

JACKSON INDEPENDENT SCHOOL DISTRICT

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2022

JACKSON INDEPENDENT SCHOOL DISTRICT

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For the Year Ended June 30, 2022

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Chris Gooch
Certified Public Accountant
P.O. Box 1536
Hazard, Kentucky 41702
(606) 436-5700 FAX: (606) 436-5701
chrisgooch@chrisgoochcpa.com

INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Members of Jackson Independent Board of Education
Jackson, Kentucky

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 Jackson Independent School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Jackson Independent School District'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 Jackson Independent School District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof 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 and the audit requirements prescribed by the State Committee for School District Audits in the Kentucky Public School District's Audit Contract and Requirements. 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 Jackson Independent School District 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.

Change in Accounting Principle

As described in the notes to the financial statements, during the year ended June 30, 2022, the Jackson Independent School District adopted new accounting guidance, GASB No. 87 *Leases*. Our opinion is 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 Jackson Independent School District'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 Jackson Independent School District'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 Jackson Independent School District'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, budgetary comparison information and pension/OPEB supplemental reporting as listed in the table 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson Independent School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022, on our consideration of the Jackson Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jackson Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jackson Independent School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Chris Gooch".

Chris Gooch
Certified Public Accountant

Hazard, Kentucky

November 15, 2022

JACKSON INDEPENDENT SCHOOL DISTRICT
JACKSON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2022

As management of the Jackson Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. This information should be considered in conjunction with the accompanying financial statements and disclosure following this section.

FINANCIAL HIGHLIGHTS

- The end of year cash balance per financial statements was \$307,979. Of this amount, \$101,147 was recognized in a separate activity fund checking account. The beginning cash balance, for the District reflected a balance of \$180,802 for which \$83,805 was for its school activity fund.
- The District reduced its long-term bonded debt by \$134,000. The ending balance at June 30, 2022 was \$2,619,000.
- The District reduced its bus financing debt by \$29,551 during the year. The ending balance at June 30, 2022 was \$100,666.
- The District owes \$22,229 in financing related to Kentucky School Board Insurance Trust financing. \$6,968 was paid in fiscal year ended June 30, 2022.
- The District paid off food service debt financing for equipment in the fiscal year ended totaling \$16,414.
- The District expended \$1,602,084 in federal funds awarded for the year ended June 30, 2022.
- Total 2022 general fund revenue was \$2,835,575 including on behalf state payments totaling \$759,464. Revenue consisted primarily of state program (SEEK), property, utilities and motor vehicle taxes. Including on behalf payments, there was \$2,568,878 in general fund expenditures.
- Total 2021 general fund revenue was \$2,630,941 including on behalf state payments totaling \$742,057. Revenue consisted primarily of state program (SEEK), property, utilities and motor vehicle taxes. Including on behalf payments, there was \$2,596,933 in general fund expenditures.

JACKSON INDEPENDENT SCHOOL DISTRICT
JACKSON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

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. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary funds. Proprietary funds include the school food service fund. All other activities are reported under governmental funds.

Notes to the 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2022, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$643,090.

JACKSON INDEPENDENT SCHOOL DISTRICT
JACKSON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2022

The greatest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and ongoing construction projects, where applicable), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net position for the year ended June 30, 2022

Following are comparisons of government wide net position:

	<u>At June 30,</u>	
	<u>2022</u>	<u>2021</u>
Current assets	1,664,179	709,571
Noncurrent assets	3,669,527	3,846,992
Deferred outflows of resources	<u>590,058</u>	<u>578,263</u>
<u>Total assets and deferred outflows of resources</u>	<u>5,923,764</u>	<u>5,134,826</u>
Current liabilities	1,052,367	513,544
Noncurrent liabilities	4,501,188	5,312,304
Deferred inflows of resources	<u>1,013,299</u>	<u>615,842</u>
<u>Total liabilities and deferred inflows of resources</u>	<u>6,566,854</u>	<u>6,441,690</u>
- Net position -		
Net investment in capital assets	949,861	860,283
Restricted	439,126	119,414
Unrestricted (deficit)	<u>(2,032,077)</u>	<u>(2,286,561)</u>
<u>Total net position</u>	<u>(643,090)</u>	<u>(1,306,864)</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>5,923,764</u>	<u>5,134,826</u>

JACKSON INDEPENDENT SCHOOL DISTRICT
JACKSON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2022

The comparison reflects the following:

- Current asset increases reflect increases in federal and state grant fund revenues for fiscal year ended June 30, 2022.
- The decrease in non-current assets is primarily a result of recognizing \$173,531 in depreciation expense.
- Increase in current liabilities includes recognition of interfund payables, \$432,695 and unearned revenues from governmental sources, \$372,576.
- The deficit unrestricted net position balance at June 30, 2022 includes the result of recognition of KTRS/CERS unfunded net pension/OPEB liabilities in the amount of \$1,522,863 for governmental activities and \$323,908 for proprietary fund activities.

Comments on budget comparisons

The following table presents a comparison of budget to actual for the general fund:

	<u>Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
From local sources			
Taxes	263,746	422,837	159,091
Earnings on investments	250	243	(7)
Other local revenue	15,500	27,332	11,832
Intergovernmental - state	1,619,615	2,376,651	757,036
Intergovernmental - indirect federal	<u>5,000</u>	<u>8,512</u>	<u>3,512</u>
<u>Total revenues</u>	<u>1,904,111</u>	<u>2,835,575</u>	<u>931,464</u>
Expenditures:			
Instructional	959,131	1,534,009	(574,878)
Staff support services	63,642	88,340	(24,698)
District administration	302,600	312,301	(9,701)
School administration	130,597	176,703	(46,106)
Business support	47,160	116,827	(69,667)
Plant operation and management	261,500	253,109	8,391
Student transportation	73,400	87,589	(14,189)
Debt service	-	-	-
Contingency	<u>202,548</u>	<u>-</u>	<u>202,548</u>
<u>Total expenditures</u>	<u>2,040,578</u>	<u>2,568,878</u>	<u>(528,300)</u>
Excess (deficit) of revenue over expenditures	<u>(136,467)</u>	<u>266,697</u>	<u>403,164</u>

JACKSON INDEPENDENT SCHOOL DISTRICT
JACKSON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2022

- Actual general fund revenues and expenditures reflect state on-behalf payments for retirement, health and life insurance and technical education in the amount of \$759,464.
- Current year general fund tax revenue was \$422,837. Prior year general fund tax revenue was \$349,389.
- Increase in instructional fund expenditures reflect movement of SEEK funding for budget purposes from Special Revenue Funds in conjunction with COVID relief funding.

The following table presents a summary comparison of statement of activities for the fiscal years ended June 30, 2022 and 2021:

	At June 30,	
	<u>2022</u>	<u>2021</u>
Revenues:		
Local revenue sources	695,522	541,344
State revenue sources	3,193,077	2,939,360
Federal revenue	<u>1,650,547</u>	<u>1,027,888</u>
<u>Total revenues</u>	<u>5,539,146</u>	<u>4,508,592</u>
Expenses:		
Instruction	3,103,251	2,649,737
Student support services	11,537	12,688
Instructional support	90,063	109,925
District administration	317,738	372,776
School administration	178,928	180,000
Business support	118,048	132,486
Plant operation and maintenance	350,135	280,664
Student transportation	99,309	105,809
Community services operations	34,367	37,908
Food service operations	496,190	330,606
Interest and financing costs on long-term debt	<u>75,806</u>	<u>48,209</u>
<u>Total expenses</u>	<u>4,875,372</u>	<u>4,260,808</u>
<u>Change in net position</u>	<u><u>663,774</u></u>	<u><u>247,784</u></u>

JACKSON INDEPENDENT SCHOOL DISTRICT
JACKSON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2022

- 2021-22 state revenue sources and related expenses reflect on-behalf adjustment recognition for the difference in the State's proportionate share of plan pension/OPEB expense and on-behalf payments made by the State for the fiscal year.
- SEEK program general fund revenues were \$1,485,817 in 2020-21 and \$1,614,524 in 2021-22.
- Depreciation expense for governmental activities was \$127,105 for the prior year and \$173,531 for the current year.

BUDGETARY IMPLICATIONS

In Kentucky the public-school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$202,548 in contingency (9.71%).

Results of the current fiscal year and recent historical trends for the District were taken into account when preparing the subsequent year budget. No significant changes in revenue or expense items are foreseeable. The District's tax rates and tax base remain effectively the same. The District has assessed and considered underlying economical and funding factors at the federal, state, and local level and other non-financial areas including demographics, local economy and risk of loss of student population that may have a significant impact on the financial statements when preparing subsequent years budgets.

Questions regarding this report should be directed to the Superintendent or the Finance Officer at (606) 666-4979.

JACKSON INDEPENDENT SCHOOL DISTRICTSTATEMENT OF NET POSITIONAt June 30, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
- Current assets -			
Cash and cash equivalents	180,391	127,588	307,979
Interfund receivable	432,695	-	432,695
Accounts receivable:			
Taxes	4,350	-	4,350
Other	3,248	-	3,248
Intergovernmental	807,948	103,823	911,771
Inventories	-	4,136	4,136
<u>Total current assets</u>	<u>1,428,632</u>	<u>235,547</u>	<u>1,664,179</u>
- Noncurrent assets -			
Capital assets - non-depreciable	580,208	-	580,208
Capital assets - depreciable (net)	3,061,659	27,660	3,089,319
<u>Total noncurrent assets</u>	<u>3,641,867</u>	<u>27,660</u>	<u>3,669,527</u>
Deferred Outflows of Resources			
Deferred outflows - pension/OPEB resources	485,941	89,504	575,445
Deferred outflows - bond refunding issues	14,613	-	14,613
<u>Total deferred outflows of resources</u>	<u>500,554</u>	<u>89,504</u>	<u>590,058</u>
<u>Total assets and deferred outflows of resources</u>	<u>5,571,053</u>	<u>352,711</u>	<u>5,923,764</u>

See notes to financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICTSTATEMENT OF NET POSITION (Continued)At June 30, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities:			
- Current liabilities -			
Interfund payable	432,695	-	432,695
Accounts payable	7,555	9,830	17,385
Unearned revenues governmental sources	372,576	-	372,576
Current portion of bonds payable	136,000	-	136,000
Current portion of financed purchases	12,551	-	12,551
Current portion of other long term financing	7,181	-	7,181
Interest payable	73,979	-	73,979
<u>Total current liabilities</u>	<u>1,042,537</u>	<u>9,830</u>	<u>1,052,367</u>
- Noncurrent liabilities -			
Long term portion of sick leave payable	68,254	-	68,254
Bonds payable	2,483,000	-	2,483,000
Financed purchases	88,115	-	88,115
Other long term financing	15,048	-	15,048
Net pension/OPEB liability	1,522,863	323,908	1,846,771
<u>Total noncurrent liabilities</u>	<u>4,177,280</u>	<u>323,908</u>	<u>4,501,188</u>
 <u>Total liabilities</u>	 <u>5,219,817</u>	 <u>333,738</u>	 <u>5,553,555</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension/OPEB	854,209	159,090	1,013,299
Net position:			
Net investment in capital assets	922,201	27,660	949,861
Restricted for:			
Other	213,409	225,717	439,126
Unrestricted (deficit)	(1,638,583)	(393,494)	(2,032,077)
<u>Total net position (deficit)</u>	<u>(502,973)</u>	<u>(140,117)</u>	<u>(643,090)</u>
 <u>Total liabilities, deferred inflow of resources and net position</u>	 <u>5,571,053</u>	 <u>352,711</u>	 <u>5,923,764</u>

See notes to financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICTSTATEMENT OF ACTIVITIESFor the Year Ended June 30, 2022

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS:				
- Governmental activities -				
Instructional	3,103,251	-	(1,844,833)	-
Support services:				
Student	11,537	-	(1,929)	-
Instructional staff	90,063	-	(15,921)	-
District administration	317,738	-	(56,175)	-
School administration	178,928	-	(31,642)	-
Business support	118,048	-	(20,878)	-
Plant operation and maintenance	350,135	-	(61,013)	-
Student transportation	99,309	-	(17,460)	-
Community services operations	34,367	-	(40,121)	-
Interest/financing costs on long-term debt	75,806	-	-	-
	<u>4,379,182</u>	<u>-</u>	<u>(2,089,972)</u>	<u>-</u>
<u>Total governmental activities</u>				
- Business-type activities -				
Food service	496,190	(461,756)	(87,469)	-
	<u>496,190</u>	<u>(461,756)</u>	<u>(87,469)</u>	<u>-</u>
<u>Total business-type activities</u>				
	<u>4,875,372</u>	<u>(461,756)</u>	<u>(2,177,441)</u>	<u>-</u>
<u>Total primary government</u>				

See notes to financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICTSTATEMENT OF ACTIVITIES (continued)For the Year Ended June 30, 2022

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental</u>	<u>Business-</u>	<u>Total</u>
	<u>Activities</u>	<u>Type</u>	
		<u>Activities</u>	
	(1,258,418)	-	(1,258,418)
	(9,608)	-	(9,608)
	(74,142)	-	(74,142)
	(261,563)	-	(261,563)
	(147,286)	-	(147,286)
	(97,170)	-	(97,170)
	(289,122)	-	(289,122)
	(81,849)	-	(81,849)
	5,754	-	5,754
	(75,806)	-	(75,806)
	<u>(2,289,210)</u>	<u>-</u>	<u>(2,289,210)</u>
	<u>-</u>	<u>53,035</u>	<u>53,035</u>
	<u>-</u>	<u>53,035</u>	<u>53,035</u>
	<u>(2,289,210)</u>	<u>53,035</u>	<u>(2,236,175)</u>
General revenues and transfers:			
Taxes	463,345	-	463,345
Investment earnings	243	-	243
State and formula grants	2,204,427	-	2,204,427
Miscellaneous	232,433	-	232,433
Other gains and losses	(499)	-	(499)
	<u>2,899,949</u>	<u>-</u>	<u>2,899,949</u>
Change in net position	610,739	53,035	663,774
Net position (deficit) - beginning	<u>(1,113,712)</u>	<u>(193,152)</u>	<u>(1,306,864)</u>
Net position (deficit) - ending	<u>(502,973)</u>	<u>(140,117)</u>	<u>(643,090)</u>

See notes to financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICTBALANCE SHEET – GOVERNMENTAL FUNDSAt June 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Student Activity Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets and resources:					
Cash and cash equivalents		-	101,147	79,244	180,391
Interfund receivable	418,623	-	-	14,072	432,695
Accounts receivable:					
Taxes	4,350	-	-	-	4,350
Other	3,248	-	-	-	3,248
Intergovernmental - indirect federal	-	807,948	-	-	807,948
<u>Total assets</u>	<u>426,221</u>	<u>807,948</u>	<u>101,147</u>	<u>93,316</u>	<u>1,428,632</u>
Liabilities:					
Interfund payable	-	432,695	-	-	432,695
Accounts payable	4,878	2,677	-	-	7,555
Advances from grantors	-	372,576	-	-	372,576
<u>Total liabilities</u>	<u>4,878</u>	<u>807,948</u>	<u>-</u>	<u>-</u>	<u>812,826</u>
Fund balance					
Restricted - other	-	-	101,147	93,316	194,463
Restricted/committed - sick leave	18,946	-	-	-	18,946
Unassigned fund balance (deficit)	402,397	-	-	-	402,397
<u>Total fund balances</u>	<u>421,343</u>	<u>-</u>	<u>101,147</u>	<u>93,316</u>	<u>615,806</u>
<u>Total liabilities and fund balances</u>	<u>426,221</u>	<u>807,948</u>	<u>101,147</u>	<u>93,316</u>	<u>1,428,632</u>

See notes to financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITIONAt June 30, 2022

Total fund balances per fund financial statements	615,806
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but are reported in the statement of net position.	3,641,867
Deferred outflows related to pension/OPEB resources are reported in government wide financial statements but not in fund financial statements.	485,941
Deferred outflows related to refunding bond cost of issue are reported in government wide financial statements but not in fund financial statements.	14,613
Long-term sick leave payable is not recognized in the fund financial statements.	(68,254)
Certain liabilities (such as bonds payable, financed purchases and KSBIT payable) are not reported in this fund financial statement because they are not due and payable, and related interest, but are presented in the statement of net position.	(2,815,874)
Net pension obligations are not due and payable in the current period, and therefore, are not reported in the fund financial statements.	(1,522,863)
Deferred inflows of resources related to pensions/OPEB are not reported in the fund financial statements.	<u>(854,209)</u>
Net position for governmental activities	<u><u>(502,973)</u></u>

See notes to financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDSFor the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Student Activity Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	422,837	-	-	40,508	463,345
Earnings on investments	243	-	-	-	243
Other local revenue	27,332	-	205,101	-	232,433
Intergovernmental - state	2,376,651	189,927	-	225,394	2,791,972
Intergovernmental - indirect federal	8,512	1,134,115	-	-	1,142,627
<u>Total revenues</u>	<u>2,835,575</u>	<u>1,324,042</u>	<u>205,101</u>	<u>265,902</u>	<u>4,630,620</u>
Expenditures:					
Instructional	1,534,009	1,296,496	187,759	-	3,018,264
Staff support services	88,340	-	-	-	88,340
District administration	312,301	-	-	-	312,301
School administration	176,703	-	-	-	176,703
Business support	116,827	-	-	-	116,827
Plant operations and maintenance	253,109	-	-	-	253,109
Student transportation	87,589	-	-	-	87,589
Community service activities	-	34,012	-	-	34,012
Debt service:	-	-	-	-	-
Principal	-	-	-	170,519	170,519
Interest	-	-	-	57,881	57,881
<u>Total expenditures</u>	<u>2,568,878</u>	<u>1,330,508</u>	<u>187,759</u>	<u>228,400</u>	<u>4,315,545</u>
Excess (deficit) of revenues over expenditures	<u>266,697</u>	<u>(6,466)</u>	<u>17,342</u>	<u>37,502</u>	<u>315,075</u>
Other financing sources (uses):					
Operating transfers in	-	6,466	-	154,555	161,021
Operating transfers out	<u>(45,617)</u>	<u>-</u>	<u>-</u>	<u>(115,404)</u>	<u>(161,021)</u>
<u>Total other financing sources (uses)</u>	<u>(45,617)</u>	<u>6,466</u>	<u>-</u>	<u>39,151</u>	<u>-</u>
Changes in fund balance	221,080	-	17,342	76,653	315,075
Fund balance - July 1, 2021	<u>200,263</u>	<u>-</u>	<u>83,805</u>	<u>16,663</u>	<u>300,731</u>
Fund balance - June 30, 2022	<u><u>421,343</u></u>	<u><u>-</u></u>	<u><u>101,147</u></u>	<u><u>93,316</u></u>	<u><u>615,806</u></u>

See notes to financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIESFor the Year Ended June 30, 2022

Net change in total fund balances per fund financial statements	315,075
Amounts reported for governmental activities in the statement of activities differences:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.	
Depreciation recorded in government wide financial statements	(173,531)
Asset acquisitions and sales are reflected net of prior depreciation in the government wide financial statements:	
Fixed asset acquisitions/disposals	(499)
Interest expense on long-term debt is recognized in the fund financial statements when paid; and, accrued in the government wide financial statements of activities.	(16,098)
Accrued sick leave is recognized when incurred in the fund financial statements.	(1,959)
Bond principal and other debt service payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net position.	170,519
Bond proceeds refunding costs are deferred in governmental fund financial statements.	(1,827)
Governmental funds report district pension/OPEB contributions as expenditures. However, in the statement of activities, the cost of pension/OPEB benefits earned net of employee contributions and changes in deferred outflows and inflows related to pensions is reported as pension/OPEB expense.	<u>319,059</u>
Change in net position of governmental activities	<u><u>610,739</u></u>

See notes to financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUNDS

At June 30, 2022

	<u>Food Service Fund</u>
Assets:	
- Current Assets -	
Cash in Bank	127,588
Accounts Receivable	103,823
Inventories	<u>4,136</u>
<u>Total current assets</u>	<u>235,547</u>
- Noncurrent Assets -	
Depreciable capital assets	52,571
Less: accumulated depreciation	<u>(24,911)</u>
<u>Total noncurrent assets</u>	<u>27,660</u>
Deferred Outflows of Resources	
Deferred outflows - pension resources	45,412
Deferred outflows - OPEB	<u>44,092</u>
<u>Total deferred outflow of resources</u>	<u>89,504</u>
<u>Total assets and deferred outflow of resources</u>	<u>352,711</u>
Liabilities:	
- Current Liabilities -	
Accounts payable	<u>9,830</u>
<u>Total current liabilities</u>	<u>9,830</u>
- Noncurrent liabilities -	
Unfunded pension liability	249,122
Unfunded OPEB liability	<u>74,786</u>
<u>Total non-current liabilities</u>	<u>323,908</u>
<u>Total liabilities</u>	<u>333,738</u>
Deferred Inflow of Resources	
Deferred inflows - pension resources	98,464
Deferred inflows - OPEB	<u>60,626</u>
<u>Total deferred inflow of resources</u>	<u>159,090</u>
Net position:	
Net investment in capital assets	27,660
Restricted - Inventories	4,136
Restricted Net Assets	221,581
Unrestricted (deficit)	<u>(393,494)</u>
<u>Total net position</u>	<u>(140,117)</u>
<u>Total liabilities, deferred inflow of resources and net position</u>	<u>352,711</u>

See notes to financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION – PROPRIETARY FUNDSFor the Year Ended June 30, 2022

	<u>Food Service Fund</u>
Operating revenues:	
Lunchroom sales	461,756
State revenue	1,210
On-behalf contributions:	
Kentucky Department of Education	40,095
Commodities	26,673
Federal revenue	<u>19,491</u>
<u>Total operating revenues</u>	<u>549,225</u>
Operating expense:	
Salaries and wages	292,517
Contract services	6,369
Supplies and other	193,869
Depreciation	<u>3,435</u>
<u>Total operating expenses</u>	<u>496,190</u>
<u>Operating income (loss)</u>	<u>53,035</u>
<u>Change in net position</u>	53,035
Net position (deficit), July 1, 2021	<u>(193,152)</u>
Net position (deficit), June 30, 2022	<u><u>(140,117)</u></u>

See notes to financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Year Ended June 30, 2022

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	398,156
State revenue	41,305
Federal revenue	46,164
Cash paid to/for:	
Employees	(235,563)
Supplies/Contractual	<u>(197,525)</u>
<u>Net cash provided (used) by operating activities</u>	<u>52,537</u>
 Cash flows from capital and related financing activities:	
Interfund receivables	<u>11,131</u>
<u>Net cash provided (used) from capital and related financing activities</u>	<u>11,131</u>
 Cash flows from investing activities:	
Interest income	<u>-</u>
 Cash flows from financing activities:	
Payments on long-term borrowings	<u>(16,414)</u>
Net increase (decrease) in cash	47,254
Cash, beginning of year	<u>80,334</u>
Cash, end of year	<u><u>127,588</u></u>
 Reconciliation of operating income (loss) to net cash provided (used) by operations:	
Operating income (loss)	53,035
Adjustments to reconcile operating income to cash provided (used) by operating activities:	
Depreciation	3,435
(Increase) decrease in deferred outflows - pension/OPEB resources	(7,467)
Increase (decrease) in deferred inflows - pension/OPEB resources	91,106
Increase (decrease) in net pension/OPEB liability	(26,685)
Changes in current assets/liabilities:	
Accounts receivable	(63,600)
Inventories	1,153
Accounts payable	<u>1,560</u>
Net cash provided (used) by operating activities	<u><u>52,537</u></u>

Noncash transactions include \$40,095 on-behalf payments, donated commodities of \$26,673, the effect of net pension/OPEB adjusting entries, \$66,096 and depreciation, \$3,435.

See notes to financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTSJune 30, 2022NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jackson Independent Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Jackson Independent School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding sources entities. However, the Board is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence, operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Jackson Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment or the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Jackson Independent School District Finance Corporation – On September 11, 1990, the Jackson Independent, Kentucky, Board of Education resolved to authorize the establishment of the Jackson Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Jackson Independent Board of Education also comprise the Corporations’ Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Basis of Presentation (continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. 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 District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total position. Proprietary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Grant Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- (C) The Special Revenue District Activity Fund includes funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements. Project accounting is employed to maintain integrity for the various sources of funds.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Basis of Presentation (continued)I. Governmental Fund Types (continued)

(D) The Special Revenue Student Activity Fund includes funds restricted to expenditures for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education *Uniform Program of Accounting for School Activity Funds*. This is a major fund of the District.

(E) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(F) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Funds (Enterprise Funds)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The School Food Service Fund is a major fund.

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. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Basis of Accounting (continued)

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources – A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources. On the accrual basis of accounting, unamortized deferred charges on debt refunding are reported as a deferred outflow of resources.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and change in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred inflows.

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, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Property Taxes (continued)

The property tax rates assessed for the year ended June 30, 2022, to finance the General Fund operations were \$.590 per \$100 valuation for real property, \$.590 per \$100 valuation for business personal property and \$.492 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

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' column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed as incurred.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years

Inter-fund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "inter-fund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

Compensated absence liabilities are recorded based on balances for classified and certified employees with twenty-seven or more years of experience at June 30, 2022.

For governmental fund financial statements, the portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These balances are recorded in the account "accumulated sick leave payable" in the government-wide financial statements. At June 30, 2022 the long-term portion of accumulated sick leave balance recognized in the government-wide financials was \$68,254. A reserve for accumulated sick leave is recognized in the amount of \$18,946 at June 30, 2022.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Cash and other 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 imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements.

Inventories

Supplies and materials are charged to expenditures when purchased.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Accrued Liabilities and Long-Term Obligations (continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

GASB 63, implemented in a previous fiscal year, has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets", consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations on its use either through the enabling legislation adopted by the District or through external restrictions imposed by the creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment is reported as inter-fund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Recognition of Deferred Inflows and Outflows

The District implemented GASB Statement 65 which establishes accounting and financial reporting standards that reclassify certain assets and liabilities as deferred outflows of resources or deferred inflows of resources provides changes in the determination of the major fund calculations and limiting the use of "deferred" in financial statements presentations.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Accounting and Financial Reporting for Pensions and Other Post-Employment Benefits (OPEB)

GASB Statements Nos. 67 and 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27 and GASB Statement No. 71* improves accounting and financial reporting by state and local governments for pensions and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, improves information provided by state and local governmental employers about financial support for pensions and OPEB that is provided by other entities. This Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions/OPEB with regard to providing decisions-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement was effective for fiscal years beginning after June 15, 2014 for pension reporting and fiscal year beginning after June 15, 2017 for OPEB, each have been implemented by the District.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the bank balance of the District's cash and cash equivalents was \$572,790. Of the total cash balance, \$250,000 was covered by Federal depository insurance and the balance was covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2022 consisted of the following:

	<u>Bank</u>	<u>Book</u>
Citizens Deposit Bank:		
General Operating Account	462,617	206,832
Activity Fund Account	<u>110,173</u>	<u>101,147</u>
<u>Total</u>	<u><u>572,790</u></u>	<u><u>307,979</u></u>

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that the District may not recover collateral securities. The District requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not retain any long-term investments. Concentrations of credit risk are the risk of loss attributed to the magnitude of the District's investments in a single issuer. All of the organization's cash is held primarily at a local financial institution. Some of the primary risks associated with these funds: a major change in interest rates; a default on a security or repurchase agreement held by the fund; proceeds from sales of collateral are less than the agreed-upon purchase price. Foreign currency risk is the risk of changes in exchange rates affecting foreign investments. The District does not hold any foreign investments.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE D – LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the School District Finance Corporation.

The original amount of each issue, the issue date and interest rates are summarized as follows:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
KISTA/KSBIT Series September 2014	66,718	2.00% - 3.25%
Revenue Bond February 2020	2,255,000	2.00% - 2.625%
KISTA Series 2021	113,217	1.25% - 1.50%
Refunding Revenue Bond March 2021	548,000	1.25% - 1.25%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund and Building Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued through the School District Finance Corporation primarily for school facilities improvements. Generally, the District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1990, the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

Debt issue costs are recognized as expenditures when incurred in governmental funds, government-wide and proprietary fund types financial statements.

The District's outstanding leases from direct borrowing related to governmental activities contains provision that in the event of default, outstanding balances become immediately due, with possible loss of equipment, interest rate increases and accrued fees. If default on governmental activities revenue and refunding bonds occur, lenders may assign a receiver to administer on behalf of the District allowing sufficient funds to provide for payment of principal and interest on the outstanding balances.

The District's outstanding notes from direct borrowing related to proprietary-type activities contains provision that in the event of default, outstanding balances become immediately due, with possible loss of equipment, interest rate increases and accrued fees.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations for the district, including amounts to be paid by the Commission, at June 30, 2022, for bond debt service (principal and interest) are as follows:

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

Year	Jackson Independent School District		Kentucky School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2022 - 23	80,412	54,595	55,588	17,488	208,083
2023 - 24	78,253	52,519	55,747	16,559	203,078
2024 - 25	80,088	50,506	55,912	15,624	202,130
2025 - 26	82,915	48,468	56,085	14,682	202,150
2026 - 27	86,286	46,394	60,714	13,733	207,127
2027 - 32	465,998	189,916	256,002	53,642	965,558
2032 - 37	525,790	114,811	199,210	31,521	871,332
2037 - 40	348,471	25,270	131,529	6,911	512,181
<u>Totals</u>	<u>1,748,213</u>	<u>582,479</u>	<u>870,787</u>	<u>170,160</u>	<u>3,371,639</u>

Following are changes in long-term bond debt:

Governmental:	Balance	Additions	Reductions	Balance	Current
	July 1, 2021			June 30, 2022	Principal
Revenue Bonds, February 2020	2,205,000	-	50,000	2,155,000	50,000
Refunding Revenue Bonds, Series of 2021	548,000	-	84,000	464,000	86,000
<u>Total</u>	<u>2,753,000</u>	<u>-</u>	<u>134,000</u>	<u>2,619,000</u>	<u>136,000</u>

The District entered into a note agreement with a local financial institution assisting in acquiring food service equipment paid off in fiscal year ended June 30, 2022:

Proprietary:	Balance	Additions	Reductions	Balance	Current
	July 1, 2021			June 30, 2022	Principal
Citizens Deposit Bank	16,414	-	16,414	-	-

The District has the following outstanding finance purchase agreements related to school bus acquisitions at June 30, 2022:

Governmental:	Balance	Additions	Reductions	Balance	Current
	July 1, 2021			June 30, 2022	Principal
KISTA Refunding Series July 2012	17,000	-	17,000	-	-
KISTA Series 2021	113,217	-	12,551	100,666	12,551
<u>Total</u>	<u>130,217</u>	<u>-</u>	<u>29,551</u>	<u>100,666</u>	<u>12,551</u>

The minimum requirements on the finance purchases are as follows:

	KISTA Series 2021	
	Principal	Interest
2022-23	12,551	1,308.00
2023-24	11,083	1,150.00
2024-25	11,193	1,012.00
2025-26	11,340	872.00
2026-27	11,487	730.00
2028-31	43,012	1,466.00
<u>Totals</u>	<u>100,666</u>	<u>6,538.00</u>

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

The District was notified Kentucky School Board Insurance Trust was dissolved in previous years. As a result, assessments were proposed to be passed to local participating Districts based on past premiums or past claims. The District's is committed to remitting annual assessment of \$7,768 through fiscal year ended June 30, 2025. This option calls for financing interest at 3.25%. Management will either fund the liability through its General account or request funds from its SEEK Capital Outlay allotment. The liability is reflected in the government-wide financial statements. Changes in debt and future debt service requirements are as follows:

	Balance			Balance	Current
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>	<u>Principal</u>
KISTA/KSBIT Series September 2014	<u>29,197</u>	<u>-</u>	<u>6,968</u>	<u>22,229</u>	<u>7,181</u>

	KSBIT Series	
	September 2014	
	<u>Principal</u>	<u>Interest</u>
2022-23	7,181	588
2023-24	7,404	364
2024-25	<u>7,644</u>	<u>124</u>
Totals	<u>22,229</u>	<u>1,076</u>

Commitments under operating lease agreements for equipment were considered by management below its financial statement threshold for recognition as an intangible asset under GASB 87 which became effective for the fiscal year ended June 30, 2022. Minimum future rental payments at the beginning of the year were \$19,473. No additional operating leases considered applicable under the standard were entered into during the current fiscal year.

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes individual qualifying lease liabilities having a value \$100,000 or greater.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor:

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements for qualifying individual leases having a value \$100,000 or greater. The District did not have any qualifying leases meeting this threshold.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

JACKSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE E – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2022</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	580,208	-	-	580,208
Construction work in progress	-	-	-	-
Total capital assets, not being depreciated	<u>580,208</u>	<u>-</u>	<u>-</u>	<u>580,208</u>
Land improvements	180,213	-	-	180,213
Buildings and improvements	5,514,057	-	-	5,514,057
Technology equipment	303,397	-	30,445	272,952
Vehicles	423,165	-	-	423,165
General equipment	111,744	-	-	111,744
Total capital assets, being depreciated	<u>6,532,576</u>	<u>-</u>	<u>30,445</u>	<u>6,502,131</u>
<u>Totals at historical cost</u>	<u>7,112,784</u>	<u>-</u>	<u>30,445</u>	<u>7,082,339</u>
Less: accumulated depreciation				
Land improvements	127,868	6,992	-	134,860
Buildings and improvements	2,499,722	130,491	-	2,630,213
Technology equipment	245,603	23,876	29,946	239,533
Vehicles	318,715	10,805	-	329,520
General equipment	104,979	1,367	-	106,346
<u>Total accumulated depreciation</u>	<u>3,296,887</u>	<u>173,531</u>	<u>29,946</u>	<u>3,440,472</u>
Governmental Activities				
<u>Capital Assets - Net</u>	<u>3,815,897</u>	<u>(173,531)</u>	<u>499</u>	<u>3,641,867</u>

Depreciation expense for the year ended June 30, 2022 was \$173,531.

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2022</u>
<u>Business-Type Activities</u>				
Technology equipment	1,372	-	-	1,372
General equipment	51,199	-	-	51,199
<u>Totals at historical cost</u>	<u>52,571</u>	<u>-</u>	<u>-</u>	<u>52,571</u>
Less: accumulated depreciation				
Technology equipment	1,372	-	-	1,372
General equipment	20,104	3,435	-	23,539
<u>Total accumulated depreciation</u>	<u>21,476</u>	<u>3,435</u>	<u>-</u>	<u>24,911</u>
Business-Type Activities				
<u>Capital Assets - Net</u>	<u>31,095</u>	<u>(3,435)</u>	<u>-</u>	<u>27,660</u>

Depreciation expense for the year ended June 30, 2022 was \$3,435.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE E – CAPITAL ASSETS (continued)

Depreciation expense was allocated to governmental and proprietary functions as follows:

Governmental functions:

Instructional	53,454
Student support	11,537
Instructional staff support	800
District administration support	2,174
School administration support	379
Plant operations and maintenance	94,382
Student transportation	<u>10,805</u>
Total current year depreciation expense - Governmental functions	<u><u>173,531</u></u>

Proprietary functions:

Food service operations	<u><u>3,435</u></u>
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NOTE F – RETIREMENT PLANS

Kentucky Teachers Retirement System:

Summary of Significant Accounting Policies

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (KTRS) and additions to/deductions from KTRS's fiduciary net position have been determined on the same basis as they are reported by KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description – Teaching-certified employees of the Jackson Independent School District are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)-a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at ktrs.ky.gov.

Benefits Provided – For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE F – RETIREMENT PLANS (Continued)

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions – Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves, covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions:

At June 30, 2022, Jackson Independent School District did not report a net pension liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to KTRS on behalf of the District. The total portion of the net pension liability that was associated with the District was as follows:

Commonwealth's proportional share of the	
KTRS net pension liability associated with the	
District	\$ <u>4,736,662</u>

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE F – RETIREMENT PLANS (continued)

The net pension liabilities were measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportionate share was .0364. The prior year proportion was .0345%.

Employer allocations from State contributions were \$378,094 at the June 30, 2021 measurement date. In addition, total pension expense reported at the June 30, 2021 measurement date for the District was \$737,894. The District recognized no deferred outflows of resources, deferred inflows of resources or unfunded pension liability related to KTRS.

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

Valuation Date	June 30, 2020
Actuarial cost method	Entry age
Investment rate of return	7.1%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.0% - 7.5%, including inflation
Inflation rate	2.50%
Post-retirement adjustment	1.50%
Municipal bond index rate	2.13%
Single Equivalent Interest Rate	7%
Mortality Rates	Based on MP-2020 Combined Mortality Table

The long term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS' investment consultants are summarized in the following table:

<u>Asset Class</u>	<u>KTRS Target Allocation</u>	<u>Long-term Expected Real Rate Percentage of Return</u>
Large cap U.S. equity	37.4%	4.2%
Small cap U.S. equity	2.6%	4.7%
Developed international equity	16.5%	5.3%
Emerging markets equity	5.5%	5.4%
Fixed income	15.0%	-0.1%
High yield bonds	2.0%	1.7%
Other additional categories	5.0%	2.2%
Real estate	7.0%	4.0%
Private equity	7.0%	6.9%
Cash	2.0%	-0.3%
	100.0%	

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE F – RETIREMENT PLANS (continued)

Discount rate – The discount rate used to measure the total pension liability as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67 and assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2039 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 7.10% was calculated using the Municipal Bond Index Rate as of the Measurement Date. This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 68. The following table presents the net pension liability –proportionate share, calculated using the discount rate of 7.10%, as well as what the Commonwealth’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.10%) or 1 percentage point higher (8.10%) than the current rate:

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
Commonwealth's proportionate share of District pension liability	\$ 6,402,214	\$ 4,736,662	\$ 3,353,160

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued KTRS financial report.

County Employees Retirement System

Plan Description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System (CERS). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members. CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling (800) 928-4646 or at <https://kyret.ky.gov>.

Benefits Provided - Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions - Funding for the plan is provided through payroll withholdings of 5.00% except for new hires on or after September 1, 2008 with payroll withholding of 6.00% and a district contribution of 26.95% of the employee’s total compensation subject to contributions. At June 30, 2022, the District reported the following for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used was based on an actuarial valuation as of June 30, 2021. At June 30, 2021 the District’s proportion of the net pension liability based on contributions to CERS during fiscal year ended June 30, 2021 was .0172%. The prior year proportion was .0200%.

JACKSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE F – RETIREMENT PLANS (continued)

District's proportionate share of the net
CERS pension liability \$ 1,095,041

The District's net proportionate share of CERS pension expense was \$(52,109), measured at June 30, 2021. For the year ended June 30, 2022 the District recognized deferred outflows of resources, \$199,611, CERS, and deferred inflows of resources, CERS, \$432,812. Contributions of \$129,860 will be recognized as a reduction of the net pension liability in the subsequent year ended.

Actuarial Methods and Assumptions - The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2020. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Inflation	2.30%
Payroll Growth Rate	2.0% for CERS Nonhazardous
Salary Increases	3.3% - to 10.3% ,varies by service for CERS Nonhazardous
Investment Rate of Return	6.25% for CERS Nonhazardous
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increases	3.30% to 11.55% , varies by service
Mortality Rates	Pub-2021 General Mortality table

The target asset allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by CERS's investment consultant, are summarized as follows:

<u>Asset Class</u>	<u>CERS Target Allocation</u>	<u>Long-term Expected Nominal Return</u>
<u>Growth</u>	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Speicalty Credit/High Yield	15.00%	2.80%
<u>Liquidity</u>	11.50%	
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<u>Diversifying Strategies</u>	20.00%	
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE F – RETIREMENT PLANS (continued)

Deferred outflows and inflows of resources regarding CERS pension plan is as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	12,574	10,628
Changes of assumptions	14,697	-
Investment experience	42,480	188,431
Changes in proportion and differences between District contributions and proportionate share of contributions	-	233,753
District contributions subsequent to the measurement date	<u>129,860</u>	<u>-</u>
Total	<u><u>199,611</u></u>	<u><u>432,812</u></u>

Discount Rate – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Deferred inflows and outflows and pension expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability is based on the June 30, 2020 actuarial valuations. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a five-year period.

The following presents the District's proportionate share of net pension liability calculated using the discount rate of 6.25% as well as the District's share if calculated using a rate 1% higher and 1% lower:

	1% Decrease <u>5.25%</u>	Current Discount Rate <u>6.25%</u>	1% Increase <u>7.25%</u>
District's proportionate share of net pension liability	\$ 1,404,442	\$ 1,095,041	\$ 839,019

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE F – RETIREMENT PLANS (continued)

The District previously reported deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments. This will be recognized as pension expense as follows:

CERS	
Year	Total
2022	(169,358)
2023	(110,693)
2024	(37,306)
2025	(45,705)
2026	-
Thereafter	-
	<u>(363,062)</u>

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CERS financial report located at <https://kyret.ky.gov>.

There were no payables to the pension plan at June 30, 2022.

Note G – OPEB PLANS***KENTUCKY TEACHER’S RETIREMENT SYSTEM*****Summary of Significant Accounting Policies**

Postemployment Benefits Other Than OPEBs (OPEB) - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers’ Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS’s fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

General Information about the OPEB Plan

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note G – OPEB PLANS (Continued)

The State reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

Medical Insurance Plan

Plan description – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The State contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2022, the Jackson Independent School District reported a liability of \$423,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was .0197 percent and the State portion associated with the District was .0160. The prior year proportion was .0187 and .0150 for the District and State, respectively.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	423,000
State's proportionate share of the net OPEB liability associated with the District	<u>344,000</u>
Total	<u><u>767,000</u></u>

JACKSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

Note G – OPEB PLANS (Continued)

The District's proportionate OPEB contributions were \$34,990 for the District and \$28,416 for support provided by the State measured at June 30, 2021. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	252,000
Changes of assumptions	111,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	37,000	45,000
District contributions subsequent to the measurement date	34,021	17,000
Total	182,021	314,000

Of the total amount reported as deferred outflows of resources related to OPEB, contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year	Total
2023	(44,000)
2024	(44,000)
2025	(39,000)
2026	(35,000)
2027	(4,000)
Thereafter	-
	(166,000)

Actuarial assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Health and Life Insurance Trust	
Valuation Date	June 30, 2020
Actuarial Assumptions:	
Investment Rate of Return	7.1% , net of OPEB plan investment expense, including inflation
Projected salary increases	3.0% - 7.5% , including wage inflation
Inflation rate	3%
Real wage growth	0.25%
Wage inflation	2.75%
Municipal bond index rate	2.13%
Discount rate	7.10%
Single equivalent interest rate	7.1% , net of OPEB plan investment expense, including price inflation
Health Care Cost Trends:	
KEHP group	7% for fiscal year 2021 decreasing to an ultimate rate of 4.5% by fiscal year 2031
MEHP group	5. % for fiscal year 2022 decreasing to an ultimate rate of 4.5% by fiscal year 2024
Medicare Part B premiums	4.4% for fiscal year 2021 with an ultimate rate of 4.5% by 2034
Mortality rates	Based on the MP-2020 Combined Mortality Table

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note G – OPEB PLANS (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate Percentage of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Additional Categories: High Yield	8.0%	1.7%
Additional Categories	9.0%	2.2%
Cash	1.0%	-0.3%
Total	100.0%	

Discount rate - The discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's and State's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District's and State's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	6.10%	7.10%	8.10%
District's share of net OPEB liability	\$ 542,000	\$ 423,000	\$ 325,000

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's share of net OPEB liability	\$ 307,000	\$ 423,000	\$ 567,000

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note G – OPEB PLANS (Continued)

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Plan

Plan description – Life Insurance Plan – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employers defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member’s estate or to a party designated by the member.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members contributed by the state.

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

At June 30, 2022, the Jackson Independent School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	-
State's proportionate share of the net OPEB liability associated with the District	5,000
Total	<u>5,000</u>

The District’s proportionate contribution was \$700. At June 30, 2022, the District reported no deferred outflows of resources and deferred inflows of resources related to OPEBs from life insurance plans.

Any amount reported as deferred outflows of resources related to OPEB from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. No other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense.

JACKSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

Note G – OPEB PLANS (Continued)

Actuarial assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Life Insurance Trust	
Valuation Date	June 30, 2020
Actuarial Assumptions:	
Investment Rate of Return	7.1% , net of OPEB plan investment expense, including inflation
Projected salary increases	3% - 7.5% , including wage inflation
Inflation rate	3%
Real wage growth	0.25%
Wage inflation	2.75%
Municipal bond index rate	2.13%
Discount rate	7.10%
Single equivalent interest rate	7.1% , net of OPEB plan investment expense, including price inflation
Mortality rates	Based on the MP-2020 Combined Mortality Table

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Geometric Real Rate of Return</u>
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Additional Categories	6.0%	2.1%
Cash	2.0%	-0.3%
Total	<u>100.0%</u>	

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note G – OPEB PLANS (Continued)

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the State's proportionate share of the collective net OPEB liability associated with the District, calculated using the discount rate of 7.10%, as well as what the State's proportionate share of the collective net OPEB liability of the System would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
Commonwealth's proportionate share of net District OPEB liability	\$ 6,478	\$ 5,000	\$ (306)

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

COUNTY EMPLOYEE RETIREMENT SYSTEM**General Information about the OPEB Plan**

Plan description – Substantially all full-time employees of the District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan. CERS was created by the Kentucky General Assembly pursuant to the provisions of Kentucky Revised Statute 78.520.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling (800)928-4646 or at <https://kyret.ky.gov>.

The State reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the KRS Insurance Fund. The following information is about the KRS plans:

Medical Insurance Plan

Plan description – In addition to the OPEB benefits described above, KRS provides post-employment healthcare benefits to eligible members and dependents. The KRS Insurance benefit is a cost-sharing multiple employer defined benefit plan.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022Note G – OPEB PLANS (Continued)

Benefits provided – Benefits under the plan will vary based on years of service and other factors as fully described in the plan documents.

Contributions – In order to fund the post-retirement healthcare benefit, participants hired on or after September 1, 2008 contribute 1% of total compensation subject to contribution for non-hazardous and hazardous duty positions. Also, the premiums collected from retirees as described in the plan documents and investment interest help meet the medical expenses of the plan.

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

The District reported a liability of \$328,730 for its proportionate share of the collective net CERS non-hazardous OPEB liability. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportion was .0172% for non-hazardous employees. The proportion was .0200% in the prior year.

The amount recognized by the District as its proportionate share of the OPEB liability was as follows:

District's proportionate share of the net OPEB liability	<u><u>328,730</u></u>
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The District's net proportionate share of OPEB contributions were \$30,602 measured at June 30, 2021. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability experience	51,693	98,148
Changes of assumptions	87,153	306
Investment experience	16,562	67,988
Changes in proportion and differences between District contributions and proportionate share of contributions	2,949	100,045
District contributions subsequent to the measurement date	<u>35,456</u>	<u>-</u>
Total	<u>193,813</u>	<u>266,487</u>

JACKSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

Note G – OPEB PLANS (Continued)

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

<u>Year</u>	<u>Total</u>
2022	(20,401)
2023	(28,166)
2024	(28,974)
2025	(30,590)
2026	-
Thereafter	-
Total	<u>(108,131)</u>

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

Valuation Date	June 30, 2020
Inflation	2.30%
Payroll Growth Rate	2.0% for CERS Nonhazardous
Salary Increases	3.3% - to 10.3% ,varies by service for CERS Nonhazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.3% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 6.3% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table for Nonhazardous
Post-retirement (non-disabled)	Mortality experience from 2013-2018, ultimate rates from MP-2014 scale
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, ultimate rates from MP-2014 scale

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined by weighting the expected future real rates of return by the target asset allocation percentage.

JACKSON INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

Note G – OPEB PLANS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KRS’s investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>CERS Target Allocation</u>	<u>Long-term Expected Nominal Return</u>
<u>Growth</u>	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
<u>Liquidity</u>	11.50%	
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<u>Diversifying Strategies</u>	20.00%	
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%

Discount rate - The discount rate used to measure the total OPEB liability was 5.20% for non-hazardous personnel. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.20% for non-hazardous employees as well as what the District’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20% for non-hazardous) or 1-percentage-point higher (6.20% for non-hazardous) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Discount rate	4.20%	5.20%	6.20%
District’s proportionate share of net OPEB liability	\$ 451,344	\$ 328,730	\$ 228,105

Sensitivity of the District’s proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District’s proportionate share of the collective net OPEB liability, as well as what the District’s proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Health Care Trend Rate	Decrease	Trend Rate	Increase
District’s proportionate share of net OPEB liability	\$ 236,647	\$ 328,730	\$ 439,876

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued KRS financial report.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE H – CONTINGENCIES AND COMMITMENTS

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE I – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including worker's compensation insurance.

NOTE J – LITIGATION

The District is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate a material effect on the combined financial statements as a result of threatened, pending or ongoing litigation.

NOTE K – DEFICIT OPERATING/FUND BALANCES

The following individual fund had a deficit balance at June 30, 2022:

School Food Service Fund	140,117
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The following individual fund had operating expenditures in excess of revenues at June 30, 2022:

Special Revenue Fund	6,466
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NOTE L – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school District at risk for a substantial loss (contingency).

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE M – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue Fund	Indirect cost transfers	6,466
General Fund	Debt Service Fund	Debt redemption	39,151
FSPK Building Fund	Debt Service Fund	Debt redemption	115,404
			<u>161,021</u>

NOTE N – INTERFUND RECEIVABLES AND PAYABLES

Inter-fund balances at June 30, 2022 were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	418,623	-
Special Revenue Fund	-	432,695
Building Fund	14,072	-
	<u>432,695</u>	<u>432,695</u>

NOTE O – ON-BEHALF PAYMENTS

Teacher's Retirement GASB 68	378,094
Teacher's Retirement GASB 75	28,416
Health Insurance	387,650
Life Insurance	1,312
Administrative Fees	4,880
HRA/Dental/Vision	21,175
Less: Federal Reimbursement	(85,246)
Technology	63,278
Debt Service	<u>73,845</u>
<u>Sub-Total</u>	873,404
Allocated to Debt Service Fund	(73,845)
Allocated to Food Service Fund	<u>(40,095)</u>
Allocated to General Fund	<u>759,464</u>

NOTE P – FUND BALANCE CLASSIFICATIONS

The District implemented Governmental Accounting Standards Board No. 54, Fund Balance Reporting and Governmental Fund Type Definitions effective for the fiscal year ended June 30, 2011. This standard clarifies existing governmental fund type definitions and establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Classifications will include *nonspendable*, examples being prepaid items and inventory, and the following spendable fund balances – *restricted* – fund balances that are constrained by external parties, constitutional provisions or enabling legislation, *committed* – fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, *assigned* – fund balances that contain self-imposed constraints of the government to be used for a particular purpose and *unassigned* – fund balance of the general fund that is not constrained for any particular purpose. The standard affects fund balance reporting only and not affect government-wide or proprietary fund financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE P – FUND BALANCE CLASSIFICATIONS (Continued)

The following schedule reflects governmental fund balances at June 30, 2022:

Fund Balances	<u>General Fund</u>	<u>Student Activity Fund</u>	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Total</u>
Restricted - other	-	101,147	30,789	54,257	8,270	194,463
Committed - sick leave	18,946	-	-	-	-	18,946
Unassigned fund balance (deficit)	<u>402,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,397</u>
<u>Total fund balances</u>	<u>421,343</u>	<u>101,147</u>	<u>30,789</u>	<u>54,257</u>	<u>8,270</u>	<u>615,806</u>

The District's budget by State law must have a minimum 2% contingency. However, a separate contingency reserve fund has not been established. The Statement of Net Position reflects reserves for fixed assets.

NOTE Q – ANNUAL FINANCIAL REPORT DIFFERENCES

The following reconciles June 30, 2022 fund balances as originally reported to the accompanying fund financial statements:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Building Fund</u>	<u>Food Service Fund</u>
Fund Balance/Net Position as originally reported to the Department of Education	448,324	-	13,749	(123,063)
<u>Adjustment to Fund Balance/Retained Earnings</u>				
(1) To record adjustments to cash	(459,131)	432,695	26,436	-
(2) To adjust accounts receivable	3,248	-	-	49,198
(3) To record interfund receivables	418,623	-	14,072	-
(4) To adjust inventories	-	-	-	(5,288)
(5) To adjust accounts payable	10,279	-	-	(73)
(6) To record interfund payables	-	(432,695)	-	-
(7) To adjust note payable	-	-	-	(502)
(8) To adjust deferred outflows	-	-	-	7,467
(9) To adjust deferred inflows	-	-	-	(91,106)
(10) To adjust net pension/OPEB liability	-	-	-	(43,704)
(11) To record depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,435)</u>
Fund Balance/Net Position as adjusted June 30, 2022	<u>421,343</u>	<u>-</u>	<u>54,257</u>	<u>(210,506)</u>

JACKSON INDEPENDENT SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2022NOTE R – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS AND GUIDANCE

The District adopted the following new accounting pronouncements in the current year:

- GASB Statement No. 87—Leases, effective for the District’s fiscal year ending June 30, 2022.
- Implementation Guide No. 2019-3, Leases, effective for the District’s fiscal year ended June 30, 2022.

The impact of these pronouncements is reflected in the current financial statements, where applicable and management is assessing the impact of future pronouncements on the District’s financial statements.

NOTE S – SUBSEQUENT EVENTS

The District continues to monitor the direct and indirect effects of COVID-19, which has led to closings of non-essential services and limitations for public assemblies. While the immediate and long-term financial impact cannot be reasonably estimated, management anticipates preparing amendments to future budget projections reflecting any significant changes in revenues, instructional and other student body activities affecting the District as a result of the coronavirus.

On July 28, 2022 historical flooding occurred causing loss of life and extensive damages to residences, businesses and infrastructure in Eastern Kentucky. The District continues to assess the financial impact of significant changes in revenue sources, operational expenses and other student body activities as a result of the flooding.

NOTE T – CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2022, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 87, *Leases*, which establishes criteria for identifying and reporting operating lease activities as lessor or lessee for which transfer of ownership is not established. The implementation of this statement results in assets recognized meeting materiality thresholds of the District. No leases met the threshold for its current reporting period and no recognition was reflected in the financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Revenues:				
From local sources:				
Taxes	284,000	263,746	422,837	159,091
Earnings on investments	250	250	243	(7)
Other local revenue	15,500	15,500	27,332	11,832
Intergovernmental - state	1,574,000	1,619,615	2,376,651	757,036
Intergovernmental - indirect federal	<u>5,000</u>	<u>5,000</u>	<u>8,512</u>	<u>3,512</u>
<u>Total revenues</u>	<u>1,878,750</u>	<u>1,904,111</u>	<u>2,835,575</u>	<u>931,464</u>
Expenditures:				
Instructional	958,830	959,131	1,534,009	(574,878)
Staff support services	63,642	63,642	88,340	(24,698)
District administration	302,600	302,600	312,301	(9,701)
School administration	130,597	130,597	176,703	(46,106)
Business support	47,160	47,160	116,827	(69,667)
Plant operations and maintenance	261,500	261,500	253,109	8,391
Student transportation	73,400	73,400	87,589	(14,189)
Debt service principal	36,000	-	-	-
Debt service interest	2,000	-	-	-
Contingency	<u>97,021</u>	<u>202,548</u>	<u>-</u>	<u>202,548</u>
<u>Total expenditures</u>	<u>1,972,750</u>	<u>2,040,578</u>	<u>2,568,878</u>	<u>(528,300)</u>
Excess (deficit) of revenues over expenditures	<u>(94,000)</u>	<u>(136,467)</u>	<u>266,697</u>	<u>403,164</u>
Other financing sources (uses):				
KISTA debt financing	-	-	-	-
Operating transfers out	<u>(6,000)</u>	<u>(45,150)</u>	<u>(45,617)</u>	<u>(467)</u>
<u>Total other financing sources (uses)</u>	<u>(6,000)</u>	<u>(45,150)</u>	<u>(45,617)</u>	<u>(467)</u>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	(100,000)	(181,617)	221,080	402,697
Fund balance - July 1, 2021	<u>100,000</u>	<u>181,317</u>	<u>181,317</u>	<u>-</u>
Fund balance - June 30, 2022	<u>-</u>	<u>(300)</u>	<u>402,397</u>	<u>402,697</u>

Budget to actual comparison beginning fund balance excludes \$18,946 sick leave.

See notes to financial statements and Independent Auditor's Report.

JACKSON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE FUND

For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
Revenues:				
Intergovernmental - state	210,084	226,699	189,927	(36,772)
Intergovernmental - indirect federal	<u>220,914</u>	<u>960,104</u>	<u>1,134,115</u>	<u>174,011</u>
<u>Total revenues</u>	<u>430,998</u>	<u>1,186,803</u>	<u>1,324,042</u>	<u>137,239</u>
Expenditures:				
Instructional	402,984	1,162,589	1,296,496	(133,907)
Staff support services	-	-	-	-
Student transportation	-	-	-	-
Community service activities	<u>34,014</u>	<u>34,014</u>	<u>34,012</u>	<u>2</u>
<u>Total expenditures</u>	<u>436,998</u>	<u>1,196,603</u>	<u>1,330,508</u>	<u>(133,905)</u>
Excess (deficit) of revenues over expenditures	<u>(6,000)</u>	<u>(9,800)</u>	<u>(6,466)</u>	<u>3,334</u>
Other financing sources (uses):				
Operating transfers in (out)	<u>6,000</u>	<u>(18,487)</u>	<u>6,466</u>	<u>24,953</u>
<u>Total other financing sources (uses)</u>	<u>6,000</u>	<u>(18,487)</u>	<u>6,466</u>	<u>24,953</u>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	-	(28,287)	-	28,287
Fund balance - July 1, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2022	<u>-</u>	<u>(28,287)</u>	<u>-</u>	<u>28,287</u>

See notes to financial statements and Independent Auditor's Report.

JACKSON INDEPENDENT SCHOOL DISTRICTSCHEDULES OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
AND SCHEDULES OF EMPLOYER CONTRIBUTIONSLast Ten Years Ending June 30th**Employer's Proportionate Share of Net Pension Liability**

	<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>
State/District proportion of the net pension liability	0.0364%	0.0172%	0.0345%	0.0200%	0.0342%	0.0243%	0.0364%	0.0252%
Employer's proportionate share of the net pension liability	-	1,095,041	-	1,536,975	-	1,709,241	-	1,534,757
State's proportionate share of the net pension liability	4,736,662	-	4,883,117	-	4,667,616	-	4,764,437	-
Employer's covered employee payroll	1,643,959	617,622	1,529,299	557,779	1,440,852	633,969	1,506,554	489,691
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	288%	177%	319%	276%	324%	270%	316%	313%
Plan fiduciary net position as a percentage of the total pension liability	65.6%	52.3%	58.4%	47.8%	58.8%	50.5%	53.6%	52.7%

Employer's Contributions

	<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>
Contractually required contribution	378,094	129,860	353,542	87,270	351,265	102,745	345,221	90,439
Contributions in relation to the contractually required contribution	378,094	129,860	353,542	87,270	351,265	102,745	345,221	90,439
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered employee payroll	1,643,959	617,622	1,529,299	557,779	1,440,852	633,969	1,506,554	489,691
Contributions as a percentage of covered employee payroll	23.00%	21.03%	23.12%	15.65%	24.38%	16.21%	22.91%	18.47%

Change of benefit terms - None.

Changes of assumptions - KTRS discount rate decreased from 7.5% to 7.1%.

Until a full 10-year trend is compiled, the District will present information for years available. Ultimately, ten years of data will be presented.

See notes to financial statements and independent auditor's report.

JACKSON INDEPENDENT SCHOOL DISTRICTSCHEDULES OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
AND SCHEDULES OF EMPLOYER CONTRIBUTIONS (Continued)Last Ten Years Ending June 30th**Employer's Proportionate Share of Net Pension Liability**

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>	
	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>
State/District proportion of the net pension liability	0.0365%	0.0264%	0.0361%	0.2637%	0.0417%	0.0257%	0.0462%	0.0266%
Employer's proportionate share of the net pension liability	-	1,439,562	-	1,298,545	-	1,103,926	-	862,787
State's proportionate share of the net pension liability	9,840,607	-	10,641,574	-	9,704,879	-	9,493,152	-
Employer's covered employee payroll	1,507,640	626,723	1,498,840	598,997	1,501,823	629,149	1,448,400	599,045
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	653%	230%	710%	217%	646%	175%	655%	144%
Plan fiduciary net position as a percentage of the total pension liability	55.3%	53.3%	54.6%	55.5%	56.4%	60.0%	53.6%	66.8%

Employer's Contributions

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>	
	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>
Contractually required contribution	349,634	83,533	175,096	74,929	200,711	76,658	223,709	115,247
Contributions in relation to the contractually required contribution	349,634	83,533	175,096	74,929	200,711	76,658	223,709	115,247
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered employee payroll	1,507,640	626,723	1,498,840	598,997	1,501,823	629,149	1,448,400	599,045
Contributions as a percentage of covered employee payroll	23.19%	13.33%	11.68%	12.51%	13.36%	12.18%	15.45%	19.24%

Change of benefit terms - None.

Changes of assumptions - KTRS discount rate decreased from 7.5% to 7.1%.

Until a full 10-year trend is compiled, the District will present information for years available. Ultimately, ten years of data will be presented.

See notes to financial statements and independent auditor's report.

JACKSON INDEPENDENT SCHOOL DISTRICT

SCHEDULES OF EMPLOYER'S SHARE OF NET OPEB LIABILITY

For the Year Ended June 30, 2022

	Employer's Proportionate Share of Net OPEB Liability									
	Medical Ins Fund									
	<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>
State/District proportion of the net OPEB liability	0.0357%	0.0172%	0.0340%	0.0200%	0.0331%	0.0243%	0.0352%	0.0246%	0.0351%	0.0246%
Employer's proportionate share of the net OPEB liability	423,000	328,730	472,000	483,736	536,000	408,665	654,000	447,403	691,000	494,424
State's proportionate share of the net OPEB liability	344,000	-	378,000	-	433,000	-	564,000	-	564,000	-
Employer's covered employee payroll	1,643,959	617,622	1,529,299	557,779	1,440,852	633,969	1,506,554	489,691	1,507,640	626,723
Employer's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	26%	53%	31%	87%	37%	64%	43%	91%	46%	79%
Plan fiduciary net position as a percentage of the total OPEB liability	51.7%	58.4%	39.1%	51.7%	32.6%	60.4%	25.5%	57.6%	21.2%	52.4%
Employer's Contributions										
	<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>
Contractually required contribution	34,021	35,456	34,990	21,524	33,029	25,340	33,183	29,355	33,597	28,323
Contributions in relation to the contractually required contribution	34,021	35,456	34,990	21,524	33,029	25,340	33,183	29,355	33,597	28,323
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered employee payroll	1,643,959	617,622	1,529,299	557,779	1,440,852	633,969	1,506,554	489,691	1,507,640	626,723
Contributions as a percentage of covered employee payroll	2.07%	5.74%	2.29%	3.86%	2.29%	4.00%	2.20%	5.99%	2.23%	4.52%

Change of benefit terms - None.

Changes of assumptions - KTRS discount rate decreased from 8.0% to 7.1%. CERS discount rate decreased from 5.34% to 5.2%.

Until a full 10-year trend is compiled, the District will present information for years available.

Ultimately, ten years of data will be presented.

See notes to financial statements and independent auditor's report.

JACKSON INDEPENDENT SCHOOL DISTRICT

SCHEDULES OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (Continued)

For the Year Ended June 30, 2022

	Employer's Proportionate Share of Net OPEB Liability				
	Life Insurance Fund				
	<u>2022</u> <u>KTRS</u>	<u>2021</u> <u>KTRS</u>	<u>2020</u> <u>KTRS</u>	<u>2019</u> <u>KTRS</u>	<u>2018</u> <u>KTRS</u>
State/District proportion of the net OPEB liability	0.0349%	0.0329%	0.0324%	0.0343%	0.0343%
Employer's proportionate share of the net OPEB liability	-	-	-	-	-
State's proportionate share of the net OPEB liability	5,000	11,000	10,000	10,000	8,000
Employer's covered employee payroll	1,643,959	1,529,299	1,440,852	1,506,554	1,507,640
Employer's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	0%	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total OPEB liability	89.2%	71.6%	73.4%	75.0%	80.0%
Employer's Contributions					
	<u>2022</u> <u>KTRS</u>	<u>2021</u> <u>KTRS</u>	<u>2020</u> <u>KTRS</u>	<u>2019</u> <u>KTRS</u>	<u>2018</u> <u>KTRS</u>
Contractually required contribution	700	550	425	336	336
Contributions in relation to the contractually required contribution	700	550	425	336	336
Contribution deficiency (excess)	-	-	-	-	-
District's covered employee payroll	1,643,959	1,529,299	1,440,852	1,506,554	1,507,640
Contributions as a percentage of covered employee payroll	0.04%	0.04%	0.03%	0.02%	0.02%

Change of benefit terms - None.

Changes of assumptions - KTRS discount rate decreased from 7.5% to 7.1%.

Until a full 10-year trend is compiled, the District will present information for years available.

Ultimately, ten years of data will be presented.

See notes to financial statements and independent auditor's report.

JACKSON INDEPENDENT SCHOOL DISTRICTSCHEDULES OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (Continued)For the Year Ended June 30, 2022**Notes to Required Supplementary Information**

Changes of benefit terms – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP “Shared Responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The actuarial methods and assumptions used to determine contribution rates reported in the schedule are reflected in the notes to the financial statements.

JACKSON INDEPENDENT SCHOOL DISTRICTCOMBINING BALANCE SHEET – OTHER NONMAJOR GOVERNMENTAL FUNDSFor the Year Ended June 30, 2022

	<u>SEEK Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Asset and resources:					
Cash and cash equivalents	30,789	40,185	8,270	-	79,244
Interfund receivables	<u>-</u>	<u>14,072</u>	<u>-</u>	<u>-</u>	<u>14,072</u>
Total assets and resources	<u>30,789</u>	<u>54,257</u>	<u>8,270</u>	<u>-</u>	<u>93,316</u>
Liabilities and fund balances:					
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
- Fund balances -					
Restricted - Other	30,789	45,865	-	-	76,654
Restricted - SFCC Escrow Current	-	8,392	-	-	8,392
Restricted for future construction	<u>-</u>	<u>-</u>	<u>8,270</u>	<u>-</u>	<u>8,270</u>
	<u>30,789</u>	<u>54,257</u>	<u>8,270</u>	<u>-</u>	<u>93,316</u>
Total liabilities and fund balances	<u>30,789</u>	<u>54,257</u>	<u>8,270</u>	<u>-</u>	<u>93,316</u>

See Independent Auditor's Report.

JACKSON INDEPENDENT SCHOOL DISTRICTCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – OTHER NONMAJOR GOVERNMENTAL FUNDSFor the Year Ended June 30, 2022

	SEEK Capital Outlay Fund	FSPK Building Fund	Construction Fund	Debt Service Fund	Total
Revenues:					
From local sources:					
General real property tax	-	40,508	-	-	40,508
Intergovernmental - State	30,789	120,760	-	73,845	225,394
	<u>30,789</u>	<u>161,268</u>	<u>-</u>	<u>73,845</u>	<u>265,902</u>
<u>Total revenues</u>	<u>30,789</u>	<u>161,268</u>	<u>-</u>	<u>73,845</u>	<u>265,902</u>
Expenditures:					
Bond principal	-	-	-	170,519	170,519
Bond interest	-	-	-	57,881	57,881
	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,400</u>	<u>228,400</u>
<u>Total expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,400</u>	<u>228,400</u>
Excess (deficit) of revenues over expenditures	<u>30,789</u>	<u>161,268</u>	<u>-</u>	<u>(154,555)</u>	<u>37,502</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	154,555	154,555
Operating transfers out	-	(115,404)	-	-	(115,404)
	<u>-</u>	<u>(115,404)</u>	<u>-</u>	<u>154,555</u>	<u>39,151</u>
<u>Total other financing sources (uses)</u>	<u>-</u>	<u>(115,404)</u>	<u>-</u>	<u>154,555</u>	<u>39,151</u>
Changes in fund balance	30,789	45,864	-	-	76,653
Fund balance, July 1, 2021	<u>-</u>	<u>8,393</u>	<u>8,270</u>	<u>-</u>	<u>16,663</u>
Fund balance, June 30, 2022	<u>30,789</u>	<u>54,257</u>	<u>8,270</u>	<u>-</u>	<u>93,316</u>

See Independent Auditor's Report.

JACKSON INDEPENDENT SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEJACKSON INDEPENDENT SCHOOL ACTIVITY FUND

For the Year Ended June 30, 2022

<u>Fund Accounts</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Excess (Deficit) of Revenues over Expenditures</u>	<u>Fund Balance July 1, 2021</u>	<u>Fund Balance June 30, 2022</u>
Principal	17,001	14,390	2,611	2,624	5,235
HS Academics	145	-	145	64	209
Annual	1,045	500	545	830	1,375
Band	-	-	-	102	102
Library	2,229	2,260	(31)	1,297	1,266
Arts & Humanities	-	-	-	216	216
KRADD	2,571	-	2,571	-	2,571
General	27,646	24,888	2,758	1,909	4,667
Athletic	28,338	25,395	2,943	14,155	17,098
G.S. Boys Basketball	1,004	293	711	842	1,553
M.S. Boys Basketball	3,018	3,310	(292)	608	316
H.S. Boys Basketball	7,727	9,318	(1,591)	1,934	343
G.S. Girls Basketball	131	143	(12)	305	293
M.S. Girls Basketball	298	166	132	371	503
H.S. Girls Basketball	879	87	792	638	1,430
Soccer Club	476	1,566	(1,090)	1,712	622
Track	476	470	6	519	525
Golf Club	-	65	(65)	929	864
H.S. Baseball	6,504	3,094	3,410	132	3,542
H.S. Softball	636	2,768	(2,132)	2,519	387
M.S. Softball	-	-	-	97	97
Volleyball	6,680	7,777	(1,097)	2,496	1,399
Cheer Mat Account	10,663	-	10,663	-	10,663
Tiny Tiger Cheer	750	580	170	-	170
G.S. Cheerleaders	3,591	1,843	1,748	46	1,794
H.S. Cheerleaders	6,637	6,080	557	946	1,503
Senior Class	2,985	2,226	759	2,158	2,917
M.S. Baseball	4,208	4,194	14	-	14
M.S. Volleyball	896	879	17	1,118	1,135
M.S. Soccer	1,975	847	1,128	-	1,128
Sixth Grade Science	-	-	-	414	414
Sources of Strength	-	-	-	242	242
School Art Program	-	-	-	1,044	1,044
Ron Clark Academy Acct	-	-	-	1,500	1,500
Entrepre. Program	1,114	2,013	(899)	3,324	2,425
Lowes Grant	-	-	-	2,120	2,120
Preschool	3,581	3,519	62	247	309
Project Prom	2,494	5,136	(2,642)	2,642	-
FRYSC	572	1,567	(995)	4,307	3,312
FRYSC Vol. Account	330	80	250	426	676
Teachers Fund	602	123	479	350	829
H.S. Y-Club	165	344	(179)	744	565
Childrens Inc.	10,127	8,478	1,649	355	2,004
Elem. Academics	-	-	-	53	53
Drama Class	334	80	254	1,575	1,829
Lamp Art Class	-	102	(102)	144	42
M.S. Science Fund	-	-	-	128	128
JIDS Flower Fund	890	626	264	2,227	2,491
Chess Cluib	295	188	107	638	745
Gear Up	-	34	(34)	39	5

See Independent Auditor's Report.

JACKSON INDEPENDENT SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEJACKSON INDEPENDENT SCHOOL ACTIVITY FUND (Continued)

For the Year Ended June 30, 2022

<u>Fund Accounts</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Excess (Deficit) of Revenues over Expenditures</u>	<u>Fund Balance July 1, 2021</u>	<u>Fund Balance June 30, 2022</u>
Eighth Grade Graduation	540	542	(2)	119	117
Bumblebee Marketing	5,132	5,132	-	-	-
Bumblebee Kindergarten	1,436	1,436	-	-	-
Bumblebee 1st Grade	403	350	53	100	153
Bumblebee 2nd	420	305	115	92	207
Bumblebee 3rd Grade	1,059	1,017	42	162	204
Bumblebee 4A	58	-	58	-	58
Bumblebee 5B	-	50	(50)	94	44
Bumblebee 6A	24	124	(100)	133	33
Bumblebee 7A	203	568	(365)	619	254
Bumblebee 8th	2,225	2,642	(417)	818	401
Class of 2020	-	3	(3)	3	-
Class of 2022	18,477	30,324	(11,847)	11,976	129
Class of 2023	9,296	5,779	3,517	384	3,901
Class of 2024	4,709	2,282	2,427	1,699	4,126
Class of 2025	1,908	1,476	432	-	432
Agriculture Class	-	-	-	5,005	5,005
Project Ignition	198	300	(102)	1,515	1,413
<u>Total</u>	<u>205,101</u>	<u>187,759</u>	<u>17,342</u>	<u>83,805</u>	<u>101,147</u>

See Independent Auditor's Report.

JACKSON INDEPENDENT SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDSFor the Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Passthrough to Subrecipients</u>	<u>Program Expenditures</u>
<u>U. S. Department of Agriculture</u>				
Passed through State Department of Education:				
National School Breakfast Program	10.553	7760005-21	N/A	17,668
	10.553	7760005-22	N/A	<u>121,267</u>
<u>Total National School Breakfast Program</u>				<u>138,935</u>
National School Lunch Program				
Passed through State Department of Education:				
	10.555	7970000-21	N/A	5,142
	10.555	77500002-21	N/A	33,953
	10.555	9980000-22	N/A	12,879
	10.555	7750002-22	N/A	216,326
Passed through State Department of Agriculture:				
School Lunch Program Commodities (non-cash assistance)	10.555	4002483	N/A	<u>26,673</u>
<u>Total National School Lunch Program</u>				<u>294,973</u>
Passed through State Department of Education:				
Summer Food Service Program for Children	10.559	7690024-21	N/A	3,304
	10.559	7740023-21		<u>32,257</u>
				<u>35,561</u>
Fresh Fruit and Vegetable Program				
	10.582	7720012-21	N/A	3,119
	10.582	7720012-22	N/A	<u>17,629</u>
				<u>20,748</u>
Total Child Nutrition Cluster				
				<u>490,217</u>
Passed through State Department of Education:				
State Administrative Expenses for Child Nutrition	10.560	7700001-21	N/A	<u>58</u>
State P-EBT Admin Costs	10.649	9990000-21	N/A	<u>1,200</u>
<u>Total U.S. Department of Agriculture</u>				<u>491,475</u>
<u>U. S. Department of Education</u>				
Passed through State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	3100002-20 310G	N/A	13,975
	84.010	3100002-21 310I	N/A	<u>91,089</u>
<u>Total Title I</u>				<u>105,064</u>

JACKSON INDEPENDENT SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)For the Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Passthrough to Subrecipients</u>	<u>Program Expenditures</u>
-Special Education Cluster -				
Special Education Grants to States	84.027	4910002-21 478I	N/A	14,287
	84.027	3810002-19 337F	N/A	826
	84.027	3810002-21 337I	N/A	77,081
	84.027	3810002-20 337G	N/A	3,496
<u>Total Special Education Grants to States</u>				<u>95,690</u>
Special Education Preschool Grants	84.173	380002-20 343G	N/A	1,245
	84.173	3800002-21 343I	N/A	7,113
	84.173	4900002-21 488I	N/A	1,058
<u>Total Special Education Preschool Grants</u>				<u>9,416</u>
Total - Special Education Cluster				<u>105,106</u>
Supporting Effective Instruction State Grants	84.367	3230002-21 401I	N/A	8,611
	84.367	3230002-20 401G	N/A	2,959
<u>Total Supporting Effective Instruction State Grants</u>				<u>11,570</u>
Student Support and Academic Enrichment Program	84.424	3420002-19 552F	N/A	782
	84.424	3420002-19 552FT	N/A	782
	84.424	3420002-20 552GT	N/A	2,914
	84.424	3420002-21 552IT	N/A	1,011
<u>Total Student Support and Academic Enrichment Program</u>				<u>5,489</u>
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act				
	84.425	ESSER 554G	N/A	36,205
	84.425	4200003-21 554GV	N/A	4,100
	84.425	4200003-21 554GS	N/A	10,824
	84.425	ESSER 473G	N/A	188,231
	84.425	4000002-20 613F	N/A	407
	84.425	4000002-20 554GD	N/A	313,103
	84.425	GEER 20 633F	N/A	747
<u>Total Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act</u>				<u>553,617</u>
Rural Education	84.358	3140002-20 350G	N/A	4,259
	84.358	3140002-21 350I	N/A	6,649
<u>Total Rural Education</u>				<u>10,908</u>
Passed through Berea College:				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379G	N/A	55,433
	84.334	379I	N/A	262,822
<u>Total Gaining Early Awareness and Readiness for Undergraduate Programs</u>				<u>318,255</u>
<u>Total U.S. Department of Education</u>				<u>1,110,009</u>
<u>U.S. Department of Health and Human Services</u>				
Cooperative Agreements to Promote Adolescent Health through School - based HIV/STD Prevention and School-Based Surveillance	93.079	2100001-20 493I	N/A	300
	93.079	2100001-21	N/A	300
<u>Total U.S. Department of Health and Human Services</u>				<u>600</u>
<u>Total Federal Awards Expended</u>				<u>1,602,084</u>

See Independent Auditor's Report.

JACKSON INDEPENDENT SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)For the Year Ended June 30, 2022

Note 1—Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Jackson Independent School District, under programs of the federal government for the year ended June 30, 2022 in accordance with the requirements of Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Jackson Independent School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Jackson Independent School District.

Note 2—Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Jackson Independent School District has not elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

*Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3 – Non-Monetary Assistance

Non-monetary assistance CFDA #10.555, \$26,673 is reported in the schedule at the fair value of the food donations disbursed.

See notes to financial statements.

Chris Gooch
Certified Public Accountant
P.O. Box 1536
Hazard, Kentucky 41702
(606) 436-5700 FAX: (606) 436-5701
chrisgooch@chrisgoochcpa.com

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*

State Committee for School District Audits
Members of Jackson Independent Board of Education
Jackson, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the State Committee for School District Audits in the Kentucky Public School Districts Audit Contract Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jackson Independent School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Jackson Independent School District's basic financial statements, and have issued our report thereon dated November 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jackson Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson Independent School District'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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Jackson Independent School District, in a separate letter dated November 15, 2022. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Kentucky Public School District's Audit Contract and Requirements – State Compliance Requirements.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "Chris Gooch".

Chris Gooch
Certified Public Accountant

Hazard, Kentucky

November 15, 2022

Chris Gooch
Certified Public Accountant
P.O. Box 1536
Hazard, Kentucky 41702
(606) 436-5700 FAX:(606) 436-5701
chrisgooch@chrisgoochcpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To Board Members
Jackson Independent School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Jackson Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jackson Independent School District's major federal programs for the year ended June 30, 2022. Jackson Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Jackson Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Jackson Independent School District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Jackson Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Jackson Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Jackson Independent School District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on

compliance about Jackson Independent School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Jackson Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Jackson Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Jackson Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Chris Gooch
Certified Public Accountant

JACKSON INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2022

- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -

None

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS -

None

JACKSON INDEPENDENT SCHOOL DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTSFor the Year Ended June 30, 2022- SUMMARY OF AUDIT RESULTS -

1. We have issued an unmodified opinion on the financial statements.
2. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit in internal control over major programs.
5. We have issued an unmodified opinion on compliance for major programs.
6. The audit did not disclose any audit findings which we are required to report under section 200.516 of Title 2 U.S. Code of Federal Regulations Part 200.
7. Jackson Independent School District had the following major program:
 - U.S. Department of Education
 - Passed through State Department of Education-
 - Special Education Cluster
 - Special Education Grants to States 84.027
 - Special Education Preschool Grants 84.173

 - Education Stabilization Fund Under the Coronavirus
 - Aid, Relief, And Economic Security Act 84.425
8. The dollar threshold used to distinguish between major and non-major programs was \$750,000.
9. The auditee did not qualify as a low-risk auditee under section 200.520 of Title 2 U.S. Code of Federal Regulations Part 200.

Findings Related to the Financial Statements

- NONE -

Findings and Questioned Costs for Federal Awards

- NONE -

Chris Gooch
Certified Public Accountant
P.O. Box 1536
Hazard, Kentucky 41702
(606) 436-5700 FAX:(606) 436-5701
chrisgooch@chrisgoochcpa.com

Jackson Independent Board of Education
Jackson, Kentucky

In planning and performing our audit of the financial statements of Jackson Independent School District for the year ended June 30, 2022, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operation efficiency. The memorandum that accompanies this letter summarized our comments and suggestions regarding those matters. A separate report dated November 15, 2022, contains our report on the District's internal control structure. This letter does not affect our report dated November 15, 2022 on the financial statements of the Jackson Independent School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

A handwritten signature in blue ink that reads "Chris Gooch". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Chris Gooch
Certified Public Accountant

Hazard, Kentucky

November 15, 2022

JACKSON INDEPENDENT SCHOOL DISTRICTMANAGEMENT LETTER COMMENTSFor the Year Ended June 30, 2022**Prior Year Comments**

1. An employee fee scale reflected 10-year experience per contract was not in alignment with the amount paid.

Management response:

The District agreed and made corrections for reimbursement to the employee.

2. Sales tax is charged and remitted to Jackson Municipal Water. The District should provide documents indicating its tax-exempt status as a school district.

Management response:

Management submitted documentation to the municipality indicating its tax-exempt status.

3. Local withholding for employees should be based on gross payroll prior to tax-free deductions.

Management response:

Management agrees and will adjust its payroll withholding accordingly, where applicable.

Current Year Comments

None