300	-	326,300
Long-term liabilities:			
Due within one year	164,488	1,404,715	1,569,203
Net pension liability	2,833,946	2,818,210	5,652,156
Net OPEB liability	216,245	-	216,245
Due in more than one year	422,888	11,794,982	12,217,870
Total liabilities	<u>4,161,399</u>	<u>17,659,083</u>	<u>21,820,482</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	868,176	-	868,176
Pension	1,435,571	1,316,452	2,752,023
OPEB	760,765	1,055,721	1,816,486
Total deferred inflows of resources	<u>3,064,512</u>	<u>2,372,173</u>	<u>5,436,685</u>
Net position:			
Net investment in capital assets	13,302,317	35,710,169	49,012,486
Restricted for:			
Community development	4,407,819	-	4,407,819
Youth arts program	539,741	-	539,741
Cemetery	614,216	-	614,216
Transportation projects	320,297	-	320,297
Public safety	261,357	-	261,357
Capital projects	2,654	-	2,654
Cemetery endowment:			
Nonexpendable	100,000	-	100,000
Expendable	294,589	-	294,589
Other purposes	135,043	-	135,043
Unrestricted	1,517,681	20,729,326	22,247,007
Total net position	<u>\$ 21,495,714</u>	<u>\$ 56,439,495</u>	<u>\$ 77,935,209</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSON, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 968,081	\$ 118,548	\$ 6,682	\$ -
Security of persons and property	1,224,346	1,064,843	18,738	-
Public health and welfare	192,246	84,120	10,258	-
Transportation	949,198	2,156	811,460	835
Leisure time activity	186,008	51,975	39,720	-
Interest and fiscal charges	10,031	-	-	-
Total governmental activities	<u>3,529,910</u>	<u>1,321,642</u>	<u>886,858</u>	<u>835</u>
Business-type activities:				
Water	1,736,105	2,605,235	-	-
Sewer	3,120,194	4,404,154	-	28,140
Electric	17,900,063	20,110,253	-	-
Other business-type activities:				
Garbage	570,249	891,495	-	-
Railroad	143,887	-	-	-
Total business-type activities	<u>23,470,498</u>	<u>28,011,137</u>	<u>-</u>	<u>28,140</u>
Total primary government	<u>\$ 27,000,408</u>	<u>\$ 29,332,779</u>	<u>\$ 886,858</u>	<u>\$ 28,975</u>

General revenues:

Property taxes levied for:

General purposes

Cemetery

Fire Protection

Other purposes

Income taxes levied for:

General 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

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
\$ (842,851)	\$ -	\$ (842,851)
(140,765)	-	(140,765)
(97,868)	-	(97,868)
(134,747)	-	(134,747)
(94,313)	-	(94,313)
(10,031)	-	(10,031)
<u>(1,320,575)</u>	<u>-</u>	<u>(1,320,575)</u>
-	869,130	869,130
-	1,312,100	1,312,100
-	2,210,190	2,210,190
-	321,246	321,246
-	(143,887)	(143,887)
<u>-</u>	<u>4,568,779</u>	<u>4,568,779</u>
<u>(1,320,575)</u>	<u>4,568,779</u>	<u>3,248,204</u>
1,132,696	-	1,132,696
172,042	-	172,042
167,640	-	167,640
69,548	-	69,548
3,296,699	-	3,296,699
247,405	-	247,405
200,523	255	200,778
97,230	98,121	195,351
<u>5,383,783</u>	<u>98,376</u>	<u>5,482,159</u>
4,063,208	4,667,155	8,730,363
<u>17,432,506</u>	<u>51,772,340</u>	<u>69,204,846</u>
<u>\$ 21,495,714</u>	<u>\$ 56,439,495</u>	<u>\$ 77,935,209</u>

CITY OF JACKSON, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General	Community Improvement	City Income Tax	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 2,372,013	\$ 506,783	\$ 1,208,811	\$ 3,592,423	\$ 7,680,030
Receivables:					
Income taxes	-	-	920,206	-	920,206
Real and other taxes	497,978	-	-	437,658	935,636
Accounts	72,694	-	-	20,132	92,826
Interfund loans	-	-	-	60,000	60,000
Accrued interest	6,417	-	-	3,051	9,468
Due from other governments	96,804	3,887,375	-	213,905	4,198,084
Loans receivable	354	-	-	-	354
Materials and supplies inventory	6,426	-	-	18,389	24,815
Prepayments	59,786	-	521	22,434	82,741
Total assets	<u>\$ 3,112,472</u>	<u>\$ 4,394,158</u>	<u>\$ 2,129,538</u>	<u>\$ 4,367,992</u>	<u>\$ 14,004,160</u>
Liabilities:					
Accounts payable	\$ 8,001	\$ -	\$ -	\$ 160	\$ 8,161
Accrued wages and benefits payable	98,374	-	-	47,319	145,693
Due to other governments	29,193	-	-	12,127	41,320
Unearned revenue	-	-	-	326,300	326,300
Total liabilities	<u>135,568</u>	<u>-</u>	<u>-</u>	<u>385,906</u>	<u>521,474</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	462,069	-	-	406,107	868,176
Delinquent property tax revenue not available	34,549	-	-	30,191	64,740
Miscellaneous revenue not available	22,914	-	-	-	22,914
Income tax revenue not available	-	-	367,277	-	367,277
Intergovernmental revenue not available	62,700	3,833,439	-	140,854	4,036,993
Total deferred inflows of resources	<u>582,232</u>	<u>3,833,439</u>	<u>367,277</u>	<u>577,152</u>	<u>5,360,100</u>
Fund balances:					
Nonspendable	117,088	-	521	40,823	158,432
Restricted	-	560,719	-	2,836,973	3,397,692
Committed	-	-	1,761,740	527,138	2,288,878
Assigned	1,312,941	-	-	-	1,312,941
Unassigned	964,643	-	-	-	964,643
Total fund balances	<u>2,394,672</u>	<u>560,719</u>	<u>1,762,261</u>	<u>3,404,934</u>	<u>8,122,586</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,112,472</u>	<u>\$ 4,394,158</u>	<u>\$ 2,129,538</u>	<u>\$ 4,367,992</u>	<u>\$ 14,004,160</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, 2021

Total governmental fund balances	\$	8,122,586
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,603,648
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 367,277	
Real and other taxes receivable	64,740	
Accounts receivable	22,914	
Intergovernmental receivable	4,036,993	
Total		4,491,924
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.		360,897
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(2,358)
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	353,255	
Deferred inflows	(1,435,571)	
Net pension asset	10,959	
Net pension liability	(2,833,946)	
Total		(3,905,303)
The net OPEB asset and net OPEB liability is 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 of resources	225,095	
Deferred inflows of resources	(760,765)	
Net OPEB asset	163,611	
Net OPEB liability	(216,245)	
Total		(588,304)
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	(262,714)	
Police and fire pension liability	(23,331)	
Notes and lease purchase payable	(301,331)	
Total		(587,376)
Net position of governmental activities	\$	<u>21,495,714</u>

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, 2021

	General	Community Improvement	City Income Tax	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income taxes	\$ -	\$ -	\$ 2,929,422	\$ -	\$ 2,929,422
Real and other taxes	1,133,673	-	-	407,334	1,541,007
Intergovernmental	219,688	2,224,073	-	515,414	2,959,175
Charges for services	1,052,763	2,156	-	146,223	1,201,142
Fines and forfeitures	24,617	-	-	1,413	26,030
Licenses and permits	88,654	-	-	-	88,654
Investment income	200,523	-	-	16,179	216,702
Rental income	5,375	-	-	-	5,375
Contributions and donations	-	-	-	37,792	37,792
Other	59,910	-	-	30,986	90,896
Total revenues	<u>2,785,203</u>	<u>2,226,229</u>	<u>2,929,422</u>	<u>1,155,341</u>	<u>9,096,195</u>
Expenditures:					
Current:					
General government	1,083,344	-	71,277	58,691	1,213,312
Security of persons and property	889,720	-	599,504	124,375	1,613,599
Public health and welfare	-	-	-	306,520	306,520
Transportation	185,430	488,023	599,702	587,281	1,860,436
Leisure time activity	-	-	-	188,243	188,243
Capital outlay	-	1,896,400	-	-	1,896,400
Debt service:					
Principal retirement	1,263	13,911	-	49,465	64,639
Interest and fiscal charges	1,032	2,115	-	7,393	10,540
Total expenditures	<u>2,160,789</u>	<u>2,400,449</u>	<u>1,270,483</u>	<u>1,321,968</u>	<u>7,153,689</u>
Excess (deficiency) of revenues over (under) expenditures	<u>624,414</u>	<u>(174,220)</u>	<u>1,658,939</u>	<u>(166,627)</u>	<u>1,942,506</u>
Other financing sources (uses):					
Sale of capital assets	23,730	-	-	14,288	38,018
Transfers in	-	-	-	58,907	58,907
Transfers (out)	(55,500)	-	-	(3,407)	(58,907)
Total other financing sources (uses)	<u>(31,770)</u>	<u>-</u>	<u>-</u>	<u>69,788</u>	<u>38,018</u>
Net change in fund balances	592,644	(174,220)	1,658,939	(96,839)	1,980,524
Fund balances at beginning of year	<u>1,802,028</u>	<u>734,939</u>	<u>103,322</u>	<u>3,501,773</u>	<u>6,142,062</u>
Fund balances at end of year	<u>\$ 2,394,672</u>	<u>\$ 560,719</u>	<u>\$ 1,762,261</u>	<u>\$ 3,404,934</u>	<u>\$ 8,122,586</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, 2021

Net change in fund balances - total governmental funds \$ 1,980,524

Amounts reported for governmental activities in the statement of activities are different because:

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	\$	2,631,070	
Current year depreciation		<u>(586,205)</u>	
Total			2,044,865

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to increase net position. (698)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income taxes		367,277	
Real and other taxes		919	
Intergovernmental revenues		(1,908,495)	
Other revenues		<u>(98)</u>	
Total			(1,540,397)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 64,639

In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due. 509

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. 100,886

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			256,198
OPEB			2,713

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			121,128
OPEB			1,040,561

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. (7,720)

Change in net position of governmental activities \$ 4,063,208

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Real and other taxes	\$ 1,080,000	\$ 1,080,000	\$ 1,137,403	\$ 57,403
Intergovernmental	180,750	180,750	219,138	38,388
Charges for services	956,657	956,657	1,052,763	96,106
Fines and forfeitures	20,000	20,000	24,961	4,961
Licenses and permits	64,500	64,500	88,654	24,154
Investment earnings	100,000	100,000	116,747	16,747
Rental income	1,000	1,000	5,375	4,375
Other.	14,500	14,500	59,910	45,410
Total revenues	<u>2,417,407</u>	<u>2,417,407</u>	<u>2,704,951</u>	<u>287,544</u>
Expenditures:				
Current:				
General government	1,349,559	1,469,227	1,192,220	277,007
Security of persons and property	1,162,300	1,323,659	1,148,851	174,808
Transportation	249,196	249,196	197,611	51,585
Debt service:				
Principal retirement	1,300	1,300	1,263	37
Interest and fiscal charges	1,100	1,100	1,032	68
Total expenditures	<u>2,763,455</u>	<u>3,044,482</u>	<u>2,540,977</u>	<u>503,505</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(346,048)</u>	<u>(627,075)</u>	<u>163,974</u>	<u>791,049</u>
Other financing sources (uses):				
Sale of capital assets	-	-	23,730	23,730
Transfers out	(200,000)	(140,500)	(55,500)	85,000
Total other financing sources (uses)	<u>(200,000)</u>	<u>(140,500)</u>	<u>(31,770)</u>	<u>108,730</u>
Net change in fund balances	(546,048)	(767,575)	132,204	899,779
Fund balance at beginning of year	1,681,250	1,681,250	1,681,250	-
Prior year encumbrances appropriated	9,753	9,753	9,753	-
Fund balance at end of year	<u>\$ 1,144,955</u>	<u>\$ 923,428</u>	<u>\$ 1,823,207</u>	<u>\$ 899,779</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COMMUNITY IMPROVEMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 215,000	\$ 215,000	\$ 295,783	\$ 80,783
Charges for services	-	-	2,156	2,156
Total revenues	215,000	215,000	297,939	82,939
Expenditures:				
Current:				
Transportation	625,167	666,767	609,329	57,438
Debt service:				
Principal retirement	14,200	14,200	13,911	289
Interest and fiscal charges	5,000	5,000	2,115	2,885
Total expenditures	644,367	685,967	625,355	60,612
Net change in fund balances	(429,367)	(470,967)	(327,416)	143,551
Fund balance at beginning of year	702,280	702,280	702,280	-
Prior year encumbrances appropriated	15,167	15,167	15,167	-
Fund balance at end of year	\$ 288,080	\$ 246,480	\$ 390,031	\$ 143,551

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 CITY INCOME TAX FUND
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 1,500,000	\$ 1,500,000	\$ 2,376,493	\$ 876,493
Expenditures:				
Current:				
General government	-	72,000	71,277	723
Security of persons and property	780,953	663,361	598,611	64,750
Transportation	-	600,000	599,702	298
Total expenditures	780,953	1,335,361	1,269,590	65,771
Net change in fund balances	719,047	164,639	1,106,903	942,264
Fund balance at beginning of year	100,704	100,704	100,704	-
Prior year encumbrances appropriated	453	453	453	-
Fund balance at end of year	<u>\$ 820,204</u>	<u>\$ 265,796</u>	<u>\$ 1,208,060</u>	<u>\$ 942,264</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSON, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds				Total	Internal Service Fund
	Water	Sewer	Electric	Nonmajor Enterprise Funds		
Assets:						
Current assets:						
Equity in pooled cash and cash equivalents	\$ 2,868,278	\$ 4,641,754	\$ 14,643,890	\$ 1,011,901	\$ 23,165,823	\$ 786,059
Receivables:						
Accounts	259,555	297,669	1,493,802	64,575	2,115,601	-
Due from other governments	3,410	3,835	4,391	1,277	12,913	-
Materials and supplies inventory	124,471	106,760	687,075	846	919,152	-
Prepayments	27,416	43,816	28,371	8,444	108,047	-
Restricted assets:						
Customer deposits	66,108	59,610	263,958	20,815	410,491	-
Total current assets	3,349,238	5,153,444	17,121,487	1,107,858	26,732,027	786,059
Noncurrent assets:						
Investment in joint venture	-	-	213,335	-	213,335	-
Net pension asset	5,771	6,040	7,352	2,247	21,410	-
Net OPEB asset	86,158	90,170	109,758	33,539	319,625	-
Capital assets:						
Land and construction in progress	1,273,342	31,716	571,546	1,644,268	3,520,872	-
Depreciable capital assets, net	4,317,001	16,287,698	21,180,730	2,942,702	44,728,131	-
Total capital assets, net	5,590,343	16,319,414	21,752,276	4,586,970	48,249,003	-
Total noncurrent assets	5,682,272	16,415,624	22,082,721	4,622,756	48,803,373	-
Total assets	9,031,510	21,569,068	39,204,208	5,730,614	75,535,400	786,059
Deferred outflows of resources:						
Unamortized deferred charges on debt refunding	12,779	-	41,158	-	53,937	-
Pension	97,555	98,945	120,439	39,327	356,266	-
OPEB	43,414	44,701	54,412	17,459	159,986	-
Total deferred outflows of resources	153,748	143,646	216,009	56,786	570,189	-
Total assets and deferred outflows of resources	9,185,258	21,712,714	39,420,217	5,787,400	76,105,589	786,059
Liabilities:						
Current liabilities:						
Accounts payable	6,399	1,787	984,266	200	992,652	-
Accrued wages and benefits payable	39,771	41,699	66,496	9,441	157,407	-
Due to other governments	12,379	14,031	20,341	4,272	51,023	-
Interfund loans payable	-	-	60,000	-	60,000	-
Accrued interest payable	460	-	12,290	-	12,750	-
Compensated absences payable - current	33,614	41,984	63,601	2,926	142,125	-
OWDA loans payable	69,015	613,251	-	-	682,266	-
OPWC loans payable	-	27,105	-	-	27,105	-
Notes payable	8,485	14,734	-	-	23,219	-
Claims payable	-	-	-	-	-	16,853
Payables from restricted assets:						
Bonds payable	50,000	-	480,000	-	530,000	-
Customer deposits payable	66,108	59,610	263,958	20,815	410,491	-
Total current liabilities	286,231	814,201	1,950,952	37,654	3,089,038	16,853
Long-term liabilities:						
Compensated absences payable	94,639	91,256	278,906	-	464,801	-
Bonds payable	215,889	-	4,340,000	-	4,555,889	-
OWDA loans payable	517,610	5,602,373	-	-	6,119,983	-
OPWC loans payable	-	604,104	-	-	604,104	-
Notes payable	28,898	21,307	-	-	50,205	-
Net pension liability	759,671	795,052	967,764	295,723	2,818,210	-
Total long-term liabilities	1,616,707	7,114,092	5,586,670	295,723	14,613,192	-
Total liabilities	1,902,938	7,928,293	7,537,622	333,377	17,702,230	16,853
Deferred inflows of resources:						
Pension	332,539	388,726	466,795	128,392	1,316,452	-
OPEB	270,600	308,735	372,022	104,364	1,055,721	-
Total deferred inflows of resources	603,139	697,461	838,817	232,756	2,372,173	-
Total liabilities and deferred inflows of resources	2,506,077	8,625,754	8,376,439	566,133	20,074,403	16,853
Net position:						
Net investment in capital assets	4,713,225	9,436,540	16,973,434	4,586,970	35,710,169	-
Unrestricted	1,965,956	3,650,420	14,070,344	634,297	20,321,017	769,206
Total net position	\$ 6,679,181	\$ 13,086,960	\$ 31,043,778	\$ 5,221,267	56,031,186	\$ 769,206

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	769,206
Amount owed to governmental activities	(360,897)
Net position of business-type activities	<u>\$ 56,439,495</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, 2021

	Business-type Activities - Enterprise Funds					Internal Service Fund
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total	
Operating revenues:						
Charges for services	\$ 2,605,235	\$ 4,404,154	\$ 20,110,253	\$ 891,495	\$ 28,011,137	\$ -
Other operating revenues	14,863	3,143	47,155	10,531	75,692	123,480
Total operating revenues	2,620,098	4,407,297	20,157,408	902,026	28,086,829	123,480
Operating expenses:						
Personal services	635,627	640,567	620,402	269,998	2,166,594	-
Fringe benefits	(171,946)	(212,479)	(122,296)	(99,161)	(605,882)	142,779
Contract services	638,330	738,199	16,225,687	214,105	17,816,321	-
Materials and supplies	187,439	303,459	197,386	29,473	717,757	-
Utilities	100,166	343,508	11,381	5,539	460,594	-
Depreciation	313,369	895,371	540,255	226,999	1,975,994	-
Other	15,364	341,838	254,274	66,025	677,501	-
Total operating expenses	1,718,349	3,050,463	17,727,089	712,978	23,208,879	142,779
Operating income (loss)	901,749	1,356,834	2,430,319	189,048	4,877,950	(19,299)
Nonoperating revenues (expenses):						
Interest and fiscal charges	(14,283)	(66,257)	(169,500)	-	(250,040)	-
Gain on sale of capital assets	452	17,166	2,736	2,075	22,429	-
Interest income	-	-	255	-	255	-
Total nonoperating revenues (expenses)	(13,831)	(49,091)	(166,509)	2,075	(227,356)	-
Income (loss) before capital contributions	887,918	1,307,743	2,263,810	191,123	4,650,594	(19,299)
Capital contributions	-	28,140	-	-	28,140	-
Change in net position	887,918	1,335,883	2,263,810	191,123	4,678,734	(19,299)
Net position at beginning of year	5,791,263	11,751,077	28,779,968	5,030,144		788,505
Net position at end of year	\$ 6,679,181	\$ 13,086,960	\$ 31,043,778	\$ 5,221,267		\$ 769,206
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					(11,579)	
Change in net position of business-type activities					\$ 4,667,155	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF JACKSON, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds					Internal Service Fund
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities:						
Cash received from customers	\$ 2,591,571	\$ 4,442,334	\$ 20,225,654	\$ 899,027	\$ 28,158,586	\$ -
Cash received from other operations	14,863	3,143	65,005	10,531	93,542	123,480
Cash payments for employee services and benefits	(1,039,108)	(1,184,445)	(1,325,657)	(396,645)	(3,945,855)	-
Cash payments for goods and services	(931,648)	(1,378,270)	(16,817,891)	(267,451)	(19,395,260)	-
Cash payments for claims	-	-	-	-	-	(161,044)
Cash payments for other expenses	(14,839)	(341,313)	(252,599)	(66,025)	(674,776)	-
Net cash provided by (used in) operating activities	620,839	1,541,449	1,894,512	179,437	4,236,237	(37,564)
Cash flows from capital and related financing activities:						
Capital contributions	-	137,516	-	-	137,516	-
Gain on sale of capital assets	452	17,166	2,736	2,075	22,429	-
Loan proceeds	-	319,194	-	-	319,194	-
Acquisition of capital assets	(34,686)	(310,399)	-	-	(345,085)	-
Principal retirement on OPWC loans	-	(13,552)	-	-	(13,552)	-
Principal retirement on OWDA loans	(69,015)	(584,614)	-	-	(653,629)	-
Principal retirement on notes	(8,485)	(14,734)	-	-	(23,219)	-
Principal retirement on general obligation bonds	(45,000)	-	-	-	(45,000)	-
Principal retirement on revenue bonds	-	-	(445,000)	-	(445,000)	-
Interest and fiscal charges	(12,966)	(66,257)	(162,202)	-	(241,425)	-
Net cash provided by (used in) capital and related financing activities	(169,700)	(515,680)	(604,466)	2,075	(1,287,771)	-
Cash flows from investing activities:						
Interest received	-	-	337	-	337	-
Net cash provided by investing activities	-	-	337	-	337	-
Net increase (decrease) in cash and cash equivalents	451,139	1,025,769	1,290,383	181,512	2,948,803	(37,564)
Cash and cash equivalents at beginning of year	2,483,247	3,675,595	13,617,465	851,204	20,627,511	823,623
Cash and cash equivalents at end of year	<u>\$ 2,934,386</u>	<u>\$ 4,701,364</u>	<u>\$ 14,907,848</u>	<u>\$ 1,032,716</u>	<u>\$ 23,576,314</u>	<u>\$ 786,059</u>

-- Continued

CITY OF JACKSON, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2021

	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)	\$ 901,749	\$ 1,356,834	\$ 2,430,319	\$ 189,048	\$ 4,877,950	\$ (19,299)
Adjustments:						
Depreciation	313,369	895,371	540,255	226,999	1,975,994	-
Changes in assets, deferred inflows, liabilities and deferred outflows:						
Decrease (increase) in materials and supplies inventory	14,569	108,523	(29,107)	(313)	93,672	-
(Increase) in prepayments	(11,593)	(10,065)	(14,257)	(2,605)	(38,520)	-
Decrease (increase) in due from other governments	(2,686)	178,161	(2,867)	(704)	171,904	-
Decrease (increase) in accounts receivable	(12,746)	45,808	164,853	4,521	202,436	-
Decrease in net pension asset	1,566	2,019	2,361	592	6,538	-
(Increase) in net OPEB asset	(86,158)	(90,170)	(109,758)	(33,539)	(319,625)	-
Decrease in deferred outflows - pension	66,930	72,455	86,148	29,012	254,545	-
Decrease in deferred outflows - OPEB	65,751	73,314	89,574	28,202	256,841	-
(Decrease) in contracts payable	-	(176,929)	-	-	(176,929)	-
(Decrease) in accounts payable	(18,738)	(104,680)	(291,784)	(18,080)	(433,282)	(7,258)
Increase in accrued wages and benefits	9,882	10,611	33,065	2,142	55,700	-
Increase (decrease) in intergovernmental payable	1,027	1,300	5,556	(24)	7,859	-
(Decrease) in interfund loans payable	-	-	(60,000)	-	(60,000)	-
Increase (decrease) in compensated absences payable	40,376	(42,103)	5,787	2,270	6,330	-
Increase (decrease) in customer deposits payable	(918)	(7,628)	(31,602)	3,011	(37,137)	-
Increase deferred inflows - pension	106,543	117,331	137,605	43,642	405,121	-
Increase deferred inflows - OPEB	170,705	181,798	219,131	66,849	638,483	-
(Decrease) in net pension liability	(260,114)	(325,058)	(382,293)	(98,937)	(1,066,402)	-
(Decrease) in net OPEB liability	(678,675)	(745,443)	(898,474)	(262,649)	(2,585,241)	-
(Decrease) in claims payable	-	-	-	-	-	(11,007)
Net cash provided by (used in) operating activities	<u>\$ 620,839</u>	<u>\$ 1,541,449</u>	<u>\$ 1,894,512</u>	<u>\$ 179,437</u>	<u>\$ 4,236,237</u>	<u>\$ (37,564)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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.

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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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

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.

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 funds:

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

Community improvement fund - The community improvement fund accounts for expenditures related to various City projects for the improvement of the City.

City income tax fund - The City income tax fund accounts for the collection and distribution of City-levied income taxes.

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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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

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.

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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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

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.

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/asset, 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, 2021, but which were levied to finance 2022 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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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/asset, 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.

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 2021, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The 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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Provisions of the Ohio Revised Code restrict investment procedures. During 2021, interest was distributed to the general fund, certain special revenue funds and the permanent fund. Interest revenue credited to the general fund during 2021 amounted to \$200,523, of which \$185,659 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, 2021, 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.

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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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.

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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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.

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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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, street excavation, fire loss, 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.

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.

CITY OF JACKSON

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

U. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from contributions from governmental activities, 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. During 2021, the sewer fund received capital contributions of \$28,140 from grants.

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 2021.

W. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net pension asset, net OPEB asset, 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.

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, 2021, 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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2021, the City has implemented GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period."

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the City.

For 2021, the City has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" to GASB Statement Nos. 91, 92 and 93, which were originally due to be implemented in 2021 and to GASB Statement No. 87, which was originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following pronouncements are postponed by one year and the City has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following pronouncements are postponed by eighteen months and the City has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

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.

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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2021, the carrying amount of all City deposits was \$8,764,981 and the bank balance of all City deposits was \$8,864,547. Of the bank balance, \$250,000 was covered by the FDIC and \$8,614,547 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 2021, the City’s financial institutions were approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

As of December 31, 2021, the City had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	Investment Maturities				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
<i>Fair Value:</i>						
Negotiable CDs	\$ 3,519,297	\$ 200,482	\$ 504,458	\$ -	\$ 1,301,742	\$ 1,512,615
<i>Net Asset Value (NAV) Per Share:</i>						
STAR Ohio	<u>19,756,375</u>	<u>19,756,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 23,275,672</u>	<u>\$ 19,956,857</u>	<u>\$ 504,458</u>	<u>\$ -</u>	<u>\$ 1,301,742</u>	<u>\$ 1,512,615</u>

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. The above chart identifies the City’s recurring fair value measurements as of December 31, 2021. 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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 and Moody’s has assigned STAR Ohio an AAAM and Aaa money market rating, respectively. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable CDs are fully FDIC insured.

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.

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, 2021:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 8,764,981
Investments	23,275,672
Cash on hand	1,750
Total	<u>\$ 32,042,403</u>
 <u>Cash per statement of net position</u>	
Governmental activities	\$ 7,680,030
Business type activities	24,362,373
Total	<u>\$ 32,042,403</u>

NOTE 5 – TAXES

A. 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. 2021 public utility property taxes became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 - TAXES – (Continued)

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, 2021 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 2021 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, 2021 was \$6.70 per \$1,000 of assessed value. The assessed values of real and public utility property for tax year 2021 are as follows:

Real property	\$ 134,009,850
Public utility real and personal property	<u>17,535,060</u>
Total assessed value	<u>\$ 151,544,910</u>

B. Income Taxes

The City levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment or business activities within the City as well as income of residents earned outside of the City.

Employers within the City are required to withhold income taxes on employee compensation and remit the taxes to the City either monthly or quarterly, as required. Corporations are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are distributed to the City Income Tax fund. The City contracts with Regional Income Tax Agency (RITA) to collect income taxes on its behalf.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2021, 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 \$64,740. 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>	
Community Improvement Projects	\$ 3,833,439	Ohio BWC Refund	\$ 12,913
Local Government Funds	68,780	Total Business-type Activities	<u>\$ 12,913</u>
Sales Tax	53,936		
Gasoline & Motor Vehicle Tax	194,602		
Homestead and Rollback	31,868		
Permissive Tax	4,605		
Ohio BWC Refund	9,326		
Miscellaneous	<u>1,528</u>		
Total Governmental Activities	<u>\$ 4,198,084</u>		

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2021, was as follows:

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021
<u>Governmental Activities:</u>				
Non-Depreciable Capital Assets:				
Art work and historical treasures	\$ 291,000	\$ -	\$ -	\$ 291,000
Construction in progress	178,110	644,702	-	822,812
Land	<u>1,408,141</u>	<u>-</u>	<u>-</u>	<u>1,408,141</u>
Total Non-Depreciable Capital Assets	<u>1,877,251</u>	<u>644,702</u>	<u>-</u>	<u>2,521,953</u>
Depreciable Capital Assets:				
Land Improvements	390,383	-	-	390,383
Buildings	2,537,808	-	-	2,537,808
Equipment	1,529,334	-	(20,929)	1,508,405
Infrastructure	13,659,147	1,896,400	-	15,555,547
Vehicles	<u>2,671,260</u>	<u>89,968</u>	<u>(111,013)</u>	<u>2,650,215</u>
Total Depreciable Capital Assets	<u>20,787,932</u>	<u>1,986,368</u>	<u>(131,942)</u>	<u>22,642,358</u>
Accumulated Depreciation:				
Land Improvements	(241,262)	(9,145)	-	(250,407)
Buildings	(1,307,956)	(57,192)	-	(1,365,148)
Equipment	(1,369,436)	(38,539)	20,231	(1,387,744)
Infrastructure	(6,231,002)	(351,510)	-	(6,582,512)
Vehicles	<u>(1,956,046)</u>	<u>(129,819)</u>	<u>111,013</u>	<u>(1,974,852)</u>
Total Accumulated Depreciation	<u>(11,105,702)</u>	<u>(586,205)</u>	<u>131,244</u>	<u>(11,560,663)</u>
Total Depreciable Capital Assets, Net	<u>9,682,230</u>	<u>1,400,163</u>	<u>(698)</u>	<u>11,081,695</u>
Governmental Capital Assets, Net	<u>\$ 11,559,481</u>	<u>\$ 2,044,865</u>	<u>\$ (698)</u>	<u>\$ 13,603,648</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental Activities:</u>	
General Government	\$ 264,391
Security of Persons and Property	114,485
Public Health Services	9,665
Transportation	165,458
Leisure Time Activities	<u>32,206</u>
Total Depreciation Expense	<u>\$ 586,205</u>

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2021 was as follows:

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021
<u>Business-Type Activities:</u>				
Non-Depreciable Capital Assets:				
Land	\$ 3,482,332	\$ -	\$ -	\$ 3,482,332
Construction in Progress	<u>723,191</u>	<u>168,156</u>	<u>(852,807)</u>	<u>38,540</u>
Total Non-Depreciable Capital Assets	<u>4,205,523</u>	<u>168,156</u>	<u>(852,807)</u>	<u>3,520,872</u>
Depreciable Capital Assets:				
Land Improvements	34,348	-	-	34,348
Buildings	1,205,470	-	-	1,205,470
Equipment	4,778,266	-	-	4,778,266
Infrastructure	62,154,919	852,807	-	63,007,726
Vehicles	<u>3,304,884</u>	<u>-</u>	<u>-</u>	<u>3,304,884</u>
Total Depreciable Capital Assets	<u>71,477,887</u>	<u>852,807</u>	<u>-</u>	<u>72,330,694</u>
Accumulated Depreciation:				
Land Improvements	(20,462)	(610)	-	(21,072)
Buildings	(685,772)	(22,700)	-	(708,472)
Equipment	(3,192,159)	(198,280)	-	(3,390,439)
Infrastructure	(19,542,085)	(1,586,010)	-	(21,128,095)
Vehicles	<u>(2,186,091)</u>	<u>(168,394)</u>	<u>-</u>	<u>(2,354,485)</u>
Total Accumulated Depreciation	<u>(25,626,569)</u>	<u>(1,975,994)</u>	<u>-</u>	<u>(27,602,563)</u>
Total Depreciable Capital Assets, Net	<u>45,851,318</u>	<u>(1,123,187)</u>	<u>-</u>	<u>44,728,131</u>
Business-Type Activities Capital Assets, Net	<u>\$ 50,056,841</u>	<u>\$ (955,031)</u>	<u>\$ (852,807)</u>	<u>\$ 48,249,003</u>

Depreciation expense was charged to the enterprise funds as follows:

<u>Business-Type Activities:</u>	
Water	\$ 313,369
Sewer	895,371
Electric	540,255
Garbage	83,112
Railroad	<u>143,887</u>
Total Depreciation Expense	<u>\$ 1,975,994</u>

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Asset and Net OPEB Liability/Asset

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

The net pension liability/asset and the net OPEB liability/asset represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate 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 pensions/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

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

The remainder of this note includes the pension disclosures. See Note 9 for the OPEB disclosures.

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Report referenced above for additional information, including requirements for reduced and unreduced benefits):

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. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. 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 combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. 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 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2021 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
Employee	10.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** 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 \$528,235 for 2021. Of this amount, \$63,901 is reported as due to other governments.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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 2.5 percent 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 (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.00% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.00% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	Police
2021 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2021 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 \$77,352 for 2021. Of this amount, \$7,261 is reported as due to other governments.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2021, the specific liability of the City was \$23,331 payable in semi-annual payments through the year 2035.

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 OPERS was measured as of December 31, 2020, 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, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. 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	0.02939300%	0.02003200%	0.00070700%	0.02336740%	
Proportion of the net pension liability/asset current measurement date	0.02877400%	0.01121300%	0.00000000%	0.02040980%	
Change in proportionate share	-0.00061900%	-0.00881900%	-0.00070700%	-0.00295760%	
Proportionate share of the net pension liability	\$ 4,260,802	\$ -	\$ -	\$ 1,391,354	\$ 5,652,156
Proportionate share of the net pension asset	-	(32,369)	-	-	(32,369)
Pension expense	(83,445)	763	-	(89,256)	(171,938)

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 58,161	\$ 58,161
Changes of assumptions	-	2,023	-	23,333	25,356
Changes in employer's proportionate percentage/difference between employer contributions	8,244	-	-	12,173	20,417
Contributions subsequent to the measurement date	520,835	2,400	5,000	77,352	605,587
Total deferred outflows of resources	<u>\$ 529,079</u>	<u>\$ 4,423</u>	<u>\$ 5,000</u>	<u>\$ 171,019</u>	<u>\$ 709,521</u>
Deferred inflows of resources					
Differences between expected and actual experience	\$ 178,232	\$ 6,101	\$ -	\$ 54,206	\$ 238,539
Net difference between projected and actual earnings on pension plan investments	1,660,738	4,813	-	67,490	1,733,041
Changes in employer's proportionate percentage/difference between employer contributions	102,335	-	-	678,108	780,443
Total deferred inflows of resources	<u>\$ 1,941,305</u>	<u>\$ 10,914</u>	<u>\$ -</u>	<u>\$ 799,804</u>	<u>\$ 2,752,023</u>

\$605,587 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, 2022.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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
2022	\$ (768,981)	\$ (2,318)	\$ -	\$ (206,234)	\$ (977,533)
2023	(260,611)	(1,474)	-	(166,091)	(428,176)
2024	(676,970)	(2,581)	-	(226,563)	(906,114)
2025	(226,499)	(1,206)	-	(90,891)	(318,596)
2026	-	(517)	-	(16,358)	(16,875)
Thereafter	-	(795)	-	-	(795)
Total	\$ (1,933,061)	\$ (8,891)	\$ -	\$ (706,137)	\$ (2,648,089)

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, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below.

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: 0.50%, simple through 2021, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.20%
Actuarial cost method	Individual entry age

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.40% simple through 2020 then 2.15% simple to 0.50% simple through 2021 then 2.15% simple.

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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

During 2020, 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 11.70% for 2020.

The allocation of investment assets with the Defined Benefit portfolio is approved by the 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 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. Best estimates of arithmetic real rates of return were provided by the Board’s investment consultant.

For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	25.00 %	1.32 %
Domestic equities	21.00	5.64
Real estate	10.00	5.39
Private equity	12.00	10.42
International equities	23.00	7.36
Other investments	9.00	4.75
Total	<u>100.00 %</u>	<u>5.43 %</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, 2020 was 7.20%. 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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the 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	\$ 8,127,504	\$ 4,260,802	\$ 1,045,647
Combined Plan	(22,538)	(32,369)	(39,694)
Member-Directed Plan	-	-	-

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, 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 the value 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2021, are presented below.

Valuation date	1/1/20 with actuarial liabilities rolled forward to 12/31/20
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of
	inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% per year simple

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 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, 2020 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

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 1.25 times due to the application of leverage in certain fixed income asset classes.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	\$ 1,936,944	\$ 1,391,354	\$ 934,751

NOTE 9 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 8 for a description of the net OPEB liability/asset.

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. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree’s years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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' Annual Comprehensive Financial Report 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 allowing 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. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, 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.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 2021 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 \$2,000 for 2021. Of this amount, \$242 is reported as due to other governments.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 health care 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. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: 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. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, 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.

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.

The City's contractually required contribution to OP&F was \$2,036 for 2021. Of this amount, \$191 is reported as due to other governments.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

The net OPEB liability/asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, 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, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.02799200%	0.02336740%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.02712400%</u>	<u>0.02040980%</u>	
Change in proportionate share	<u>-0.00086800%</u>	<u>-0.00295760%</u>	
Proportionate share of the net OPEB liability	\$ -	\$ 216,245	\$ 216,245
Proportionate share of the net OPEB asset	(483,236)	-	(483,236)
OPEB expense	(3,038,261)	(10,518)	(3,048,779)

At December 31, 2021, 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			
Changes of assumptions	\$ 237,563	\$ 119,464	\$ 357,027
Changes in employer's proportionate percentage/difference between employer contributions	1,532	22,486	24,018
Contributions subsequent to the measurement date	2,000	2,036	4,036
Total deferred outflows of resources	<u>\$ 241,095</u>	<u>\$ 143,986</u>	<u>\$ 385,081</u>

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

	OPERS	OP&F	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ 436,117	\$ 35,667	\$ 471,784
Net difference between projected and actual earnings on OPEB plan investments	257,380	8,035	265,415
Changes of assumptions	782,987	34,474	817,461
Changes in employer's proportionate percentage/ difference between employer contributions	97,077	164,749	261,826
Total deferred inflows of resources	<u>\$ 1,573,561</u>	<u>\$ 242,925</u>	<u>\$ 1,816,486</u>

\$4,036 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, 2022.

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

	OPERS	OP&F	Total
Year Ending December 31:			
2022	\$ (712,368)	\$ (21,920)	\$ (734,288)
2023	(479,924)	(20,017)	(499,941)
2024	(111,846)	(23,015)	(134,861)
2025	(30,328)	(22,386)	(52,714)
2026	-	(7,903)	(7,903)
Thereafter	-	(5,734)	(5,734)
Total	<u>\$ (1,334,466)</u>	<u>\$ (100,975)</u>	<u>\$ (1,435,441)</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 health care costs 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 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, 2019, rolled forward to the measurement date of December 31, 2020.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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	6.00%
Prior Measurement date	3.16%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	2.00%
Prior Measurement date	2.75%
Health Care Cost Trend Rate	
Current measurement date	8.50% initial, 3.50% ultimate in 2035
Prior Measurement date	10.50%, initial 3.50%, ultimate in 2030
Actuarial Cost Method	Individual Entry Age Normal

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 2020, 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, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. 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 was 10.50% for 2020.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

The allocation of investment assets within 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 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.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	<u>100.00 %</u>	<u>4.43 %</u>

Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2020. 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) a 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. 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 the year 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Change in Benefit Terms - On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation which are reported by the City at December 31, 2021. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB asset	\$ 120,159	\$ 483,236	\$ 781,714

Sensitivity of the City’s Proportionate Share of the Net OPEB Asset 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 asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset 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 2021 is 8.50%. 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 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ 495,013	\$ 483,236	\$ 470,059

Actuarial Assumptions - OP&F

OP&F’s total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, 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 the value 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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
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	3.25%
Single discount rate:	
Current measurement date	2.96%
Prior measurement date	3.56%
Cost of Living Adjustments	2.20% simple per year

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%.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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, 2020, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

Note: assumptions are geometric.

* levered 2.5x

** numbers include inflation

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 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - For 2020, the total OPEB liability was calculated using the discount rate of 2.96%. For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. 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 of 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 2.12% at December 31, 2020 and 2.75% at December 31, 2019, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 2.96% for 2020 and 3.56% for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, 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 - 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 2.96%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96%), or one percentage point higher (3.96%) than the current rate.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 269,645	\$ 216,245	\$ 172,196

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

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 a percentage of the total monthly premiums of \$1,596 for family coverage and \$602 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 2021, 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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 \$16,853 reported in the self-insurance fund at December 31, 2021, 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
2021	\$27,860	\$142,779	(\$153,786)	\$16,853
2020	30,818	219,040	(221,998)	27,860

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.

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF JACKSON

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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, 2021:

<u>Year Ending December 31.</u>	<u>Governmental Activities</u>
2022	\$ 56,859
2023	56,857
2024	56,858
2025	56,857
2026	18,902
2027	<u>18,902</u>
Total minimum lease payments	265,235
Less: amount representing interest	<u>(17,700)</u>
Present value of future minimum lease payments	<u>\$ 247,535</u>

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - LONG-TERM OBLIGATIONS

During 2021, the following changes occurred in the City's long-term obligations:

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>Notes -Direct Borrowings:</u>					
Building Acquisition Note 4.0%	\$ 37,595	\$ -	\$ (7,723)	\$ 29,872	\$ 7,994
Building Improvement Note 4.0%	30,112	-	(6,188)	23,924	6,404
WesBanco Aerial Truck Lease Purchase	174,621	-	(32,998)	141,623	33,935
Milton Pumper Truck Lease Purchase	122,379	-	(16,467)	105,912	16,795
Total Notes and Lease Purchases	<u>364,707</u>	<u>-</u>	<u>(63,376)</u>	<u>301,331</u>	<u>65,128</u>
Police and Fire Pension Liability	24,594	-	(1,263)	23,331	1,317
Compensated Absences	365,834	184,140	(287,260)	262,714	98,043
Net Pension Liability	3,499,268	-	(665,322)	2,833,946	-
Net OPEB Liability	1,511,997	-	(1,295,752)	216,245	-
Total Governmental Activities	<u>\$ 5,766,400</u>	<u>\$ 184,140</u>	<u>\$ (2,312,973)</u>	<u>\$ 3,637,567</u>	<u>\$ 164,488</u>
<u>Business-Type Activities:</u>					
<u>Bonds Payable:</u>					
2007 Water System General Obligation Bonds 4%	\$ 305,000	\$ -	\$ (45,000)	\$ 260,000	\$ 50,000
Unamortized Bond Premium	7,087	-	(1,198)	5,889	-
2014 Refunded Electric System Revenue Bonds - Direct Placement	1,165,000	-	(185,000)	980,000	215,000
Electric System Improvement Revenue Series 2018 - Direct Placement	4,100,000	-	(260,000)	3,840,000	265,000
Total Bonds Payable	<u>5,577,087</u>	<u>-</u>	<u>(491,198)</u>	<u>5,085,889</u>	<u>530,000</u>
<u>Notes Payable:</u>					
2001 Holzer Hospital Water Lines 0%	45,868	-	(8,485)	37,383	8,485
2002 Holzer Hospital Lift Station 0%	50,775	-	(14,734)	36,041	14,734
Total Notes Payable	<u>96,643</u>	<u>-</u>	<u>(23,219)</u>	<u>73,424</u>	<u>23,219</u>
<u>OPWC Loans - Direct Borrowings:</u>					
2015 OPWC Loan 0%	544,249	-	(10,466)	533,783	20,933
2019 OPWC Loan 0%	53,480	-	(1,910)	51,570	3,820
2020 OPWC Loan 0%	47,032	-	(1,176)	45,856	2,352
Total OPWC Loans	<u>644,761</u>	<u>-</u>	<u>(13,552)</u>	<u>631,209</u>	<u>27,105</u>
<u>OWDA Loans - Direct Borrowings:</u>					
2007 OWDA Loan 1% (#4668)	3,208,987	-	(414,121)	2,794,866	418,273
2009 OWDA Loan 0% (#5387)	655,640	-	(69,015)	586,625	69,015
2015 OWDA Loan 3.41% (#7011)	155,714	-	(4,152)	151,562	4,295
2015 OWDA Loan 1% (#7047)	2,831,358	-	(157,177)	2,674,181	172,268
2020 OWDA Loan 0.63% (#8834)	284,985	319,194	(9,164)	595,015	18,415
Total OWDA Loans	<u>7,136,684</u>	<u>319,194</u>	<u>(653,629)</u>	<u>6,802,249</u>	<u>682,266</u>
<u>Other Long-Term Obligations:</u>					
Compensated Absences Payable	600,596	219,154	(212,824)	606,926	142,125
Net Pension Liability	3,884,612	-	(1,066,402)	2,818,210	-
Net OPEB Liability	2,585,241	-	(2,585,241)	-	-
Total Business-Type Activities	<u>\$ 20,525,624</u>	<u>\$ 538,348</u>	<u>\$ (5,046,065)</u>	<u>\$ 16,017,907</u>	<u>\$ 1,404,715</u>

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Governmental Activities:

Notes Payable

The City will pay the Building Acquisition and Improvement Notes from the Community Improvement 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, 2021, are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 14,398	\$ 28	\$ 14,426
2023	14,903	1,124	16,027
2024	15,422	605	16,027
2025	<u>9,073</u>	<u>103</u>	<u>9,176</u>
Total	<u>\$ 53,796</u>	<u>\$ 1,860</u>	<u>\$ 55,656</u>

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, 2021, are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,317	\$ 978	\$ 2,295
2023	1,373	922	2,295
2024	1,433	862	2,295
2025	1,494	801	2,295
2026	1,558	737	2,295
2027 - 2031	8,852	2,623	11,475
2032 - 2035	<u>7,304</u>	<u>629</u>	<u>7,933</u>
Total	<u>\$ 23,331</u>	<u>\$ 7,552</u>	<u>\$ 30,883</u>

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.

As of December 31, 2021, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$15,858,420, with an unvoted debt margin of \$8,334,970.

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.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Business-Type Activities:

Bonds Payable

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:

Year	Principal	Interest	Total
2022	\$ 50,000	\$ 11,050	\$ 61,050
2023	50,000	8,925	58,925
2024	50,000	6,800	56,800
2025	55,000	4,675	59,675
2026	55,000	2,338	57,338
Total	\$ 260,000	\$ 33,788	\$ 293,788

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 20.44 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$5,747,320. Principal and interest paid for the current year and total customer net revenues were \$607,202 and \$2,970,829, respectively.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements for revenue bonds are as follows:

Year	Principal	Interest	Total
2022	\$ 480,000	\$ 149,194	\$ 629,194
2023	495,000	135,287	630,287
2024	510,000	120,933	630,933
2025	530,000	106,129	636,129
2026	390,000	90,755	480,755
2027 - 2031	1,670,000	288,347	1,958,347
2032 - 2033	745,000	36,675	781,675
Total	\$ 4,820,000	\$ 927,320	\$ 5,747,320

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, no amortization schedule is available.

OWDA Loans

The City has loans in the amounts of \$6,215,624 for sewer projects and \$586,625 for water projects from OWDA. The sewer loans have a 0.63, 1.00 and 3.41 percent interest rate and mature July 1, 2028 and July 1, 2051. 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, 2021, the City has outstanding borrowings of \$6,802,249 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 28.24 percent of net customer revenues. The total principal and interest remaining to be paid on the loans is \$6,663,262. Principal and interest paid for the current year were \$636,113 and total net revenues were \$2,252,205.

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 5.68 percent of net customer revenues. The total principal remaining to be paid on the loan is \$586,625. Principal paid for the current year was \$69,015 and total net revenues were \$1,215,118.

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements are as follows:

Year	OWDA Sewer Loans			OWDA Water Loan
	Principal	Interest	Total	Principal
2022	\$ 613,251	\$ 62,983	\$ 676,234	\$ 69,015
2023	619,434	56,808	676,242	69,015
2024	625,684	50,570	676,254	69,015
2025	632,000	44,262	676,262	69,015
2026	638,382	37,890	676,272	69,015
2027 - 2031	1,708,333	115,040	1,823,373	241,550
2032 - 2036	1,003,225	53,332	1,056,557	-
2037 - 2041	140,667	17,459	158,126	-
2042 - 2046	136,596	7,401	143,997	-
2047 - 2051	98,052	1,894	99,946	-
Total	<u>\$ 6,215,624</u>	<u>\$ 447,639</u>	<u>\$ 6,663,263</u>	<u>\$ 586,625</u>

OPWC Loans

The City entered into three 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 2021 totaled \$10,466. The loan matures January 1, 2047. 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 2021 totaled \$1,910. The loan matures January 1, 2035. Principal payments are made from the sewer fund. The third loan amount was for \$47,032, with semi-annual payments in January and July. Payments during 2021 totaled \$1,176. The loan matures January 1, 2041. 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:

Year	OPWC Loans		
	<u>McCarty Lane Area</u>	<u>McCarty Lane Re-Build</u>	<u>Lift Station Upgrades</u>
	<u>Sanitary Sewer</u>	Principal	Principal
2022	\$ 20,933	\$ 3,820	\$ 2,352
2023	20,933	3,820	2,351
2024	20,933	3,820	2,352
2025	20,932	3,820	2,351
2026	20,933	3,820	2,352
2027 - 2031	104,663	19,100	11,757
2032 - 2036	104,663	13,370	11,758
2037 - 2041	104,663	-	10,583
2042 - 2046	104,664	-	-
2047	10,466	-	-
Total	<u>\$ 533,783</u>	<u>\$ 51,570</u>	<u>\$ 45,856</u>

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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, 2021, consisted of the following, as reported on the fund financial statements:

<u>Transfer from</u>	<u>Transfer to Nonmajor Governmental Funds</u>
General Fund	\$ 55,500
Nonmajor Governmental Funds	<u>3,407</u>
Total	<u>\$ 58,907</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.

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, 2021, the loan balance was \$60,000.

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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).

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>	<u>Community Improvement</u>	<u>City Income Tax</u>
Budget basis	\$ 132,204	\$ (327,416)	\$ 1,106,903
Net adjustment for revenue accruals	80,252	1,928,290	552,929
Net adjustment for expenditure accruals	13,450	(1,891,846)	(1,644)
Funds budgeted elsewhere	(308)	-	-
Adjustment for encumbrances	<u>367,046</u>	<u>116,752</u>	<u>751</u>
GAAP basis	<u>\$ 592,644</u>	<u>\$ (174,220)</u>	<u>\$ 1,658,939</u>

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

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021, the City has met their debt coverage obligation.

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, 2021. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

CITY OF JACKSON

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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, 2021 to December 31, 2021, 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.

C. Asset Retirement Obligation

Asset Retirement Obligations Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio Environmental Protection Agency (EPA) for approval. Through this permitting process, the City would be responsible to address any public safety issues associated with their sewage treatment facility and the permit would specify the procedures required to dispose of all or part of the sewage treatment plant. At this time, the City does not have an approved permit from Ohio EPA to dispose of all or part of their sewage treatment plant. Due to the lack of specific legal requirements for retiring the sewage treatment plant, the City has determined that the amount of the asset retirement obligation cannot be reasonably estimated.

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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	Community Improvement	City Income Tax	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 6,426	\$ -	\$ -	\$ 18,389	\$ 24,815
Prepays	59,786	-	521	22,434	82,741
Unclaimed monies	<u>50,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,876</u>
Total nonspendable	<u>117,088</u>	<u>-</u>	<u>521</u>	<u>40,823</u>	<u>158,432</u>
Restricted:					
Community development	-	560,719	-	13,697	574,416
Cemetery	-	-	-	803,380	803,380
Transportation	-	-	-	650,897	650,897
Public safety	-	-	-	304,229	304,229
Lillian Jones museum	-	-	-	413,465	413,465
Youth art program	-	-	-	539,741	539,741
Capital projects	-	-	-	2,654	2,654
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,910</u>	<u>108,910</u>
Total restricted	<u>-</u>	<u>560,719</u>	<u>-</u>	<u>2,836,973</u>	<u>3,397,692</u>
Committed:					
Capital projects	-	-	-	7,330	7,330
Recreation	-	-	-	395,645	395,645
Other purposes	<u>-</u>	<u>-</u>	<u>1,761,740</u>	<u>124,163</u>	<u>1,885,903</u>
Total committed	<u>-</u>	<u>-</u>	<u>1,761,740</u>	<u>527,138</u>	<u>2,288,878</u>
Assigned:					
General government	101,736	-	-	-	101,736
Public safety	237,304	-	-	-	237,304
Transportation	20,005	-	-	-	20,005
Community development	35,180	-	-	-	35,180
Recreation	3,624	-	-	-	3,624
Other purposes	2,137	-	-	-	2,137
Subsequent year appropriations	<u>912,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>912,955</u>
Total assigned	<u>1,312,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,312,941</u>
Unassigned	<u>964,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>964,643</u>
Total fund balances	<u>\$ 2,394,672</u>	<u>\$ 560,719</u>	<u>\$ 1,762,261</u>	<u>\$ 3,404,934</u>	<u>\$ 8,122,586</u>

CITY OF JACKSON

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 19 - COMMITMENTS

A. Contractual Commitments

At December 31, 2021, the City had the following contractual commitments:

Project	Purchase Commitments	Amount Paid as of 12/31/2021	Amount Remaining on Contracts
Parkview to Main Street Sewer Line	\$ 881,206	\$ 880,956	\$ 250
N. High Street Bridge Replacement	202,676	178,111	24,565
	\$ 1,083,882	\$ 1,059,067	\$ 24,815

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>	<u>Year-End Encumbrances</u>
General fund	\$ 359,045
Community improvement fund	116,752
City income tax fund	751
Nonmajor governmental funds	141,826
Total	\$ 618,374

NOTE 20 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

THIS PAGE IS INTENTIONALLY LEFT BLANK

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 EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.028774%	0.029393%	0.029930%	0.031209%
City's proportionate share of the net pension liability	\$ 4,260,802	\$ 5,809,727	\$ 8,197,220	\$ 4,896,087
City's covered payroll	\$ 4,052,714	\$ 4,440,121	\$ 3,723,043	\$ 4,124,331
City's proportionate share of the net pension liability as a percentage of its covered payroll	105.13%	130.85%	220.18%	118.71%
Plan fiduciary net position as a percentage of the total pension liability	86.88%	82.17%	74.70%	84.66%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.011213%	0.020032%	0.019887%	0.015535%
City's proportionate share of the net pension asset	\$ 32,369	\$ 41,772	\$ 22,237	\$ 21,148
City's covered payroll	\$ 49,414	\$ 89,171	\$ 85,057	\$ 63,623
City's proportionate share of the net pension asset as a percentage of its covered payroll	65.51%	46.84%	26.14%	33.24%
Plan fiduciary net position as a percentage of the total pension asset	157.67%	145.28%	126.64%	137.28%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.000000%	0.000707%	0.000735%	0.000766%
City's proportionate share of the net pension asset	\$ -	\$ 27	\$ 17	\$ 27
City's covered payroll	\$ -	\$ 4,200	\$ 4,200	\$ 4,200
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.00%	0.64%	0.40%	0.64%
Plan fiduciary net position as a percentage of the total pension asset	188.21%	118.84%	113.42%	124.46%

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

2017	2016	2015	2014
0.031261%	0.031380%	0.031404%	0.031404%
\$ 7,098,841	\$ 5,435,412	\$ 3,787,674	\$ 3,702,121
\$ 4,041,175	\$ 4,093,642	\$ 3,659,608	\$ 3,779,815
175.66%	132.78%	103.50%	97.94%
77.25%	81.08%	86.45%	86.36%
0.010959%	0.011720%	0.012157%	0.012157%
\$ 6,099	\$ 5,703	\$ 4,682	\$ 1,275
\$ 42,658	\$ 42,658	\$ 44,433	\$ 50,962
14.30%	13.37%	10.54%	2.50%
116.55%	116.90%	114.83%	104.56%
0.000809%	0.000880%	n/a	n/a
\$ 3	\$ 3	n/a	n/a
\$ 504	\$ 4,900	n/a	n/a
0.60%	0.06%	n/a	n/a
103.40%	103.91%	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 EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability	0.02040980%	0.02336740%	0.03347600%	0.03666100%
City's proportionate share of the net pension liability	\$ 1,391,354	\$ 1,574,153	\$ 2,732,526	\$ 2,250,039
City's covered payroll	\$ 570,037	\$ 616,521	\$ 871,874	\$ 889,758
City's proportionate share of the net pension liability as a percentage of its covered payroll	244.08%	255.33%	313.41%	252.88%
Plan fiduciary net position as a percentage of the total pension liability	70.65%	69.89%	63.07%	70.91%

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.03610600%	0.03745200%	0.03705100%	0.03705100%
\$ 2,286,896	\$ 2,409,344	\$ 1,919,396	\$ 1,804,500
\$ 863,416	\$ 888,521	\$ 769,095	\$ 833,772
264.87%	271.16%	249.57%	216.43%
68.36%	66.77%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 520,835	\$ 567,380	\$ 621,617	\$ 521,226
Contributions in relation to the contractually required contribution	<u>(520,835)</u>	<u>(567,380)</u>	<u>(621,617)</u>	<u>(521,226)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,720,250	\$ 4,052,714	\$ 4,440,121	\$ 3,723,043
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 2,400	\$ 6,918	\$ 12,484	\$ 11,908
Contributions in relation to the contractually required contribution	<u>(2,400)</u>	<u>(6,918)</u>	<u>(12,484)</u>	<u>(11,908)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 17,143	\$ 49,414	\$ 89,171	\$ 85,057
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 5,000	\$ -	\$ 420	\$ 420
Contributions in relation to the contractually required contribution	<u>(5,000)</u>	<u>-</u>	<u>(420)</u>	<u>(420)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 50,000	\$ -	\$ 4,200	\$ 4,200
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	10.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 536,163	\$ 484,941	\$ 491,237	\$ 439,153	\$ 491,376	\$ 365,450
<u>(536,163)</u>	<u>(484,941)</u>	<u>(491,237)</u>	<u>(439,153)</u>	<u>(491,376)</u>	<u>(365,450)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,124,331	\$ 4,041,175	\$ 4,093,642	\$ 3,659,608	\$ 3,779,815	\$ 3,419,630
13.00%	12.00%	12.00%	12.00%	13.00%	10.00%
\$ 8,271	\$ 5,119	\$ 5,119	\$ 5,332	\$ 6,625	\$ 4,214
<u>(8,271)</u>	<u>(5,119)</u>	<u>(5,119)</u>	<u>(5,332)</u>	<u>(6,625)</u>	<u>(4,214)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 63,623	\$ 42,658	\$ 42,658	\$ 44,433	\$ 50,962	\$ 53,006
13.00%	12.00%	12.00%	12.00%	13.00%	7.95%
\$ 420	\$ 504	\$ 588			
<u>(420)</u>	<u>(504)</u>	<u>(588)</u>			
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
\$ 4,200	\$ 4,200	\$ 4,900			
10.00%	12.00%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Police:</i>				
Contractually required contribution	\$ 77,352	\$ 108,307	\$ 117,139	\$ 165,656
Contributions in relation to the contractually required contribution	<u>(77,352)</u>	<u>(108,307)</u>	<u>(117,139)</u>	<u>(165,656)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 407,116	\$ 570,037	\$ 616,521	\$ 871,874
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 169,054	\$ 164,049	\$ 168,819	\$ 146,128	\$ 132,403	\$ 96,149
<u>(169,054)</u>	<u>(164,049)</u>	<u>(168,819)</u>	<u>(146,128)</u>	<u>(132,403)</u>	<u>(96,149)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 889,758	\$ 863,416	\$ 888,521	\$ 769,095	\$ 833,597	\$ 754,110
19.00%	19.00%	19.00%	19.00%	15.88%	12.75%

CITY OF JACKSON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability/asset	0.027124%	0.027992%	0.028486%	0.029600%	0.029476%
City's proportionate share of the net OPEB liability/(asset)	\$ (483,236)	\$ 3,866,421	\$ 3,713,903	\$ 3,214,342	\$ 2,977,217
City's covered payroll	\$ 4,102,128	\$ 4,533,492	\$ 3,812,300	\$ 4,192,154	\$ 4,088,033
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	11.78%	85.29%	97.42%	76.68%	72.83%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	115.57%	47.80%	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 FIVE YEARS

	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
City's proportion of the net OPEB liability	0.02040980%		0.02336740%		0.03347600%		0.03666100%		0.03610600%
City's proportionate share of the net OPEB liability	\$ 216,245	\$	230,817	\$	304,850	\$	2,077,144	\$	1,713,871
City's covered payroll	\$ 570,037	\$	616,521	\$	871,874	\$	889,758	\$	863,416
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	37.94%		37.44%		34.96%		233.45%		198.50%
Plan fiduciary net position as a percentage of the total OPEB liability	45.42%		47.08%		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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 2,000	\$ -	\$ 168	\$ 168
Contributions in relation to the contractually required contribution	<u>(2,000)</u>	<u>-</u>	<u>(168)</u>	<u>(168)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,787,393	\$ 4,102,128	\$ 4,533,492	\$ 3,812,300
Contributions as a percentage of covered payroll	0.05%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 42,047	\$ 81,760	\$ 82,725	\$ 77,516	\$ 38,291	\$ 149,387
<u>(42,047)</u>	<u>(81,760)</u>	<u>(82,725)</u>	<u>(77,516)</u>	<u>(38,291)</u>	<u>(149,387)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,192,154	\$ 4,088,033	\$ 4,141,200	\$ 3,704,041	\$ 3,830,777	\$ 3,472,636
1.00%	2.00%	2.00%	2.09%	1.00%	4.30%

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Police:</i>				
Contractually required contribution	\$ 2,036	\$ 2,850	\$ 3,082	\$ 4,359
Contributions in relation to the contractually required contribution	<u>(2,036)</u>	<u>(2,850)</u>	<u>(3,082)</u>	<u>(4,359)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 407,116	\$ 570,037	\$ 616,521	\$ 871,874
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 4,449	\$ 4,317	\$ 4,563	\$ 3,848	\$ 29,644	\$ 50,903
<u>(4,449)</u>	<u>(4,317)</u>	<u>(4,563)</u>	<u>(3,848)</u>	<u>(29,644)</u>	<u>(50,903)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 889,758	\$ 863,416	\$ 888,521	\$ 769,095	\$ 833,597	\$ 754,110
0.50%	0.50%	0.50%	0.50%	3.56%	6.75%

CITY OF JACKSON, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014-2021.

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%.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014-2021.

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.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.

(Continued)

CITY OF JACKSON, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

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 2017-2020.
- For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

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.
- For 2020, 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 decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.50%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.
- For 2021, 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 3.16% up to 6.00%, (b) the municipal bond rate was decreased from 2.75% up to 2.00% and (c) the health care cost trend rate was decreased from 10.00%, initial/3.50%, ultimate in 2030 down to 8.50%, initial/3.50% ultimate in 2035.

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.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.

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%. For 2020, 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 decreased from 4.66% up to 3.56%.
- For 2020, 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 decreased from 4.66% up to 3.56%.
- For 2021, 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 decreased from 3.56% down to 2.96%.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

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

To the Members of the City Council and Mayor:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2021, 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 December 7, 2022, wherein we noted as described in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jackson's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2021-001.

City of Jackson

Jackson County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

City of Jackson's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City of Jackson's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City of Jackson's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Julian & Grube, Inc.

December 7, 2022

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2021-001

Noncompliance/Material Weakness - Reconciliations:

Ohio Administrative Code Section 117-2-02 provides each public office shall maintain an accounting system and accounting records sufficient to (1) enable the public office to identify, assemble, analyze, classify, record and report its transactions, (2) maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), (3) document compliance with finance-related legal and contractual requirements and (4) prepare financial statements required by Ohio Administrative Code Section 117-2-03. The completion of timely monthly bank reconciliations to zero unidentified differences is critical to maintaining an accounting system and accounting records sufficient to the above requirements.

Bank reconciliations were not reconciled to zero unidentified differences throughout the year. After year end, the City was able to perform the reconciliations for every month in 2021. The City did not maintain an accounting system and accounting records required by Ohio Administrative Code Section 117-2-02.

Without timely monthly bank reconciliations to zero unidentified differences the City is at risk of mis-postings of receipts and disbursements which could lead to inaccurate financial reporting and the potential for misstatement.

We recommend the City perform the monthly bank reconciliations timely, to ensure all variances or differences are identified and the City's fund balances, and cash accounts properly reconcile. We further recommend the City have another capable staff in the Auditor's office be trained on how to reconcile the City's accounts so that if the individual tasked with the reconciliation process cannot perform the reconciliation in a timely manner for whatever reason, the City could still reconcile their accounts. In addition, by having another individual capable of the reconciliation process, any differences could be researched and identified by multiple people if necessary.

Client Response: The City will perform the monthly bank reconciliations as timely as possible to zero unidentifiable variances.

This page intentionally left blank.

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 1/10/2023

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