

City of Jackson

Jackson County

Regular Audit

January 1, 2005 through December 31, 2005

Fiscal Year Audited Under GAGAS: 2005

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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Mary Taylor, CPA  
Auditor of State

Members of City Council  
City of Jackson  
145 Broadway Street  
Jackson, Ohio 45640

We have reviewed the *Independent Auditor's Report* of the City of Jackson, Jackson County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 28, 2007

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**City of Jackosn**  
*Basic Financial Statements*  
For the Fiscal Year Ended December 31, 2005

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# BALESTRA, HARR & SCHERER CPAs, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

City of Jackson  
Jackson County  
145 Broadway Street  
Jackson, Ohio 45640

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Ohio, (the "City"), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

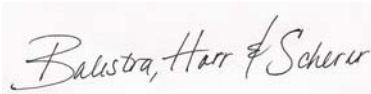
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Ohio, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of Jackson  
Jackson County  
Independent Auditor's Report  
Page 2

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 3 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer CPAs, Inc.  
December 1, 2006



**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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The discussion and analysis of the City of Jackson's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- The City's total net assets increased by 10.95 percent, or \$3,091,352, from the total net assets at the beginning of the year 2005.
- At the end of the current year, the City's governmental activities reported total net assets of \$11,860,791, an increase of \$1,549,588 from the prior year.
- At the end of the current year, unreserved fund balance for the General Fund was \$2,354,685, which represents a \$1,296,810 increase from the prior year, mostly due to the implementation of cost allocation and right-of-way programs.
- Capital assets increased \$1,419,493. Capital assets from governmental activities increased \$105,537 or 1.3 percent. Capital assets of business-type activities increased \$1,313,956 or 9.09 percent.

**Using this Annual Financial Report**

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

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

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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***Reporting the City of Jackson as a Whole***

**Statement of Net Assets and Statement of Activities**

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as the condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

Governmental Activities – Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our Water, Sewer, Electric, Railroad, and Garbage Funds.

Business-Type Activities – Water and sewer services have charges based upon the amount of usage. The City charges fees to recoup the cost of the entire operations of our Electric, Water and Sewer Treatment Plants as well as all capital expenses associated with the facilities. Garbage collection services have charges based upon set rates. The City attempts to set fees that cover the costs of providing the service. Railroad charges are based on a contract with the Great Miami Railroad.

***Reporting the City of Jackson's Most Significant Funds***

***Fund Financial Statements***

Fund financial statements begin on page 14. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Jackson, our major funds are the General, Water, Sewer, Garbage, Electric, and Railroad Funds.

***Governmental Funds*** Governmental funds focus on how money flows into and out of those funds and the balances left at year end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
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**Proprietary Funds** When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**The City of Jackson as a Whole**

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2005 compared to 2004.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current and Other Assets	\$5,778,198	\$4,390,126	\$15,849,724	\$16,742,715	\$21,627,922	\$21,132,841
Investment in Joint Venture	0	0	662,734	617,261	662,734	617,261
Capital Assets, Net	8,208,911	8,103,374	15,763,398	14,449,442	23,972,309	22,552,816
<i>Total Assets</i>	<i>13,987,109</i>	<i>12,493,500</i>	<i>32,275,856</i>	<i>31,809,418</i>	<i>46,262,965</i>	<i>44,302,918</i>
<b>Liabilities</b>						
Current and Other Liabilities	892,442	1,066,772	637,220	4,237,662	1,529,662	5,304,434
Noncurrent Liabilities	1,233,876	1,115,525	6,043,912	3,518,796	7,277,788	4,634,321
<i>Total Liabilities</i>	<i>2,126,318</i>	<i>2,182,297</i>	<i>6,681,132</i>	<i>7,756,458</i>	<i>8,807,450</i>	<i>9,938,755</i>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	7,585,251	7,613,391	10,156,420	8,317,224	17,741,671	15,930,615
Restricted	2,130,500	1,973,250	382,691	291,502	2,513,191	2,264,752
Unrestricted	2,145,040	724,562	15,055,613	15,444,234	17,200,653	16,168,796
<i>Total Net Assets</i>	<i>\$11,860,791</i>	<i>\$10,311,203</i>	<i>\$25,594,724</i>	<i>\$24,052,960</i>	<i>\$37,455,515</i>	<i>\$34,364,163</i>

Total assets increased \$1,960,047. Governmental activities' capital assets increased \$105,537. The increase in capital assets for governmental activities is due to the purchase of land, and construction in progress, offset by depreciation. The increase in capital assets for business-type activities in the amount of \$1,313,956 is due to asset acquisitions and construction in progress, offset by depreciation and deletions.

Current and other assets of the City's governmental activities increased \$1,388,072 and net assets increased \$1,549,588, mostly due to the implementation of the City's right of way and cost allocation plans. There is a comparable decrease in current and net assets of the City's business-type activities, for the same reason.

There was a decrease in current and other liabilities for business-type activities of \$3,600,442 due to decreases in accounts payable and short-term note payments made in 2005.

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

Table 2 shows the changes in net assets for the year ended December 31, 2005, and comparisons to fiscal year 2004.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities 2005	Business- Type Activities 2005	Total 2005	Governmental Activities 2004	Business- Type Activities 2004	Total 2004
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$382,506	\$18,979,672	\$19,362,178	\$1,245,226	\$16,524,562	\$17,769,788
Operating Grants and Contributions	891,030	50,000	941,030	593,640	380,967	974,607
Capital Grants and Contributions	0	0	0	935,108	0	935,108
<i>Total Program Revenues</i>	<u>1,273,536</u>	<u>19,029,672</u>	<u>20,303,208</u>	<u>2,773,974</u>	<u>16,905,529</u>	<u>19,679,503</u>
General Revenues:						
Property Taxes	1,483,290	0	1,483,290	1,426,691	0	1,426,691
Right of Way	1,856,776	0	1,856,776	0	0	0
Gain on Sale of Capital Assets	0	109,784	109,784	11,658	0	11,658
Grants and Entitlements	570,659	0	570,659	641,507	1,950	643,457
Investment Earnings	477,154	13,206	490,360	236,335	16,016	252,351
Miscellaneous	108,535	290,018	398,553	32,279	1,038,951	1,071,230
Total General Revenues	<u>4,496,414</u>	<u>413,008</u>	<u>4,909,422</u>	<u>2,348,470</u>	<u>1,056,917</u>	<u>3,405,387</u>
<i>Total Revenues</i>	<u>5,769,950</u>	<u>19,442,680</u>	<u>25,212,630</u>	<u>5,122,444</u>	<u>17,962,446</u>	<u>23,084,890</u>
<b>Program Expenses</b>						
General Government	519,437	0	519,437	1,821,698	0	1,821,698
Security of Persons and Property	1,934,582	0	1,934,582	1,795,572	0	1,795,572
Transportation	900,570	0	900,570	712,750	0	712,750
Leisure Time Activities	218,171	0	218,171	125,970	0	125,970
Public Health Services	217,840	0	217,840	389,111	0	389,111
Community Environment	349,306	0	349,306	497,056	0	497,056
Interest and Fiscal Charges	14,675	0	14,675	37,857	0	37,857
Water	0	2,469,527	2,469,527	0	1,787,754	1,787,754
Sewer	0	2,450,477	2,450,477	0	2,134,951	2,134,951
Garbage	0	532,293	532,293	0	553,721	553,721
Electric	0	12,464,824	12,464,824	0	10,582,570	10,582,570
Railroad	0	49,576	49,576	0	56,186	56,186
<i>Total Program Expenses</i>	<u>4,154,581</u>	<u>17,966,697</u>	<u>22,121,278</u>	<u>5,380,014</u>	<u>15,115,182</u>	<u>20,495,196</u>
Increase (Decrease) in Net Assets						
before transfers	1,615,369	1,475,983	3,091,352	(257,570)	2,847,264	2,589,694
Transfers	(65,781)	65,781	0	2,817,000	(2,817,000)	0
Increase in Net Assets	<u>1,549,588</u>	<u>1,541,764</u>	<u>3,091,352</u>	<u>2,559,430</u>	<u>30,264</u>	<u>2,589,694</u>
Net Assets Beginning of Year	<u>10,311,203</u>	<u>24,052,960</u>	<u>34,364,163</u>	<u>7,751,773</u>	<u>24,022,696</u>	<u>31,774,469</u>
Net Assets End of Year	<u>\$11,860,791</u>	<u>\$25,594,724</u>	<u>\$37,455,515</u>	<u>\$10,311,203</u>	<u>\$24,052,960</u>	<u>\$34,364,163</u>

**Governmental Activities**

Grants and contributions accounted for 15.4 percent of total governmental revenues. Tax revenue provided 25.7 percent of total governmental revenues, all generated from property and other local taxes. The City's right of way plan accounted for 32.2 percent of total governmental revenues. These revenue sources comprise the largest components of City revenues. Property and other local taxes, grants,

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

entitlements, and contributions, and the right of way revenue combined together, provided 67.58 percent of the City's total governmental revenues.

The City received \$382,656, or 6.6 percent, of total governmental revenues, in charges for services. These direct charges to citizens include recreation fees, court fines and forfeitures, police security services, and licenses and permits.

The City's security of persons and property activities accounted for \$1,934,582, or 46.6 percent, of total expenses. Transportation activities utilized \$900,570, or 21.7 percent, of total expenses.

The following table presents the total expenses and net cost of each of the City's governmental program activities. The net cost (total program activity expenses less revenues generated by the program) represents the financial burden that was placed on the City's taxpayers by each of these program activities. Costs not covered by program revenues are essentially funded with the City's general revenues, which are primarily composed of property taxes, intergovernmental revenues, and unrestricted interest earnings.

**Table 3**  
**Program Expenses and Net Costs of Governmental Activities, by Program**  
**For the Year Ended December 31, 2005**

	Program Activity Expenses <u>2005</u>	Net Cost of Program Activity <u>2005</u>	Program Activity Expenses <u>2004</u>	Net Cost of Program Activity <u>2004</u>
General Government	\$519,437	\$401,588	\$1,821,698	\$103,903
Security of Persons and Property	1,934,582	1,595,160	1,795,572	1,571,840
Transportation	900,570	711,062	712,750	386,252
Leisure Time Activities	218,171	56,320	125,970	41,982
Public Health Services	217,840	122,934	389,111	323,331
Community Environment	349,306	(20,694)	497,056	140,875
Interest and Fiscal Charges	<u>14,675</u>	<u>14,675</u>	<u>37,857</u>	<u>37,857</u>
Totals	<u>\$4,154,581</u>	<u>\$2,881,045</u>	<u>\$5,380,014</u>	<u>\$2,606,040</u>

***Business-Type Activities***

The City's business-type activities are for water, sewer, electric, railroad, and garbage services. During 2005, program revenues exceeded expenses by \$1,062,975.

The minimum water rate is \$7.10 per thousand gallons of water for customers within the City limits and \$8.53 per thousand gallons of water for those living outside the City limits. Sewer fees are calculated on the amount of water used. The minimum sewer rate is \$6.51 per month. Garbage fees are assessed at a flat rate of \$7.50 per month for senior citizens and \$10.50 per month for others. Fees for electrical service are also based on usage. The minimum rate is \$3.31 for 0-20 kwh.

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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**The City's Funds**

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

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

***General Fund***

The General Fund is the primary operating fund of the City. At the end of 2005, fund balance was \$2,386,309.

The fund balance of the City's General Fund increased by \$1,296,810 during the current fiscal year. The key factor in this increase is the implementation of the City's cost allocation and right of way plans.

***Enterprise Funds***

The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's major enterprise funds are the Water Fund, the Sewer Fund, the Electric Fund, the Railroad Fund, and the Garbage Fund. The Water Fund's net assets decreased \$451,054, the Sewer Fund's net assets increased \$697,716, the Garbage Fund's net assets increased \$41,658, the Electric Fund's net assets increased \$1,158,109, and the Railroad Fund's net assets decreased \$17,281.

**General Fund Budgetary Highlights**

The City made few revisions to the original appropriations approved by City Council. Overall, these changes resulted in an increase from the original budget of \$367,973.

The General Fund budgeted revenue increased \$1,884,960 and was primarily due to the implementation of cost allocation and right-of-way programs after the beginning of the year.

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
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**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2005, the City had \$23,972,309 invested in capital assets, net of accumulated depreciation. Table 4 shows fiscal year 2005 balances compared to 2004.

**Table 4**  
**Capital Assets at December 31, 2005 with comparative as of December 31, 2004**  
**(Net of Depreciation)**

	Government Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	\$1,238,316	\$1,183,754	\$2,922,332	\$2,926,722	\$4,160,648	\$4,110,476
Land Improvements	77,701	82,014	27,331	28,256	105,032	110,270
Buildings	1,551,828	1,470,934	579,432	578,190	2,131,260	2,049,124
Equipment	360,684	357,053	884,973	788,507	1,245,657	1,145,560
Infrastructure	4,304,586	4,400,623	9,826,392	9,185,077	14,130,978	13,585,700
Vehicles	585,597	605,560	1,029,350	673,390	1,614,947	1,278,950
Construction in Progress	90,199	3,436	493,588	269,300	583,787	272,736
<b>Totals</b>	<b>\$8,208,911</b>	<b>\$8,103,374</b>	<b>\$15,763,398</b>	<b>\$14,449,442</b>	<b>\$23,972,309</b>	<b>\$22,552,816</b>

For additional information on capital assets, see Note 8 to the basic financial statements.

The total increase in the City's capital assets, net of accumulated depreciation, for the current year was \$1,419,493 or 5.9 percent.

***Debt***

As of December 31, 2005 and December 31, 2004, the City had total debt of \$6,230,638 and \$6,622,201, respectively, as follows:

**Table 5**  
**Outstanding Debt**  
**As of December 31, 2005, with comparative for December 31, 2004**

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Mortgage Revenue Bonds	\$0	\$0	\$1,955,000	\$2,055,000	\$1,955,000	\$2,055,000
Notes Payable	623,660	489,983	3,651,978	4,077,218	4,275,638	4,567,201
<b>Totals</b>	<b>\$623,660</b>	<b>\$489,983</b>	<b>\$5,606,978</b>	<b>\$6,132,218</b>	<b>\$6,230,638</b>	<b>\$6,622,201</b>

The City's overall legal debt margin was \$14,471,969. For additional information on debt, see Notes 13 and 14 to the basic financial statements.

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
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***Economic Factors***

- The City's largest water customer, Jackson County, has established its own water facility, which will result in an estimated 25 percent decrease in Water Fund revenue.

**Requests for Information**

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



**City of Jackson, Ohio**  
*Statement of Net Assets*  
*December 31, 2005*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,954,098	\$13,022,526	\$16,976,624
Accounts Receivable	23,969	1,351,623	1,375,592
Accrued Interest Receivable	85,634	117	85,751
Intergovernmental Receivable	662,284	0	662,284
Internal Balances	214,948	(214,948)	0
Property and Other Taxes Receivable	724,054	0	724,054
Loans Receivable	7,954	0	7,954
Materials and Supplies Inventory	42,669	876,233	918,902
Prepaid Items	52,469	62,613	115,082
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	10,119	398,197	408,316
Customer Deposits	0	302,252	302,252
Deferred Charges	0	51,111	51,111
Investment in Joint Venture	0	662,734	662,734
Non-Depreciable Capital Assets	1,328,515	3,415,920	4,744,435
Depreciable Capital Assets, Net	6,880,396	12,347,478	19,227,874
<i>Total Assets</i>	<u>13,987,109</u>	<u>32,275,856</u>	<u>46,262,965</u>
<b>Liabilities</b>			
Accounts Payable	27,758	175,103	202,861
Accrued Wages and Benefits Payable	50,098	52,589	102,687
Intergovernmental Payable	121,057	75,467	196,524
Accrued Interest Payable	7,031	15,506	22,537
Contracts Payable	5,131	5,182	10,313
Claims Payable	0	11,121	11,121
Deferred Revenue	630,299	0	630,299
Notes Payable	51,068	0	51,068
Customer Deposits Payable	0	302,252	302,252
Long-Term Liabilities:			
Due Within One Year	220,958	3,147,479	3,368,437
Due In More Than One Year	1,012,918	2,896,433	3,909,351
<i>Total Liabilities</i>	<u>2,126,318</u>	<u>6,681,132</u>	<u>8,807,450</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	7,585,251	10,156,420	17,741,671
Restricted for:			
Debt Service	0	382,691	382,691
Street	176,380	0	176,380
Cemetery	332,756	0	332,756
Police	60,623	0	60,623
Fire	81,587	0	81,587
Community Development	481,473	0	481,473
Recreation	366,603	0	366,603
Other Purposes	172,090	0	172,090
Capital Projects	20,690	0	20,690
Cemetery Endowment:			
Expendable Portion	91	0	91
Nonexpendable Portion	438,207	0	438,207
Unrestricted	2,145,040	15,055,613	17,200,653
<i>Total Net Assets</i>	<u>\$11,860,791</u>	<u>\$25,594,724</u>	<u>\$37,455,515</u>

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2005

	Expenses	Indirect Expense Allocation	Program Revenues	
			Charges for Services	Operating Grants, Contributions, and Interest
<b>Governmental Activities</b>				
General Government	\$1,093,500	(\$574,063)	\$80,849	\$37,000
Security of Persons and Property	1,934,582	0	188,775	150,647
Transportation	900,570	0	3,525	185,983
Leisure Time Activities	217,946	225	29,692	132,159
Public Health Services	217,840	0	79,665	15,241
Community Environment	375,291	(25,985)	0	370,000
Interest and Fiscal Charges	14,675	0	0	0
<i>Total Governmental Activities</i>	<u>4,754,404</u>	<u>(599,823)</u>	<u>382,506</u>	<u>891,030</u>
<b>Business-Type Activities</b>				
Water	2,279,250	190,277	2,033,411	0
Sewer	2,242,998	207,479	2,977,446	50,000
Garbage	532,293	0	517,573	0
Electric	12,262,757	202,067	13,420,297	0
Railroad	49,576	0	30,945	0
<i>Total Business-Type Activities</i>	<u>17,366,874</u>	<u>599,823</u>	<u>18,979,672</u>	<u>50,000</u>
<i>Total</i>	<u>\$22,121,278</u>	<u>\$0</u>	<u>\$19,362,178</u>	<u>\$941,030</u>

**General Revenues**

Property and Other Taxes Levied for:

General Purposes

Cemetery

Fire Protection

Right of Way

Gain on Sale of Capital Assets

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Assets

*Net Assets Beginning of Year - Restated (See Note 3)*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and  
Change in Net Assets

Governmental Activities	Business - Type Activities	Total
(\$401,588)	\$0	(\$401,588)
(1,595,160)	0	(1,595,160)
(711,062)	0	(711,062)
(56,320)	0	(56,320)
(122,934)	0	(122,934)
20,694	0	20,694
(14,675)	0	(14,675)
<u>(2,881,045)</u>	<u>0</u>	<u>(2,881,045)</u>
0	(436,116)	(436,116)
0	576,969	576,969
0	(14,720)	(14,720)
0	955,473	955,473
0	(18,631)	(18,631)
<u>0</u>	<u>1,062,975</u>	<u>1,062,975</u>
<u>(2,881,045)</u>	<u>1,062,975</u>	<u>(1,818,070)</u>
1,138,350	0	1,138,350
157,115	0	157,115
187,825	0	187,825
1,856,776	0	1,856,776
0	109,784	109,784
570,659	0	570,659
477,154	13,206	490,360
108,535	290,018	398,553
<u>4,496,414</u>	<u>413,008</u>	<u>4,909,422</u>
<u>(65,781)</u>	<u>65,781</u>	<u>0</u>
<u>4,430,633</u>	<u>478,789</u>	<u>4,909,422</u>
1,549,588	1,541,764	3,091,352
<u>10,311,203</u>	<u>24,052,960</u>	<u>34,364,163</u>
<u>\$11,860,791</u>	<u>\$25,594,724</u>	<u>\$37,455,515</u>

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2005*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,946,874	\$2,007,224	\$3,954,098
Receivables:			
Interfund	375,840	0	375,840
Intergovernmental	61,188	601,096	662,284
Property and Other Taxes	374,498	349,556	724,054
Accounts	5,583	18,386	23,969
Accrued Interest	79,764	5,870	85,634
Loans	0	7,954	7,954
Due from Other Funds	54,723	0	54,723
Materials and Supplies Inventory	5,934	36,735	42,669
Prepaid Items	39,822	12,647	52,469
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	10,119	0	10,119
<i>Total Assets</i>	<u>\$2,954,345</u>	<u>\$3,039,468</u>	<u>\$5,993,813</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$17,169	\$10,589	\$27,758
Accrued Wages and Benefits Payable	38,526	11,572	50,098
Intergovernmental Payable	91,989	29,068	121,057
Contracts Payable	5,131	0	5,131
Deferred Revenue	391,687	471,430	863,117
Notes Payable	23,534	27,534	51,068
Interfund Payable	0	373,340	373,340
<i>Total Liabilities</i>	<u>568,036</u>	<u>923,533</u>	<u>1,491,569</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	21,505	388,466	409,971
Reserved for Endowments	0	438,207	438,207
Reserved for Unclaimed Monies	10,119	0	10,119
Reserved for Loans Receivable	0	7,954	7,954
Unreserved, Undesignated, Reported in:			
General Fund	2,354,685	0	2,354,685
Special Revenue Funds	0	1,268,860	1,268,860
Capital Projects Funds	0	12,357	12,357
Permanent Funds	0	91	91
<i>Total Fund Balance</i>	<u>2,386,309</u>	<u>2,115,935</u>	<u>4,502,244</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,954,345</u>	<u>\$3,039,468</u>	<u>\$5,993,813</u>

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2005*

**Total Governmental Fund Balances** \$4,502,244

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

Capital Assets used in governmental activities are not  
 financial resources and therefore are not reported in the funds. 8,208,911

Other long-term assets are not available to pay for current-period  
 expenditures and therefore are deferred in the funds:

Property Taxes	63,631	
Intergovernmental Revenues	169,187	
Total		232,818

An internal service fund is used by management to charge the costs  
 of insurance to individual funds. The assets and liabilities of the  
 internal service fund are included in governmental activities in the  
 statement of net assets. 157,725

Some liabilities are not due and payable in the current  
 period and therefore are not reported in the funds:

Compensated Absences Payable	(427,388)	
Accrued Interest Payable	(7,031)	
Early Retirement Incentive Payable	(195,551)	
Police and Fire Pension Payable	(38,345)	
Long-Term Notes Payable	(572,592)	
Total		(1,240,907)

**Net Assets of Governmental Activities** \$11,860,791

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005*

	General	Other Governmental Funds	Totals Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues</b>			
Property and Other Taxes	\$1,070,188	\$406,083	\$1,476,271
Intergovernmental	331,145	1,144,863	1,476,008
Charges for Services	2,480,977	109,357	2,590,334
Fines and Forfeitures	102,159	6,607	108,766
Licenses and Permits	84,096	0	84,096
Investment Earnings	446,368	30,786	477,154
Contributions and Donations	0	69,124	69,124
Other	56,856	122,813	179,669
	<u>4,571,789</u>	<u>1,889,633</u>	<u>6,461,422</u>
<i>Total Revenues</i>			
<b>Expenditures</b>			
Current:			
General Government	1,069,429	1,162	1,070,591
Security of Persons and Property	1,653,339	298,158	1,951,497
Transportation	103,167	774,564	877,731
Leisure Time Activities	0	227,861	227,861
Public Health Services	0	270,101	270,101
Community Environment	0	375,291	375,291
Capital Outlay	0	215,199	215,199
Debt Service:			
Principal Retirement	23,534	29,978	53,512
Interest and Fiscal Charges	4,750	6,721	11,471
Current Refunding	23,534	27,534	51,068
	<u>2,877,753</u>	<u>2,226,569</u>	<u>5,104,322</u>
<i>Total Expenditures</i>			
<i>Excess of Revenues Over (Under) Expenditures</i>			
	<u>1,694,036</u>	<u>(336,936)</u>	<u>1,357,100</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	15,925	1,988	17,913
Proceeds of Notes	37,189	225,000	262,189
Transfers In	0	401,046	401,046
Transfers Out	(450,340)	(16,487)	(466,827)
	<u>(397,226)</u>	<u>611,547</u>	<u>214,321</u>
<i>Total Other Financing Sources (Uses)</i>			
<i>Net Change in Fund Balances</i>			
	1,296,810	274,611	1,571,421
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>			
	<u>1,089,499</u>	<u>1,841,324</u>	<u>2,930,823</u>
<i>Fund Balances End of Year</i>			
	<u><u>\$2,386,309</u></u>	<u><u>\$2,115,935</u></u>	<u><u>\$4,502,244</u></u>

See accompanying notes to the general purpose financial statements

**City of Jackson, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2005*

**Net Change in Fund Balances - Total Governmental Funds** \$1,571,421

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Asset Additions	473,992	
Depreciation Expense	<u>(334,526)</u>	139,466

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (33,929)

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

Grants	(98,443)	
Delinquent Taxes	<u>7,019</u>	(91,424)

The internal service fund used by management to charge the cost of insurance deductible reimbursements to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year. 85,609

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 105,771

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. (3,204)

Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. (262,189)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Special Termination Benefits Payable	97,330	
Compensated Absences Payable	<u>(59,263)</u>	<u>38,067</u>

*Change in Net Assets of Governmental Activities* \$1,549,588

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property and Other Taxes	\$1,046,649	\$1,046,649	\$1,066,251	\$19,602
Intergovernmental	239,676	300,499	341,343	40,844
Charges for Services	700,000	2,513,776	2,480,977	(32,799)
Fines and Forfeitures	102,945	102,945	101,469	(1,476)
Licenses and Permits	87,236	87,236	84,096	(3,140)
Investment Earnings	202,431	212,792	386,132	173,340
Other	39,265	39,265	57,094	17,829
<i>Total Revenues</i>	<u>2,418,202</u>	<u>4,303,162</u>	<u>4,517,362</u>	<u>214,200</u>
<b>Expenditures</b>				
Current:				
General Government	1,022,436	1,133,547	1,065,318	68,229
Security of Persons and Property	1,543,051	1,669,079	1,647,845	21,234
Transportation	99,423	104,417	103,427	990
Debt Service:				
Principal Retirement	24,184	148,640	148,129	511
Interest and Fiscal Charges	3,460	4,844	4,750	94
<i>Total Expenditures</i>	<u>2,692,554</u>	<u>3,060,527</u>	<u>2,969,469</u>	<u>91,058</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(274,352)</u>	<u>1,242,635</u>	<u>1,547,893</u>	<u>305,258</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	3,425	3,425	15,925	12,500
Proceeds of Notes	0	161,784	161,784	0
Advances Out	0	(375,840)	(375,840)	0
Transfers Out	(422,242)	(450,340)	(450,340)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(422,242)</u>	<u>(664,396)</u>	<u>(648,471)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(696,594)	578,239	899,422	305,258
<i>Fund Balance Beginning of Year</i>	994,515	994,515	994,515	0
Prior Year Encumbrances Appropriated	<u>40,948</u>	<u>40,948</u>	<u>40,948</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$338,869</u></u>	<u><u>\$1,613,702</u></u>	<u><u>\$1,934,885</u></u>	<u><u>\$305,258</u></u>

See accompanying notes to the basic financial statements



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**City of Jackson, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2005*

	Water	Sewer	Garbage	Electric	Railroad
<b>Assets</b>					
Current:					
Equity in Pooled Cash and Cash Equivalents	\$2,544,503	\$5,723,358	\$126,139	\$4,259,879	\$289
Accounts Receivable	220,207	342,196	38,262	750,958	0
Accrued Interest Receivable	23	0	0	94	0
Materials and Supplies Inventory	166,600	36,391	167	673,075	0
Prepaid Items	23,330	13,262	5,115	20,851	55
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	244,033	145,753	0	8,411	0
Customer Deposits	49,913	45,842	13,482	193,015	0
<i>Total Current Assets</i>	<u>3,248,609</u>	<u>6,306,802</u>	<u>183,165</u>	<u>5,906,283</u>	<u>344</u>
Noncurrent:					
Deferred Charges	51,111	0	0	0	0
Non-Depreciable Capital Assets	1,272,311	499,727	0	0	1,643,882
Depreciable Capital Assets, Net	3,324,652	3,362,096	332,331	3,753,815	1,574,584
Investment in Joint Venture	0	0	0	662,734	0
<i>Total Noncurrent Assets</i>	<u>4,648,074</u>	<u>3,861,823</u>	<u>332,331</u>	<u>4,416,549</u>	<u>3,218,466</u>
<i>Total Assets</i>	<u>7,896,683</u>	<u>10,168,625</u>	<u>515,496</u>	<u>10,322,832</u>	<u>3,218,810</u>
<b>Liabilities</b>					
Current:					
Accrued Wages and Benefits Payable	12,697	17,725	3,638	18,529	0
Intergovernmental Payable	19,378	21,726	7,138	27,225	0
Accounts Payable	17,489	27,225	24,945	105,444	0
Contracts Payable	0	5,182	0	0	0
Interfund Payable	0	0	0	0	2,500
Due to Other Funds	0	0	0	54,723	0
Accrued Interest Payable	8,593	0	0	6,913	0
Claims Payable	0	0	0	0	0
Notes Payable	18,848	34,206	21,938	0	58,476
Early Retirement Incentive Payable	24,501	0	0	1,946	0
Compensated Absences Payable	33,955	44,417	7,404	31,788	0
Revenue Bonds Payable	105,000	0	0	0	0
<i>Total Current Liabilities</i>	<u>240,461</u>	<u>150,481</u>	<u>65,063</u>	<u>246,568</u>	<u>60,976</u>
Long-Term:					
Customer Deposits Payable	49,913	45,842	13,482	193,015	0
Notes Payable	242,282	458,976	52,252	2,765,000	0
Revenue Bonds Payable	1,850,000	0	0	0	0
Early Retirement Incentive Payable	56,305	0	0	0	0
Compensated Absences Payable	81,579	100,417	17,833	36,789	0
<i>Total Long-Term Liabilities</i>	<u>2,280,079</u>	<u>605,235</u>	<u>83,567</u>	<u>2,994,804</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,520,540</u>	<u>755,716</u>	<u>148,630</u>	<u>3,241,372</u>	<u>60,976</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	2,380,833	3,368,641	258,141	988,815	3,159,990
Restricted for Debt Service	235,440	145,753	0	1,498	0
Unrestricted (Deficit)	2,759,870	5,898,515	108,725	6,091,147	(2,156)
<i>Total Net Assets</i>	<u>\$5,376,143</u>	<u>\$9,412,909</u>	<u>\$366,866</u>	<u>\$7,081,460</u>	<u>\$3,157,834</u>

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

Net assets of the Internal Service Fund  
Amount owed to governmental activities  
Net assets of business-type activities

See accompanying notes to the basic financial statements

Total Enterprise Funds	Business-Type Activity- Internal Service Fund
\$12,654,168	\$368,358
1,351,623	0
117	0
876,233	0
62,613	0
398,197	0
302,252	0
<u>15,645,203</u>	<u>368,358</u>
51,111	0
3,415,920	0
12,347,478	0
662,734	0
<u>16,477,243</u>	<u>0</u>
<u>32,122,446</u>	<u>368,358</u>
52,589	0
75,467	0
175,103	0
5,182	0
2,500	0
54,723	0
15,506	0
0	11,121
133,468	0
26,447	0
117,564	0
105,000	0
<u>763,549</u>	<u>11,121</u>
302,252	0
3,518,510	0
1,850,000	0
56,305	0
236,618	0
<u>5,963,685</u>	<u>0</u>
<u>6,727,234</u>	<u>11,121</u>
10,156,420	0
382,691	
14,856,101	357,237
	<u>\$357,237</u>
357,237	
(157,725)	
<u>\$25,594,724</u>	

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2005*

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>
<b>Operating Revenues</b>			
Charges for Services	\$2,033,411	\$2,977,446	\$517,573
Other	<u>6,697</u>	<u>147,246</u>	<u>1,858</u>
<i>Total Operating Revenues</i>	<u>2,040,108</u>	<u>3,124,692</u>	<u>519,431</u>
<b>Operating Expenses</b>			
Personal Services	515,360	626,136	174,016
Fringe Benefits	243,309	281,496	90,515
Contractual Services	180,395	192,340	119,169
Materials and Supplies	150,665	76,843	50,029
Utilities	104,190	466,616	16,326
Depreciation	194,337	201,452	44,437
Other	<u>950,787</u>	<u>638,522</u>	<u>22,949</u>
<i>Total Operating Expenses</i>	<u>2,339,043</u>	<u>2,483,405</u>	<u>517,441</u>
<i>Operating Income (Loss)</i>	<u>(298,935)</u>	<u>641,287</u>	<u>1,990</u>
<b>Non-Operating Revenues (Expenses)</b>			
Investment in Joint Venture	0	0	0
Gain on Disposal of Capital Assets	0	7,062	0
Loss on Disposal of Capital Assets	(39,756)	(857)	(23,930)
Grants	0	50,000	0
Investment Earnings	12,150	224	0
Interest and Fiscal Charges	<u>(124,513)</u>	<u>0</u>	<u>(2,183)</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(152,119)</u>	<u>56,429</u>	<u>(26,113)</u>
<i>Income (Loss) Before Transfers</i>	<u>(451,054)</u>	<u>697,716</u>	<u>(24,123)</u>
Transfers In	<u>0</u>	<u>0</u>	<u>65,781</u>
<i>Change in Net Assets</i>	<u>(451,054)</u>	<u>697,716</u>	<u>41,658</u>
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>5,827,197</u>	<u>8,715,193</u>	<u>325,208</u>
<i>Net Assets End of Year</i>	<u><u>\$5,376,143</u></u>	<u><u>\$9,412,909</u></u>	<u><u>\$366,866</u></u>

Some amounts reported for business-type activities in the statement of activities are different because the net expense of the internal service fund is reported with business-type activities.

Change in net assets of  
business-type activities

See accompanying notes to the basic financial statements

Electric	Railroad	Total Enterprise Funds	Business-Type Activity- Internal Service Fund
\$13,374,824	\$30,945	\$18,934,199	\$256,582
132,867	1,350	290,018	0
<u>13,507,691</u>	<u>32,295</u>	<u>19,224,217</u>	<u>256,582</u>
734,932	0	2,050,444	0
358,318	0	973,638	58,357
9,401,009	4,021	9,896,934	0
285,106	15	562,658	0
15,663	0	602,795	0
140,031	40,979	621,236	0
1,462,212	179	3,074,649	0
<u>12,397,271</u>	<u>45,194</u>	<u>17,782,354</u>	<u>58,357</u>
<u>1,110,420</u>	<u>(12,899)</u>	<u>1,441,863</u>	<u>198,225</u>
45,473	0	45,473	0
102,722	0	109,784	0
(9,375)	0	(73,918)	0
0	0	50,000	0
832	0	13,206	0
(91,963)	(4,382)	(223,041)	0
<u>47,689</u>	<u>(4,382)</u>	<u>(78,496)</u>	<u>0</u>
1,158,109	(17,281)	1,363,367	198,225
<u>0</u>	<u>0</u>	<u>65,781</u>	<u>0</u>
1,158,109	(17,281)	1,429,148	198,225
<u>5,923,351</u>	<u>3,175,115</u>	<u>23,966,064</u>	<u>159,012</u>
<u>\$7,081,460</u>	<u>\$3,157,834</u>		<u>\$357,237</u>
		<u>112,616</u>	
		<u>\$1,541,764</u>	

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Year Ended December 31, 2005

	Water	Sewer	Garbage	Electric
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$2,060,524	\$2,995,819	\$558,664	\$14,053,111
Other Cash Receipts	6,697	147,246	1,858	133,358
Cash Payments for Employee Services and Benefits	(573,960)	(881,653)	(284,744)	(1,135,720)
Cash Payments for Goods and Services	(477,535)	(735,320)	(154,210)	(10,453,939)
Utility Deposits Received	34,455	30,935	11,945	130,050
Utility Deposits Returned	(24,800)	(21,460)	(7,919)	(104,035)
Other Operating Expenses	(1,180,057)	(791,568)	(30,868)	(1,460,085)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(154,676)</u>	<u>743,999</u>	<u>94,726</u>	<u>1,162,740</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Grants Received	300,000	50,000	0	0
Transfers In	0	0	65,781	0
Advances In	0	0	0	38,689
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>300,000</u>	<u>50,000</u>	<u>65,781</u>	<u>38,689</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from the Sale of Capital Assets	0	19,000	16,000	107,112
Proceeds from the Sale of Notes	0	0	90,145	2,765,000
Payments for Capital Acquisitions	(585,740)	(511,378)	(108,893)	(835,427)
Principal Paid on Revenue Bonds Payable	(100,000)	0	0	0
Principal Paid on Notes Payable	(18,848)	(34,206)	(15,955)	(3,150,000)
Interest Paid on Revenue Bonds Payable	(114,547)	0	0	0
Interest Paid on Notes Payable	0	0	(2,183)	(92,925)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(819,135)</u>	<u>(526,584)</u>	<u>(20,886)</u>	<u>(1,206,240)</u>
<b>Cash Flows from Investing Activities</b>				
Interest Income	12,127	224	0	782
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(661,684)	267,639	139,621	(4,029)
<i>Cash and Cash Equivalents Beginning of Year</i>	3,500,133	5,647,314	0	4,465,334
<i>Cash and Cash Equivalents End of Year</i>	<u>\$2,838,449</u>	<u>\$5,914,953</u>	<u>\$139,621</u>	<u>\$4,461,305</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating Income	(\$298,935)	\$641,287	\$1,990	\$1,110,420
Adjustments:				
Depreciation	194,337	201,452	44,437	140,031
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	27,113	(13,880)	41,091	678,778
(Increase) Decrease in Prepaid Items	(3,338)	3,428	414	(3,162)
(Increase) Decrease in Materials and Supplies Inventory	(41,771)	(21,286)	42	(309,878)
Increase (Decrease) in Accounts Payable	2,493	(107,802)	22,939	(444,383)
Increase (Decrease) in Accrued Wages and Benefits Payable	(3,313)	3,243	(2,387)	989
Increase in Contracts Payable	0	5,182	0	0
Increase in Claims Payable	0	0	0	0
Increase (Decrease) in Compensated Absences Payable	(5,535)	20,716	(19,921)	(19,369)
Increase in Due to Other Funds	0	0	0	6,368
Increase in Customer Deposits Payable	9,655	9,475	4,026	26,015
Decrease in Early Retirement Incentives	(38,675)	(4,238)	0	(32,622)
Increase in Intergovernmental Payable	3,293	6,422	2,095	9,553
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$154,676)</u>	<u>\$743,999</u>	<u>\$94,726</u>	<u>\$1,162,740</u>

See accompanying notes to the basic financial statements

Railroad	Total Enterprise Funds	Business-Type Activities - Internal Service Fund
\$30,945	\$19,699,063	\$256,582
1,350	290,509	0
0	(2,876,077)	(56,699)
(4,050)	(11,825,054)	0
0	207,385	0
0	(158,214)	0
(179)	(3,462,757)	0
<u>28,066</u>	<u>1,874,855</u>	<u>199,883</u>
0	350,000	0
0	65,781	0
2,500	41,189	0
<u>2,500</u>	<u>456,970</u>	<u>0</u>
0	142,112	0
0	2,855,145	0
0	(2,041,438)	0
0	(100,000)	0
(61,376)	(3,280,385)	0
0	(114,547)	0
(4,758)	(99,866)	0
<u>(66,134)</u>	<u>(2,638,979)</u>	<u>0</u>
0	13,133	0
(35,568)	(294,021)	199,883
35,857	13,648,638	168,475
<u>\$289</u>	<u>\$13,354,617</u>	<u>\$368,358</u>
(\$12,899)	\$1,441,863	\$198,225
40,979	621,236	0
0	733,102	0
(14)	(2,672)	0
0	(372,893)	0
0	(526,753)	0
0	(1,468)	0
0	5,182	0
0	0	1,658
0	(24,109)	0
0	6,368	0
0	49,171	0
0	(75,535)	0
0	21,363	0
<u>\$28,066</u>	<u>\$1,874,855</u>	<u>\$199,883</u>

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2005*

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$30,000</u>
	.
<b>Liabilities</b>	
Due to Others	<u>\$30,000</u>

See accompanying notes to the basic financial statements



**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 1 - REPORTING ENTITY**

The City of Jackson (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The City is operated under a statutory form of government and is a municipal corporation under the laws of the State of Ohio. The City operates under a Mayor/Council form of government. The City Serves as the County Seat.

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

**Reporting Entity**

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

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

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

The City's Electric Utility Enterprise Fund has entered into an ongoing joint venture agreement called the Ohio Municipal Electric Generation Agency Joint Venture (OMEGA JV5), with 41 other Ohio municipalities for the construction, installation, and operation of a 42 megawatt hydroelectric generator and related facilities at the Belleville Locks and Dam on the Ohio River. Additional information concerning this joint venture is presented in Note 17.

The City is also associated with an insurance purchasing pool, the Ohio Municipal League Workers' Compensation Group Rating Program. This organization is discussed in Note 18.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Jackson have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

**A. Basis of Presentation**

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the City. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Indirect expenses represent the cost allocation of allowable central service costs to benefiting enterprise utility funds. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited expectations. The comparison of direct and indirect expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

**B. Fund Accounting**

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Fund Accounting (continued)**

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

General Fund - This fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

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

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

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

Garbage Fund –To account for refuse services provided to individuals and commercial users. The costs of providing these services are financed primarily through user charges.

Railroad Fund –To account for the activities of the City’s Railroad. The Railroad operates a rail spur.

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Fund Accounting (continued)**

***Fiduciary funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The City's fiduciary funds are classified as agency funds. The agency funds account for insurance company proceeds to pay for the removal of unsafe structures due to fire and refundable bonds for street excavation.

**C. Measurement Focus**

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

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

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

**D. Basis of Accounting**

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting (continued)**

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

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

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 operations have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**E. Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Budgetary Process (continued)**

The certificate of estimated resources establishes a limit on the amount the City Council may appropriate. The appropriations resolution is the City Council's authorization to spend resources and sets annual limits on the expenditures plus encumbrances at the level of control selected by the City Council. The legal level of budgetary control is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the City Council.

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

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

**F. Cash and Cash Equivalents**

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

During 2005, investments were limited to certificates of deposit, money market mutual funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The City has invested funds in STAR Ohio during 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2005.

Provisions of the Ohio Revised Code restrict investment procedures. During 2005, interest was distributed to the General Fund, certain special revenue funds, capital projects funds, debt service funds and enterprise funds. Interest revenue credited to the General Fund during 2005 amounted to \$446,368, of which \$403,662 was assigned from other City funds.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents (continued)

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

G. Receivables and Payables

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

H. Inventory of Supplies

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005 are recorded as prepaid items using the consumption method recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

J. Restricted Assets

Certain resources set aside for the repayment of enterprise fund mortgage revenue bonds are classified as restricted assets on the Statement of Fund Net Assets – Proprietary Funds because their use is limited by applicable bond covenants. Restricted assets of the City also include cash held for customer deposits and unclaimed monies.

K. Capital Assets and Depreciation

Governmental capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities columns of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The City's capitalization threshold is \$1,000.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Capital Assets and Depreciation (continued)**

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

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

The City's infrastructure consists of streets, curbs and gutters, traffic lights, water, sewer, and stormwater lines and only includes infrastructure acquired after December 31, 1980.

**L. Interfund Balances**

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

**M. Compensated Absences**

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

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

**N. Accrued Liabilities and Long-Term Obligations**

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



**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Accrued Liabilities and Long-Term Obligations (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and special termination benefits that are paid from governmental funds are reported as a liability on the fund financial statements only to the extent that they are due for payment during the current year. The City recognizes bonds and long-term notes as a liability in the governmental fund financial statements when due.

O. Bond Premiums and Issuance Costs

Bond premiums and issuance costs are recorded as deferred charges and amortized over the term of the related debt.

P. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, endowments, unclaimed monies and loans. By law, the City may not appropriate unclaimed monies until the money has remained unclaimed for five years.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the constitutional provisions or through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations or other governments.

The government-wide statement of net assets reports \$2,528,697 of restricted net assets, of which \$81,026 is restricted by enabling legislation.

Net assets restricted for other purposes include activities related to various City improvement programs.

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

R. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**R. Interfund Transactions (continued)**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser fund. Flows of cash or goods from one fund to another without a requirement for repayment should be reported as internal transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transactions within governmental activities are eliminated in the Statement of Activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the fund financial statements.

**S. Estimates**

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

**T. Operating Revenues and Expenses**

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

**U. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items in 2005.

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND FUND BALANCE/ NET ASSETS**

**A. Changes in Accounting Principles**

For 2005, the City has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."

GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries. The implementation of GASB Statement No. 42 did not affect the presentation of the financial statements of the City.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND FUND BALANCE/ NET ASSETS**  
(continued)

**B. Restatement of Fund Balances**

In 2005, the City received permission from the State Auditor's office to charge retroactive cost allocation payments from its enterprise funds in the General Fund. These payments were previously disallowed on the 2003 financial statements. The following fund balance/net assets were misstated at December 31, 2004:

Fund	Original Amount	Restatement	Restated Amount
General Fund	\$15,348	\$1,074,151	\$1,089,499
Enterprise Funds:			
Water Fund	6,311,785	(484,588)	5,827,197
Sewer Fund	9,113,446	(398,253)	8,715,193
Garbage Fund	516,518	(191,310)	325,208
Net Assets:			
Governmental Activities	9,237,052	1,074,151	10,311,203
Business-Type Activities	25,127,111	(1,074,151)	24,052,960

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)**

The adjustments necessary to convert the results of operations of the General Fund for the year on the GAAP basis to the budget basis are as follows:

Net Change in Fund Balance	
GAAP Basis	\$1,296,810
Net Adjustment for Revenue Accruals	(54,427)
Net Adjustment for Expenditure Accruals	(69,608)
Advances	(375,840)
Proceeds of Notes	124,595
Encumbrances	<u>(22,108)</u>
Budget Basis	<u><u>\$899,422</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 5 - DEPOSITS AND INVESTMENTS (continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the City's deposits was \$16,640,677 and the bank balance was \$16,447,877. Of the bank balance \$7,030,000 was covered by Federal depository insurance and \$9,714,877 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 5 - DEPOSITS AND INVESTMENTS (continued)**

**Investments**

Investments are reported at fair value. As of December 31, 2005, the City had the following investments:

	Fair Value	Maturity
STAR Ohio	\$1,046,515	Average 39 Days

**Interest Rate Risk** The City does not have an investment policy that addresses interest risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk.** STAR Ohio carries a rating of AAA by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Concentration of Credit Risk** is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The City’s investment policy places no limit on the amount it may invest in any one issuer. The following is the City’s allocation as of December 31, 2005:

Investment Issuer	Percentage of Investments
STAR Ohio	100%

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) is for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on assessed value as of January 1, 2005, the lien date. Assessed values are established by State law 35 percent of the appraised value. 2005 real property taxes are collected in and intended to finance 2006.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments for machinery and equipment are 25 percent of true value and 23 percent of true value of inventory.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 6 - PROPERTY TAXES (continued)**

The full tax rate for all City operations for the year ended December 31, 2005, was \$6.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	\$110,704,810
Public Utility Real and Tangible Personal Property	3,257,190
Tangible Personal Property	<u>23,866,276</u>
Total Assessed Value	<u><u>\$137,828,276</u></u>

Real property taxes are payable annually and semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of Jackson County, including the City of Jackson. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005 and for which there is an enforceable legal claim. In the General Fund and the Cemetery and Fire Special Revenue Funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2005 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2005 consisted primarily of taxes, intergovernmental receivables arising from grants, loans, entitlements and shared revenues, interest on investments, and utility accounts.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables are expected to be collected within one year.

A summary of intergovernmental receivables follows:

<u>Governmental Activities</u>	
CHIP	\$9,308
CDBG	370,000
Local Government Subsidies	61,188
Gasoline Tax	124,105
Motor Vehicle License Tax	31,727
Healthy Ohioans	29,000
Miscellaneous Grants	<u>36,956</u>
Total Governmental Activities	<u><u>\$662,284</u></u>

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance 12/31/2004	Additions	Reductions	Balance 12/31/2005
<b><u>Governmental Activities:</u></b>				
Non-Depreciable Capital Assets:				
Land	\$1,183,754	\$56,550	(\$1,988)	\$1,238,316
Construction in Progress	3,436	90,199	(3,436)	90,199
Total Non-Depreciable Capital Assets	<u>1,187,190</u>	<u>146,749</u>	<u>(5,424)</u>	<u>1,328,515</u>
Depreciable Capital Assets:				
Land Improvements	168,690	0	0	168,690
Buildings	1,973,134	123,106	(5,484)	2,090,756
Equipment	1,034,288	85,924	(82,803)	1,037,409
Infrastructure	8,001,132	37,315	0	8,038,447
Vehicles	1,539,975	84,334	(106,489)	1,517,820
Total Depreciable Capital Assets	<u>12,717,219</u>	<u>330,679</u>	<u>(194,776)</u>	<u>12,853,122</u>
Accumulated Depreciation:				
Land Improvements	(86,676)	(4,313)	0	(90,989)
Buildings	(502,200)	(42,212)	5,484	(538,928)
Equipment	(677,235)	(69,123)	69,633	(676,725)
Infrastructure	(3,600,509)	(133,352)	0	(3,733,861)
Vehicles	(934,415)	(85,526)	87,718	(932,223)
Total Accumulated Depreciation	<u>(5,801,035)</u>	<u>(334,526)*</u>	<u>162,835</u>	<u>(5,972,726)</u>
Total Depreciable Capital Assets, Net	<u>6,916,184</u>	<u>(3,847)</u>	<u>(31,941)</u>	<u>6,880,396</u>
Governmental Capital Assets, Net	<u>\$8,103,374</u>	<u>\$142,902</u>	<u>(\$37,365)</u>	<u>\$8,208,911</u>

\*Depreciation expense was charged to governmental activities as follows:

<b><u>Governmental Activities:</u></b>	
General Government	\$39,368
Security of Persons and Property	107,611
Transportation	167,248
Leisure Time Activities	14,145
Public Health Services	6,154
Total Depreciation Expense	<u>\$334,526</u>



**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 8 – CAPITAL ASSETS (continued)**

	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<b>Business - Type Activities:</b>				
Non-Depreciable Capital Assets:				
Land	\$2,926,722	\$0	(\$4,390)	\$2,922,332
Construction in Progress	269,300	245,818	(21,530)	493,588
Total-Non Depreciable Capital Assets	<u>3,196,022</u>	<u>245,818</u>	<u>(25,920)</u>	<u>3,415,920</u>
Depreciable Capital Assets:				
Land Improvements	34,348	0	0	34,348
Buildings	959,153	25,500	(12,982)	971,671
Equipment	1,505,778	284,789	(99,415)	1,691,152
Infrastructure	13,580,162	959,847	0	14,540,009
Vehicles	1,576,013	547,014	(149,585)	1,973,442
Total Depreciable Capital Assets	<u>17,655,454</u>	<u>1,817,150</u>	<u>(261,982)</u>	<u>19,210,622</u>
Accumulated Depreciation:				
Land Improvements	(6,092)	(925)	0	(7,017)
Buildings	(380,963)	(15,854)	4,578	(392,239)
Equipment	(717,271)	(134,783)	45,875	(806,179)
Infrastructure	(4,395,085)	(318,532)	0	(4,713,617)
Vehicles	(902,623)	(151,142)	109,673	(944,092)
Total Accumulated Depreciation	<u>(6,402,034)</u>	<u>(621,236)</u>	<u>160,126</u>	<u>(6,863,144)</u>
Total Depreciable Capital Assets, Net	<u>11,253,420</u>	<u>1,195,914</u>	<u>(101,856)</u>	<u>12,347,478</u>
Business - Type Activities Capital Assets, Net	<u>\$14,449,442</u>	<u>\$1,441,732</u>	<u>(\$127,776)</u>	<u>\$15,763,398</u>

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)**

**A. Ohio Public Employees Retirement System (continued)**

OPERS provides retirement, disability, survivor and death benefits as well as post-retirement health care coverage to qualifying members of both the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits including post-retirement health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The employer contribution rate for pension benefits for 2005 was 13.55 percent, except for those plan members in law enforcement. For that classification, the employer's pension contributions were 16.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$295,640, \$283,607, and \$416,669 respectively; 82.29 percent has been contributed for 2005 and 100 percent for 2004 and 2003.

**B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters years ended December 31, 2005, 2004, and 2003 were \$82,948, \$79,873, and \$141,780 respectively. The full amount has been contributed for 2004 and 2003. 79.36 percent has been contributed for 2005.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2005, the unfunded police liability of the City was \$38,345 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109 as of December 31, 2005. The number of active contributing participants for both plans used in the December 31, 2004 actuarial valuation was 355,287. Actual City contributions for 2005 which were used to fund postemployment benefits were \$123,828. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

B. Ohio Police and Fire Pension Fund (continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund postemployment health care benefits were \$54,710. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Additional Insurance

The City provides \$20,000 in life insurance and accidental death and dismemberment insurance to its full-time employees working a minimum of twenty hours per week through Anthem Life.

The City provides comprehensive major medical insurance through Anthem Blue Cross and Blue Shield. The City pays 94 percent of the total monthly premiums of \$1,048.38 for family coverage and \$339.61 for single coverage.

C. Compensated Absences

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

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 12 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005, the City contracted with Jones-Stephenson for property and general liability, automobile liability, boiler and machinery liability, law enforcement liability, and public officials' liability.

Under the Jones-Stephenson program for general liability, law enforcement liability, and public officials' liability, the City has \$2,000,000 of total liability coverage for each occurrence. The City carries a \$100,000 deductible for both law enforcement and public officials' liability insurance. Property insurance is covered to a limit of \$100,000,000 with a \$25,000 deductible. Under automobile liability the City has \$1,000,000 of total liability coverage for each occurrence. Automobile insurance carries a \$100 per vehicle deductible for comprehensive coverage and a \$250 per vehicle collision coverage. Boiler and machinery insurance is covered to a limit of \$50,000,000 with various sublimits. The City carries a \$1,000 deductible for boiler and machinery liability. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

The City participates in the Ohio Municipal League Group Rating Program (OML) for workers' compensation. The intent of the OML is to achieve the benefit of reduced premiums for participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers' compensation premium to the state based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OML. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to cities that can meet the OML's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the OML.

Beginning in 2004, the City manages the deductible portion of employee health benefits on a self-insured basis. The employee health benefit plan provides this coverage through Oak Hill Financial Administrators, the third party administrator of the program, which reviews and pays the claims. Oak Hill Financial Administrators charges the City an annual fee of \$300, with a monthly administration fee of \$8 per employee. The claims liability of \$11,121 reported in the self-insurance fund at December 31, 2005, is estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the internal services fund's claims liability amounts in the past year follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2004	\$0	\$35,025	\$25,562	\$9,463
2005	9,463	58,357	56,699	11,121

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 13 – NOTES PAYABLE**

Changes in the City’s governmental short-term obligations during 2005 consist of the following:

	Outstanding 12/31/2004	Additions	Reductions	Outstanding 12/31/2005
Various Purpose Bond Anticipation Note 6%	\$75,000	\$0	\$75,000	\$0
Real Estate Bond Anticipation Note 6%	0	51,068	0	51,068
90 Day Automobile Note 3.2%	0	41,947	41,947	0
90 Day Automobile Note 3.2%	0	29,547	29,547	0
90 Day Automobile Note 3.2%	0	29,567	29,567	0
Totals	<u>\$75,000</u>	<u>\$152,129</u>	<u>\$176,061</u>	<u>\$51,068</u>

The Various Purpose Bond Anticipation Note was paid from the Fire Levy Special Revenue Fund. The General and Street Construction, Maintenance and Repair Special Revenue Funds used the proceeds of the Real Estate Bond Anticipation Note, due March 16, 2006, to pay off a note issued in 2004. The proceeds of the 90 day automobile notes were paid into the General Fund, and were used to purchase four police cruisers. The General Fund paid off the notes with proceeds from long-term notes.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 14 - LONG-TERM OBLIGATIONS**

Changes in the City's long-term obligations during 2005 consist of the following:

	Outstanding 12/31/2004	Additions	Reductions	Outstanding 12/31/2005	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
<b><u>Bond Anticipation Note:</u></b>					
Real Estate Improvement Note 6.0%	\$102,135	\$0	\$102,135	\$0	\$0
<b><u>Notes Payable:</u></b>					
Police Cruiser Note 3.2%	0	19,967	0	19,967	4,759
Police Cruiser Note 3.2%	0	17,222	0	17,222	4,104
Building Acquisition Note 4.0%	0	125,000	1,358	123,642	4,199
Building Improvement Note 4.0%	0	100,000	1,087	98,913	3,258
Land Note 4.0%	312,848	0	0	312,848	0
Total Notes Payable:	<u>414,983</u>	<u>262,189</u>	<u>104,580</u>	<u>572,592</u>	<u>16,320</u>
Police and Fire Pension Liability	39,536	0	1,191	38,345	672
Special Termination Benefits	292,881	0	97,330	195,551	104,796
Compensated Absences	368,125	79,418	20,155	427,388	99,170
Total Governmental Activities	<u>\$1,115,525</u>	<u>\$341,607</u>	<u>\$223,256</u>	<u>\$1,233,876</u>	<u>\$220,958</u>
<b><u>Business-Type Activities:</u></b>					
<b><u>Mortgage Revenue Bonds</u></b>					
1993 Water System 2.8-5.6%	\$2,055,000	\$0	\$100,000	\$1,955,000	\$105,000
<b><u>Notes Payable</u></b>					
2001 Railroad Rehabilitation 4.0%	62,001	0	31,716	30,285	30,285
2002 Railroad Industrial Park 1.5%	57,851	0	29,660	28,191	28,191
2001 Holzer Hospital Water Tower 0%	13,374	0	5,830	7,544	5,830
2001 Holzer Hospital Water Lines 0%	266,604	0	13,018	253,586	13,018
2001 Holzer Hospital Sewer Lift Station 0%	527,388	0	34,206	493,182	34,206
2005 Electrical System Note 4.5%	3,150,000	2,765,000	3,150,000	2,765,000	2,765,000
Garbage Truck Note 3.5%	0	90,145	15,955	74,190	21,938
Total Notes Payable	<u>4,077,218</u>	<u>2,855,145</u>	<u>3,280,385</u>	<u>3,651,978</u>	<u>2,898,468</u>
Special Termination Benefits	158,287	0	75,535	82,752	26,447
Compensated Absences Payable	378,291	42,049	66,158	354,182	117,564
Total Business-Type Activities	<u>\$6,668,796</u>	<u>\$2,897,194</u>	<u>\$3,522,078</u>	<u>\$6,043,912</u>	<u>\$3,147,479</u>

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 14 - LONG-TERM OBLIGATIONS (continued)**

**Governmental Activities:**

***Bond Anticipation Notes Payable***

The 4.5% Real Estate Improvement Bond Anticipation Note was issued on June 10, 2004, and was renewed on June 10, 2005 in the amount of \$51,068, which is reflected as short term notes payable in the General Fund and the Street Construction, Maintenance and Repair Special Revenue funds. Payments on this note were from the General Fund and the Street Construction, Maintenance, and Repair Special Revenue Fund.

***Notes Payable***

The City will pay the Police Cruiser Notes from the General Fund. Principal and interest requirements to retire the notes outstanding at December 31, 2005 were:

	Principal	Interest	Total
2006	\$8,863	\$1,190	\$10,053
2007	9,147	907	10,054
2008	9,438	615	10,053
2009	9,741	311	10,052
	\$37,189	\$3,023	\$40,212

The City will pay the Building Acquisition and Improvement Notes from the Community Improvement Special Revenue Fund. Principal and interest requirements to retire these outstanding notes at December 31, 2005 were:

	Principal	Interest	Total
2006	\$7,457	\$8,965	\$16,422
2007	7,792	8,652	16,444
2008	8,103	8,341	16,444
2009	8,454	7,988	16,442
2010	8,807	7,638	16,445
2011-2015	122,790	31,378	154,168
2016-2020	26,963	9,581	36,544
2021-2025	32,189	3,404	35,593
	\$222,555	\$89,930	\$312,485

The \$312,848 2004 Land Note was for the purchase of land as part of a grant to improve local wetlands. Payments are not due until 2010.



**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 14 - LONG-TERM OBLIGATIONS (continued)**

***Police and Fire Pension Liability***

The City will pay Police and Fire Pension Liability from the General Fund. Principal and interest requirements to retire the City's police and fire pension liability outstanding at December 31, 2005 were:

	Principal	Interest	Total
2006	\$672	\$1,623	\$2,295
2007	701	1,594	2,295
2008	731	1,564	2,295
2009	762	1,533	2,295
2010	795	1,500	2,295
2011-2015	4,508	6,955	11,463
2016-2020	5,574	5,898	11,472
2021-2025	6,879	4,594	11,473
2026-2030	8,488	2,983	11,471
2031-2035	9,235	1,000	10,235
	\$38,345	\$29,244	\$67,589

***Compensated Absences Payable***

The City will pay compensated absences from the General Fund and the Cemetery and Street and Alley Special Revenue Funds.

***Debt Margin***

As of December 31, 2005, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$14,471,969.

**Business-Type Activities:**

***Revenue Bonds***

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

	Principal	Interest	Total
2006	\$105,000	\$109,043	\$214,043
2007	110,000	103,215	213,215
2008	120,000	97,110	217,110
2009	125,000	90,450	215,450
2010	130,000	83,513	213,513
2011-2015	780,000	299,665	1,079,665
2016-2020	585,000	66,640	651,640
Total	\$1,955,000	\$849,636	\$2,804,636

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 14 - LONG-TERM OBLIGATIONS (continued)**

***Notes Payable***

The Railroad Rehabilitation Note was issued on December 6, 2001 for \$123,501 at 4%. The Railroad Industrial Park Note was issued on December 6, 2001 for \$143,599. Both notes were issued for the purpose of developing a rail spur in conjunction with Jackson's industrial park. Principal and interest requirements to retire the City's Railroad Fund notes payable outstanding at December 31, 2005 were:

	Principal	Interest	Total
2006	\$58,476	\$1,137	\$59,613

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

The Garbage Truck Note was issued on March 31, 2005. Monthly payments of \$2,015.31 are paid from the Garbage Fund. Principal and interest to retire the note outstanding at December 31, 2005:

	Principal	Interest	Total
2006	21,938	2,246	24,184
2007	22,718	1,466	24,184
2008	23,523	661	24,184
2009	6,011	35	6,046
	74,190	4,408	78,598

***Compensated Absences Payable***

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

**NOTE 15 – SPECIAL TERMINATION BENEFITS PAYABLE**

The City of Jackson terminated its Retirement Incentive Plan as of July 12, 2004. Currently, the City is making payments on the plan for employees who elected to participate prior to that date. These retirement incentive payments will be paid from the same funds from which those employees were paid.

Principal and interest requirements to retire the City's special termination benefits for governmental activities at December 31, 2005 were:

	Principal	Interest	Total
2006	\$104,796	\$10,358	\$115,154
2007	67,488	5,479	72,967
2008	23,267	3,009	26,276
	\$195,551	\$18,846	\$214,397

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**NOTE 15 – SPECIAL TERMINATION BENEFITS PAYABLE (continued)**

Principal and interest requirements to retire the City’s special termination benefits for business-type activities at December 31, 2005 were:

	Principal	Interest	Total
2006	\$26,447	\$4,441	\$30,888
2007	28,511	3,009	31,520
2008	27,794	1,542	29,336
	\$82,752	\$8,992	\$91,744

**NOTE 16 - INTERFUND ACTIVITY**

**A. Transfers**

	Transfer to		
	Major Fund	Other	
	Garbage	Nonmajor Governmental	
<u>Transfer from</u>			
Major Fund:			
General Fund	\$65,781	\$384,559	\$450,340
Other Nonmajor			
Governmental	0	16,487	16,487
Total	\$65,781	\$401,046	\$466,827

The transfers from the General Fund were to use unrestricted revenue to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers from other nonmajor governmental funds represent transfers of interest from permanent funds to operating funds.

**B. Balances**

Interfund balances at December 31, 2005 arise from the provision of cash flows from the General Fund until the receipt of grant monies by Special Revenue Funds and charges for services by the Railroad Enterprise Fund.

	Interfund Receivables	Interfund Payables
General	\$375,840	\$0
Permissive Tax	0	3,340
CDBG Revolving Loan	0	370,000
Total Special Revenue Funds	0	373,340
Ralroad Enterprise Fund	0	2,500
Total All Funds	\$375,840	\$375,840

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 17 – JOINT VENTURE**

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005, Jackson has met their debt coverage obligation.

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

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric Fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$662,734 at December 31, 2005. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 18 – INSURANCE PURCHASING POOL**

The City is participating in a group rating plan for workers' compensation called The Ohio Municipal League Workers' Compensation Group Rating Program, as established under Section 4123.29 of the Ohio Revised Code. The group rating plan is sponsored by the Ohio Municipal League.

The Ohio Municipal League is governed by a Board of Trustees, elected by membership. The Board consists of all past presidents of the League, as long as they are municipal officials, and 28 trustees (also municipal officials) elected for two year terms. The Board exercises general oversight over operation of the workers' compensation group. League staff maintains direct and on-going liaison with the program contract operator, Gates McDonald.

**NOTE 19 - CONTINGENT LIABILITIES**

**A. Litigation**

The City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**B. Federal and State Grants**

For the period January 1, 2005 to December 31, 2005 the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**NOTE 20 – CONDUIT DEBT OBLIGATIONS**

From time to time, the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2005, there was one series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$878,479 and one series of hospital facilities revenue bonds outstanding with an aggregate principal amount payable of \$25 million.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 21 – CONTRACTUAL COMMITMENTS**

At December 31, 2005, the City had the following contractual commitments in the Water and Sewer Enterprise Funds for rehabilitation and improvement work:

Project	Fund	Purchase Commitments	Amount Paid as of 12/31/2005	Amount Remaining on Contracts
Wastewater Treatment Plant				
Wet Weather Expansion Project	Sewer	\$434,050	\$385,027	\$49,023
Sanitary Sewer Rehabilitation	Sewer	175,000	73,749	101,251
Water System Improvements	Water	155,800	34,812	120,988
Total		<u>\$764,850</u>	<u>\$493,588</u>	<u>\$271,262</u>

**NOTE 22 – SUBSEQUENT EVENTS**

On March 15, 2006, the City refinanced over its Electrical System Bond Anticipation Note for \$2,765,000 at 4.5%. The new note matured on July 16, 2006.

**NOTE 23- ACCOUNTABILITY AND COMPLIANCE**

Throughout the fiscal year, the City had negative fund balances as follows, which is contrary to Seciton 5705.10, Ohio Revised Code:

- May 31, 2005 - General Fund- \$253,975;
- July 31, 2005 - General Fund- \$471,393;
- September 30, 2005 – Broadway Street Water Fund- \$266,190.

The City will more closely monitor fund cash balances in the future.

**NOTE 24- RIGHT OF WAY**

The City’s Water, Sewer and Electric Funds reimburse the General Fund as outlined in the Right of Way Study prepared by Maximus and approved by the Jackson City Council for internal reimbursements of the right of way usage by the City owned utilities. The Auditor of State has allowed the current year reimbursements and is currently reviewing the legality for future years’ reimbursements.

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

City of Jackson  
Jackson County  
145 Broadway Street  
Jackson, Ohio 45640

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Jackson County, Ohio (“the City”), as of and for the year ended December 31, 2005, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 1, 2006, wherein we noted the City adopted Governmental Accounting Standards Board Statements 40 and 42. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City’s financial statements are free of 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2005-001.

We also noted certain additional matters that we reported to the management of the City in a separate letter dated December 1, 2006.


City of Jackson

Jackson County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards*

Page 2

This report is intended solely for the information and use of management and City Council, and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 1, 2006



**CITY OF JACKSON  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

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

**FINDING NUMBER 2005-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10 states, in part, that money paid into any fund shall be used only for the purpose for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another Fund. There were various funds with negative balances at various points in time during the audit period.

Throughout the fiscal year, the City had negative fund cash balances as follows:

May 31, 2005:	July 31, 2005:	September 31, 2005
General Fund: \$253,975	General Fund: \$471,393	Broadway Street Water Fund: \$266,190

The City should establish procedures to monitor fund balances to assure expenditures do not exceed available resources.

**CITY OF JACKSON  
JACKSON COUNTY**

**SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	<b>Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2004-001	<p>Ohio Revised Code Section 5705.39</p> <p>The total appropriations from each fund not exceed the total estimated resources for that fund.</p> <p>The General Fund's original and final appropriations exceeded the estimated resources by \$3,155,495 and \$136,233, respectively.</p>	Yes	Fully Corrected
2004-002	<p>Ohio Revised Code Section 5705.41(D)(1)</p> <p>No contract or expenditure of money is to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract had been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriation free from any previous encumbrances.</p> <p>Disbursements spent from the General Fund were not certified at all due to the negative fund balance.</p>	No	Partially Corrected. Reissued as a management letter comment.
2004-003	<p>Ohio Revised Code Section 5705.10</p> <p>Money paid into any fund shall be used only for the purpose for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.</p> <p>Various funds had a negative fund balance throughout the year, most notably the General Fund.</p>	No	Reissued as Finding 2005-001.
2004-004	<p>Ohio Revised Code Section 5705.36 and 5705.41(B)</p> <p>Subdivisions may request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue collected will be greater or less than the amount in the official certificate of estimated resources and no subdivision or taxing unit is to expend money unless it has been appropriated.</p> <p>Actual revenue exceeded estimated revenue by \$938,108 in Fund 431 (Jackson Salt Lick Nature Preserve) due to receipt of an Ohio Public Works Grant.</p>	No	Reissued as a management letter comment.

**CITY OF JACKSON  
JACKSON COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315 (c)  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person(s)
2005-001	The Auditor will more closely monitor cash balances throughout the year.	December 31, 2007	City Auditor





Mary Taylor, CPA  
Auditor of State

CITY OF JACKSON

JACKSON COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 13, 2007