



CITY OF JACKSON, OHIO

Jackson County

Regular Audit

For the Year Ended December 31, 2007

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Jackson, Jackson County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2007 through December 31, 2007. 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.

Finding for Recovery:

The City of Jackson Personnel Policies and Procedures Manual, updates October 21, 2002 and February 2005, states, in Section 6.01 (Compensation), Subsection G, that an employee will be paid overtime or compensatory time when the extra hours are authorized by the employee's supervisor, the Department Head, or the Service/Safety Director.

During the 2006 audit of the City of Jackson, instances were found where overtime was claimed on the time sheets and the overtime was authorized several pay periods after the fact for three employees. Instances were also found where overtime was claimed on the time sheets and no one authorized the payment of the overtime for these employees.

The three employees affected were overpaid a total of \$14,780. When advised of these issues following the 2006 audit, all three employees acknowledged the overpayments and agreed to a repayment plan. As of December 31, 2007, two of the three employees have remained current on the repayments. The third employee, Jason Wilson, made some repayment and then in 2007 requested the City to stop the repayment process and void his agreement with the City.

The amount owed under this plan and the amount repaid by Jason Wilson are as follows:

Total amount of overtime overpayment	\$ 2,236.52
Amount repaid through 09/12/2007	<u>557.77</u>
Amount still unpaid as of 12/31/2007	<u><u>\$ 1,678.75</u></u>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jason Wilson, employee, in the amount of \$1,678.75, and in favor of the General Fund of the City of Jackson.

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

A handwritten signature in black ink that reads "Mary Taylor". The script is cursive and fluid, with the first letters of "Mary" and "Taylor" being capitalized and prominent.

Mary Taylor, CPA
Auditor of State

October 16, 2008

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, 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, 2007, 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 an opinion 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose 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 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Ohio as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2007, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and Statement No. 50, *Pension Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 3, 2008 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 and 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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Members of Council
City of Jackson, Ohio
Independent Auditor's Report

The management's discussion and analysis on pages 4 through 11, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG & ASSOCIATES, INC.

July 3, 2008

City of Jackson, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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, 2007. 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 2007 are as follows:

- The City's total net assets increased by 3.5 percent, or \$1,423,815, from the total net assets at the beginning of the year 2007.
- At the end of the current year, the City's governmental activities reported total net assets of \$13,396,719, an increase of \$178,447 from the prior year.
- At the end of the current year, unreserved fund balance for the General Fund was \$2,663,772 which represents a \$108,208 decrease from the prior year, and represents 77.2 percent of total General Fund expenditures.
- Capital assets increased \$5,556,523. Capital assets of governmental activities decreased \$93,377. Capital assets of business-type activities increased \$5,649,900.

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.

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 2007?" 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.

City of Jackson, Ohio
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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, Sewer Treatment Plants, and Storm Sewer System. 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 16. 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, and Electric 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.

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.

Fiduciary Fund The City accounts for resources held for the benefit of parties outside the government as a fiduciary fund. This fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the City's own programs. The City uses accrual accounting for fiduciary funds, the same as that of the proprietary funds.

City of Jackson, Ohio
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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 2007 compared to 2006.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and Other Assets	\$7,160,582	\$6,838,449	\$19,603,346	\$20,306,239	\$26,763,928	\$27,144,688
Investment in Joint Venture	0	0	638,994	771,348	638,994	771,348
Capital Assets, Net	8,182,253	8,275,630	21,880,121	16,230,221	30,062,374	24,505,851
<i>Total Assets</i>	<u>15,342,835</u>	<u>15,114,079</u>	<u>42,122,461</u>	<u>37,307,808</u>	<u>57,465,296</u>	<u>52,421,887</u>
Liabilities						
Current and Other Liabilities	864,864	753,124	1,539,799	778,444	2,404,663	1,531,568
Noncurrent Liabilities	1,081,252	1,142,683	11,943,229	9,135,299	13,024,481	10,277,982
<i>Total Liabilities</i>	<u>1,946,116</u>	<u>1,895,807</u>	<u>13,483,028</u>	<u>9,913,743</u>	<u>15,429,144</u>	<u>11,809,550</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	7,643,095	7,719,458	11,627,082	10,757,027	19,270,177	18,476,485
Restricted	3,051,088	2,783,136	707,959	874,229	3,759,047	3,657,365
Unrestricted	2,702,536	2,715,678	16,304,392	15,762,809	19,006,928	18,478,487
<i>Total Net Assets</i>	<u>\$13,396,719</u>	<u>\$13,218,272</u>	<u>\$28,639,433</u>	<u>\$27,394,065</u>	<u>\$42,036,152</u>	<u>\$40,612,337</u>

Total assets increased \$5,034,409. Governmental activities' capital assets decreased \$93,377. The increase in capital assets for business-type activities in the amount of \$5,649,900 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 \$322,133 and net assets increased \$178,447, mostly due to revenue from the City's right of way and cost allocation plans.

There was an increase in current and other liabilities for governmental activities of \$111,740 due to increases in accounts payable, accrued wages, and intergovernmental payables.

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Table 2 shows the changes in net assets for the year ended December 31, 2007, and comparisons to fiscal year 2006.

Table 2
Changes in Net Assets

	Governmental Activities 2007	Business- Type Activities 2007	Total 2007	Governmental Activities 2006	Business- Type Activities 2006	Total 2006
Revenues						
Program Revenues:						
Charges for Services	\$489,203	\$19,428,895	\$19,918,098	\$675,693	\$20,006,495	\$20,682,188
Operating Grants and Contributions	941,679	0	941,679	1,321,773	0	1,321,773
<i>Total Program Revenues</i>	<u>1,430,882</u>	<u>19,428,895</u>	<u>20,859,777</u>	<u>1,997,466</u>	<u>20,006,495</u>	<u>22,003,961</u>
General Revenues:						
Property Taxes	695,951	0	695,951	894,209	0	894,209
Other Local Taxes	773,771	0	773,771	740,462	0	740,462
Right of Way	672,843	0	672,843	1,211,117	0	1,211,117
Gain on Sale of Capital Assets	0	0	0	0	6,994	6,994
Grants and Entitlements	391,917	0	391,917	304,739	0	304,739
Investment Earnings	901,700	189,718	1,091,418	706,260	137,658	843,918
Miscellaneous	211,812	242,935	454,747	187,792	300,076	487,868
Total General Revenues	<u>3,647,994</u>	<u>432,653</u>	<u>4,080,647</u>	<u>4,044,579</u>	<u>444,728</u>	<u>4,489,307</u>
<i>Total Revenues</i>	<u>5,078,876</u>	<u>19,861,548</u>	<u>24,940,424</u>	<u>6,042,045</u>	<u>20,451,223</u>	<u>26,493,268</u>
Program Expenses						
General Government	831,299	0	831,299	935,449	0	935,449
Security of Persons and Property	2,199,288	0	2,199,288	2,019,638	0	2,019,638
Public Health Services	234,855	0	234,855	242,298	0	242,298
Transportation	603,490	0	603,490	606,972	0	606,972
Leisure Time Activities	408,900	0	408,900	242,403	0	242,403
Community Environment	608,527	0	608,527	623,772	0	623,772
Interest and Fiscal Charges	14,070	0	14,070	14,033	0	14,033
Water	0	1,708,166	1,708,166	0	1,725,295	1,725,295
Sewer	0	2,858,609	2,858,609	0	2,710,278	2,710,278
Garbage	0	508,622	508,622	0	534,424	534,424
Electric	0	13,480,637	13,480,637	0	13,492,842	13,492,842
Railroad	0	40,979	40,979	0	43,290	43,290
Storm Sewer	0	19,167	19,167	0	0	0
<i>Total Program Expenses</i>	<u>4,900,429</u>	<u>18,616,180</u>	<u>23,516,609</u>	<u>4,684,565</u>	<u>18,506,129</u>	<u>23,190,694</u>
Increase in Net Assets	178,447	1,245,368	1,423,815	1,357,480	1,945,094	3,302,574
Net Assets Beginning of Year	13,218,272	27,394,065	40,612,337	11,860,792	25,448,971	37,309,763
Net Assets End of Year	<u>\$13,396,719</u>	<u>\$28,639,433</u>	<u>\$42,036,152</u>	<u>\$13,218,272</u>	<u>\$27,394,065</u>	<u>\$40,612,337</u>

Governmental Activities

Grants and contributions accounted for 18.5 percent of total governmental revenues. Tax revenue provided 28.9 percent of total governmental revenues, all generated from property and other local taxes. Investment earnings accounted for 17.8 percent of total governmental revenues. The City's right of way plan accounted for 13.2 percent of total governmental revenues. These revenue sources comprise the largest components of City revenues. Property and other local taxes; operating grants, entitlements, and

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contributions; investment earnings; and the right of way revenue combined together, provided 78.4 percent of the City's total governmental revenues.

The City received \$489,203, or 9.6 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 \$2,199,288, or 44.9 percent, of total expenses. General Government activities accounted for \$831,299, or 17 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, 2007

	Program Activity Expenses	Net Cost of Program Activity	Program Activity Expenses	Net Cost of Program Activity
	2007	2007	2006	2006
General Government	\$831,299	\$726,549	\$935,449	\$717,286
Security of Persons and Property	2,199,288	2,048,266	2,019,638	1,801,297
Public Health Services	234,855	154,270	242,298	149,426
Transportation	603,490	265,536	606,972	337,984
Leisure Time Activities	408,900	(147,656)	242,403	(59,843)
Community Environment	608,527	408,512	623,772	(273,084)
Interest and Fiscal Charges	14,070	14,070	14,033	14,033
Totals	<u>\$4,900,429</u>	<u>\$3,469,547</u>	<u>\$4,684,565</u>	<u>\$2,687,099</u>

Business-Type Activities

The City's business-type activities are for water, sewer, electric, railroad, storm sewer, and garbage services. During 2007, program revenues exceeded expenses by \$812,715.

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 \$3.01 for 0-20 kwh.

City of Jackson, Ohio
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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 2007, fund balance was \$2,730,947. Fund balance represents 79.2 percent of total General Fund expenditures. While there was a modest 4 percent increase in General Fund expenditures, there was a 6 percent decrease in General Fund revenue. Increases in intergovernmental revenues and investment earnings were more than offset by decreases in taxes, charges for services, and fines.

The fund balance of the City's General Fund decreased by \$61,555 during the current fiscal year.

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, and the Electric Fund. The Water Fund's net assets decreased \$162,050, the Sewer Fund's net assets decreased \$434,767, and the Electric Fund's net assets increased \$1,488,422. The Water and Sewer Fund decreases were due to the loss of one of its highest volume customers. The Electric Fund increase was due mostly to the city school district's new buildings going on-line during 2007.

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 in the amount of \$206,867, excluding transfers out. The change was primarily due to expected increases in general government and police expenditures. The City's General Fund actual expenditures were \$480,535 less than appropriations, due to conservative spending.

The General Fund budgeted revenue increased \$398,326 and was primarily due to an increase in expected investment earnings, intergovernmental revenue, and revenue from the City's cost allocation and right-of-way programs.

City of Jackson, Ohio
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Capital Assets and Debt Administration

Capital Assets

At the end of 2007, the City had \$30,062,374 invested in capital assets, net of accumulated depreciation. Table 4 shows fiscal year 2007 balances compared to 2006.

Table 4
Capital Assets at December 31, 2007 with comparative as of December 31, 2006
(Net of Depreciation)

	Government Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$1,434,816	\$1,434,816	\$2,922,332	\$2,922,332	\$4,357,148	\$4,357,148
Land Improvements	260,316	73,784	25,482	26,406	285,798	100,190
Buildings	1,585,756	1,627,767	563,590	574,248	2,149,346	2,202,015
Equipment	481,817	461,173	971,393	930,581	1,453,210	1,391,754
Infrastructure	4,037,090	4,170,838	9,095,320	9,498,054	13,132,410	13,668,892
Vehicles	382,458	507,252	724,027	883,745	1,106,485	1,390,997
Construction in Progress	0	0	7,577,977	1,394,855	7,577,977	1,394,855
Totals	\$8,182,253	\$8,275,630	\$21,880,121	\$16,230,221	\$30,062,374	\$24,505,851

The total increase in the City's capital assets, net of accumulated depreciation, for the current year was \$5,556,523, or 22.67 percent.

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

Debt

As of December 31, 2007, and December 31, 2006, the City had total debt of \$9,006,013 and \$9,218,418, respectively, as follows:

Table 5
Outstanding Debt
As of December 31, 2007, with comparative for December 31, 2006

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenue Bonds	\$0	\$0	\$7,779,552	\$7,898,000	\$7,779,552	\$7,898,000
Notes Payable	539,158	556,172	687,303	764,246	1,226,461	1,320,418
Totals	\$539,158	\$556,172	\$8,466,855	\$8,662,246	\$9,006,013	\$9,218,418

The City's overall legal debt margin was \$13,043,778. For additional information on debt, see Note 14 to the basic financial statements.

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Economic Factors

One of the City's largest employers and utility customers closed its doors in 2007.

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.

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City of Jackson, Ohio
Statement of Net Assets
December 31, 2007

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,592,025	\$17,785,348	\$22,377,373
Accounts Receivable	112,969	1,404,108	1,517,077
Accrued Interest Receivable	82,639	6,948	89,587
Intergovernmental Receivable	636,900	0	636,900
Internal Balances	903,378	(903,378)	0
Property Taxes Receivable	716,030	0	716,030
Other Taxes Receivable	12,798	0	12,798
Loans Receivable	6,154	0	6,154
Materials and Supplies Inventory	38,056	1,001,162	1,039,218
Prepaid Items	59,633	77,669	137,302
Deferred Charges	0	231,489	231,489
Investment in Joint Venture	0	638,994	638,994
Non-Depreciable Capital Assets	1,434,816	10,500,309	11,935,125
Depreciable Capital Assets, Net	6,747,437	11,379,812	18,127,249
<i>Total Assets</i>	<u>15,342,835</u>	<u>42,122,461</u>	<u>57,465,296</u>
Liabilities			
Accounts Payable	41,924	95,748	137,672
Accrued Wages Payable	89,132	73,219	162,351
Intergovernmental Payable	94,275	79,154	173,429
Accrued Interest Payable	11,680	7,980	19,660
Contracts Payable	0	900,495	900,495
Claims Payable	0	11,280	11,280
Deferred Revenue	627,853	0	627,853
Customer Deposits Payable	0	371,923	371,923
Long-Term Liabilities:			
Due Within One Year	160,760	989,831	1,150,591
Due In More Than One Year	920,492	10,953,398	11,873,890
<i>Total Liabilities</i>	<u>1,946,116</u>	<u>13,483,028</u>	<u>15,429,144</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	7,643,095	11,627,082	19,270,177
Restricted for:			
Debt Service	0	707,959	707,959
Street	405,704	0	405,704
Cemetery	609,051	0	609,051
Police	37,230	0	37,230
Fire	88,413	0	88,413
Community Development	603,015	0	603,015
Recreation	800,199	0	800,199
Capital Projects	11,081	0	11,081
Cemetery Endowment:			
Expendable Portion	1,207	0	1,207
Nonexpendable Portion	438,207	0	438,207
Other Purposes	56,981	0	56,981
Unrestricted	2,702,536	16,304,392	19,006,928
<i>Total Net Assets</i>	<u>\$13,396,719</u>	<u>\$28,639,433</u>	<u>\$42,036,152</u>

See accompanying notes to the basic financial statements

City of Jackson, Ohio
Statement of Activities
For the Year Ended December 31, 2007

	Program Revenues			
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants, Contributions, and Interest
Governmental Activities				
General Government	\$1,319,443	(\$488,144)	\$82,750	\$22,000
Security of Persons and Property	2,199,288	0	136,027	14,995
Public Health Services	234,855	0	54,272	26,313
Transportation	603,490	0	2,640	335,314
Leisure Time Activities	408,900	0	213,514	343,042
Community Environment	608,527	0	0	200,015
Interest and Fiscal Charges	14,070	0	0	0
<i>Total Governmental Activities</i>	5,388,573	(488,144)	489,203	941,679
Business-Type Activities				
Water	1,651,916	56,250	1,564,453	0
Sewer	2,651,715	206,894	2,645,746	0
Electric	13,255,637	225,000	14,609,663	0
Garbage	508,622	0	554,460	0
Railroad	40,979	0	54,573	0
Storm Sewer	19,167	0	0	0
<i>Total Business-Type Activities</i>	18,128,036	488,144	19,428,895	0
<i>Total</i>	\$23,516,609	\$0	\$19,918,098	\$941,679

General Revenues

Property Taxes Levied for:

General Purposes

Cemetery

Fire Protection

Other Local Taxes

Right of Way

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

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
(\$726,549)	\$0	(\$726,549)
(2,048,266)	0	(2,048,266)
(154,270)	0	(154,270)
(265,536)	0	(265,536)
147,656	0	147,656
(408,512)	0	(408,512)
(14,070)	0	(14,070)
(3,469,547)	0	(3,469,547)
0	(143,713)	(143,713)
0	(212,863)	(212,863)
0	1,129,026	1,129,026
0	45,838	45,838
0	13,594	13,594
0	(19,167)	(19,167)
0	812,715	812,715
(3,469,547)	812,715	(2,656,832)
326,438	0	326,438
181,616	0	181,616
187,897	0	187,897
773,771	0	773,771
672,843	0	672,843
391,917	0	391,917
901,700	189,718	1,091,418
211,812	242,935	454,747
3,647,994	432,653	4,080,647
178,447	1,245,368	1,423,815
13,218,272	27,394,065	40,612,337
\$13,396,719	\$28,639,433	\$42,036,152

See accountant's compilation report

City of Jackson, Ohio
Balance Sheet
Governmental Funds
December 31, 2007

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,017,752	\$2,574,273	\$4,592,025
Receivables:			
Interfund	523,642	0	523,642
Intergovernmental	188,486	448,414	636,900
Property Taxes	381,478	334,552	716,030
Other Local Taxes	6,399	6,399	12,798
Accounts	72,217	40,752	112,969
Accrued Interest	70,727	11,912	82,639
Loans	0	6,154	6,154
Materials and Supplies Inventory	1,913	36,143	38,056
Prepaid Items	47,376	12,257	59,633
<i>Total Assets</i>	<u><u>\$3,309,990</u></u>	<u><u>\$3,470,856</u></u>	<u><u>\$6,780,846</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$12,421	\$29,503	\$41,924
Accrued Wages Payable	77,834	11,298	89,132
Intergovernmental Payable	66,518	27,757	94,275
Deferred Revenue	422,270	683,701	1,105,971
Interfund Payable	0	23,642	23,642
<i>Total Liabilities</i>	<u>579,043</u>	<u>775,901</u>	<u>1,354,944</u>
Fund Balances			
Reserved for Encumbrances	67,175	43,127	110,302
Reserved for Endowments	0	438,207	438,207
Reserved for Loans Receivable	0	4,954	4,954
Unreserved, Undesignated, Reported in:			
General Fund	2,663,772	0	2,663,772
Special Revenue Funds	0	2,196,379	2,196,379
Capital Projects Funds	0	11,081	11,081
Permanent Funds	0	1,207	1,207
<i>Total Fund Balance</i>	<u>2,730,947</u>	<u>2,694,955</u>	<u>5,425,902</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$3,309,990</u></u>	<u><u>\$3,470,856</u></u>	<u><u>\$6,780,846</u></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, 2007*

Total Governmental Fund Balances \$5,425,902

*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. 8,182,253

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

Property Taxes	88,177	
Intergovernmental Revenues	389,941	
Total		478,118

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. 403,378

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

Compensated Absences Payable	(472,936)	
Accrued Interest Payable	(11,680)	
Early Retirement Incentive Payable	(32,185)	
Police and Fire Pension Payable	(36,973)	
Long-Term Notes Payable	(539,158)	
Total		(1,092,932)

Net Assets of Governmental Activities \$13,396,719

See accountant's compilation report
 See accompanying notes to the basic financial statements

City of Jackson, Ohio
*Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2007*

	General Fund	All Other Governmental Funds	Totals Governmental Funds
Revenues:			
Property Taxes	\$317,146	\$361,290	\$678,436
Other Local Taxes	708,938	64,833	773,771
Intergovernmental	436,567	1,070,709	1,507,276
Charges for Services	1,220,176	267,786	1,487,962
Fines and Forfeitures	78,085	5,212	83,297
Licenses and Permits	78,931	0	78,931
Investment Earnings	879,050	45,136	924,186
Contributions and Donations	0	49,936	49,936
Miscellaneous	131,302	80,510	211,812
<i>Total Revenues</i>	<u>3,850,195</u>	<u>1,945,412</u>	<u>5,795,607</u>
Expenditures:			
Current:			
General Government	1,375,554	5,598	1,381,152
Security of Persons and Property	1,964,183	168,974	2,133,157
Public Health Services	0	274,540	274,540
Transportation	96,966	547,902	644,868
Leisure Time Activities	0	394,706	394,706
Community Environment	0	608,527	608,527
Capital Outlay	0	1,120	1,120
Debt Service:			
Principal Retirement	9,847	7,867	17,714
Interest and Fiscal Charges	2,500	8,578	11,078
<i>Total Expenditures</i>	<u>3,449,050</u>	<u>2,017,812</u>	<u>5,466,862</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>401,145</u>	<u>(72,400)</u>	<u>328,745</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	12,300	5,800	18,100
Operating Transfers In	0	504,615	504,615
Operating Transfers Out	(475,000)	(29,615)	(504,615)
<i>Total Other Financing Sources (Uses)</i>	<u>(462,700)</u>	<u>480,800</u>	<u>18,100</u>
<i>Net Change in Fund Balances</i>	(61,555)	408,400	346,845
<i>Fund Balances at Beginning of Year</i>	<u>2,792,502</u>	<u>2,286,555</u>	<u>5,079,057</u>
<i>Fund Balances at End of Year</i>	<u>\$2,730,947</u>	<u>\$2,694,955</u>	<u>\$5,425,902</u>

See accompanying notes to the basic financial statements

City of Jackson, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2007*

Net Change in Fund Balances - Total Governmental Funds \$346,845

*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	321,991	
Depreciation Expense	<u>(344,400)</u>	(22,409)

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. (70,968)

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

Grants	(246,102)	
Delinquent Taxes	<u>17,515</u>	(228,587)

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. 95,127

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 17,714

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. (2,992)

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	67,055	
Compensated Absences Payable	<u>(23,338)</u>	<u>43,717</u>

Change in Net Assets of Governmental Activities \$178,447

See accompanying notes to the basic financial statements

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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, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$415,991	\$415,991	\$378,153	(\$37,838)
Other Local Taxes	757,781	767,665	702,539	(65,126)
Intergovernmental	310,927	418,500	309,650	(108,850)
Charges for Services	1,126,438	1,221,986	1,220,176	(1,810)
Fines and Forfeitures	103,132	103,132	75,780	(27,352)
Licenses and Permits	81,312	81,497	78,931	(2,566)
Investment Earnings	697,565	833,565	863,933	30,368
Miscellaneous	31,125	80,261	80,406	145
<i>Total Revenues</i>	<u>3,524,271</u>	<u>3,922,597</u>	<u>3,709,568</u>	<u>(213,029)</u>
Expenditures				
Current:				
General Government	1,622,228	1,777,607	1,394,835	382,772
Security of Persons and Property	1,997,940	2,049,320	1,959,968	89,352
Transportation	103,492	103,600	97,466	6,134
Debt Service:				
Principal Retirement	9,870	9,870	9,847	23
Interest and Fiscal Charges	4,754	4,754	2,500	2,254
<i>Total Expenditures</i>	<u>3,738,284</u>	<u>3,945,151</u>	<u>3,464,616</u>	<u>480,535</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(214,013)</u>	<u>(22,554)</u>	<u>244,952</u>	<u>267,506</u>
Other Financing Sources (Uses)				
Proceeds From the Sale of Capital Assets	0	12,602	12,602	0
Advances In	23,642	23,642	0	(23,642)
Advances Out	0	(1,250,000)	(500,000)	750,000
Transfers Out	(1,715,000)	(475,000)	(475,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,691,358)</u>	<u>(1,688,756)</u>	<u>(962,398)</u>	<u>726,358</u>
<i>Net Change in Fund Balance</i>	(1,905,371)	(1,711,310)	(717,446)	993,864
<i>Fund Balance Beginning of Year</i>	2,623,899	2,623,899	2,623,899	0
Prior Year Encumbrances Appropriated	31,461	31,461	31,461	0
<i>Fund Balance End of Year</i>	<u>\$749,989</u>	<u>\$944,050</u>	<u>\$1,937,914</u>	<u>\$993,864</u>

See accompanying notes to the basic financial statements

City of Jackson, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Assets			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$2,595,420	\$5,897,180	\$6,584,235
Accounts Receivable	154,222	224,890	947,688
Accrued Interest Receivable	0	0	6,948
Materials and Supplies Inventory	79,675	45,063	876,309
Prepaid Items	27,634	19,798	22,294
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	56,768	0	651,191
Customer Deposits	59,453	54,947	239,920
<i>Total Current Assets</i>	<u>2,973,172</u>	<u>6,241,878</u>	<u>9,328,585</u>
Noncurrent:			
Deferred Charges	88,889	0	142,600
Investment in Joint Venture	0	0	638,994
Non-Depreciable Capital Assets	1,697,899	3,130,072	3,834,575
Depreciable Capital Assets, Net	3,080,087	3,052,047	3,514,414
<i>Total Noncurrent Assets</i>	<u>4,866,875</u>	<u>6,182,119</u>	<u>8,130,583</u>
<i>Total Assets</i>	<u>7,840,047</u>	<u>12,423,997</u>	<u>17,459,168</u>
Liabilities			
Current:			
Accounts Payable	26,959	63,683	4,644
Accrued Wages Payable	16,994	25,366	24,388
Intergovernmental Payable	20,103	26,244	25,622
Accrued Interest Payable	7,980	0	0
Contracts Payable	6,937	70,227	823,331
Interfund Payable	0	0	0
Claims Payable	0	0	0
Notes Payable	13,691	38,095	0
Early Retirement Incentive Payable	25,179	0	0
Compensated Absences Payable	40,140	57,691	44,583
Payables from Restricted Assets:			
Revenue Bonds Payable	100,000	0	640,000
<i>Total Current Liabilities</i>	<u>257,983</u>	<u>281,306</u>	<u>1,562,568</u>
Long-Term:			
OWDA Loans Payable	0	2,977,197	0
Customer Deposits Payable from Restricted Assets	59,453	54,947	239,920
Notes Payable	215,620	390,363	0
Revenue Bonds Payable	2,248,552	0	4,791,000
Compensated Absences Payable	98,459	110,073	97,083
<i>Total Long-Term Liabilities</i>	<u>2,622,084</u>	<u>3,532,580</u>	<u>5,128,003</u>
<i>Total Liabilities</i>	<u>2,880,067</u>	<u>3,813,886</u>	<u>6,690,571</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,678,764	3,346,236	2,060,589
Restricted for Debt Service	56,768	0	651,191
Unrestricted	2,224,448	5,263,875	8,056,817
<i>Total Net Assets</i>	<u>\$4,959,980</u>	<u>\$8,610,111</u>	<u>\$10,768,597</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

All Other Enterprise Funds	Total Enterprise Funds	Business-Type Activities- Internal Service Funds
\$692,571	\$15,769,406	\$936,060
77,308	1,404,108	0
0	6,948	0
115	1,001,162	0
7,943	77,669	0
0	707,959	0
17,603	371,923	0
<u>795,540</u>	<u>19,339,175</u>	<u>936,060</u>
0	231,489	0
0	638,994	0
1,837,763	10,500,309	0
1,733,264	11,379,812	0
<u>3,571,027</u>	<u>22,750,604</u>	<u>0</u>
<u>4,366,567</u>	<u>42,089,779</u>	<u>936,060</u>
462	95,748	0
6,471	73,219	0
7,185	79,154	0
0	7,980	0
0	900,495	0
500,000	500,000	0
0	0	11,280
23,523	75,309	0
0	25,179	0
6,929	149,343	0
0	740,000	0
<u>544,570</u>	<u>2,646,427</u>	<u>11,280</u>
0	2,977,197	0
17,603	371,923	0
6,011	611,994	0
0	7,039,552	0
19,040	324,655	0
<u>42,654</u>	<u>11,325,321</u>	<u>0</u>
<u>587,224</u>	<u>13,971,748</u>	<u>11,280</u>
3,541,493	11,627,082	0
0	707,959	0
<u>237,850</u>	<u>15,782,990</u>	<u>924,780</u>
<u>\$3,779,343</u>	<u>28,118,031</u>	<u>\$924,780</u>
	924,780	
	(403,378)	
	<u>\$28,639,433</u>	

*Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007*

	Water	Sewer	Electric
Operating Revenues			
Charges for Services	\$1,564,453	\$2,645,746	\$14,742,017
Miscellaneous	732	10,174	227,003
<i>Total Operating Revenues</i>	<u>1,565,185</u>	<u>2,655,920</u>	<u>14,969,020</u>
Operating Expenses			
Personal Services	533,787	732,574	802,834
Fringe Benefits	258,863	323,224	378,632
Contractual Services	147,635	701,092	10,436,178
Materials and Supplies	282,396	156,600	34,409
Utilities	93,709	318,483	13,972
Depreciation	198,596	205,662	163,727
Other	105,564	457,446	1,255,690
<i>Total Operating Expenses</i>	<u>1,620,550</u>	<u>2,895,081</u>	<u>13,085,442</u>
<i>Operating Income (Loss)</i>	<u>(55,365)</u>	<u>(239,161)</u>	<u>1,883,578</u>
Non-Operating Revenues (Expenses)			
Investment in Joint Venture	0	0	(132,354)
Loss on Disposal of Capital Assets	(13,055)	(1,725)	(175,436)
Investment Earnings	19,128	0	170,590
Interest and Fiscal Charges	(112,758)	0	(257,956)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(106,685)</u>	<u>(1,725)</u>	<u>(395,156)</u>
<i>Income (Loss) Before Transfers</i>	(162,050)	(240,886)	1,488,422
Transfers In	0	0	0
Transfers Out	0	(193,881)	0
<i>Change in Net Assets</i>	(162,050)	(434,767)	1,488,422
<i>Net Assets Beginning of Year</i>	<u>5,122,030</u>	<u>9,044,878</u>	<u>9,280,175</u>
<i>Net Assets End of Year</i>	<u>\$4,959,980</u>	<u>\$8,610,111</u>	<u>\$10,768,597</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

All Other Enterprise Funds	Total Enterprise Funds	Business-Type Activities- Internal Service Funds
\$609,033	\$19,561,249	\$275,837
5,026	242,935	0
<u>614,059</u>	<u>19,804,184</u>	<u>275,837</u>
208,391	2,277,586	0
79,819	1,040,538	53,387
31,149	11,316,054	0
37,994	511,399	0
1,802	427,966	0
87,621	655,606	0
132,470	1,951,170	0
<u>579,246</u>	<u>18,180,319</u>	<u>53,387</u>
<u>34,813</u>	<u>1,623,865</u>	<u>222,450</u>
0	(132,354)	0
(1,466)	(191,682)	0
0	189,718	0
(788)	(371,502)	0
<u>(2,254)</u>	<u>(505,820)</u>	<u>0</u>
32,559	1,118,045	222,450
193,881	193,881	0
0	(193,881)	0
<u>226,440</u>	<u>1,118,045</u>	<u>222,450</u>
<u>3,552,903</u>		<u>702,330</u>
<u>\$3,779,343</u>		<u>\$924,780</u>
	<u>127,323</u>	
	<u>\$1,245,368</u>	

City of Jackson, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

Increase (Decrease) in Cash and Cash Equivalents	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Cash Flows from Operating Activities			
Cash Received from Customers	\$1,555,106	\$2,649,855	\$14,779,053
Other Cash Receipts	6,270	10,174	334,366
Cash Payments for Employee Services and Benefits	(793,966)	(1,034,170)	(1,127,358)
Cash Payments for Goods and Services	(376,336)	(1,007,545)	(9,608,596)
Utility Deposits Received	32,000	29,850	145,475
Utility Deposits Returned	(28,275)	(26,315)	(125,175)
Other Operating Expenses	(139,547)	(483,761)	(1,452,070)
<i>Net Cash Provided by Operating Activities</i>	<u>255,252</u>	<u>138,088</u>	<u>2,945,695</u>
Cash Flows from Noncapital Financing Activities			
Advances In	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from the Sale of Capital Assets	1,826	638	836
Proceeds from OWDA Loans	0	2,977,197	0
Payments for Capital Acquisitions	(525,509)	(2,666,462)	(3,544,514)
Proceeds from the Sale of Bonds	2,397,761	0	0
Principal Paid on Revenue Bonds Payable	0	0	(620,000)
Principal Paid on Notes	(16,130)	(38,095)	0
Bond Issuance Costs	(89,281)	0	0
Payment to Refunded Bond Escrow Agent	(1,899,314)	0	0
Interest Paid on Revenue Bonds	(61,393)	0	(248,756)
Interest Paid on Notes	0	0	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(192,040)</u>	<u>273,278</u>	<u>(4,412,434)</u>
Cash Flows from Investing Activities			
Investment Earnings	<u>19,134</u>	<u>0</u>	<u>179,567</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	82,346	411,366	(1,287,172)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,629,295</u>	<u>5,540,761</u>	<u>8,762,518</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$2,711,641</u></u>	<u><u>\$5,952,127</u></u>	<u><u>\$7,475,346</u></u>

See accompanying notes to the basic financial statements

All Other Enterprise Funds	Total Enterprise Funds	Business-Type Activities - Internal Service Fund
\$574,607	\$19,558,621	\$275,837
5,026	355,836	0
(276,136)	(3,231,630)	(50,967)
(69,524)	(11,062,001)	0
11,240	218,565	0
(9,527)	(189,292)	0
(141,997)	(2,217,375)	0
<u>93,689</u>	<u>3,432,724</u>	<u>224,870</u>
<u>500,000</u>	<u>500,000</u>	<u>0</u>
0	3,300	0
0	2,977,197	0
(3,195)	(6,739,680)	0
0	2,397,761	0
0	(620,000)	0
(22,718)	(76,943)	0
0	(89,281)	0
0	(1,899,314)	0
0	(310,149)	0
(1,466)	(1,466)	0
<u>(27,379)</u>	<u>(4,358,575)</u>	<u>0</u>
<u>0</u>	<u>198,701</u>	<u>0</u>
566,310	(227,150)	224,870
<u>143,864</u>	<u>17,076,438</u>	<u>711,190</u>
<u>\$710,174</u>	<u>\$16,849,288</u>	<u>\$936,060</u>

City of Jackson, Ohio
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities
Proprietary Funds
For the Year Ended December 31, 2007

	Water	Sewer	Electric
Operating Income (Loss)	(\$55,365)	(\$239,161)	\$1,883,578
Adjustments:			
Depreciation	198,596	205,662	163,727
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(9,517)	4,109	144,399
Increase in Prepaid Items	(4,654)	(4,709)	(4,098)
(Increase) Decrease in Materials and Supplies Inventory	100,772	17,886	(71,205)
Increase (Decrease) in Accounts Payable	18,201	60,223	3,257
Increase in Accrued Wages Payable	3,676	5,689	5,857
Increase in Contracts Payable	4,810	68,915	751,629
Increase in Claims Payable	0	0	0
Increase in Compensated Absences Payable	13,577	2,644	36,826
Increase in Customer Deposits Payable	3,725	3,535	20,300
Decrease in Early Retirement Incentives	(28,511)	0	0
Increase in Intergovernmental Payable	9,942	13,295	11,425
<i>Net Cash Provided by Operating Activities</i>	<u>\$255,252</u>	<u>\$138,088</u>	<u>\$2,945,695</u>

Noncash Transactions:

Non-Cash Transactions:

The Sewer Fund donated \$193,881 in capital assets to the Storm Sewer Fund.

The Water Fund recorded a payable for the purchase of capital assets in the amount of \$1,387.

The Sewer Fund recorded a payable for the purchase of capital assets in the amount of \$71,614.

The Electric Fund recorded payables for the purchase of capital assets in the amount of \$825,318.

The Garbage Fund recorded a payable for the purchase of capital assets in the amount of \$462.

All Other Enterprise Funds	Total Enterprise Funds	Business-Type Activities - Internal Service Fund
\$34,813	\$1,623,865	\$222,450
87,621	655,606	0
(34,426)	104,565	0
(2,264)	(15,725)	0
11	47,464	0
(773)	80,908	0
2,365	17,587	0
0	825,354	0
0	0	2,420
1,588	54,635	0
1,713	29,273	0
0	(28,511)	0
3,041	37,703	0
<u>\$93,689</u>	<u>\$3,432,724</u>	<u>\$224,870</u>

City of Jackson, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2007

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$14,705</u>
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Liabilities

Due to Others	<u>\$14,705</u>
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See accompanying notes to the basic financial statements

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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 16.

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 17.

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited expectations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

B. Fund Accounting

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

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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.

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

Fiduciary funds Fiduciary fund reporting focuses on net 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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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.

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, 2007, but which were levied to finance fiscal year 2008 operations have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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.

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 2007, 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.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The City has invested funds in STAR Ohio during 2007. 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, 2007.

Provisions of the Ohio Revised Code restrict investment procedures. During 2007, interest was distributed to the General Fund, certain special revenue funds, capital projects funds, and enterprise funds. Interest revenue credited to the General Fund during 2007 amounted to \$879,050, of which \$814,116 was assigned from other City funds.

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

G. Receivables and Payables

Receivables and payables to be recorded on the City's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and, in the case of receivables, 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, 2007, 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.

K. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities columns of the government-wide statement of net 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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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.

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
Infrastructure	25-60 years	25-60 years
Vehicles	5-12 years	5-12 years

The City's infrastructure consists of streets, curbs and gutters, traffic lights, water, sewer, and storm water 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.

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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, Discounts, and Issuance Costs

On government-wide financial statements, issuance costs and bond premiums or discounts are deferred and amortized over the term of the bonds. Issuance costs are recorded as deferred charges. Bond premiums or discounts are presented as increases or reductions to the face amount of the bonds.

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, and loans.

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 \$3,051,088 of restricted net assets, none of which 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. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

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, 2007

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.

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

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"; GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues"; and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and the OP&F post-employment healthcare plans in the amount of \$25,058 and \$12,080, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

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.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), 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).
5. Unrecorded cash and prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.

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	(\$61,555)
Net Adjustment for Revenue Accruals	(135,875)
Net Adjustment for Expenditure Accruals	60,731
Beginning of Year Prepaid Items	46,467
End of Year Prepaid Items	(47,376)
Unreported Cash	(4,450)
Advances Out	(500,000)
Encumbrances	<u>(75,388)</u>
Budget Basis	<u><u>(\$717,446)</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.

City of Jackson, Ohio
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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;
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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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.

City of Jackson, Ohio
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For the Year Ended December 31, 2007

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 \$18,294,791 and the bank balance was \$18,461,164. Of the bank balance \$400,000 was covered by Federal depository insurance and \$18,061,164 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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.

Investments

Investments are reported at fair value. As of December 31, 2007, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$4,097,287	Average 41 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 School District, 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.

City of Jackson, Ohio
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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, 2007:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
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 2007 for real and public utility property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on assessed value as of January 1, 2007, the lien date. Assessed values are established by State law 35 percent of the appraised value. 2007 real property taxes are collected in and intended to finance 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets other than inventory, which was assessed at 23 percent. The tangible personal property tax is being phased out - the assessment percentage of all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009.

The full tax rate for all City operations for the year ended December 31, 2007, was \$6.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$61,595,050
Public Utility Real and Tangible Personal Property	54,550,770
Tangible Personal Property	<u>13,496,748</u>
Total Assessed Value	<u><u>\$129,642,568</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

City of Jackson, Ohio
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delinquencies which are measurable as of December 31, 2007, 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 2007 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, 2007, 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, with the exception of delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$88,177. The financial statements reflect loans receivable of \$6,154. This amount is the amount owed to the City for Federal Community Development Block Grant monies loaned to an individual for home improvements. The loan is interest-free and is to be repaid over a period of thirty years. The amount not scheduled for collection during the subsequent year is \$4,954.

A summary of intergovernmental receivables follows:

<u>Governmental Activities</u>	
CHIP	\$232,425
Local Government Subsidies	188,008
Gasoline Tax	109,316
Motor Vehicle License Tax	60,614
Miscellaneous Grants	<u>46,537</u>
Total Governmental Activities	<u><u>\$636,900</u></u>

City of Jackson, Ohio
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For the Year Ended December 31, 2007

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007
<u>Governmental Activities:</u>				
Non-Depreciable Capital Assets:				
Land	\$1,434,816	\$0	\$0	\$1,434,816
Total Non-Depreciable Capital Assets	<u>1,434,816</u>	<u>0</u>	<u>0</u>	<u>1,434,816</u>
Depreciable Capital Assets:				
Land Improvements	168,690	194,335	0	363,025
Buildings	2,210,170	5,216	(2,592)	2,212,794
Equipment	1,186,949	122,440	(62,742)	1,246,647
Infrastructure	8,038,447	0	0	8,038,447
Vehicles	1,500,876	0	(89,088)	1,411,788
Total Depreciable Capital Assets	<u>13,105,132</u>	<u>321,991</u>	<u>(154,422)</u>	<u>13,272,701</u>
Accumulated Depreciation:				
Land Improvements	(94,906)	(7,803)	0	(102,709)
Buildings	(582,403)	(44,791)	156	(627,038)
Equipment	(725,776)	(71,869)	32,815	(764,830)
Infrastructure	(3,867,609)	(133,748)	0	(4,001,357)
Vehicles	(993,624)	(86,189)	50,483	(1,029,330)
Total Accumulated Depreciation	<u>(6,264,318)</u>	<u>(344,400)*</u>	<u>83,454</u>	<u>(6,525,264)</u>
Total Depreciable Capital Assets, Net	<u>6,840,814</u>	<u>(22,409)</u>	<u>(70,968)</u>	<u>6,747,437</u>
Governmental Capital Assets, Net	<u>\$8,275,630</u>	<u>(\$22,409)</u>	<u>(\$70,968)</u>	<u>\$8,182,253</u>

*Depreciation expense was charged to governmental activities as follows:

<u>Governmental Activities:</u>	
General Government	\$179,313
Security of Persons and Property	114,632
Public Health Services	5,211
Transportation	29,619
Leisure Time Activities	15,625
Total Depreciation Expense	<u>\$344,400</u>

City of Jackson, Ohio
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For the Year Ended December 31, 2007

	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007
<u>Business - Type Activities:</u>				
Non-Depreciable Capital Assets:				
Land	\$2,922,332	\$0	\$0	\$2,922,332
Construction in Progress	1,394,855	6,183,122	0	7,577,977
Total-Non Depreciable Capital Assets	<u>4,317,187</u>	<u>6,183,122</u>	<u>0</u>	<u>10,500,309</u>
Depreciable Capital Assets:				
Land Improvements	34,348	0	0	34,348
Buildings	982,721	5,784	0	988,505
Equipment	1,836,554	214,804	(49,678)	2,001,680
Infrastructure	14,540,009	96,100	(199,686)	14,436,423
Vehicles	1,875,271	0	0	1,875,271
Total Depreciable Capital Assets	<u>19,268,903</u>	<u>316,688</u>	<u>(249,364)</u>	<u>19,336,227</u>
Accumulated Depreciation:				
Land Improvements	(7,942)	(924)	0	(8,866)
Buildings	(408,473)	(16,442)	0	(424,915)
Equipment	(905,973)	(153,596)	29,282	(1,030,287)
Infrastructure	(5,041,955)	(324,925)	25,777	(5,341,103)
Vehicles	(991,526)	(159,718)	0	(1,151,244)
Total Accumulated Depreciation	<u>(7,355,869)</u>	<u>(655,605)</u>	<u>55,059</u>	<u>(7,956,415)</u>
Total Depreciable Capital Assets, Net	<u>11,913,034</u>	<u>(338,917)</u>	<u>(194,305)</u>	<u>11,379,812</u>
Business - Type Activities Capital Assets, Net	<u>\$16,230,221</u>	<u>\$5,844,205</u>	<u>(\$194,305)</u>	<u>\$21,880,121</u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description – 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. 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, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

City of Jackson, Ohio
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Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5% of covered payroll, public safety members contributed 9.75%, and law enforcement members contributed 10.1%.

The City's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$266,980, \$308,175 and \$295,640 respectively; 85.89 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

B. Ohio Police and Fire Pension Fund

Plan Description – 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 pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information 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.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police for the years ended December 31, 2007, 2006, and 2005 were \$88,231, \$87,640, and \$79,873 respectively. The full amount has been contributed for 2006 and 2005. 85.43 percent has been contributed for 2007.

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, 2007, the unfunded police liability of the City was \$36,973 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part b premium reimbursement.

City of Jackson, Ohio
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To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007. The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$175,855, \$150,738 and \$123,828 respectively; 85.89 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Police and Firemen's Disability and Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

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

City of Jackson, Ohio
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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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F’s post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees’ primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City’s contributions to OP&F which were allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$46,758, \$57,805, and \$54,710 respectively. The full amount has been contributed for 2006 and 2005. 85.43 percent has been contributed for 2007.

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 \$1,356.61 for family coverage and \$493.30 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.

City of Jackson, Ohio
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For the Year Ended December 31, 2007

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.

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 2007, 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.

City of Jackson, Ohio
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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 \$11,280 reported in the self-insurance fund at December 31, 2007, 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
2006	\$11,121	\$52,391	\$54,652	\$8,860
2007	8,860	53,387	50,967	11,280

NOTE 13 – 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, 2007, were:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$32,185	\$3,010	\$35,195

Principal and interest requirements to retire the City's special termination benefits for business-type activities at December 31, 2007, were:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$25,179	\$1,542	\$26,721

City of Jackson, Ohio
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NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the City's long-term obligations during 2007 consist of the following:

	Outstanding 12/31/2006	Additions	Reductions	Outstanding 12/31/2007	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>Notes</u>					
Police Cruiser Note 3.2%	\$15,208	\$0	\$4,911	\$10,297	\$5,067
Police Cruiser Note 3.2%	13,118	0	4,236	8,882	4,371
Building Acquisition Note 4.0%	119,443	0	4,372	115,071	4,540
Building Improvement Note 4.0%	95,555	0	3,495	92,060	3,632
Land Note 1.0%	312,848	0	0	312,848	0
Total Notes	<u>556,172</u>	<u>0</u>	<u>17,014</u>	<u>539,158</u>	<u>17,610</u>
Police and Fire Pension Liability	37,673	0	700	36,973	731
Special Termination Benefits	99,240	0	67,055	32,185	32,185
Compensated Absences	449,598	123,998	100,660	472,936	110,234
Total Governmental Activities	<u>\$1,142,683</u>	<u>\$123,998</u>	<u>\$185,429</u>	<u>\$1,081,252</u>	<u>\$160,760</u>
<u>Business-Type Activities:</u>					
<u>Bonds</u>					
1993 Water System Revenue Bonds 2.8-5.6%	\$1,850,000	\$0	\$1,850,000	\$0	\$0
2007 Water System General Obligation Bonds 4%	0	2,375,000	0	2,375,000	100,000
Deferred Amount on Refunding	0	(49,314)	(205)	(49,109)	0
Unamortized Bond Premium	0	22,761	100	22,661	0
2006 Electric System Revenue Bonds 4.2-6.4%	6,120,000	0	620,000	5,500,000	640,000
Unamortized Bond Discount	(72,000)	0	(3,000)	(69,000)	0
Total Bonds Payable	<u>7,898,000</u>	<u>2,348,447</u>	<u>2,466,895</u>	<u>7,779,552</u>	<u>740,000</u>
<u>Notes Payable</u>					
2001 Holzer Hospital Water Tower 0%	2,439	0	2,439	0	0
2001 Holzer Hospital Water Lines 0%	243,002	0	13,691	229,311	13,691
2001 Holzer Hospital Sewer Lift Station 0%	466,553	0	38,095	428,458	38,095
Garbage Truck Note 3.5%	52,252	0	22,718	29,534	23,523
Total Notes Payable	<u>764,246</u>	<u>0</u>	<u>76,943</u>	<u>687,303</u>	<u>75,309</u>
2007 OWDA Loan	0	2,977,197	0	2,977,197	0
Special Termination Benefits	53,690	0	28,511	25,179	25,179
Compensated Absences Payable	419,363	123,998	69,363	473,998	149,343
Total Business-Type Activities	<u>\$9,135,299</u>	<u>\$5,449,642</u>	<u>\$2,641,712</u>	<u>\$11,943,229</u>	<u>\$989,831</u>

Governmental Activities:

Notes Payable

The \$312,848 2004 Land Note was for the purchase of land as part of a grant to improve local wetlands. A lump sum payment is due in 2009.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The City will pay the Police Cruiser Notes from the General Fund. Principal and interest requirements to retire the notes outstanding at December 31, 2007 were:

Year	Principal	Interest	Total
2008	\$9,438	\$615	\$10,053
2009	9,741	311	10,052
	\$19,179	\$926	\$20,105

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, 2007 were:

Year	Principal	Interest	Total
2008	\$8,172	\$8,273	\$16,445
2009	8,534	7,911	16,445
2010	8,887	7,558	16,445
2011	9,254	7,191	16,445
2012	9,616	6,829	16,445
2013-2015	162,668	16,163	178,831
	\$207,131	\$53,925	\$261,056

Police and Fire Pension Liability

The City will pay the Police and Fire Pension Liability from the General Fund. Principal and interest requirements to retire the City's police and fire pension liability outstanding at December 31, 2007 were:

Year	Principal	Interest	Total
2008	\$731	\$1,564	\$2,295
2009	762	1,533	2,295
2010	795	1,500	2,295
2011	820	1,465	2,285
2012	865	1,429	2,294
2013-2017	4,913	6,559	11,472
2018-2022	6,054	5,410	11,464
2023-2027	7,482	3,989	11,471
2028-2032	9,232	2,239	11,471
2033-2035	5,319	339	5,658
	\$36,973	\$26,027	\$63,000

Compensated Absences Payable

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

As of December 31, 2007, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$13,043,778, with an unvoted debt margin of \$6,561,649.

Business-Type Activities:

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.

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

\$1,899,314 (after underwriting fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1993 water revenue bonds. The refunded bonds were called on December 1, 2007, and the irrevocable trust account was closed as of December 31, 2007.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$49,314. This difference, reported as a deduction from bonds payable, is being charged to interest through 2026. The City decreased its total debt service payments by \$564,073 as a result of the current refunding. The City also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$105,177.

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

In 2006, the City issued \$6,495,000 in Electric System Revenue Bonds for the purpose of (1) permanent financing of the City's \$2,765,000 bond anticipation note issued to pay part of the costs of electric system upgrades, and (2) paying for additional electric system improvements, 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.

The City has pledged future electric customer revenues, net of specified operating expenses, to repay \$6,495,000 in electric system revenue bonds issued in 2006. Proceeds from these bonds provided financing for various electric utility projects. The bonds are payable solely from electric customer net revenues and are payable through 2035. Annual principal and interest payments on the bonds are expected to require less than 39 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$7,829,256. Principal and interest paid for the current year and total customer net revenues were \$863,999 and \$2,217,895, respectively.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Principal and interest requirements for revenue bonds are as follows:

Year	Principal	Interest	Total
2008	\$740,000	\$319,719	\$1,059,719
2009	430,000	290,118	720,118
2010	460,000	272,919	732,919
2011	480,000	254,518	734,518
2012	495,000	235,319	730,319
2013-2017	2,285,000	875,193	3,160,193
2018-2012	1,165,000	513,711	1,678,711
2013-2027	1,155,000	287,023	1,442,023
2028-2030	665,000	57,162	722,162
Total	<u>\$7,875,000</u>	<u>\$3,105,682</u>	<u>\$10,980,682</u>

Notes Payable

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, for \$90,000 at 3.5%, for the purchase of a garbage truck. Payment for this debt will come from the Garbage Enterprise Fund.

Principal and interest requirements for the Garbage Truck Note are as follows:

Year	Principal	Interest	Total
2008	\$23,523	\$661	\$24,184
2009	6,011	35	6,046
Total	<u>\$29,534</u>	<u>\$696</u>	<u>\$30,230</u>

During 2007 the City was approved for an \$8,219,736 one percent loan for a sewer project. As of December 31, 2007, the City has received \$2,977,197 in loan proceeds for this ongoing project. The project is scheduled for completion during 2008. Based on the current status of the OWDA loan, there is a tentative repayment schedule in place, but a final loan repayment schedule will be provided at the point the project is complete.

Compensated Absences Payable

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 15 - INTERFUND ACTIVITY

A. Transfers

<u>Transfer from</u>	<u>Transfer to Other Nonmajor Governmental</u>
Major Fund:	
General Fund	\$475,000
Other Nonmajor Governmental	29,615
Total	<u>\$504,615</u>

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

B. Balances

Interfund balances at December 31, 2007, arise from the provision of cash flows from the General Fund until the receipt of grant monies by Special Revenue Funds. These advances will be repaid in 2008.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$523,642	\$0
Recreation	0	20,320
CHIP	0	3,322
Total Special Revenue Funds	<u>0</u>	<u>23,642</u>
Storm Sewer Enterprise Fund	<u>0</u>	<u>500,000</u>
Total All Funds	<u>\$523,642</u>	<u>\$523,642</u>

NOTE 16 – JOINT VENTURE

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

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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, 2007, 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 \$638,994 at December 31, 2007. 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.

NOTE 17 – 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.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 18 - CONTINGENT LIABILITIES

A. Litigation

The City is currently party to legal proceedings. The City is of the opinion that ultimate disposition of claims 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, 2007, to December 31, 2007, 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 19 – 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, 2007, there was one series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$721,860 and one series of hospital facilities revenue bonds outstanding with an aggregate principal amount payable of \$25 million.

NOTE 20 – CONTRACTUAL COMMITMENTS

At December 31, 2007, the City had the following contractual commitments:

<u>Project</u>	<u>Fund</u>	<u>Purchase Commitments</u>	<u>Amount Paid as of 12/31/2007</u>	<u>Amount Remaining on Contracts</u>
Wastewater Treatment Plant				
Wet Weather Expansion Project	Storm Sewer	\$1,003,231	\$193,881	\$809,350
Sanitary Sewer Rehabilitation	Sewer	10,444,920	3,089,122	7,355,798
Electric Substation Construction	Electric	4,450,177	3,834,575	615,602
Water System Improvements	Water	747,681	460,400	287,281
Total		\$16,646,009	\$7,577,978	\$9,068,031

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

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

We have audited the accompanying financial statements of the governmental activities, 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 years ended December 31, 2007, and have issued our report thereon dated July 3, 2008, wherein we noted that the City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, and Statement No. 50, *Pension Disclosures*. 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 of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Members of Council
City of Jackson, Jackson County
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards

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 grants, 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 matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain matters that we reported to the City's management in a separate letter dated July 3, 2008.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

July 3, 2008

*CITY OF JACKSON, OHIO
Schedule of Findings
For the Year Ended December 31, 2007*

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

Finding Number 2007-001

Overtime Compensation - Material Citation

The City of Jackson Personnel Policies and Procedures Manual, updates October 21, 2002 and February 2005, states in Section 6.01(Compensation), Subsection G, that an employee will be paid overtime or compensatory time when the extra hours are authorized by the employee's supervisor, the Department Head or Service/Safety Director.

During testing instances were found where overtime was claimed on the time sheets and the overtime was authorized several pay periods after the fact. Instances were also found where overtime was claimed on the time sheets and no one authorized the payment of the overtime. It was also found that compensatory time was claimed on time sheets, when compensatory time had not been earned or accrued, leaving the individual with a negative compensatory time balance.

These situations imply that the employee's supervisor was not approving the payment of overtime prior to the overtime payment being made and compensatory time was paid prior to being earned. These situations could also result in the City paying for unauthorized/unearned overtime or compensatory time.

This testing lead to the finding of three employees that were overpaid \$14,780. During the current audit period, \$5,506 has been repaid to the City leaving an outstanding balance of \$9,274 at December 31, 2007. Two of the employees have current agreements with the City to repay the remaining portions of their overpayment which was \$7,595. These two employees have repaid an additional \$2,557 during 2008, to the date of this audit report. The final employee made a few payments to the City during 2007, but in September 2007 informed the City to stop deducting amounts from his paycheck and that the employee wished to void the agreement with the City to prepay the overpayment received. At December 31, 2007, the final employees outstanding balance was \$1,679. This employees has made no repayments during 2008, to the date of this audit report.

We recommend the City, its employees and its supervisors follow the City of Jackson Personnel Policies and Procedures Manual regarding the payment of overtime and compensatory time. Any submitted time sheet that has overtime or compensatory time must be approved by the employee's supervisor prior to the payment of the overtime or compensatory time. The approval should be in the form of the supervisor's initials or signature and the date of the authorization. Each time sheet with overtime or compensatory time should be reviewed to ensure that the employee has accrued leave time available, so that employees are not paid for unearned time and maintain a negative leave balance. Any time sheet that does not have the supervisor's authorization or if the employee does not have the appropriate accrued leave, should not be paid for that time.

Officials' Response

The City will monitor time sheets for required approvals before payment is made to employees in the future. Currently there is one employee that has been overpaid with a balance due to the City of \$1,679.00. This employee has voided the repayment agreement with the City and is no longer making repayments on the amount owed. This matter is being referred to the City's Law Director for further investigation.

CITY OF JACKSON, OHIO
Corrective Action Plan
For the Year Ended December 31, 2007

The City has developed the following corrective action plan to address the findings contained in the schedule of findings.

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2007-001	The City Auditor will review the all overtime sheets before payment is made.	Immediately	James Humphreys, Auditor

CITY OF JACKSON, OHIO
Schedule of Prior Audit Findings
For the Year Ended December 31, 2007

Description	Status	Comments
Government Auditing Standards:		
1. Overtime pay was given to employees prior to or without authorization of the employee's supervisor, the Department Head, or the Service/Safety Director as required by the City's Personnel Policies and Procedures Manual.	Partially Corrected	Reissued as 2007-001
2. Control procedures relating to financial reporting resulting in a prior period adjustment.	Corrected	N/A



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
NOVEMBER 6, 2008**