

**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS***  
**(AUDITED)**

FOR THE YEAR ENDED  
DECEMBER 31, 2010

**WENDY SEXTON, DEPUTY AUDITOR**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Jackson, Jackson County, prepared by Julian & Grube, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 21, 2011

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**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Jackson County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the City of Jackson's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jackson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Jackson County, Ohio, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2011, on our consideration of the City of Jackson's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Members of Council and Mayor  
City of Jackson  
Page Two

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

We conducted our audit to opine on the financial statements that collectively comprise the City of Jackson's basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
July 27, 2011



**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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The discussion and analysis of the City of Jackson's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. 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 2010 are as follows:

- The City's total net assets increased by 13.2 percent, or \$6,233,567, from the total net assets at the beginning of the year 2010.
- At the end of the current year, the City's governmental activities reported total net assets of \$12,806,804, an increase of \$479,654 from the prior year.
- At the end of the current year, unreserved fund balance for the General Fund was \$2,256,385 which represents a \$760,908 increase from the prior year. This represents 73.4 percent of total General Fund expenditures.
- Capital assets increased \$2,868,259. Capital assets of governmental activities decreased \$211,215. Capital assets of business-type activities increased \$3,079,474.

**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 2010?" 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**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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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**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

**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 2010 compared to 2009.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Current and Other Assets	\$7,241,541	\$6,648,584	\$20,578,751	\$18,206,361	\$27,820,292	\$24,854,945
Investment in Joint Venture	0	0	771,330	766,324	771,330	766,324
Capital Assets, Net	7,474,880	7,686,095	34,974,500	31,895,026	42,449,380	39,581,121
<i>Total Assets</i>	<u>14,716,421</u>	<u>14,334,679</u>	<u>56,324,581</u>	<u>50,867,711</u>	<u>71,041,002</u>	<u>65,202,390</u>
<b>Liabilities</b>						
Current and Other Liabilities	846,671	850,443	643,573	714,282	1,490,244	1,564,725
Noncurrent Liabilities	1,062,946	1,157,086	15,100,129	15,316,463	16,163,075	16,473,549
<i>Total Liabilities</i>	<u>1,909,617</u>	<u>2,007,529</u>	<u>15,743,702</u>	<u>16,030,745</u>	<u>17,653,319</u>	<u>18,038,274</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	7,005,139	7,135,417	20,626,648	17,328,884	27,631,787	24,464,301
Restricted	3,533,144	3,561,741	0	0	3,533,144	3,561,741
Unrestricted	2,268,521	1,629,992	19,954,231	17,508,082	22,222,752	19,138,074
<i>Total Net Assets</i>	<u>\$12,806,804</u>	<u>\$12,327,150</u>	<u>\$40,580,879</u>	<u>\$34,836,966</u>	<u>\$53,387,683</u>	<u>\$47,164,116</u>

Total assets increased \$5,838,612. Governmental activities' capital assets decreased \$211,215. The increase in capital assets for business-type activities in the amount of \$3,079,474 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 \$592,957 and net assets decreased \$479,674, due to an increase in pooled cash and equivalents, offset by a decrease in receivables, prepaid items, and acquisition of assets.

There was an decrease in current and other liabilities for governmental activities of \$3,772 due to an increase in payables offset by a decrease in deferred revenue.

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

Table 2 shows the changes in net assets for the year ended December 31, 2010, and comparisons to 2009.

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

	Governmental Activities 2010	Business- Type Activities 2010	Total 2010	Governmental Activities 2009	Business- Type Activities 2009	Total 2009
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$1,294,551	\$21,123,814	\$22,418,365	\$1,114,637	\$22,755,649	\$23,870,286
Operating Grants and Contributions	799,326	5,300,000	6,099,326	1,192,260	118,734	1,310,994
<i>Total Program Revenues</i>	<u>2,093,877</u>	<u>26,423,814</u>	<u>28,517,691</u>	<u>2,306,897</u>	<u>22,874,383</u>	<u>25,181,280</u>
General Revenues:						
Property Taxes	792,436	0	792,436	651,338	0	651,338
Other Local Taxes	735,113	0	735,113	740,153	0	740,153
Right of Way	800,000	0	800,000	0	0	0
Gain on Sale of Capital Assets	0	0	0	2,500	10,297	12,797
Grants and Entitlements	432,070	0	432,070	476,160	0	476,160
Investment Earnings	400,251	71,052	471,303	393,303	8,700	402,003
Miscellaneous	263,591	288,238	551,829	56,014	99,942	155,956
Total General Revenues	<u>3,423,461</u>	<u>359,290</u>	<u>3,782,751</u>	<u>2,319,468</u>	<u>118,939</u>	<u>2,438,407</u>
<i>Total Revenues</i>	<u>5,517,338</u>	<u>26,783,104</u>	<u>32,300,442</u>	<u>4,626,365</u>	<u>22,993,322</u>	<u>27,619,687</u>
<b>Program Expenses</b>						
General Government	1,396,380	0	1,396,380	1,338,475	0	1,338,475
Security of Persons and Property	2,059,970	0	2,059,970	1,992,352	0	1,992,352
Public Health Services	341,517	0	341,517	291,659	0	291,659
Transportation	655,349	0	655,349	610,839	0	610,839
Leisure Time Activities	161,957	0	161,957	167,142	0	167,142
Community Environment	361,731	0	361,731	161,625	0	161,625
Interest and Fiscal Charges	20,002	0	20,002	22,507	0	22,507
Water	0	2,083,608	2,083,608	0	1,631,659	1,631,659
Sewer	0	2,691,656	2,691,656	0	2,638,146	2,638,146
Garbage	0	752,089	752,089	0	615,697	615,697
Electric	0	15,417,243	15,417,243	0	14,135,662	14,135,662
Railroad	0	135,373	135,373	0	79,099	79,099
<i>Total Program Expenses</i>	<u>4,996,906</u>	<u>21,079,969</u>	<u>26,076,875</u>	<u>4,584,599</u>	<u>19,100,263</u>	<u>23,684,862</u>
Increase (Decrease) in Net Assets						
before transfers	520,432	5,703,135	6,223,567	41,766	3,893,059	3,934,825
Transfers	(40,778)	40,778	0	(149,948)	149,948	0
Increase (Decrease) in Net Assets	479,654	5,743,913	6,223,567	(108,182)	4,043,007	3,934,825
Net Assets Beginning of Year	12,327,150	34,836,966	47,164,116	12,435,332	30,793,959	43,229,291
Net Assets End of Year	<u>\$12,806,804</u>	<u>\$40,580,879</u>	<u>\$53,387,683</u>	<u>\$12,327,150</u>	<u>\$34,836,966</u>	<u>\$47,164,116</u>

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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***Governmental Activities***

Grants and contributions accounted for 14.5 percent of total governmental revenues. Tax revenue provided 27.7 percent of total governmental revenues, all generated from property and other local taxes. Right of way charges accounted for 14.5 percent of total governmental revenues. These revenue sources comprise the largest components of City revenues. Property and other local taxes; operating grants, entitlements, and contributions; and right of way revenue combined together, provided 56.7 percent of the City's total governmental revenues.

The City received \$1,294,551, or 23.5 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 \$2,059,570, or 41.2 percent, of total expenses. General Government activities accounted for \$1,396,380, or 27.9 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, 2010**

	Program Activity Expenses	Net Cost of Program Activity	Program Activity Expenses	Net Cost of Program Activity
	2010	2010	2009	2009
General Government	\$1,396,380	\$307,831	\$1,338,475	\$425,926
Security of Persons and Property	2,059,970	1,848,095	1,992,352	1,805,768
Public Health Services	341,517	213,127	291,659	190,147
Transportation	655,349	283,696	610,839	254,635
Leisure Time Activities	161,957	71,172	167,142	98,713
Community Environment	361,731	159,106	161,625	(519,994)
Interest and Fiscal Charges	20,002	20,002	22,507	22,507
Totals	<u>\$4,996,906</u>	<u>\$2,903,029</u>	<u>\$4,584,599</u>	<u>\$2,277,702</u>

***Business-Type Activities***

The City's business-type activities are for water, sewer, electric, railroad, storm sewer, and garbage services. During 2010, total program revenues exceeded expenses by \$5,343,845.

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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The minimum water rate is \$10.82 per thousand gallons of water for customers within the City limits and \$13.00 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 \$6.50 per month for unoccupied residences, \$9.50 per month for senior citizens and \$12.50 per month for others. Fees for electrical service are also based on usage. The minimum rate is \$3.101 for residential use inside City limits and \$3.61 for residential use outside City limits 0-20 kwh.

### **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 2010, fund balance was \$2,270,105. Fund balance represents 73.8 percent to total General Fund expenditures. There was a 33.3 percent increase in General Fund revenue, due primarily to the City's right of way plan.

The fund balance of the City's General Fund increased by \$737,215 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, the Electric Fund, and the Railroad Fund. The Water Fund's net assets increased \$1,015,278, the Sewer Fund's net assets increased \$2,069,100, the Electric Fund's net assets increased \$847,190, and the Railroad Fund's net assets increased \$1,979,125. The increases in the Water Fund, Sewer Fund, and Railroad Fund are due to grant monies the City is receiving for ongoing construction projects.

### **General Fund Budgetary Highlights**

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

The City made 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 \$50,350, 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 \$323,202 less than appropriations, due to conservative spending.

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

The General Fund budgeted revenue increased \$1,377,373 and was primarily due to an increase in expected investment earnings, intergovernmental revenue, and charges for services.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2010, the City had \$42,449,380 invested in capital assets, net of accumulated depreciation. Table 4 shows 2010 balances compared to 2009.

**Table 4**  
**Capital Assets at December 31, 2010 with comparative as of December 31, 2009**  
**(Net of Depreciation)**

	Government Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$1,171,968	\$1,171,968	\$3,122,332	\$3,122,332	\$4,294,300	\$4,294,300
Land Improvements	228,708	239,244	22,708	23,632	251,416	262,876
Buildings	1,537,871	1,584,587	627,943	646,862	2,165,814	2,231,449
Equipment	394,724	417,311	861,687	1,006,611	1,256,411	1,423,922
Infrastructure	3,633,255	3,768,100	15,136,335	14,034,960	18,769,590	17,803,060
Vehicles	508,354	504,885	464,383	598,048	972,737	1,102,933
Construction in Progress	0	0	14,739,112	12,462,583	14,739,112	12,462,583
<b>Totals</b>	<b>\$7,474,880</b>	<b>\$7,686,095</b>	<b>\$34,974,500</b>	<b>\$31,895,028</b>	<b>\$42,449,380</b>	<b>\$39,581,123</b>

The total increase in the City's capital assets, net of accumulated depreciation, for the current year was \$2,868,257, or 7.25 percent.

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

***Debt***

As of December 31, 2010, and December 31, 2009, the City had total debt of \$15,016,385 and \$15,326,511, respectively, as follows:

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

**Table 5**  
**Outstanding Debt**  
**As of December 31, 2010, with comparative for December 31, 2009**

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenue Bonds	\$0	\$0	\$6,162,743	\$6,618,346	\$6,162,743	\$6,618,346
OWDA Loans	0	0	7,752,673	7,457,827	7,752,673	7,457,827
Notes Payable	469,741	550,678	631,228	699,660	1,100,969	1,250,338
<b>Totals</b>	<b>\$469,741</b>	<b>\$550,678</b>	<b>\$14,546,644</b>	<b>\$14,775,833</b>	<b>\$15,016,385</b>	<b>\$15,326,511</b>

The City's overall legal debt margin was \$11,883,882. For additional information on debt, see Note 13 to the basic financial statements.

***Economic Factors***

Jackson County's unemployment rate increased .4% from 2009 to 2010, going from 11.0% to 11.4%.

**Requests for Information**

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



**City of Jackson, Ohio**  
*Statement of Net Assets*  
*December 31, 2010*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,074,726	\$15,814,296	\$20,889,022
Accounts Receivable	110,991	2,158,605	2,269,596
Accrued Interest Receivable	24,828	0	24,828
Intergovernmental Receivable	584,445	1,606,559	2,191,004
Internal Balances	658,799	(658,799)	0
Property Taxes Receivable	722,302	0	722,302
Other Taxes Receivable	13,100	0	13,100
Loans Receivable	4,554	0	4,554
Materials and Supplies Inventory	47,796	959,298	1,007,094
Deferred Charges	0	198,792	198,792
Investment in Joint Venture	0	771,330	771,330
Non-Depreciable Capital Assets	1,171,968	17,861,444	19,033,412
Depreciable Capital Assets, Net	6,302,912	17,113,056	23,415,968
<i>Total Assets</i>	<u>14,716,421</u>	<u>55,824,581</u>	<u>70,541,002</u>
<b>Liabilities</b>			
Accounts Payable	856	5,305	6,161
Accrued Wages Payable	94,246	112,261	206,507
Intergovernmental Payable	103,848	105,464	209,312
Accrued Interest Payable	10,521	0	10,521
Contracts Payable	0	1,741	1,741
Claims Payable	0	23,910	23,910
Deferred Revenue	637,200	0	637,200
Customer Deposits Payable	0	394,892	394,892
Long-Term Liabilities:			
Due Within One Year	200,747	1,174,352	1,375,099
Due In More Than One Year	862,199	13,925,777	14,787,976
<i>Total Liabilities</i>	<u>1,909,617</u>	<u>15,743,702</u>	<u>17,653,319</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	7,005,139	20,626,648	27,631,787
Restricted for:			
Street	234,818	0	234,818
Cemetery	555,976	0	555,976
Police	24,059	0	24,059
Fire	401,947	0	401,947
Community Development	820,615	0	820,615
Recreation	947,609	0	947,609
Capital Projects	11,081	0	11,081
Cemetery Endowment:			
Expendable	10,352	0	10,352
Nonexpendable	438,207	0	438,207
Other Purposes	88,480	0	88,480
Unrestricted	2,268,521	19,454,231	21,722,752
<i>Total Net Assets</i>	<u>\$12,806,804</u>	<u>\$40,080,879</u>	<u>\$52,887,683</u>

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2010

	Expenses	Indirect Expense Allocation	Program Revenues	
			Charges for Services	Operating Grants, Contributions, and Interest
<b>Governmental Activities</b>				
General Government	\$1,396,380	(\$996,476)	\$92,073	\$0
Security of Persons and Property	2,023,934	36,036	111,025	100,850
Public Health Services	302,463	39,054	59,595	68,795
Transportation	572,596	49,368	155	338,113
Leisure Time Activities	145,716	16,241	31,650	59,135
Community Environment	345,877	12,277	0	199,048
Interest and Fiscal Charges	20,002	0	0	0
<i>Total Governmental Activities</i>	<u>4,806,968</u>	<u>(843,500)</u>	<u>294,498</u>	<u>765,941</u>
<b>Business-Type Activities</b>				
Water	1,851,793	231,815	2,056,907	500,000
Sewer	2,466,296	225,360	2,430,956	2,300,000
Electric	15,150,548	266,695	15,909,176	0
Garbage	673,237	78,852	653,055	0
Railroad	94,595	40,778	73,720	2,000,000
<i>Total Business-Type Activities</i>	<u>20,236,469</u>	<u>843,500</u>	<u>21,123,814</u>	<u>4,800,000</u>
<i>Total</i>	<u>\$25,043,437</u>	<u>\$0</u>	<u>\$21,418,312</u>	<u>\$5,565,941</u>

**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*

Transfers

*Total General Revenues and Transfers*

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
(\$307,831)	\$0	(\$307,831)
(1,848,095)	0	(1,848,095)
(213,127)	0	(213,127)
(283,696)	0	(283,696)
(71,172)	0	(71,172)
(159,106)	0	(159,106)
(20,002)	0	(20,002)
<u>(2,903,029)</u>	<u>0</u>	<u>(2,903,029)</u>
0	473,299	473,299
0	2,039,300	2,039,300
0	491,933	491,933
0	(99,034)	(99,034)
0	1,938,347	1,938,347
<u>0</u>	<u>4,843,845</u>	<u>4,843,845</u>
<u>(2,903,029)</u>	<u>4,843,845</u>	<u>1,940,816</u>
410,787	0	410,787
193,854	0	193,854
187,795	0	187,795
735,113	0	735,113
800,000	0	800,000
432,070	0	432,070
400,251	71,052	471,303
263,591	288,238	551,829
<u>3,423,461</u>	<u>359,290</u>	<u>3,782,751</u>
<u>(40,778)</u>	<u>40,778</u>	<u>0</u>
<u>3,382,683</u>	<u>400,068</u>	<u>3,782,751</u>
479,654	5,243,913	5,723,567
<u>12,327,150</u>	<u>34,836,966</u>	<u>47,164,116</u>
<u>\$12,806,804</u>	<u>\$40,080,879</u>	<u>\$52,887,683</u>

**City of Jackson, Ohio**

*Balance Sheet  
Governmental Funds  
December 31, 2010*

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,015,873	\$3,058,853	\$5,074,726
Receivables:			
Accounts	73,285	37,706	110,991
Accrued Interest	13,172	11,656	24,828
Intergovernmental	61,703	522,742	584,445
Interfund	291,616	0	291,616
Property Taxes	387,585	334,717	722,302
Other Local Taxes	6,550	6,550	13,100
Loans	0	4,554	4,554
Materials and Supplies Inventory	4,570	43,226	47,796
<i>Total Assets</i>	<u>\$2,854,354</u>	<u>\$4,020,004</u>	<u>\$6,874,358</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$856	\$0	\$856
Accrued Wages Payable	76,174	18,072	94,246
Intergovernmental Payable	78,842	25,006	103,848
Deferred Revenue	428,377	725,446	1,153,823
Interfund Payable	0	20,320	20,320
<i>Total Liabilities</i>	<u>584,249</u>	<u>788,844</u>	<u>1,373,093</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	13,720	1,545	15,265
Reserved for Endowments	0	438,207	438,207
Reserved for Loans	0	3,354	3,354
Unreserved, Undesignated, Reported in:			
General Fund	2,256,385	0	2,256,385
Special Revenue Funds	0	2,766,621	2,766,621
Capital Projects Funds	0	11,081	11,081
Permanent Funds	0	10,352	10,352
<i>Total Fund Balance</i>	<u>2,270,105</u>	<u>3,231,160</u>	<u>5,501,265</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,854,354</u>	<u>\$4,020,004</u>	<u>\$6,874,358</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, 2010*

**Total Governmental Fund Balances** \$5,501,265

*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. 7,474,880

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

Property Taxes	85,101	
Intergovernmental Revenues	431,522	
Total	516,623	516,623

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. 387,503

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

Compensated Absences Payable	(558,520)	
Accrued Interest Payable	(10,521)	
Police and Fire Pension Payable	(34,685)	
Long-Term Notes Payable	(469,741)	
Total	(1,073,467)	(1,073,467)

**Net Assets of Governmental Activities** \$12,806,804

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2010*

	General Fund	Other Governmental Funds	Totals Governmental Funds
<b>Revenues:</b>			
Property Taxes	\$425,219	\$393,334	\$818,553
Other Local Taxes	669,828	65,285	735,113
Intergovernmental	404,607	917,123	1,321,730
Charges for Services	1,854,678	94,822	1,949,500
Fines and Forfeitures	50,910	2,301	53,211
Licenses and Permits	91,840	0	91,840
Investment Earnings	400,236	47,666	447,902
Contributions and Donations	0	73,502	73,502
Miscellaneous	85,394	178,197	263,591
<i>Total Revenues</i>	<u>3,982,712</u>	<u>1,772,230</u>	<u>5,754,942</u>
<b>Expenditures:</b>			
Current:			
General Government	1,196,652	0	1,196,652
Security of Persons and Property	1,762,075	214,104	1,976,179
Public Health Services	0	318,913	318,913
Transportation	115,089	498,954	614,043
Leisure Time Activities	0	144,755	144,755
Community Environment	0	399,725	399,725
Capital Outlay	0	27,462	27,462
Debt Service:			
Principal Retirement	796	80,936	81,732
Interest and Fiscal Charges	1,500	21,072	22,572
<i>Total Expenditures</i>	<u>3,076,112</u>	<u>1,705,921</u>	<u>4,782,033</u>
<i>Excess of Revenues Over Expenditures</i>	<u>906,600</u>	<u>66,309</u>	<u>972,909</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	0	142,246	142,246
Transfers Out	(169,385)	(13,639)	(183,024)
<i>Total Other Financing Sources (Uses)</i>	<u>(169,385)</u>	<u>128,607</u>	<u>(40,778)</u>
<i>Net Change in Fund Balances</i>	737,215	194,916	932,131
<i>Fund Balances at Beginning of Year</i>	<u>1,532,890</u>	<u>3,036,244</u>	<u>4,569,134</u>
<i>Fund Balances at End of Year</i>	<u><u>\$2,270,105</u></u>	<u><u>\$3,231,160</u></u>	<u><u>\$5,501,265</u></u>

See accompanying notes to the general purpose financial statements

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**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, 2010*

**Net Change in Fund Balances - Total Governmental Funds** \$932,131

*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 depreciation exceeded capital outlays in the current period:

Capital Asset Additions	149,428	
Depreciation Expense	<u>(360,643)</u>	(211,215)

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

Grants	(211,487)	
Delinquent Taxes	<u>(26,117)</u>	(237,604)

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.

(100,368)

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

81,732

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

2,570

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:

Compensated Absences Payable		<u>12,408</u>
------------------------------	--	---------------

*Change in Net Assets of Governmental Activities*

\$479,654

See accompanying notes to the basic financial statements



**City of Jackson, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2010*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$302,000	\$425,219	\$425,219	\$0
Other Local Taxes	655,000	715,813	715,813	0
Intergovernmental	265,300	404,627	404,627	0
Charges for Services	878,137	1,854,678	1,854,678	0
Fines and Forfeitures	60,050	51,704	51,704	0
Licenses and Permits	75,055	91,840	91,840	0
Investment Earnings	391,356	448,223	448,223	0
Miscellaneous	39,834	52,001	52,024	23
<i>Total Revenues</i>	<u>2,666,732</u>	<u>4,044,105</u>	<u>4,044,128</u>	<u>23</u>
<b>Expenditures</b>				
Current:				
General Government	1,297,591	1,337,217	1,184,870	152,347
Security of Persons and Property	1,906,073	1,916,740	1,750,428	166,312
Transportation	123,490	123,547	119,004	4,543
<i>Total Expenditures</i>	<u>3,327,154</u>	<u>3,377,504</u>	<u>3,054,302</u>	<u>323,202</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(660,422)</u>	<u>666,601</u>	<u>989,826</u>	<u>323,225</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	842,916	731,858	731,858	0
Advances Out	0	(160,238)	(160,238)	0
Transfers Out	(8,000)	(169,385)	(169,385)	0
<i>Total Other Financing Sources (Uses)</i>	<u>834,916</u>	<u>402,235</u>	<u>402,235</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	174,494	1,068,836	1,392,061	323,225
<i>Fund Balance Beginning of Year</i>	565,873	565,873	565,873	0
Prior Year Encumbrances Appropriated	<u>38,020</u>	<u>38,020</u>	<u>38,020</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$778,387</u></u>	<u><u>\$1,672,729</u></u>	<u><u>\$1,995,954</u></u>	<u><u>\$323,225</u></u>

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2010*

	Water	Sewer	Electric
<b>Assets</b>			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$1,712,797	\$2,017,989	\$9,918,572
Accounts Receivable	225,889	226,613	1,641,226
Materials and Supplies Inventory	79,921	15,185	863,862
Intergovernmental Receivable	0	888,959	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	0	511,110
Customer Deposits	61,799	57,637	256,848
<i>Total Current Assets</i>	<i>2,080,406</i>	<i>3,206,383</i>	<i>13,191,618</i>
Noncurrent:			
Deferred Charges	74,792	0	124,000
Investment in Joint Venture	0	0	771,330
Non-Depreciable Capital Assets	2,500,025	12,210,204	200,000
Depreciable Capital Assets, Net	3,801,129	3,695,409	7,608,878
<i>Total Noncurrent Assets</i>	<i>6,375,946</i>	<i>15,905,613</i>	<i>8,704,208</i>
<i>Total Assets</i>	<i>8,456,352</i>	<i>19,111,996</i>	<i>21,895,826</i>
<b>Liabilities</b>			
Current:			
Accounts Payable	2,536	2,269	500
Accrued Wages Payable	27,582	33,812	38,916
Intergovernmental Payable	25,152	32,429	36,674
Contracts Payable	1,741	0	0
Interfund Payable	0	111,058	0
Claims Payable	0	0	0
Notes Payable	13,890	26,492	0
Compensated Absences Payable	46,674	55,943	59,192
OWDA Loans Payable	80,104	380,220	0
General Obligation Bonds	175,000	0	0
Payables from Restricted Assets:			
Revenue Bonds Payable	0	0	305,000
Customer Deposits Payable	61,799	57,637	256,848
<i>Total Current Liabilities</i>	<i>434,478</i>	<i>699,860</i>	<i>697,130</i>
Long-Term:			
Notes Payable	174,176	304,470	0
Compensated Absences Payable	79,017	137,999	166,393
OWDA Loans Payable	555,137	6,737,212	0
General Obligation Bonds	1,757,743	0	0
Revenue Bonds Payable	0	0	3,925,000
<i>Total Long-Term Liabilities</i>	<i>2,566,073</i>	<i>7,179,681</i>	<i>4,091,393</i>
<i>Total Liabilities</i>	<i>3,000,551</i>	<i>7,879,541</i>	<i>4,788,523</i>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	3,619,896	8,457,219	3,702,878
Unrestricted	1,835,905	2,775,236	13,404,425
<i>Total Net Assets</i>	<i>\$5,455,801</i>	<i>\$11,232,455</i>	<i>\$17,107,303</i>

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

<u>Railroad</u>	<u>Garbage</u>	<u>Total Enterprise Funds</u>	<u>Business-Type Activities- Internal Service Fund</u>
\$194,351	\$204,959	\$14,048,668	\$859,626
9,468	55,409	2,158,605	0
0	330	959,298	0
717,600	0	1,606,559	0
0	0	511,110	0
0	18,608	394,892	0
<u>921,419</u>	<u>279,306</u>	<u>19,679,132</u>	<u>859,626</u>
0	0	198,792	0
0	0	771,330	0
2,951,215		17,861,444	0
1,756,873	250,767	17,113,056	0
<u>4,708,088</u>	<u>250,767</u>	<u>35,944,622</u>	<u>0</u>
<u>5,629,507</u>	<u>530,073</u>	<u>55,623,754</u>	<u>859,626</u>
0	0	5,305	0
0	11,951	112,261	0
0	11,209	105,464	0
0	0	1,741	0
160,238	0	271,296	0
0	0	0	23,910
0	28,050	68,432	0
0	3,787	165,596	0
0		460,324	0
0	0	175,000	0
0	0	305,000	0
0	18,608	394,892	0
<u>160,238</u>	<u>73,605</u>	<u>2,065,311</u>	<u>23,910</u>
0	84,150	562,796	0
0	4,480	387,889	0
0	0	7,292,349	0
0	0	1,757,743	0
0	0	3,925,000	0
<u>0</u>	<u>88,630</u>	<u>13,925,777</u>	<u>0</u>
<u>160,238</u>	<u>162,235</u>	<u>15,991,088</u>	<u>23,910</u>
4,708,088	138,567	20,626,648	0
761,181	229,271	19,006,018	835,716
<u>\$5,469,269</u>	<u>\$367,838</u>	<u>39,632,666</u>	<u>\$835,716</u>
		835,716	
		(387,503)	
		<u>\$40,080,879</u>	

**City of Jackson, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2010*

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<b>Operating Revenues</b>			
Charges for Services	\$1,981,643	\$2,355,692	\$15,828,906
Miscellaneous	12,179	0	254,405
<i>Total Operating Revenues</i>	<u>1,993,822</u>	<u>2,355,692</u>	<u>16,083,311</u>
<b>Operating Expenses</b>			
Personal Services	563,935	766,564	905,649
Fringe Benefits	245,796	340,628	391,532
Contractual Services	202,394	326,153	12,127,955
Materials and Supplies	254,201	191,786	126,030
Utilities	105,203	369,068	12,596
Depreciation	244,008	219,860	267,239
Other	271,148	297,371	1,214,382
<i>Total Operating Expenses</i>	<u>1,886,685</u>	<u>2,511,430</u>	<u>15,045,383</u>
<i>Operating Income (Loss)</i>	<u>107,137</u>	<u>(155,738)</u>	<u>1,037,928</u>
<b>Non-Operating Revenues (Expenses)</b>			
Federal and State Subsidies	0	0	0
Investment in Joint Venture	0	0	5,006
Investment Earnings	0	0	71,052
Interest and Fiscal Charges	(91,859)	(75,162)	(266,796)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(91,859)</u>	<u>(75,162)</u>	<u>(190,738)</u>
<i>Income (Loss) Before Transfers</i>	15,278	(230,900)	847,190
Capital Contributions	500,000	2,300,000	0
Transfers In	0	0	0
Capital Contributions from Other funds	0	0	0
Transfers Out	0	0	0
<i>Change in Net Assets</i>	515,278	2,069,100	847,190
<i>Net Assets Beginning of Year</i>	<u>4,940,523</u>	<u>9,163,355</u>	<u>16,260,113</u>
<i>Net Assets End of Year</i>	<u><u>\$5,455,801</u></u>	<u><u>\$11,232,455</u></u>	<u><u>\$17,107,303</u></u>

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

Change in net assets of  
business-type activities

See accompanying notes to the basic financial statements

Railroad	Garbage	Total Enterprise Funds	Business-Type Activities- Internal Service Funds
\$73,720	\$627,966	\$20,867,927	\$125,457
0	21,654	288,238	0
<u>73,720</u>	<u>649,620</u>	<u>21,156,165</u>	<u>125,457</u>
0	268,106	2,504,254	0
0	117,300	1,095,256	325,157
45,614	143,123	12,845,239	0
0	38,751	610,768	0
0	4,800	491,667	0
48,881	51,864	831,852	0
40,878	87,863	1,911,642	0
<u>135,373</u>	<u>711,807</u>	<u>20,290,678</u>	<u>325,157</u>
<u>(61,653)</u>	<u>(62,187)</u>	<u>865,487</u>	<u>(199,700)</u>
2,000,000	0	2,000,000	0
0	0	5,006	0
0	0	71,052	0
0	(5,261)	(439,078)	0
<u>2,000,000</u>	<u>(5,261)</u>	<u>1,636,980</u>	<u>0</u>
1,938,347	(67,448)	2,502,467	(199,700)
0	0	2,800,000	0
40,778	0	40,778	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
1,979,125	(67,448)	5,343,245	(199,700)
<u>3,490,144</u>	<u>435,286</u>		<u>1,035,416</u>
<u>\$5,469,269</u>	<u>\$367,838</u>		<u>\$835,716</u>
		<u>(99,332)</u>	
		<u>\$5,243,913</u>	

**City of Jackson, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2010

	Water	Sewer	Electric
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$2,009,091	\$2,453,072	\$16,239,505
Other Cash Receipts	12,179	4,312	170,138
Cash Payments for Employee Services and Benefits	(824,643)	(1,096,449)	(1,262,712)
Cash Payments for Goods and Services	(469,574)	(864,767)	(12,078,739)
Utility Deposits Received	0	0	107,550
Utility Deposits Returned	0	0	(105,114)
Other Operating Expenses	(293,009)	(317,686)	(1,319,496)
<i>Net Cash Provided by (Used for) Operating Activities</i>	434,044	178,482	1,751,132
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating Grants Received	500,000	1,411,041	0
Transfers In	0	0	0
Advances In	0	0	0
Advances Out	0	(388,942)	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	500,000	1,022,099	0
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from OWDA Loans	1,172,592	36,052	0
Payments for Capital Acquisitions	(1,279,275)	(1,101,848)	(132,878)
Principal Paid on General Obligation Bonds Payable	(170,000)	0	0
Principal Paid on Revenue Bonds Payable	0	0	(290,000)
Principal Paid on OWDA Loans	(537,351)	(376,447)	0
Principal Paid on Notes	(13,890)	(26,492)	(100,000)
Interest Paid on General Obligation Bonds Payable	(85,763)	0	0
Interest Paid on Revenue Bonds	0	0	(257,596)
Interest Paid on Notes	0	0	0
Interest Paid on OWDA Loans Payable	0	(75,162)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	(913,687)	(1,543,897)	(780,474)
<b>Cash Flows from Investing Activities</b>			
Investment Earnings	0	0	71,052
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	20,357	(343,316)	1,041,710
<i>Cash and Cash Equivalents Beginning of Year</i>	1,754,239	2,418,942	9,644,820
<i>Cash and Cash Equivalents End of Year</i>	\$1,774,596	\$2,075,626	\$10,686,530

See accompanying notes to the basic financial statements

Railroad	Garbage	Total Enterprise Funds	Business-Type Activities - Internal Service Fund
\$68,563	\$630,550	\$21,400,781	\$125,457
0	21,899	208,528	0
0	(381,024)	(3,564,828)	(305,837)
(86,444)	(182,741)	(13,682,265)	0
0	0	107,550	0
0	0	(105,114)	0
0	(95,316)	(2,025,507)	0
<u>(17,881)</u>	<u>(6,632)</u>	<u>2,339,145</u>	<u>(180,380)</u>
1,606,400	0	3,517,441	0
40,778	0	40,778	0
160,238	0	160,238	0
<u>(342,916)</u>	<u>0</u>	<u>(731,858)</u>	<u>0</u>
<u>1,464,500</u>	<u>0</u>	<u>2,986,599</u>	<u>0</u>
0	0	1,208,644	0
(1,389,025)	(8,300)	(3,911,326)	0
0	0	(170,000)	0
0	0	(290,000)	0
0	0	(913,798)	0
0	(28,050)	(168,432)	0
0	0	(85,763)	0
0	0	(257,596)	0
0	(5,261)	(5,261)	0
0	0	(75,162)	0
<u>(1,389,025)</u>	<u>(41,611)</u>	<u>(4,668,694)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>71,052</u>	<u>0</u>
57,594	(48,243)	728,102	(180,380)
<u>136,757</u>	<u>271,810</u>	<u>14,226,568</u>	<u>1,040,006</u>
<u>\$194,351</u>	<u>\$223,567</u>	<u>\$14,954,670</u>	<u>\$859,626</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, 2010*

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Operating Income (Loss)	\$107,137	(\$155,738)	\$1,037,928
Adjustments:			
Depreciation	244,008	219,860	267,239
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	4,523	80,167	326,332
(Increase) Decrease in Prepaid Items	18,239	20,645	16,558
(Increase) Decrease in Materials and Supplies Inventory	69,708	5,051	84,162
Increase (Decrease) in Accounts Payable	2,536	(3,456)	(17,992)
Increase in Accrued Wages Payable	4,191	1,513	2,929
Increase in Contracts Payable	1,741	0	0
Increase in Claims Payable	0	0	0
Increase (Decrease) in Compensated Absences Payable	(23,118)	6,358	27,506
Increase in Customer Deposits Payable	1,064	1,210	2,436
Increase in Intergovernmental Payable	4,015	2,872	4,034
<i>Net Cash Provided by Operating Activities</i>	<u>\$434,044</u>	<u>\$178,482</u>	<u>\$1,751,132</u>



Railroad	Garbage	Total Enterprise Funds	Business-Type Activities - Internal Service Fund
(\$61,653)	(\$62,187)	\$865,487	(\$199,700)
48,881	51,864	831,852	0
(5,157)	(5,229)	400,636	0
48	3,957	59,447	0
0	(24)	158,897	0
0	0	(18,912)	0
0	1,102	9,735	0
0	0	1,741	0
0	0	0	19,320
0	2,109	12,855	0
0	605	5,315	0
0	1,171	12,092	0
<u>(\$17,881)</u>	<u>(\$6,632)</u>	<u>\$2,339,145</u>	<u>(\$180,380)</u>

**City of Jackson, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2010*

**Assets**

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

Due to Others	<u><u>\$14,705</u></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, 2010*

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**NOTE 1 - REPORTING ENTITY**

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

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

**Reporting Entity**

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

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

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

The City's Electric Utility Enterprise Fund has entered into an ongoing joint venture agreement called the Ohio Municipal Electric Generation Agency Joint Venture (OMEGA JV5), with 41 other Ohio municipalities for the construction, installation, and operation of a 42 megawatt hydroelectric generator and related facilities at the Belleville locks and dam on the Ohio River. Additional information concerning this joint venture is presented in Note 15.

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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

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

**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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

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

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

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

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

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

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

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

Railroad Fund -To account for railroad activities. The costs are financed primarily through grants.

The other Enterprise funds of the City account for other fee-based services provided by the City, including garbage pickup.

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.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

The non-exchange transactions, in which the City receives value without directly giving equal value in return, includes property taxes, grants, entitlements, and donations. 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.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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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), 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, 2010, but which were levied to finance fiscal year 2011 operations have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**E. Budgetary Process**

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

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

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

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**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 2010, investments were limited to certificates of deposit 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 current share price. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The City has invested funds in STAR Ohio during 2010. 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, 2010.

Provisions of the Ohio Revised Code restrict investment procedures. During 2010, 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 2010 amounted to \$400,236, of which \$375,270 was assigned from other City funds.

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

**G. Receivables and Payables**

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

**H. Inventory of 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, 2010, 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. The City had no prepaid items at December 31, 2010.



**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**J. Restricted Assets**

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

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 appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The City's capitalization threshold is \$1,000.

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**

On fund financial statements, 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 and business-type activities columns of the Statement of Net Assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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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 the fund financial statements only to the extent that they are due for payment during the current year. The City recognizes 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 discounts are presented as reductions to the face amount of the bonds. Bond premiums are presented as additions to the face amount of the bonds.

P. Gain/Loss on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, which is the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method.

Q. 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.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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R. 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.

Net assets restricted for other purposes are primarily related to the Permissive Tax Fund.

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

S. Internal Activity

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

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

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

T. 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.

U. 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.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
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V. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items during the year ended December 31, 2010.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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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	\$737,215
Net Adjustment for Revenue Accruals	35,951
Net Adjustment for Expenditure Accruals	5,521
Beginning of Year:	
Unreported Cash	31,666
Prepaid Items	30,007
End of Year:	
Unreported Cash	(6,201)
Advances In	731,858
Advances Out	(160,238)
Encumbrances	(13,718)
	<u>                    </u>
Budget Basis	<u>\$1,392,061</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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;

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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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 banker's acceptance 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.

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.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
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**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 \$20,330,979 and the bank balance was \$20,541,748. Of the bank balance \$1,164,188 was covered by Federal depository insurance and \$19,377,560 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 credit 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**

As of December 31, 2010, the City had the following investments:

	Fair Value	Maturity
STAR Ohio	\$572,968	Average 58 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. The City has no policy that addresses credit risk.

**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. One hundred percent of the City's investments were in STAR Ohio.

**NOTE 5 - PROPERTY TAXES**

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2009-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Jackson. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2010, was \$6.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

	<u>2010</u>
Real Property	\$64,025,350
Public Utility Real and Tangible Personal Property	<u>54,696,770</u>
Total Assessed Value	<u><u>\$118,722,120</u></u>



**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2010, 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 \$85,101. The financial statements reflect loans receivable of \$4,554. 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 \$3,354.

A summary of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Community Housing Improvement Projects	\$322,225
Local Government Subsidies	61,187
Gasoline Tax	108,375
Motor Vehicle License Tax	32,216
Miscellaneous Grants	<u>60,442</u>
Total Governmental Activities	<u>584,445</u>
 <u>Business-type Activities:</u>	
Railroad Grant	717,600
Sewer Grants	<u>888,959</u>
Total Business-type Activities	<u>1,606,559</u>
Total Intergovernmental Receivable	<u><u>\$2,191,004</u></u>

**City of Jackson, Ohio**  
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**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010
<b><u>Governmental Activities:</u></b>				
Non-Depreciable Capital Assets:				
Land	\$1,171,968	\$0	\$0	\$1,171,968
Total Non-Depreciable Capital Assets	<u>1,171,968</u>	<u>0</u>	<u>0</u>	<u>1,171,968</u>
Depreciable Capital Assets:				
Land Improvements	363,025	0	0	363,025
Buildings	2,306,966	1,500	0	2,308,466
Equipment	1,199,734	44,760	0	1,244,494
Infrastructure	8,038,447	0	0	8,038,447
Vehicles	1,674,741	103,168	0	1,777,909
Total Depreciable Capital Assets	<u>13,582,913</u>	<u>149,428</u>	<u>0</u>	<u>13,732,341</u>
Accumulated Depreciation:				
Land Improvements	(123,781)	(10,536)	0	(134,317)
Buildings	(722,379)	(48,216)	0	(770,595)
Equipment	(782,423)	(67,347)	0	(849,770)
Infrastructure	(4,270,347)	(134,845)	0	(4,405,192)
Vehicles	(1,169,856)	(99,699)	0	(1,269,555)
Total Accumulated Depreciation	<u>(7,068,786)</u>	<u>(360,643) *</u>	<u>0</u>	<u>(7,429,429)</u>
Total Depreciable Capital Assets, Net	<u>6,514,127</u>	<u>(211,215)</u>	<u>0</u>	<u>6,302,912</u>
Governmental Capital Assets, Net	<u>\$7,686,095</u>	<u>(\$211,215)</u>	<u>\$0</u>	<u>\$7,474,880</u>

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

<b><u>Governmental Activities:</u></b>	
General Government	\$186,004
Security of Persons and Property	118,761
Public Health Services	7,204
Transportation	29,972
Leisure Time Activities	18,702
Total Depreciation Expense	<u>\$360,643</u>

**City of Jackson, Ohio**  
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	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010
<b><u>Business-Type Activities:</u></b>				
Non-Depreciable Capital Assets:				
Land	\$3,122,332	\$0	\$0	\$3,122,332
Construction in Progress	12,462,582	3,721,033	(1,444,503)	14,739,112
Total Non-Depreciable Capital Assets	<u>15,584,914</u>	<u>3,721,033</u>	<u>(1,444,503)</u>	<u>17,861,444</u>
Depreciable Capital Assets:				
Land Improvements	34,348	0	0	34,348
Buildings	1,108,127	0	0	1,108,127
Equipment	2,363,846	31,215	0	2,395,061
Infrastructure	20,198,393	1,603,580	0	21,801,973
Vehicles	1,902,119	0	0	1,902,119
Total Depreciable Capital Assets	<u>25,606,833</u>	<u>1,634,795</u>	<u>0</u>	<u>27,241,628</u>
Accumulated Depreciation:				
Land Improvements	(10,716)	(924)	0	(11,640)
Buildings	(461,265)	(18,919)	0	(480,184)
Equipment	(1,357,235)	(176,139)	0	(1,533,374)
Infrastructure	(6,163,433)	(502,205)	0	(6,665,638)
Vehicles	(1,304,071)	(133,665)	0	(1,437,736)
Total Accumulated Depreciation	<u>(9,296,720)</u>	<u>(831,852)</u>	<u>0</u>	<u>(10,128,572)</u>
Total Depreciable Capital Assets, Net	<u>16,310,113</u>	<u>802,943</u>	<u>0</u>	<u>17,113,056</u>
Business-Type Activities Capital Assets, Net	<u>\$31,895,027</u>	<u>\$4,523,976</u>	<u>(\$1,444,503)</u>	<u>\$34,974,500</u>

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employee Retirement System**

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy 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**  
*Notes to the Basic Financial Statements*  
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Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The City's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008, were \$304,917, \$291,588, and \$249,992, respectively. For 2010, 88.08 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Contributions to the Member-Directed Plan for 2010 were \$588 made by the City and \$420 made by plan members.

#### 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 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The City has no firefighters. The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police pension were \$88,651 for the year ended December 31, 2010, \$89,719 for the year ended December 31, 2009, and \$95,434 for the year ended December 31, 2008, respectively. For 2010, 87.70 percent for police has been contributed with the balance being report as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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 firefighters in 1967. As of December 31, 2010, the unfunded police liability of the City was \$34,685 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 9 - POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employee Retirement System**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 mandate, 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 administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree 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 post-employment health care plan.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
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The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$197,299, \$210,841, and \$249,992, respectively. For 2010, 88.08 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police were \$46,933 for the year ended December 31, 2010, \$47,498 for the year ended December 31, 2009, and \$50,524 for the year ended December 31, 2008. For 2010, 87.70 percent has been contributed for police with the balance for being report as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**A. Deferred Compensation Plans**

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

**B. Additional Insurance**

The City provides \$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 \$1,356.99 for family coverage and \$493.44 for single coverage.

**C. Compensated Absences**

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

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

**NOTE 11 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2010, the City contracted with Jones-Stephenson for property and general liability, automobile liability, boiler and machinery liability, law enforcement liability, and public officials' liability.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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Under the Jones-Stephenson program for general liability, law enforcement liability, and public officials' liability, the City has \$1,000,000 of total liability coverage for each occurrence, and a \$2,000,000 aggregate limit. The City carries a \$10,000 deductible for both law enforcement and public officials' liability insurance. Property insurance is covered to a limit of \$33,149,203 with a \$5,000 deductible. Under automobile liability the City has \$1,000,000 of total liability coverage for each occurrence. Automobile insurance carries a \$500 per vehicle deductible for comprehensive coverage and a \$1,000 per vehicle collision coverage. Boiler and machinery insurance is covered to a limit of \$7,000,000 with various sublimits. The City carries a \$10,000 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 is a member in good standing of the Ohio Rural Water Association (ORWA) group rating plan. The intent of the City's membership in the ORWA is to achieve the benefit of reduced workers' compensation premiums, foster safer working conditions, and promote cost effective claims management by virtue of its grouping and representation with other members of the ORWA. The City pays a workers' compensation premium based on its individual workers' compensation claim experience; then the workers' compensation claim experience of the ORWA members is calculated as one experience. A comparison is calculated and each member's individual workers' compensation claim experience is compared to the workers' compensation claim experience of the ORWA members. A member may then receive a refund for a favorable comparison to the group or contribute to an equity pooling fund for an unfavorable comparison. The equity pooling arrangement ensures that each member shares equally in the overall experience of the ORWA members. CompManagement, Inc. is the third party administrator that provides case management, consulting and administrative services to participating members of the ORWA.

Beginning in 2004, the City manages the deductible portion of employee health benefits on a self-insured basis. The employee health benefit plan provides this coverage through Patrick and Associates, the third party administrator of the program, which reviews and pays the claims. Patrick and Associates charges the City an annual fee of \$519.75, with a monthly administration fee of \$6.75 per employee. The claims liability of \$23,910 reported in the self-insurance fund at December 31, 2010, 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
2009	\$9,840	\$133,777	\$139,027	\$4,590
2010	4,590	325,157	305,837	23,910



**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

**NOTE 12 - SHORT-TERM OBLIGATIONS**

The following is a summary of the City's short term obligations for the year ended December 31, 2010:

<u>Business-Type Activity</u>	<u>Outstanding 12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2010</u>
Barridge Property Note, 0%	\$100,000	\$0	\$100,000	\$0

In May 2009, a \$100,000 note was issued by the City for the purpose of purchasing property, owned by Paul Barridge, to be used by the City's Electric Department. This note was retired in January 2010, with the proceeds from the Electric Fund.

**NOTE 13 - LONG-TERM OBLIGATIONS**

Changes in the City's long-term obligations during 2010 consist of the following:

	<u>Outstanding 12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2010</u>	<u>Amounts Due Within One Year</u>
<b><u>Governmental Activities:</u></b>					
<u>Notes</u>					
Building Acquisition Note 4.0%	\$105,890	\$0	\$4,937	\$100,953	\$5,141
Building Improvement Note 4.0%	84,538	0	3,950	80,588	4,113
Fire Truck Note 3.7%	360,250	0	72,050	288,200	72,050
Total Notes	550,678	0	80,937	469,741	81,304
Police and Fire Pension Liability	35,480	0	795	34,685	829
Compensated Absences	570,928	33,191	45,599	558,520	118,614
Total Governmental Activities	<u>\$1,157,086</u>	<u>\$33,191</u>	<u>\$127,331</u>	<u>\$1,062,946</u>	<u>\$200,747</u>
<b><u>Business-Type Activities:</u></b>					
<u>Bonds</u>					
2007 Water System General Obligation Bonds 4%	\$2,125,000	\$0	\$170,000	\$1,955,000	\$175,000
Deferred Amount on Refunding	(43,919)	0	(2,595)	(41,324)	0
Unamortized Bond Premium	20,265	0	1,198	19,067	0
2006 Electric System Revenue Bonds 4.2-6.4%	4,580,000	0	290,000	4,290,000	305,000
Unamortized Bond Discount	(63,000)	0	(3,000)	(60,000)	0
Total Bonds Payable	<u>6,618,346</u>	<u>0</u>	<u>455,603</u>	<u>6,162,743</u>	<u>480,000</u>
<u>Notes Payable</u>					
2001 Holzer Hospital Water Lines 0%	201,956	0	13,890	188,066	13,890
2002 Holzer Hospital Lift Station 0%	357,454	0	26,492	330,962	26,492
Garbage Truck Note 3.7%	140,250	0	28,050	112,200	28,050
Total Notes Payable	<u>699,660</u>	<u>0</u>	<u>68,432</u>	<u>631,228</u>	<u>68,432</u>
2007 OWDA Loan 1%	7,457,827	36,052	376,447	7,117,432	380,220
2009 OWDA Loan 0%	0	1,172,592	537,351	635,241	80,104
Total OWDA	<u>7,457,827</u>	<u>1,208,644</u>	<u>913,798</u>	<u>7,752,673</u>	<u>460,324</u>
Compensated Absences Payable	540,630	60,812	47,957	553,485	165,596
Total Business-Type Activities	<u>\$15,316,463</u>	<u>\$1,269,456</u>	<u>\$1,485,790</u>	<u>\$15,100,129</u>	<u>\$1,174,352</u>

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**Governmental Activities:**

***Notes Payable***

The City will pay the Building Acquisition and Improvement Notes from the Community Improvement Special Revenue Fund and the Fire Truck Note from the Fire Levy Fund. Principal and interest requirements to retire these outstanding notes at December 31, 2010, are:

Year	Principal	Interest	Total
2011	\$81,304	\$18,005	\$99,309
2012	81,666	14,938	96,604
2013	82,083	11,833	93,916
2014	82,497	8,700	91,197
2015	142,191	3,754	145,945
	<u>\$469,741</u>	<u>\$57,230</u>	<u>\$526,971</u>

***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, 2010, are:

Year	Principal	Interest	Total
2011	\$829	\$1,466	\$2,295
2012	865	1,430	2,295
2013	902	1,393	2,295
2014	940	1,355	2,295
2015	981	1,314	2,295
2016-2020	5,574	5,901	11,475
2021-2025	6,880	4,595	11,475
2026-2030	8,488	2,987	11,475
2031-2035	9,226	1,002	10,228
	<u>\$34,685</u>	<u>\$21,443</u>	<u>\$56,128</u>

***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.

As of December 31, 2010, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$11,883,882, with an unvoted debt margin of \$5,947,776.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**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.

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$175,000	\$78,962	\$253,962
2012	175,000	71,962	246,962
2013	175,000	64,962	239,962
2014	200,000	57,962	257,962
2015	200,000	49,962	249,962
2016-2020	725,000	133,210	858,210
2021-2025	250,000	44,412	294,412
2026-2030	55,000	2,338	57,338
Total	<u>\$1,955,000</u>	<u>\$503,770</u>	<u>\$2,458,770</u>

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.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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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 34.5 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$6,009,787. Principal and interest paid for the current year and total customer net revenues were \$477,156 and \$1,381,225, respectively. Principal and interest requirements for revenue bonds are as follows:

Year	Principal	Interest	Total
2011	\$305,000	\$175,556	\$480,556
2012	320,000	163,356	483,356
2013	325,000	150,556	475,556
2014	340,000	137,556	477,556
2015	355,000	123,956	478,956
2016-2020	735,000	492,180	1,227,180
2021-2025	845,000	337,226	1,182,226
2026-2030	1,065,000	139,401	1,204,401
Total	<u>\$4,290,000</u>	<u>\$1,719,787</u>	<u>\$6,009,787</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 City issued a Garbage Truck Note on January 16, 2009, for \$140,000 at 3.7% 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
2011	\$28,050	\$4,209	\$32,259
2012	28,050	3,157	31,207
2012	28,050	2,110	30,160
2014	28,050	1,052	29,102
Total	<u>\$112,200</u>	<u>\$10,528</u>	<u>\$122,728</u>

During 2007, the City was approved for an \$8,219,736 one percent loan for a sewer project. As of December 31, 2010, the City has received \$8,019,302 in loan proceeds for this ongoing project. The project is scheduled for completion during 2011. 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.

During 2009, the City was approved for a \$1,494,023 zero percent loan for a water project. As of December 31, 2010, the City has received \$1,172,592 in loan proceeds for this ongoing project. The project is scheduled for completion during 2011. 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.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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***Compensated Absences Payable***

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

**NOTE 14 - INTERFUND ACTIVITY**

**A. Transfers**

	<u>Transfer to Other Governmental Funds</u>	<u>Transfer to Business Type Funds</u>
<u>Transfer from</u>		
Major Fund:		
General Fund	\$128,607	\$40,778
Other Governmental Funds	<u>13,639</u>	<u>0</u>
Total	<u><u>\$142,246</u></u>	<u><u>\$40,778</u></u>

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

**B. Balances**

Interfund balances at December 31, 2010, arise from the provision of cash flows from the General Fund until the receipt of grant monies by Special Revenue Funds and Enterprise Funds. These advances will be repaid in 2010.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	<u>\$291,616</u>	<u>\$0</u>
Recreation Special Revenue Fund	<u>0</u>	<u>20,320</u>
Sewer Fund	0	111,058
Railroad Fund	<u>0</u>	<u>160,238</u>
Total Enterprise Funds	<u>0</u>	<u>271,296</u>
Total All Funds	<u><u>\$291,616</u></u>	<u><u>\$291,616</u></u>

**NOTE 15 - 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.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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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, 2010, 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, which acts as the joint venture's agent. During 1993 and 2001, AMP issued \$153,415,000 and \$13,899,981, respectively, of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

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 \$771,330 at December 31, 2010. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**NOTE 16 - CONTINGENT LIABILITIES**

**A. Litigation**

The City is currently party to legal proceedings. The City's management is unable to determine what, if any, impact the ultimate disposition of claims will have on the financial condition of the City.

**B. Federal and State Grants**

For the period January 1, 2010, to December 31, 2010, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**NOTE 17 - 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, 2010, there was one series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$670,319 and one series of hospital facilities revenue bonds outstanding with an aggregate principal amount payable of \$25 million.

**NOTE 18 - CONTRACTUAL COMMITMENTS**

At December 31, 2010, the City had the following contractual commitments:

<u>Project</u>	<u>Fund</u>	<u>Purchase Commitments</u>	<u>Amount Paid as of 12/31/2010</u>	<u>Amount Remaining on Contracts</u>
Railroad Rehabilitation Project	Railroad	\$2,000,000	\$1,307,333	\$692,667
Sanitary Sewer Rehabilitation	Sewer	14,434,363	12,169,254	2,265,109
Water Plant Backwash Project	Water	1,715,192	1,262,526	452,666
<b>Total</b>		<u>\$18,149,555</u>	<u>\$14,739,113</u>	<u>\$3,410,442</u>

## **SUPPLEMENTARY DATA**



**CITY OF JACKSON, OHIO**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2010**

<b>FEDERAL GRANTOR</b> Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Entity or Program Number	(A) Disbursements
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Pass through Ohio Department of Development:</i>			
<i>CDBG Community Housing Improvement Program:</i>			
CDBG Community Housing Improvement Program	14.228	A-C-09-135-1	\$39,878
<i>HOME Investment Partnerships Program:</i>			
(C) HOME Investment Partnerships Program	14.239	A-C-09-135-2	<u>115,619</u>
Total U.S. Department of Housing and Urban Development			155,497
<b>U. S. DEPARTMENT OF COMMERCE</b>			
<i>Economic Development Administration</i>			
Public Works Project	11.300	N/A	<u>401,854</u>
Total U.S. Department of Commerce			401,854
<b>FEDERAL HIGHWAY ADMINISTRATION</b>			
<i>Pass through Ohio Department of Transportation</i>			
ARRA - Highway Planning & Construction	20.205	85429	<u>1,653,996</u>
Total Federal Highway Administration			1,653,996
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
Assistance to Firefighters Grant	97.044	N/A	<u>27,462</u>
Total Federal Emergency Management Agency			<u>27,462</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b><u>\$2,238,809</u></b>

*The accompanying notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.*

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarized activity of the City's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE C - REVOLVING LOAN PROGRAM**

The City has established revolving loan programs to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the "Schedule"). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. These loans are collateralized by mortgages on the property. Activity in the revolving loan funds during 2010 is as follows:

Beginning loans receivable balance as of January 1, 2010:	\$ 4,554
Loans Disbursed:	-
Loan Repayments:	-
Ending loans receivable balance as of December 31, 2010:	<u>\$ 4,554</u>
Cash Balance on hand as of December 31, 2010	\$ 33,077
Delinquent amounts due as of December 31, 2010	\$ 4,554



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Jackson County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the City of Jackson's basic financial statements and have issued our report thereon dated July 27, 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City of Jackson's financial statements will not be prevented, or detected and timely corrected.

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 deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members of Council and Mayor  
City of Jackson

Compliance and Other Matters

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

We also noted a certain matter not requiring inclusion in this report that we reported to the City of Jackson's management in a separate letter dated July 27, 2011.

We intend this report is solely for the information and use of the management, the City Council of the City of Jackson, federal awarding agencies and pass-through entities and others within the City of Jackson. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
July 27, 2011



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Accountants' Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

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

#### Compliance

We have audited the compliance of the City of Jackson, Jackson County, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could directly and materially affect the City of Jackson's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the City of Jackson's major federal program. The City of Jackson's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the City of Jackson's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City of Jackson's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Jackson's compliance with those requirements.

In our opinion, the City of Jackson complied, in all material respects, with the requirements referred to above that could directly or materially affect its major federal program for the year ended December 31, 2010.

#### Internal Control Over Compliance

The City of Jackson's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Jackson's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City of Jackson's internal control over compliance.

Members of Council and Mayor  
City of Jackson

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management, the City Council of the City of Jackson, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

Julian & Grube, Inc.  
July 27, 2011

**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness reported for the major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Program:	Highway Planning and Construction - CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS</b>
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None

**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2009-01	<u>Federal Reporting Compliance - Material Noncompliance</u> - The City did not request an extension of time with the cognizant or oversight agency when they noted that the audit would not be completed by the appropriate deadline.	Yes	N/A

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# Dave Yost • Auditor of State

CITY OF JACKSON

ATHENS 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 10, 2011