



CITY OF JACKSON, OHIO

SINGLE AUDIT

For the Year Ended December 31, 2000

J. L. UHRIG & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS

**78 North Plaza Blvd.
Chillicothe, Ohio 45601**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of City Council
City of Jackson
Jackson, Ohio 45640

We have reviewed the Independent Auditor's Report of the City of Jackson, Jackson County, prepared by J.L. Uhrig & Associates, Inc., for the audit period January 1, 2000 to December 31, 2000. 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.

JIM PETRO
Auditor of State

February 13, 2002

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J. L. UHRIG & ASSOCIATES, INC.

Certified Public Accountants

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Independent Auditor's Report

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

We were engaged to audit the accompanying general purpose financial statements of the City of Jackson, Ohio (the City), as of and for the year ended December 31, 2000. These general purpose financial statements are the responsibility of the City's management.

The City has historically recorded certain General Fund expenditures in the City's Enterprise Funds and has transferred other funds from the Enterprise Funds to the General Fund for rent, right-of-way, and administrative support costs. There is no documentation to support that General Fund expenditures should be paid by the Enterprise Fund nor is there any documentation to permit these transfers from the Enterprise Fund to the General Fund. The City has not made any adjustments to the General or Enterprise Fund for these transactions. A Special Audit is currently being performed by the Auditor of State of Ohio. As of this date, the Special Audit has not been completed.

Additionally, in concluding an audit, written representations are obtained from members of the City's management that have overall responsibility for the matters covered by the representations. The City Auditor declined on signing the management representation letter.

Since the City has not determined the amount of the General Fund expenses paid from the Enterprise Fund and the amount of unauthorized transfers from the Enterprise Fund to the General Fund for the period ended December 31, 2000 or prior periods to the extent applicable, if any, and since the City Auditor declined on signing the management representation letter, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

The Auditor of State of Ohio in co-operation with the Jackson County Prosecutor's Office has initiated a Special Audit of the City to review allegations involving illegal transfers from the Enterprise Fund to other funds, the improper allocation of expenses and other financial transactions involving City employees.

In accordance with *Government Auditing Standards*, we issued a report dated October 17, 2001 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

J. L. Uhrig & Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Certified Public Accountants

October 17, 2001

CITY OF JACKSON, OHIO
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2000

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$293,916	\$729,552	\$259,069
<i>Receivables:</i>			
Taxes	389,682	369,495	0
Accounts	7,682	18,641	0
Loans	0	35,874	0
Due from Other Funds	224,207	0	0
Due from Other Governments	147,335	128,935	15,838
Materials and Supplies Inventory	1,371	1,100	0
Notes Receivable	0	0	0
Prepaid Items	13,330	886	0
Deferred Charges	0	0	0
<i>Restricted Assets:</i>			
Cash and Cash Equivalents	0	0	0
Equity in Joint Ventures	0	0	0
Fixed Assets, (Net where applicable of Accumulated Depreciation)	0	0	0
<u>Other Debits</u>			
Amount to be Provided from General Government Resources	0	0	0
<i>Total Assets and Other Debits</i>	\$1,077,523	\$1,284,483	\$274,907

See accompanying notes to the general purpose financial statements.

<i>PROPRIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPES</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Obligations	
\$8,101,498	\$28,268	\$1,094,134	\$0	\$0	\$10,506,437
0	0	0	0	0	759,177
1,982,453	0	0	0	0	2,008,776
0	0	0	0	0	35,874
0	0	0	0	0	224,207
47,377	0	0	0	0	339,485
298,438	0	0	0	0	300,909
591,528	0	0	0	0	591,528
44,113	0	0	0	0	58,329
131,198	0	0	0	0	131,198
1,520,414	0	0	0	0	1,520,414
10,953,831	0	0	0	0	10,953,831
11,616,776	0	0	4,941,795	0	16,558,571
0	0	0	0	524,711	524,711
<u>\$35,287,626</u>	<u>\$28,268</u>	<u>\$1,094,134</u>	<u>\$4,941,795</u>	<u>\$524,711</u>	<u>\$44,513,447</u>

(Continued)

CITY OF JACKSON, OHIO
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2000

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
<i>Liabilities</i>			
Accounts Payable	\$3,074	\$4,313	\$1,200
Contracts Payable	6,457	1,969	0
Accrued Wages and Benefits	72,513	21,805	0
Compensated Absences Payable	0	0	0
Due to Other Funds	0	0	74,011
Due to Other Governments	0	0	0
Deferred Revenue	382,097	361,910	0
Deposits Held and Due to Others	0	0	0
Accrued Interest Payable	0	2,952	10,583
Notes Payable	0	375,000	420,000
Claims & Judgements Payable	0	0	0
Current OWDA Loans Payable	0	0	0
Current Revenue Bonds Payable	0	0	0
Police & Fire Pension Liability	0	0	0
Certificates of Participation Obligation	0	0	0
Non-current OWDA Loans Payable	0	0	0
Non-current Revenue Bonds Payable	0	0	0
<i>Total Liabilities</i>	464,141	767,949	505,794
<i>Fund Equity and Other Credits</i>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Endowments	0	0	0
Reserved for Encumbrances	373	385,418	592,340
Reserved for Inventory	1,371	1,100	0
Reserved for Loans Receivable	0	34,225	0
Unreserved:			
Undesignated	611,638	95,791	(823,227)
<i>Total Fund Equity and Other Credits</i>	613,382	516,534	(230,887)
<i>Total Liabilities, Fund Equity and Other Credits</i>	\$1,077,523	\$1,284,483	\$274,907

See accompanying notes to the general purpose financial statements.

<i>PROPRIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPES</i>		<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Obligations		
\$44,833	\$0	\$0	\$0	\$0	\$0	\$53,420
820,358	0	0	0	0	0	828,784
100,146	0	0	0	0	0	194,464
429,700	0	0	0	316,380	0	746,080
150,196	0	0	0	0	0	224,207
77,454	0	0	0	167,020	0	244,474
0	0	0	0	0	0	744,007
146,301	0	21,820	0	0	0	168,121
199,908	0	0	0	0	0	213,443
302,302	0	0	0	0	0	1,097,302
0	3,680	0	0	0	0	3,680
143,048	0	0	0	0	0	143,048
485,000	0	0	0	0	0	485,000
0	0	0	0	41,311	0	41,311
10,141,536	0	0	0	0	0	10,141,536
448,411	0	0	0	0	0	448,411
7,465,000	0	0	0	0	0	7,465,000
<u>20,954,193</u>	<u>3,680</u>	<u>21,820</u>	<u>0</u>	<u>524,711</u>	<u>0</u>	<u>23,242,288</u>
0	0	0	4,941,795	0	0	4,941,795
3,281,134	0	0	0	0	0	3,281,134
11,052,299	24,588	0	0	0	0	11,076,887
0	0	946,118	0	0	0	946,118
0	0	0	0	0	0	978,131
0	0	0	0	0	0	2,471
0	0	0	0	0	0	34,225
<u>0</u>	<u>0</u>	<u>126,196</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,398</u>
<u>14,333,433</u>	<u>24,588</u>	<u>1,072,314</u>	<u>4,941,795</u>	<u>0</u>	<u>0</u>	<u>21,271,159</u>
<u><u>\$35,287,626</u></u>	<u><u>\$28,268</u></u>	<u><u>\$1,094,134</u></u>	<u><u>\$4,941,795</u></u>	<u><u>\$524,711</u></u>	<u><u>\$44,513,447</u></u>	

CITY OF JACKSON, OHIO
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types & Expendable Trust Funds
For the Year Ended December 31, 2000

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
Revenues:			
Taxes	\$432,016	\$515,577	\$163,459
Charges for Services	684,672	56,427	0
Fines, Licenses and Permits	65,100	13,586	0
Intergovernmental	391,874	1,270,146	951,951
Interest Earnings	545,425	8,225	0
Other Revenue	81,202	65,428	503
<i>Total Revenues</i>	2,200,289	1,929,389	1,115,913
Expenditures:			
<i>Current:</i>			
General Government	549,511	0	0
Security of Persons and Property	1,308,876	516,954	0
Public Health and Welfare	0	169,042	0
Transportation	0	295,299	0
Community Environment	0	997,005	0
Leisure Time Activities	0	90,415	0
Other	0	0	0
Capital Outlay	0	0	838,746
<i>Debt Service:</i>			
Principal Retirement	522	0	0
Interest and Fiscal Charges	1,772	19,610	16,256
<i>Total Expenditures</i>	1,860,681	2,088,325	855,002
Excess of Revenues Over (Under) Expenditures	339,608	(158,936)	260,911
Other Financing Sources (Uses):			
Operating Transfers - In	0	161,334	90,322
Operating Transfers - Out	(132,928)	(4,250)	0
<i>Total Other Financing Sources (Uses)</i>	(132,928)	157,084	90,322
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	206,680	(1,852)	351,233
Fund Balances (Deficit) at Beginning of Year	406,891	518,920	(582,120)
Increase (Decrease) in Reserve for Inventory	(189)	(534)	0
Fund Balances (Deficit) at End of Year	\$613,382	\$516,534	(\$230,887)

See accompanying notes to the general purpose financial statements.

***FIDUCIARY
FUND TYPES***

<u>Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
\$0	\$1,111,052
0	741,099
0	78,686
0	2,613,971
7,270	560,920
1,219	148,352
<u>8,489</u>	<u>5,254,080</u>
0	549,511
0	1,825,830
0	169,042
0	295,299
0	997,005
0	90,415
448	448
0	838,746
0	522
0	37,638
<u>448</u>	<u>4,804,456</u>
8,041	449,624
0	251,656
<u>(7,825)</u>	<u>(145,003)</u>
(7,825)	106,653
216	556,277
125,980	469,671
<u>0</u>	<u>(723)</u>
<u><u>\$126,196</u></u>	<u><u>\$1,025,225</u></u>

CITY OF JACKSON, OHIO
Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 2000

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$336,225	\$373,916	\$37,691
Charges for Services	681,222	684,672	3,450
Fines, Licenses and Permits	70,692	65,231	(5,461)
Intergovernmental	362,525	376,869	14,344
Interest Earnings	370,236	507,490	137,254
Other Revenue	21,910	37,577	15,667
<i>Total Revenues</i>	<u>1,842,810</u>	<u>2,045,755</u>	<u>202,945</u>
Expenditures:			
<i>Current:</i>			
General Government	635,134	557,508	77,626
Security of Persons and Property	1,320,262	1,297,318	22,944
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Leisure Time Activities	0	0	0
Other	0	0	0
Capital Outlay	0	0	0
<i>Debt Service:</i>			
Principal Retirement	522	522	0
Interest and Fiscal Charges	1,772	1,772	0
<i>Total Expenditures</i>	<u>1,957,690</u>	<u>1,857,120</u>	<u>100,570</u>
Excess of Revenues Over (Under) Expenditures	(114,880)	188,635	303,515
Other Financing Sources (Uses):			
Proceeds of Notes	0	0	0
Advances - In	58,763	58,763	0
Advances - Out	0	(224,207)	(224,207)
Operating Transfers - In	0	0	0
Operating Transfers - Out	(132,964)	(132,928)	36
<i>Total Other Financing Sources (Uses)</i>	<u>(74,201)</u>	<u>(298,372)</u>	<u>(224,171)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(189,081)	(109,737)	79,344
Fund Balances (Deficit) at Beginning of Year	302,915	302,915	0
Prior Year Encumbrances Appropriated	25,003	25,003	0
Fund Balances (Deficit) at End of Year	<u>\$138,837</u>	<u>\$218,181</u>	<u>\$79,344</u>

See accompanying notes to the general purpose financial statements.

GOVERNMENTAL FUND TYPES

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$377,338	\$424,341	\$47,003	\$169,074	\$176,639	\$7,565
47,174	56,357	9,183	0	0	0
12,746	13,578	832	0	0	0
1,358,321	1,278,278	(80,043)	1,042,962	951,951	(91,011)
4,825	6,625	1,800	0	0	0
11,407	57,656	46,249	0	503	503
<u>1,811,811</u>	<u>1,836,835</u>	<u>25,024</u>	<u>1,212,036</u>	<u>1,129,093</u>	<u>(82,943)</u>
0	0	0	0	0	0
902,284	864,488	37,796	0	0	0
196,581	169,547	27,034	0	0	0
371,969	300,349	71,620	0	0	0
1,103,160	1,027,941	75,219	0	0	0
146,828	91,354	55,474	0	0	0
0	0	0	0	0	0
0	0	0	1,803,343	1,779,985	23,358
72,100	72,000	100	70,000	70,000	0
18,500	18,364	136	18,322	18,322	0
<u>2,811,422</u>	<u>2,544,043</u>	<u>267,379</u>	<u>1,891,665</u>	<u>1,868,307</u>	<u>23,358</u>
(999,611)	(707,208)	292,403	(679,629)	(739,214)	(59,585)
0	0	0	357,515	0	(357,515)
0	0	0	0	74,011	74,011
0	(36,713)	(36,713)	0	(22,050)	(22,050)
144,838	157,084	12,246	88,322	90,322	2,000
0	0	0	0	0	0
<u>144,838</u>	<u>120,371</u>	<u>(24,467)</u>	<u>445,837</u>	<u>142,283</u>	<u>(303,554)</u>
(854,773)	(586,837)	267,936	(233,792)	(596,931)	(363,139)
602,927	602,927	0	(331,654)	(331,654)	0
339,572	339,572	0	595,314	595,314	0
<u>\$87,726</u>	<u>\$355,662</u>	<u>\$267,936</u>	<u>\$29,868</u>	<u>(\$333,271)</u>	<u>(\$363,139)</u>

(Continued)

CITY OF JACKSON, OHIO
Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 2000

	Expendable Trust Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$0	\$0	\$0
Charges for Services	0	0	0
Fines, Licenses and Permits	0	0	0
Intergovernmental	0	0	0
Interest Earnings	7,346	7,825	479
Other Revenue	0	1,972	1,972
<i>Total Revenues</i>	<u>7,346</u>	<u>9,797</u>	<u>2,451</u>
Expenditures:			
<i>Current:</i>			
General Government	0	0	0
Security of Persons and Property	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	1,933	0	1,933
Leisure Time Activities	0	0	0
Other	7,393	448	6,945
Capital Outlay	0	0	0
<i>Debt Service:</i>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>9,326</u>	<u>448</u>	<u>8,878</u>
Excess of Revenues Over (Under) Expenditures	(1,980)	9,349	11,329
Other Financing Sources (Uses):			
Proceeds of Notes	0	0	0
Advances - In	0	0	0
Advances - Out	0	0	0
Operating Transfers - In	0	0	0
Operating Transfers - Out	(7,825)	(7,825)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(7,825)</u>	<u>(7,825)</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(9,805)	1,524	11,329
Fund Balances (Deficit) at Beginning of Year	132,792	132,792	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balances (Deficit) at End of Year	<u>\$122,987</u>	<u>\$134,316</u>	<u>\$11,329</u>

See accompanying notes to the general purpose financial statements.

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$882,637	\$974,896	\$92,259
728,396	741,029	12,633
83,438	78,809	(4,629)
2,763,808	2,607,098	(156,710)
382,407	521,940	139,533
33,317	97,708	64,391
<u>4,874,003</u>	<u>5,021,480</u>	<u>147,477</u>
635,134	557,508	77,626
2,222,546	2,161,806	60,740
196,581	169,547	27,034
371,969	300,349	71,620
1,105,093	1,027,941	77,152
146,828	91,354	55,474
7,393	448	6,945
1,803,343	1,779,985	23,358
142,622	142,522	100
38,594	38,458	136
<u>6,670,103</u>	<u>6,269,918</u>	<u>400,185</u>
(1,796,100)	(1,248,438)	547,662
357,515	0	(357,515)
58,763	132,774	74,011
0	(282,970)	(282,970)
233,160	247,406	14,246
(140,789)	(140,753)	36
<u>508,649</u>	<u>(43,543)</u>	<u>(552,192)</u>
(1,287,451)	(1,291,981)	(4,530)
706,980	706,980	0
959,889	959,889	0
<u>\$379,418</u>	<u>\$374,888</u>	<u>(\$4,530)</u>

CITY OF JACKSON, OHIO
Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types and Nonexpendable Trust Funds
For the Year Ended December 31, 2000

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues:				
Charges for Services	\$13,815,231	\$55,564	\$8,571	\$13,879,366
Interest Income (Nonexpendable Trust Only)	0	0	48,498	48,498
Other Operating Revenue	476,999	0	0	476,999
<i>Total Operating Revenues</i>	<u>14,292,230</u>	<u>55,564</u>	<u>57,069</u>	<u>14,404,863</u>
Operating Expenses:				
Personal Services	2,090,311	0	0	2,090,311
Fringe Benefits	501,072	0	0	501,072
Contractual Services	6,292,787	12,846	0	6,305,633
Claims and Judgements	0	55,909	0	55,909
Materials and Supplies	938,807	0	0	938,807
Utilities	254,080	0	0	254,080
Depreciation and Amortization	461,903	0	0	461,903
Other Operating Expenses	1,169,279	0	0	1,169,279
<i>Total Operating Expenses</i>	<u>11,708,239</u>	<u>68,755</u>	<u>0</u>	<u>11,776,994</u>
Operating Income (Loss)	2,583,991	(13,191)	57,069	2,627,869
Nonoperating Revenues (Expenses):				
Interest Income	112,251	972	0	113,223
Loss on Disposal of Fixed Assets	(15,606)	0	0	(15,606)
Interest and Fiscal Charges	(1,079,800)	0	0	(1,079,800)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(983,155)</u>	<u>972</u>	<u>0</u>	<u>(982,183)</u>
Income (Loss) Before Operating Transfers	1,600,836	(12,219)	57,069	1,645,686
Operating Transfers - In	21,954	0	0	21,954
Operating Transfers - Out	(70,656)	0	(57,951)	(128,607)
Net Income (Loss)	1,552,134	(12,219)	(882)	1,539,033
Retained Earnings at Beginning of Year, As Restated	<u>9,500,165</u>	<u>36,807</u>	<u>947,000</u>	<u>10,483,972</u>
Retained Earnings at End of Year	11,052,299	24,588	946,118	12,023,005
Contributed Capital at Beginning of Year	3,084,494	0	0	3,084,494
Contributions from Other Funds, Net	17,140	0	0	17,140
Contributions from Intergovernmental Grants	179,500	0	0	179,500
Contributed Capital at End of Year	<u>3,281,134</u>	<u>0</u>	<u>0</u>	<u>3,281,134</u>
Total Fund Equity at End of Year	<u>\$14,333,433</u>	<u>\$24,588</u>	<u>\$946,118</u>	<u>\$15,304,139</u>

See accompanying notes to the general purpose financial statements.

CITY OF JACKSON, OHIO
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Funds
For the Year Ended December 31, 2000

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash Flows from Operating Activities:				
Cash Received from Customers	\$13,507,645	\$55,564	\$8,571	\$13,571,780
Cash from Interest Earnings (Nonexpendable Trust Only)	0	0	48,498	48,498
Cash from Other Receipts	374,460	0	0	374,460
Cash Payments to Employees	(2,491,654)	0	0	(2,491,654)
Cash Payments for Contractual Services	(6,002,032)	(12,846)	0	(6,014,878)
Cash Payments for Supplies & Materials	(859,900)	0	0	(859,900)
Cash Payments for Claims & Judgements	0	(55,361)	0	(55,361)
Cash Payments for Other Expenses	(1,428,784)	0	0	(1,428,784)
<i>Net Cash from Operating Activities</i>	3,099,735	(12,643)	57,069	3,144,161
Cash Flows from Non-Capital Financing Activities:				
Advances-In from Other Funds	150,196	0	0	150,196
Transfers-In from Other Funds	21,954	0	0	21,954
Transfers-Out to Other Funds	(70,656)	0	(57,951)	(128,607)
Cash Received from Other Sources	139,969	0	0	139,969
<i>Net Cash from Non-Capital Financing Activities</i>	241,463	0	(57,951)	183,512
Cash Flows from Capital & Related Financing Activities:				
Proceeds Received from Notes	230,000	0	0	230,000
Interest Paid on Bonds, Notes & Loans	(1,034,785)	0	0	(1,034,785)
Principal Paid on Bonds, Notes & Loans	(1,224,943)	0	0	(1,224,943)
Cash Paid to Acquire/Construct Capital Assets	(1,016,658)	0	0	(1,016,658)
Cash Received from Capital Grants	179,500	0	0	179,500
Proceeds Received from Sale of Assets	1,600	0	0	1,600
<i>Net Cash from Capital & Related Financing Activities</i>	(2,865,286)	0	0	(2,865,286)
Cash Flows from Investing Activities:				
Interest Received on Investments	112,251	972	0	113,223
Sale of Investments	469,758	0	0	469,758
<i>Net Cash from Investing Activities</i>	582,009	972	0	582,981
Net Increase (Decrease) in Cash & Cash Equivalents	1,057,921	(11,671)	(882)	1,045,368
Cash & Cash Equivalents at Beginning of Year	8,563,991	39,939	947,000	9,550,930
Cash & Cash Equivalents at End of Year	\$9,621,912	\$28,268	\$946,118	\$10,596,298

(Continued)

CITY OF JACKSON, OHIO
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Funds
For the Year Ended December 31, 2000

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:				
Operating Income (Loss)	\$2,583,991	(\$13,191)	\$57,069	\$2,627,869
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:				
Depreciation Expense	461,903	0	0	461,903
Changes in Assets & Liabilities:				
(Increase) Decrease in Accounts Receivable	(364,809)	0	0	(364,809)
(Increase) Decrease in Due from Other Governments	(47,377)	0	0	(47,377)
(Increase) Decrease in Material & Supply Inventory	(18,994)	0	0	(18,994)
(Increase) Decrease in Prepaid Items	3,205	0	0	3,205
Increase (Decrease) in Deposits Due to Others	(661)	0	0	(661)
Increase (Decrease) in Accounts Payable	(4,018)	0	0	(4,018)
Increase (Decrease) in Contracts Payable	377,593	0	0	377,593
Increase (Decrease) in Accrued Wages & Benefits	6,363	0	0	6,363
Increase (Decrease) in Compensated Absences	40,878	0	0	40,878
Increase (Decrease) in Due to Other Governments	61,661	0	0	61,661
Increase (Decrease) in Claims & Judgements Payable	0	548	0	548
Net Cash from Operating Activities	<u>\$3,099,735</u>	<u>(\$12,643)</u>	<u>\$57,069</u>	<u>\$3,144,161</u>
Reconciliation of Cash and Cash Equivalents - Fiduciary Fund Type:				
Cash and Cash Equivalents - Reported on Balance Sheet			\$1,094,134	
Cash and Cash Equivalents - Expendable Trust and Agency Funds			<u>(148,016)</u>	
Cash and Cash Equivalents - Nonexpendable Trust Funds			<u>\$946,118</u>	

See accompanying notes the general purpose financial statements.

CITY OF JACKSON, OHIO
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For the Year Ended December 31, 2000

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CITY OF JACKSON, OHIO
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For the Year Ended December 31, 2000

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CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 1 - DESCRIPTION OF THE 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 council-mayor form of government and provides the following services as authorized: police and fire protection, water, sewer, electric and garbage services, parks and recreation services, street maintenance, and other general governmental services.

Financial Reporting Entity

As required by generally accepted accounting principles, the general purpose financial statements present the City of Jackson (the primary government). The City considered potential component units for inclusion in the financial statements. In determining whether to include a governmental department, agency, commission or organization as a component unit, the City must evaluate each entity as to whether they are legally separate and financially accountable based on criteria set forth by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue or be sued and (3) the right to buy, sell, lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of a specific financial burden. Other factors to consider in this evaluation are whether an entity is fiscally dependent on the City or whether the financial statements would be misleading if data from the potential component unit were not included. The City has included no component units in the financial statements.

Joint Venture

The City is participating in a joint venture with several other organizations. This joint venture is called the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5) and is coordinated by AMP Ohio and the City is billed on a monthly basis for power costs, administrative costs and the interest costs on the debt issue. The City has a 7.14% interest in this joint venture.

OMEGA JV5 consists of an electric generation facility, which was completed in 1997. OMEGA JV5 issued debt to finance the construction of the electric generation facility and the City is responsible for \$10,141,536 of this debt through Certificates of Participation. The City has recorded \$10,953,831 as an asset called Equity in Joint Venture and has also recorded \$10,141,536 as a liability called Certificates of Participation Obligation. An amortization schedule of this debt is included in the long-term obligations section of these notes to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Fund Accounting

The City maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The restrictions associated with each type of funds are as follows:

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

- ◆ **General Fund:** The General Fund is the general operating fund of the City of Jackson. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.
- ◆ **Special Revenue Funds:** These funds are established to account for proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.
- ◆ **Capital Projects Funds:** These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and nonexpendable trust funds).

PROPRIETARY FUNDS

The proprietary funds are accounted for on a flow of economic resources measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (net assets) are segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (revenues) and decreases (expenses) in net total assets. The following are the City's proprietary fund types:

- ◆ **Enterprise Funds:** These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose. The measurement focus is upon determination of net income, financial position and changes in financial position.
- ◆ **Internal Service Fund:** This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

- ◆ **Trust and Agency Funds:** These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains expendable trust funds, nonexpendable trust funds, and agency funds. Expendable trust funds are accounted for and reported similarly to governmental funds. Nonexpendable trust funds are accounted for and reported similarly to proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve any measurement of the results of operations.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

- ◆ **General Fixed Asset Account Group:** This account group accounts for and controls all general fixed assets of the City other than those accounted for in proprietary or nonexpendable trust funds.
- ◆ **General Long-Term Obligations Account Group:** This account group accounts for and controls all unmatured general long-term indebtedness of the City that is not a specific liability of the proprietary funds including special assessment debt for which the City is obligated in some manner.

Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the general purpose financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities. The modified accrual basis of accounting is utilized by the governmental funds, expendable trust funds and agency funds of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Revenue considered susceptible to accrual at year end includes interest on investments, local taxes (including hotel/motel tax and estate taxes), and state levied locally shared taxes (including motor vehicle license fees, gasoline tax, and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Current and delinquent property taxes measurable as of December 31, 2000 are not available to pay current liabilities and therefore, are recorded as deferred revenue.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and nonexpendable trust funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the City does not apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds, other than the agency funds, are legally required to be budgeted and appropriated, however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

Tax Budget: In accordance with Section 5747.53 of the Ohio Revised Code, the County Budget Commission has provided for the apportionment of undivided local government funds under an alternative method, which has been approved by governmental subdivisions within the County. Under this alternative method, the County Budget Commission has waived the requirement for the Taxing Authority of a subdivision to adopt a tax budget.

Estimated Resources: The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process, the City receives an official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any actual unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process (Continued)

Appropriations: A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures which appear in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances--Budget to Actual (Budget Basis)--All Governmental Fund Types and Expendable Trust Funds are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end, however, are reported as reservations of fund balances for subsequent year expenditures in the accompanying general purpose financial statements. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

Budgetary Basis of Accounting: The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major difference between the budgetary basis and the GAAP basis is the timing differences for recognizing revenues and expenditures. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary cash basis statements for the governmental and expendable trust funds:

**Excess of Revenues and Other Financing Sources
Over/(Under) Expenditures and Other Uses**

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$206,680	(\$1,852)	\$351,233	\$216
Adjustments:				
Revenue Accruals	(95,771)	(96,804)	87,191	1,308
Expenditure Accruals	(220,646)	(488,181)	(1,035,355)	0
Budget Basis	(\$109,737)	(\$586,837)	(\$586,931)	\$1,524

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

Cash balances of the City's funds, except cash held by a trustee or fiscal agent and in segregated accounts, are pooled and invested in interest bearing accounts and short-term certificates of deposit in order to provide improved cash management. Active City funds are invested in interest bearing demand accounts with commercial banks. Inactive funds are invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). 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, 2000. Investment income is distributed to various funds based upon their average daily balances.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating contracts such as certificates of deposit, Common Trust Fund, U.S. Treasury and Federal Home Loan Mortgage obligations are all reported at cost.

Receivables

Receivables at December 31, 2000 consist primarily of taxes in the governmental funds, and of consumer accounts (billings for user charged services, including unbilled amounts) in the proprietary funds.

Inventory

Inventories are stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary funds. The cost of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. The reservations for inventory in the balance sheet of governmental fund types indicate that a portion of the fund balance is not available for future expenditures.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets and Depreciation

Property, Plant and Equipment - Governmental Funds

Fixed assets acquired or constructed for general governmental purposes are recorded either as capital outlay expenditures or functional expenditures in the governmental funds. These assets are capitalized at cost (or estimated historical costs for assets not purchased in recent years) in the General Fixed Asset Account Group. Contributed fixed assets are recorded at fair value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

The City has elected not to record depreciation in the General Fixed Asset Account Group.

Property, Plant and Equipment - Proprietary Funds

Proprietary fund type property, plant and equipment are recorded at historical cost or estimated historical cost, including interest capitalized during construction, and architectural and engineering fees where applicable within the appropriate funds. Contributed fixed assets are recorded at fair market value at the date received. Depreciation has been provided using the straight-line method using the following estimated useful lives:

Machinery, Equipment, Furniture and Fixtures	5 - 20 years
Buildings, Improvements Other than Buildings and Utility Plant in Service	25 - 50 years

Improvements other than buildings represent public domain property such as water and sewer lines, reservoirs and other similar enterprise fund assets that are not removable and are of value only to the governmental unit. Proprietary fund type infrastructure is capitalized and recorded in the accompanying general purpose financial statements. However, governmental fund type infrastructure is not capitalized.

Depreciation on proprietary fixed assets is charged to retained earnings.

Compensated Absences

The City records a liability for sick leave, vacation, and compensatory time when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "compensated absences payable."

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. For proprietary funds, the entire amount of unpaid compensated absences is reflected as a liability within the respective funds. The City follows the provisions of GASB Statement No. 16, "Accounting for Compensated Absences".

Long-Term Obligations

In accordance with GAAP, long-term liabilities are not recognized within governmental funds. They are, instead, reported as liabilities in the General Long-Term Obligations Account Group. Long-term liabilities used to finance proprietary fund operations and directly payable from revenues of those funds are reported in the respective proprietary fund.

Reservations of Fund Balances

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for loans receivable, supplies inventory, endowments and encumbrances.

Bond Discounts/Issuance Costs

Bond discounts and issuance costs are recognized in the current period in governmental fund types and are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas, issuance costs are recorded as deferred charges.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- (1) Operating transfers are reported as "Operating transfers-in" by the recipient fund, and "Operating transfers-out" by the disbursing fund.
- (2) Residual equity transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City had no residual equity transfers during 2000.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are similarly treated when involving other funds of the City.

Contributed Capital

Contributions for (or of) capital assets to proprietary funds are credited directly to contributed capital. These amounts include donations by developers, other governments, and governmental funds of the City. The operating-type contributions or grants are recorded as revenue in the receiving funds. The City received \$196,640 in contributed capital during 2000.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Balance / Fund Equity Deficits

The following funds had deficit fund balances / retained earnings as of December 31, 2000:

Special Revenue Funds:

Permissive Tax Fund	\$941
Jackson County Economic Development Fund	1,128
Fire Tax Levy (1995) Fund	22,366

Capital Projects Funds:

Real Estate & Improvements Fund	428,342
Alternate Access Road Fund	74,011

The deficit balance in the Permissive Tax Special Revenue Fund is due to intergovernmental revenues which had not been received at year end and were not available to finance current expenditures. The deficit will be eliminated through future intergovernmental revenues.

The deficit balance in the Jackson County Economic Development Special Revenue Fund is the result of applying generally accepted accounting principles and the requirement to accrue the wages and benefits of the employees. This deficit will be eliminated with future intergovernmental revenues.

The deficit balance in the Fire Tax Levy (1995) Special Revenue Fund and the Real Estate and Improvements Capital Projects Fund, is the result of applying generally accepted accounting principles and the requirement to report note indebtedness in the fund which receives the note proceeds. These deficits will be eliminated when the notes are paid off.

The deficit balance in the Alternate Access Road Capital Projects Fund is due to intergovernmental revenues which had not yet been received at year end and were not available to finance current expenditures.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 4 - CASH, 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 two year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys 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.

New legislation now permits inactive monies to 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 or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government 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 fair 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 fair value daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- (6) The State Treasurer's investment pool (STAR Ohio).

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;
- (3) Obligations of the City.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 4 - CASH, DEPOSITS AND INVESTMENTS (Continued)

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. 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.

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

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.

The amounts available for deposit and investment are as follows:

Cash and Cash Equivalents (Carrying Amounts)	
* Pooled	\$10,506,437
* Restricted.....	1,520,414
Reconciling items (net) to arrive at bank balance of deposits.....	<u>136,230</u>
Total Available for Deposit and Investment (Bank Balance of Deposits/Carrying Amount of Investments)	<u>\$12,163,081</u>

Any depository that receives a City deposit or investment is required to pledge to the investing authority as collateral eligible securities of aggregate fair value that, when added to the portion of the deposit by the Federal Deposit Insurance Corporation, equals or exceeds the amount of City funds deposited.

A public depository may, at its option, pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 105% of all public monies on deposit with the depository including the amount covered by federal insurance.

GASB Statement No. 9 requires the City to report cash flows for its' proprietary funds. For purposes of the Statement of Cash Flows, proprietary fund participation in the State Treasurer's investment pool (STAR Ohio) is treated as a demand account and reported as a cash equivalent on the Combined Balance Sheet. In addition, all highly liquid investments held with a maturity of three months or less when purchased, are considered cash equivalents. Only separate investments with a maturity of greater than three months are reported as investments on the Combined Balance Sheet.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 4 - CASH, DEPOSITS AND INVESTMENTS (Continued)

The Governmental Accounting Standards Board (GASB Statement No. 3) has established credit risk categories for deposits and investments as follows:

Category 1: Deposits that are insured or collateralized with securities held by the City or its agent in the City's name.

Investments that are insured or registered, or securities held by the City or its agent in the City's name.

Category 2: Deposits that are collateralized and unregistered, with securities held by the counter-party's trust department or agent in the City's name.

Investments that are uninsured or unregistered, with securities held by the Counter-party's trust department or agent in the City's name.

Category 3: Deposits that are uncollateralized or collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the City's name.

Investments that are uninsured and unregistered, with securities held by the Counter-party or its trust department or agent but not in the City's name.

Based on the above criteria, the City deposits and investments at December 31, 2000 are classified as follows:

	Category 1	Category 2	Category 3	Bank Balance	Carrying Amount	Fair Value
<u>Deposits:</u>						
Demand Deposits	\$128,268	\$0	\$1,510,909	\$1,639,177	\$1,502,947	
Certificates of Deposit	0	0	1,310,000	1,310,000	1,310,000	
Total Deposits	\$128,268	\$0	\$2,820,909	\$2,949,177	\$2,812,947	
<u>Investments:</u>						
Common Trust Fund A	\$0	\$208,295	\$0		\$208,295	\$208,295
U.S. Treasury Notes	0	0	1,374,113		1,374,113	1,374,113
Federal Home Loan Mortgage Corp Notes	0	1,498,437	0		1,498,437	1,498,437
State Treasury Pool *	0	0	0		6,133,059	6,133,059
Total Investments	\$0	\$1,706,732	\$1,374,113		\$9,213,904	\$9,213,904

* The City's investment in the State Treasury Pool (STAR Ohio) is not categorized because it is not evidenced by securities that exist in physical or book form.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 4 - CASH, DEPOSITS AND INVESTMENTS (Continued)

GASB 3 to GASB 9 Reconciliation

	<u>Cash & Cash Equivalents</u>	<u>Investments</u>
GASB 3 Balances	\$2,812,947	\$9,213,904
Common Trust A	208,295	(208,295)
Federal Home Loan Mortgage Corp Notes	1,498,437	(1,498,437)
U.S. Treasury Notes	1,374,113	(1,374,113)
STAR Ohio	<u>6,133,059</u>	<u>(6,133,059)</u>
 GASB 9 Balances	 <u>\$12,026,851</u>	 <u>\$0</u>

NOTE 5 - LOANS AND NOTES RECEIVABLE

Loans receivable in the Special Revenue Funds represent low interest loans made by the City for community development projects and small businesses under the Federal Community Development Block Grant (CDBG) program. The loans bear interest at an annual rate ranging from 0 to 6 percent. The loans are to be repaid over periods ranging from 3 to 15 years. The non-current portion of these loans is reported as fund balance - reserved for loans receivable.

Notes receivable in the Enterprise Funds represent an agreement made in 1995 between the City and Foremost Management, Inc. (Luigino's), whereby Foremost Management, Inc. has agreed to make payments to the City for the retirement of the \$591,459 OWDA loan. The agreement requires the note to be repaid over 10 years at 2.20 % interest.

NOTE 6 - NOTES, BONDS AND OTHER OBLIGATIONS PAYABLE

The Ohio Revised Code provides that notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds, may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes (the maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years). Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five year period.

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or available funds of the City, or a combination of these sources. The City is retiring its notes payable by the issuance of one year renewal notes with a portion of the principal being retired in accordance with the above provisions.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 6 - NOTES, BONDS AND OTHER OBLIGATIONS PAYABLE (Continued)

The City had the following general obligation bond anticipation notes outstanding in the governmental funds at December 31, 2000:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
Fire Improvements	10/30/01	4.71%	\$375,000
Real Estate	6/14/01	3.76%	<u>420,000</u>
 Total General Obligation Bond Anticipation Notes			 <u>\$795,000</u>

The Fire Tax Levy (1995) Fund (Special Revenue) is responsible for paying off the \$375,000 fire improvements note, while the Real Estate Improvements (Capital Projects) Fund is responsible for paying off the \$420,000 real estate note. All of these notes are reported as a liability within the fund that received the original proceeds of the note.

A summary of Enterprise Funds notes payable and other long-term obligations transactions for the year ended December 31, 2000 follows:

Description	Interest Rate	Issue Date	Balance January 1, 2000	Issued (Retired)	Balance December 31, 2000
Notes Payable:					
Automotive Equipment Note	3.51%	1999	\$60,000	(\$60,000)	\$0
Automotive Equipment Note	4.56%	2000	0	30,000	30,000
Total Automotive Notes Payable			<u>\$60,000</u>	<u>(\$30,000)</u>	<u>\$30,000</u>
 Capital Improvements Note	4.26%	1999	\$250,000	(\$250,000)	\$0
Capital Improvements Note	4.71%	2000	0	200,000	200,000
Total Capital Improvements Notes Payable			<u>\$250,000</u>	<u>(\$50,000)</u>	<u>\$200,000</u>
 Railroad Notes	9.0%	1987	\$54,785	(\$26,233)	\$28,552
Railroad Shippers Notes	5.0%	1988	85,388	(41,638)	43,750
Total Railroad Notes Payable			<u>\$140,173</u>	<u>(\$67,871)</u>	<u>\$72,302</u>
Total Notes Payable			<u>\$450,173</u>	<u>(\$147,871)</u>	<u>\$302,302</u>
 Ohio Water Development Authority Loan	2.2%	1993	<u>\$731,411</u>	<u>(\$139,952)</u>	<u>\$591,459</u>
Mortgage Revenue Bonds Payable:					
Sewer System	3.0 – 6.4%	1992	\$595,000	(\$105,000)	\$490,000
Electric System	2.7 – 5.5%	1993	1,685,000	(150,000)	1,535,000
Water System	2.8 – 5.6%	1993	2,490,000	(80,000)	2,410,000
Electric System	4.15 – 6.4%	1996	3,665,000	(150,000)	3,515,000
Total Mortgage Revenue Bonds Payable			<u>\$8,435,000</u>	<u>(\$485,000)</u>	<u>\$7,950,000</u>
 OMEGA JV5 Certificates of Participation	4.25-5.63%	1993	<u>\$10,363,656</u>	<u>(\$222,120)</u>	<u>\$10,141,536</u>

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 6 - NOTES, BONDS AND OTHER OBLIGATIONS PAYABLE (Continued)

A summary of General Long-Term Obligations Account Group transactions for the year ended December 31, 2000 follows:

Description	Balance January 1, 2000	Issued (Retired)	Balance December 31, 2000
<i>General Long-Term Obligations:</i>			
Compensated Absences	\$333,292	(\$16,912)	\$316,380
Due to Other Governments	100,501	66,519	167,020
Police & Fire Pension Liability	41,833	(522)	41,311
<i>Total General Long-Term Obligations</i>	<u>\$475,626</u>	<u>\$49,085</u>	<u>\$524,711</u>

The principal and interest requirements to retire the following long-term obligations outstanding at December 31, 2000, are as follows:

Year Ending December 31	Mortgage Revenue Bonds	Police & Fire Pension	Railroad Notes	Certificates of Participation	OWDA Loan	Totals
2001	\$970,735	\$2,817	\$81,502	\$734,760	\$155,278	\$1,945,092
2002	970,735	2,817	0	734,760	155,278	1,863,590
2003	970,735	2,817	0	734,760	155,278	1,863,590
2004	970,735	2,817	0	734,760	155,278	1,863,590
2005	829,142	2,817	0	734,760	0	1,566,719
2006-2010	3,292,239	14,085	0	3,673,800	0	6,980,124
2011-2015	2,552,025	14,085	0	3,673,800	0	6,239,910
2016-2020	649,110	14,085	0	3,673,800	0	4,336,995
2021-2025	0	14,085	0	2,939,040	0	2,953,125
2026-2038	0	28,170	0	0	0	28,170
	<u>\$11,205,456</u>	<u>\$98,595</u>	<u>\$81,502</u>	<u>\$17,634,240</u>	<u>\$621,112</u>	<u>\$29,640,905</u>
Less: Amount Representing Interest	<u>3,255,456</u>	<u>57,284</u>	<u>9,200</u>	<u>7,492,704</u>	<u>29,653</u>	<u>10,844,297</u>
Principal Due	<u>\$7,950,000</u>	<u>\$41,311</u>	<u>\$72,302</u>	<u>\$10,141,536</u>	<u>\$591,459</u>	<u>\$18,796,608</u>

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 6 - NOTES, BONDS AND OTHER OBLIGATIONS PAYABLE (Continued)

OWDA Loan

The City has obtained an OWDA loan to assist in the modification of Foremost Management, Inc. (Luigino's) wastewater lines. As a result of this loan, an agreement was made between the City and Foremost Management, Inc. (Luigino's), whereby Foremost Management, Inc. has agreed to make payments to the City over a period of 10 years for the repayment of this OWDA loan. As of December 31, 2000 the City had drawn \$1,387,797 against the loan of which \$591,459 remains as a liability in the accompanying general purpose financial statements. The project was completed in 1997 therefore, the total costs and related amortization schedules have been finalized and are included in the schedule above.

Conduit Debt Obligations

From time to time, the City has issued 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, 2000 there was one series of Industrial Revenue Bond outstanding with an aggregate principal amount payable of \$1.22 million and one series of Hospital Facilities Revenue Bond outstanding with an aggregate principal amount payable of \$25 million.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) are collected in one calendar year on assessed values as of January 1 of the 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 revalued every six years.

The last reappraisal was completed for tax year 1993. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semi-annually, the first payment is due January 20, with the remainder payable by June 20. Under certain circumstances, state statute permits later payment dates to be established.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

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. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 7 - PROPERTY TAXES (Continued)

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.

The full tax rate applied to real property for tax year ended December 31, 2000 was \$46.70 per \$1,000 of assessed value. The assessed value upon which the 2000 levy was based was \$105,426,281. This amount constitutes \$42,926,790 in residential/agricultural real property assessed value, \$32,957,130 in commercial/industrial and other real property assessed value, \$5,836,090 in public utility assessed value and \$23,706,271 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .5% (5.0 mills) of assessed value.

NOTE 8 - FEDERAL GRANTS

The federal financial assistance grants are audited as part of the City's regular audit. Any instances of noncompliance with federal financial assistance grant requirements and any expenditures that may be disallowed and subject to reimbursement to the federal government will be disclosed in the audit report.

NOTE 9 - PENSION OBLIGATIONS

Public Employee Retirement System

Plan Description: The City contributes to the Public Employees Retirement system of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Funding Policy: The Ohio Revised Code provides statutory authority for employee and employer contribution rates. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rollback rate was 20% for local government divisions and 6% for law enforcement divisions. Plan members, other than those engaged in law enforcement, are required to contribute 8.5% of their annual covered salary to fund pension obligations and the City is required to contribute 10.84%. For law enforcement employees, the employee contribution is 9% and the employer contribution is 15.70% for 2000. The City's contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$316,688, \$352,605, and \$334,318, respectively; 96.4% has been contributed for 2000 and 100% for years 1999 and 1998. Of the 2000 amount, \$11,401 was unpaid at December 31, 2000 and is recorded as a liability within the respective funds.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 9 - PENSION OBLIGATIONS (Continued)

Postemployment Benefits: Public Employees Retirement System of Ohio provides postemployment health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefits (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to PERS is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. Of the 10.84% and 15.7% employer contribution rates for the City for the year 2000, 4.3% was used to fund health care for the year.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increases, were assumed to range from .54% to 5.10%. Health care costs were assumed to increase 4.75% annually.

As of December 31, 1999, the number of active contributing participants was 401,339. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 1999 was \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.2% to 4.3% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

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. The 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 Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy: Plan members are required to contribute 10.0 % of their annual covered salary, while the City is required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2000, 1999, and 1998 were \$148,515, \$108,200 and \$123,939 respectively; 68% has been contributed for 2000 and 100% for years 1999 and 1998. Of the 2000 amount, \$47,525 was unpaid and is recorded as a liability within the General Fund.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 9 - PENSION OBLIGATIONS (Continued)

Postemployment Benefits: The OP&F provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen (18) whether or not the child is attending school or under the age of twenty-two (22) if attending school full-time or on a two-thirds basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*.

The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate which is 19.5% for police officers and 24.0% of covered payroll for firefighters. Of these employer contribution rates for the City, 7.25% was used to pay health care benefits for the year 2000 which amounted to \$55,217.

The Ohio Revised Code provides the statutory authority allowing the OP&F Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. Currently, 7.25% of covered payroll, as defined by the Board of Trustees, is used to pay retiree health care expenses. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

As of December 31, 1999, the number of participants eligible to receive health care benefits was 12,467 for police and 9,807 for Firefighters. The Fund's total health care expenses for the year ended December 31, 1999 were \$95,004,633.

NOTE 10 - COMPENSATED ABSENCES

All full-time City employees earn vacation at varying rates based upon length of service. An employee may carry over a vacation balance equal to two years. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance, not to exceed the carryover of two years.

All full-time City employees earn sick leave at the rate of 4.6 hours for every 80 hours of active service. Upon separation from the City, an eligible employee shall receive one-half hour of monetary compensation for every hour of unused sick leave, if the length of service is between 5 and 10 years, and one hour of monetary compensation if the length of service is more than ten years; the monetary compensation shall be at the hourly rate of compensation of the employee at the time of retirement, if the employee is not given credit at his next place of employment.

City employees who work on holidays and in an occasional overtime status are primarily paid on a current basis. However, in some instances the employees are permitted to accrue compensatory time to be taken as time off or to be paid at a later date.

The City follows the provisions of GASB Statement No. 16 related to compensated absences. At December 31, 2000 the total liability for unpaid compensated absences was \$316,380 for all funds of the City except proprietary funds. For governmental funds, the entire amount was considered long-term since no payments were anticipated which would require the use of current available financial resources. The liability has been reported in the General Long-Term Obligations Account Group. The portion attributable to the proprietary funds has been recorded within the respective funds.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 11 - DEFERRED COMPENSATION PLANS

The City employees and elected officials may participate in the Ohio Public Employees Deferred Compensation Program or a deferred compensation plan administered by Aetna (the plans). Both plans are created in accordance with Internal Revenue Service Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, death or in the case of an unforeseeable emergency.

Under each of these plans, all assets are now being held in a trust arrangement for the exclusive benefit of participants and their beneficiaries, as required by the Small Business Protection Act of 1996. Under this Act, all existing deferred compensation plans were required to implement such a trust arrangement by January 1, 1999. As a result, the assets of these plans are no longer reflected in the combined financial statements of the City.

NOTE 12 - OPERATING TRANSFERS

The following is a summary of operating transfers for all funds in 2000.

Fund	Transfers - In	Transfers – Out
General Fund	\$0	\$132,928
<i>Special Revenue Funds:</i>		
Cemetery Fund	26,428	0
Edwin Jones Park Fund	7,825	0
Lillian Jones Museum Operating Fund	31,523	0
COPS Fast Grant Fund	91,044	0
Law Enforcement Block Grant Fund	264	0
Fire Tax Levy Fund	0	4,250
Fire Tax Levy (1995) Fund	4,250	0
Total Special Revenue Funds	161,334	4,250
<i>Capital Projects Funds:</i>		
Real Estate Improvements Fund	88,322	0
Bridge Rehabilitation Fund	2,000	0
Total Capital Projects Funds	90,322	0
<i>Enterprise Funds:</i>		
Water Fund	0	17,664
Sewer Fund	0	17,664
Garbage Fund	0	17,664
Electric Fund	0	17,664
Municipal Swimming Pool Fund	21,954	0
Total Enterprise Funds	21,954	70,656
<i>Expendable Trust Fund:</i>		
Edwin Jones Investment Fund	0	7,825
<i>Nonexpendable Trust Funds:</i>		
Robert Jones Trust Fund	0	26,428
Lillian Jones Museum Trust Fund	0	31,523
Total Nonexpendable Trust Funds	0	57,951
Total All Funds	\$273,610	\$273,610

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 13 - FIXED ASSETS

General Fixed Assets - Summary by category of changes in general fixed assets:

Category	January 1, 2000	Additions/ Transfers	Deletions/ Transfers	December 31, 2000
Land	\$646,397	\$71,250	\$0	\$717,647
Buildings / Improvements	1,834,672	39,004	0	1,873,676
Machinery / Equipment	1,707,780	267,956	79,119	1,896,617
Subtotal	4,188,849	378,210	79,119	4,487,940
Construction In Progress	0	453,855	0	453,855
Totals	\$4,188,849	\$832,065	\$79,119	\$4,941,795

Proprietary Fixed Assets - Summary by category at December 31, 2000:

Category	Cost	Accumulated Depreciation	Book Value
Land	\$2,973,145	0	\$2,973,145
Buildings	835,085	(308,134)	526,951
Improvements	9,965,222	(3,383,010)	6,582,212
Machinery & Equipment	2,287,903	(1,086,904)	1,200,999
Subtotal – Assets In Service	\$16,061,355	(\$4,778,048)	\$11,283,307
Construction In Progress	333,469	0	333,469
Total	\$16,394,824	(\$4,778,048)	\$11,616,776

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the City, which are financed primarily by user charges, are water treatment and distribution, wastewater collection and treatment, electric, garbage collection, railroad, swimming pool, and recreation services. The key financial information for the year ended December 31, 2000 for these enterprise activities is as follows:

	Water Fund	Sewer Fund	Garbage Fund	Electric Fund
Operating Revenues	\$2,003,043	\$1,963,011	\$547,442	\$9,570,802
Depreciation/Amortization	158,724	129,705	28,806	114,405
Operating Income	362,216	90,323	31,341	2,031,894
Net Income	205,180	23,116	16,313	1,209,358
Total Assets	6,053,785	5,562,689	380,465	20,471,063
Net Working Capital	1,009,532	2,575,318	101,129	4,584,181
Fixed Assets:				
Additions	645,192	194,415	8,329	187,284
Deletions	(78,966)	(26,876)	(70)	(210)
Long-Term Liabilities	2,330,000	833,411	0	14,891,536
Total Equity	3,112,199	3,954,238	271,283	4,256,402

	Railroad Fund	Swimming Pool Fund	Recreation Fund	Totals
Operating Revenues	\$121,438	\$22,720	\$63,774	\$14,292,230
Depreciation/Amortization	23,982	2,650	3,631	461,903
Operating Income	61,363	(15,914)	22,768	2,583,991
Net Income	55,498	4,739	37,930	1,552,134
Total Assets	2,645,919	67,563	106,142	35,287,626
Net Working Capital	3,519	14,852	8,828	8,297,359
Fixed Assets:				
Additions	0	0	47,290	1,082,510
Deletions	0	(2,000)	0	(108,122)
Long-Term Liabilities	0	0	0	18,054,947
Total Equity	2,568,533	65,028	105,750	14,333,433

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 15 - CONTINGENCIES

Our auditor has questioned the City about certain accounting practices involving how the City has historically recorded transactions associated with the City's Enterprise Funds reimbursement to the General Fund for rent, right-of-way, and administrative support costs. If the City were to change the accounting treatment associated with these costs and make adjustments to these funds for current and prior years accounting treatment, there could be a significant negative impact on the fund balances of the City. The City has made no adjustments to the General or Enterprise Funds for these costs as of and for the year ended December 31, 2000. A special audit is currently being performed by the Auditor of State of Ohio. As of the report date the special audit has not been finalized.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the law director the resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE 16 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injury and natural disasters. The City has addressed these various types of risk by purchasing comprehensive insurance through commercial carriers.

The following types of coverage that the City has with commercial carriers are:

<u>Type of Coverage</u>	<u>Limit of Coverage</u>	<u>Deductible</u>
General Liability	\$1,000,000	None
Public Officials Liability	\$1,000,000 / Occurrence	\$3,500
Auto Liability	\$1,000,000 / Occurrence	\$500
Property Damage	\$32,529,454	\$1,000
Earthquake Damage	\$10,000,000	5% of Damage Not To Exceed \$500,000
Flood Insurance: Waste Water Treatment Building	\$50,000	\$500
Flood Insurance: Electric Works Building	\$3,000	\$500
Flood Insurance: City Garage Building	\$55,000	\$500
Flood Insurance: Waste Water Treatment Building Contents	\$25,000	\$500
Flood Insurance: Electric Works Building Contents	\$12,600	\$500
Flood Insurance: City Garage Building Contents	\$6,300	\$500
Law Enforcement Professional Liability	\$1,000,000 / Occurrence	\$7,500
Employee Dishonesty	\$125,000 / Occurrence	None

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2000

NOTE 16 - RISK MANAGEMENT (Continued)

The City provides employee medical/surgical benefits, and prescription drugs through Anthem Blue Cross / Blue Shield of Columbus, Ohio.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Employee Benefit Self Insurance

The City sponsors a self-funded employee benefit program which provides dental and vision benefits for its full-time employees. The City's claims liability is limited through specific and aggregate stop-loss insurance issued by the Commercial Union Life Insurance Company to \$20,000 per person per year and an aggregate of all claims under \$20,000 of \$251,136.

Changes in the Internal Service Fund's claims liability amount for fiscal years 1999 and 2000 were:

	1999	2000	
Beginning of Year Liability	\$3,622	\$3,132	
Current Year Claims and Changes in Estimates	45,908	55,909	
Claims Paid	(46,398)	(55,361)	
End of Year Liability	\$3,132	\$3,680	

Worker's Compensation

The City pays the state workers compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accidents, history and administrative costs.

NOTE 17 - PRIOR PERIOD ADJUSTMENTS

The City's Enterprise Funds previously did not report \$11,896 of fixed assets. The adjustment resulted in an increase in the Water, Sewer, Garbage and Electric Funds fixed assets and retained earnings of \$7,689, \$1,803, \$601 and \$1,803 respectively.

NOTE 18 - SPECIAL AUDIT

The Auditor of State of Ohio is conducting a special audit of the City. At this time, it is unknown what effect, if any, the outcome of that special audit will have on the general purpose financial statements of the City.

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CITY OF JACKSON, OHIO
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2000

Federal Grantor / Pass through Grantor / Program Title	Pass through Entity Number	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development			
<i>Passed through Ohio Department of Development:</i>			
Community Development Block Grants:			
Downtown Revitalization Program	A-T-98-135-1	14.228	\$172,445
Community Housing Partnership Program	A-P-98-135-1	14.228	888
Community Housing Improvement Program	A-C-97-135-1	14.228	333,142
Community Housing Improvement Program	A-C-99-135-1	14.228	164,691
Total U.S. Department of Housing and Urban Development			671,166
U.S. Department of Justice			
<i>Direct from the Federal Government:</i>			
COPS Grant	N/A	16.710	102,003
COPS Fast Grant	N/A	16.710	284,758
			386,761
<i>Passed through Ohio Office of Criminal Justice Services:</i>			
Drug Control and System Improvement Act	97-DG-B02-7176	16.579	5,277
Total U.S. Department of Justice			392,038
Federal Emergency Management Agency			
<i>Passed through Ohio Department of Public Safety:</i>			
Public Assistance Grant - FEMA	1164-79-37842	83.544	82,576
Public Assistance Grant - Hazard Mitigation	1164-79-37842	83.548	68,500
Total Federal Emergency Management Agency			151,076
Total Federal Awards Expenditures			\$1,214,280

Note 1 - Significant Accounting Policies

The City prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation in, or used in the preparation of the general purpose financial statements.

Note 2 - CDBG Revolving Loans

The City administers a CDBG rehabilitation loan program, the activity of which is not reflected in the schedule above. During the year ended December 31, 2000, the City received loan principal payments of \$4,842 under this program. At December 31, 2000 the City reflects \$35,874 as loans receivable under this program which is included on the balance sheet.

CITY OF JACKSON, OHIO
Schedule of General Fixed Assets
By Category
December 31, 2000

	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total
General Government:						
Mayor / Service Director	\$0	\$0	\$0	\$66,940	\$0	\$66,940
Auditor / Treasurer	0	0	0	53,493	34,480	87,973
City Engineer	0	0	0	9,490	0	9,490
City Council	0	42,673	0	10,467	0	53,140
City Hall	42,131	1,047,450	0	2,994	0	1,092,575
Economic Development	0	0	0	0	419,375	419,375
Total General Government	42,131	1,090,123	0	143,384	453,855	1,729,493
Security of Persons and Property:						
Police	40,000	176,027	0	294,991	0	511,018
Fire	22,599	100,100	1,120	870,131	0	993,950
Total Security of Persons and Property	62,599	276,127	1,120	1,165,122	0	1,504,968
Public Health and Welfare:						
Cemetery	21,848	14,241	0	67,238	0	103,327
Transportation:						
Street	68,248	367,106	0	517,338	0	952,692
Community Environment:						
Residential Acquisition	472,821	0	0	0	0	472,821
Leisure Time Activities:						
Cultural Facilities: Lillian Jones Museum	50,000	90,544	34,415	3,535	0	178,494
Total General Fixed Assets	\$717,647	\$1,838,141	\$35,535	\$1,896,617	\$453,855	\$4,941,795

CITY OF JACKSON, OHIO
Schedule of Changes in General Fixed Assets
By Function and Activity
Year Ended December 31, 2000

Function and Activity	January 1, 2000	Additions/ Transfers	Deletions/ Transfers	December 31, 2000
General Government:				
Mayor / Service Director	\$71,372	\$4,888	(\$9,320)	\$66,940
Auditor / Treasurer	51,433	36,540	0	87,973
City Engineer	9,490	0	0	9,490
City Council	53,140	0	0	53,140
City Hall	1,092,575	0	0	1,092,575
Economic Development	0	419,375	0	419,375
<i>Total General Government</i>	<u>1,278,010</u>	<u>460,803</u>	<u>(9,320)</u>	<u>1,729,493</u>
Security of Persons and Property:				
Police	457,281	104,042	(50,305)	511,018
Fire	947,369	46,581	0	993,950
<i>Total Security of Persons and Property</i>	<u>1,404,650</u>	<u>150,623</u>	<u>(50,305)</u>	<u>1,504,968</u>
Public Health and Welfare:				
Cemetery	92,282	11,045	0	103,327
Transportation:				
Street	851,386	120,800	(19,494)	952,692
Community Environment:				
Residential Acquisition	401,571	71,250	0	472,821
Leisure Time Activities:				
Cultural Facilities: Lillian Jones Museum	160,950	17,544	0	178,494
Total General Fixed Assets	<u><u>\$4,188,849</u></u>	<u><u>\$832,065</u></u>	<u><u>(\$79,119)</u></u>	<u><u>\$4,941,795</u></u>

CITY OF JACKSON, OHIO
Schedule of General Fixed Assets
By Source
December 31, 2000

General Fixed Assets:

Land	\$717,647
Buildings	1,838,141
Improvements Other Than Buildings	35,535
Machinery and Equipment	1,896,617
Construction in Progress	453,855
Total General Fixed Assets	<u><u>\$4,941,795</u></u>

Investment in General Fixed Assets:

General Fund	\$1,848,608
Special Revenue Funds	1,218,914
Capital Projects Funds	1,204,432
Enterprise Funds	527,159
Donations/Contributions	142,682
Total Investment in General Fixed Assets	<u><u>\$4,941,795</u></u>

CITY OF JACKSON, OHIO
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended December 31, 2000

	Balance January 1, 2000	Additions	Reductions	Balance December 31, 2000
Fire Loss Fund				
<i>Assets:</i>				
Cash and Cash Equivalents	\$2,326	\$0	\$0	\$2,326
<i>Total Assets</i>	<u>\$2,326</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,326</u>
<i>Liabilities:</i>				
Due to Others	\$2,326	\$0	\$0	\$2,326
<i>Total Liabilities</i>	<u>\$2,326</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,326</u>
Street Excavation Fund				
<i>Assets:</i>				
Cash and Cash Equivalents	\$10,850	\$5,000	(\$4,500)	\$11,350
<i>Total Assets</i>	<u>\$10,850</u>	<u>\$5,000</u>	<u>(\$4,500)</u>	<u>\$11,350</u>
<i>Liabilities:</i>				
Due to Others	\$10,850	\$5,000	(\$4,500)	\$11,350
<i>Total Liabilities</i>	<u>\$10,850</u>	<u>\$5,000</u>	<u>(\$4,500)</u>	<u>\$11,350</u>
Totals - All Agency Funds				
<i>Assets:</i>				
Cash and Cash Equivalents	\$13,176	\$5,000	(\$4,500)	\$13,676
<i>Total Assets</i>	<u>\$13,176</u>	<u>\$5,000</u>	<u>(\$4,500)</u>	<u>\$13,676</u>
<i>Liabilities:</i>				
Due to Others	\$13,176	\$5,000	(\$4,500)	\$13,676
<i>Total Liabilities</i>	<u>\$13,176</u>	<u>\$5,000</u>	<u>(\$4,500)</u>	<u>\$13,676</u>

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

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

The City of Jackson (the City) has historically recorded certain General Fund expenditures in the City's Enterprise Funds and has transferred other funds from the Enterprise Funds to the General Fund for rent, right-of-way, and administrative support costs. There is no documentation to support that General Fund expenditures should be paid by the Enterprise Fund nor is there any documentation to permit these transfers from the Enterprise Fund to the General Fund. The City has not made any adjustments to the General or Enterprise Fund for these transactions. A Special Audit is currently being performed by the Auditor of State of Ohio. As of this date, the Special Audit has not been completed.

Additionally, in concluding an audit, written representations are obtained from members of the City's management that have overall responsibility for the matters covered by the representations. The City Auditor declined on signing the management representation letter.

In our report on the financial statements dated October 17, 2001, we stated that since the City of Jackson has made no provision for the effect of these transactions and/or possible special audit findings, as of and for the year ended December 31, 2000 and the result of any prior period adjustment which could have a significant impact on the financial statement presentation, and since the City Auditor declined on signing the management representation letter, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on these financial statements.

Compliance

Although we were unable to audit the financial statements and express an opinion thereon, as indicated above in paragraph three, we performed certain procedures to test compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our procedures and, accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2000-001. We also noted one instance of noncompliance that we have reported to the management of the City in a separate letter dated October 17, 2001.

Members of Council
City of Jackson, Ohio
Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Internal Control over Financial Reporting

Although we were unable to audit the financial statements and express an opinion thereon, as indicated above in paragraph three, we considered the City of Jackson's internal control over financial reporting. Our objective was not to provide assurance on the internal control over financial reporting. We noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that in our judgement, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2000-002, 2000-003 and 2000-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements subject to audit may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider each of the items described above as reportable conditions to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated October 17, 2001.

This report is intended for the information and use of the Budget and Finance Committee, City Council, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig & Associates, I nc.

J. L. UHRIG & ASSOCIATES, INC.
Certified Public Accountants

October 17, 2001

**Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control over Compliance in Accordance with
OMB Circular A-133**

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

Compliance

We have audited the compliance of City of Jackson (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2000. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

The results of our procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2000-005.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2000.

Internal Control over Compliance

The management of the City 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's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Members of Council
City of Jackson
Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control over Compliance in Accordance with
OMB Circular A-133

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards Expenditures

The schedule of federal awards expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City.

This report is intended for the information and use of the Budget and Finance Committee, City Council, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig & Associates, I nc.

J. L. UHRIG & ASSOCIATES, INC.
Certified Public Accountants

October 17, 2001

CITY OF JACKSON, OHIO
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2000

A. SUMMARY OF AUDITOR'S RESULTS

1. Type of Financial Statement Opinion	Disclaimer
2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	Yes
3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?	No
4. Was there any material noncompliance reported at the financial statement level (GAGAS)?	Yes
5. Were there any material internal control weaknesses reported for major federal programs?	No
6. Were there any other reportable internal control weaknesses reported for major federal programs?	No
7. Type of Major Programs' Compliance Opinion	Qualified
8. Are there any reportable findings under § .510?	Yes
9. Major Programs (list):	Community Development Block Grants - CFDA #14.228 COPS Grants - CFDA #16.710
10. Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Other Programs
11. Low Risk Auditee?	Yes

CITY OF JACKSON, OHIO
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2000

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

<i>Finding Number</i>	2000-001
------------------------------	----------

Section 5705.09 of the Ohio Revised Code, in summary, states that each subdivision shall establish a general fund and other specific funds which are designed for specific purposes. Section 5705.10 of the Ohio Revised Code, in summary, further states that the money paid into any fund shall be used only for the purposes for which such fund is established.

The City had several funds that carried a negative fund balance at various times throughout the year. These negative fund balances indicate that the City overspent the available cash balance in these funds, and therefore, used money from other funds which were established for a different purpose. The City incurred delays in the receipt of various revenue sources, but did not advance or transfer funds to make disbursements.

We recommend that the City closely monitor the activity of each fund and not allow any fund to be overspent.

<i>Finding Number</i>	2000-002
------------------------------	----------

Transfers totaling \$556,584 were made from the Enterprise Funds to the General Fund. These transfers contained support through ordinances passed by City Council but were made without the proper basis for doing so.

First, we recommend that the City adopt a formal indirect cost allocation plan before allowing any charges to be made for indirect administrative support costs between the City's funds. Second, we recommend that all rent and right-of-way transfers be supported both by the methodology used to calculate the amounts and justifiable reasons for the transfers. Finally, we recommend that the transfers totaling \$556,584 be returned from the General Fund to the Enterprise Funds as follows: \$153,000 to the Water Fund, \$187,280 to the Sewer Fund, \$18,000 to the Garbage Fund and \$198,304 to the Electric Fund.

These matters are the subject of a Special Audit that is currently being performed by the Auditor of State of Ohio and will be discussed in greater detail in that audit.

<i>Finding Number</i>	2000-003
------------------------------	----------

The City charges payroll and fringe benefit costs for various employees of the Service Department, City Garage and Engineer to the Enterprise Funds based on the percentage of time that each employee spends working on behalf of the various utility departments. Some of the employee payroll and fringe benefit charges made to the Enterprise Funds were not supported by any time sheets. Additionally, for those employees whose time sheets were presented, the charges made to the Enterprise Funds were based on a different percentage than those on the time sheets. Based on our calculations from the time sheets presented, there were \$211,074 of payroll and fringe benefit costs that were charged to the Enterprise Funds that should have been charged to the General Fund.

CITY OF JACKSON, OHIO
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2000

<i>Finding Number</i>	2000-003 (<i>Continued</i>)
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We recommend that all payroll and fringe benefit charges to the various funds be supported by time sheets and all charges be based on the percentages from the time sheets. Additionally, we recommend that the payroll and fringe benefit costs totaling \$211,074 be paid by the General Fund to the Enterprise Funds as follows: \$55,588 to the Water Fund, \$57,904 to the Sewer Fund, \$45,647 to the Garbage Fund and \$51,935 to the Electric Fund.

These matters are the subject of a Special Audit that is currently being performed by the Auditor of State of Ohio and will be discussed in greater detail in that audit.

<i>Finding Number</i>	2000-004
------------------------------	----------

The City purchased fixed assets for several departments during the year that were charged to the improper fund. Charges to the various funds of the City should be made based on the department(s) that will gain direct use or benefit from the fixed assets. Allocations of direct costs between several funds should be made on a reasonable and rational basis with the supporting reason(s) or rationale being attached to the voucher and purchase order to support the allocation. The following is a summary of those charges and funds:

Amount	Improper Fund Charged	Proper Fund to Charge
\$20,838	Electric	General
5,559	Electric	Water
5,559	Electric	Sewer
1,853	Electric	Garbage

We recommend that the City make adjustments to each of the funds listed above to reflect the proper charges based on the department(s) that gain direct use or benefit from the fixed assets.

These matters are the subject of a Special Audit that is currently being performed by the Auditor of State of Ohio and will be discussed in greater detail in that audit.

CITY OF JACKSON, OHIO
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2000

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

<i>Finding Number</i>	2000-005
<i>CFDA Title and Number</i>	Community Development Block Grants - CFDA #14.228
<i>Federal Award Number / Year</i>	A-T-98-135-1, A-P-98-135-1, A-C-97-135-1, A-C-99-135-1
<i>Federal Agency</i>	U.S. Department of Housing and Urban Development
<i>Pass-through Agency</i>	Ohio Department of Development

Noncompliance - Cash Management

In accordance with Ohio Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section A(3)(f), the grantee must develop a cash management system to ensure compliance with the fifteen-day rule relating to the prompt disbursement of funds. This rule states that funds drawn down should be limited to an amount that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds.

We noted six drawdowns that were in violation of the fifteen-day rule. The violations ranged from 23 to 105 days of elapsed time between the drawdown and the payment of an obligation.

We recommend the City establish a cash management system that ensures compliance with the fifteen-day disbursement rule.

CITY OF JACKSON, OHIO
Corrective Action Plan
For the Year Ended December 31, 2000

In accordance with OMB Circular A-133§ .315 (c), the City has developed the following corrective action plan to address the finding contained in the schedule of findings and questioned costs.

<i>Finding Number</i>	2000-005
<i>Planned Corrective Action</i>	<p>The delays between the receipt of the drawdown and disbursement of funds by the City were caused by situations such as inclement weather conditions and cancellations of real property purchase agreements, all of which created delays in the completion of work and payment to contractors. Many of the contractors involved with this program are not financially able to wait 30 days to receive payment on an invoice for work performed. Therefore, the City attempts to have adequate funding to honor these invoices when they are presented for payment.</p> <p>The City will exercise more diligence in the future to eliminate excessive delays between the receipt of the drawdown and disbursement of funds, in order to comply with the fifteen-day disbursement rule.</p>
<i>Anticipated Completion Date</i>	Immediately (For requests made from this date on)
<i>Contact Person(s)</i>	Ronald B. Speakman, Director of Public Service/Safety 145 Broadway Street Jackson, OH 45640 (740) 286-2201



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF JACKSON

JACKSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2002**