



**JIM PETRO**  
**AUDITOR OF STATE**

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STATE OF OHIO

**City of Jackson**  
**Jackson County, Ohio**

**Fiscal Watch Analysis**  
**For the Year Ending December 31, 2002**

**Local Government Services Division**

**City of Jackson**  
**Fiscal Watch Analysis**

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**Certification of Deficit and Declaration of Fiscal Watch**

The Auditor of State performed an examination of the accompanying financial forecast of the general fund of the City of Jackson for the year ending December 31, 2002, pursuant to Section 118.022 of the Ohio Revised Code, as of October 28, 2002. Based on the examination of the financial forecast of the general fund of the City of Jackson, the Auditor of State does hereby certify a deficit in the general fund of \$5,918,000 for the year ending December 31, 2002. On the basis of this certified deficit, a fiscal watch is declared to exist at the City of Jackson as defined by Section 118.022 (A)(4) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with John T. Evans, Mayor of the City of Jackson, Dennis Hodge, President of Jackson City Council, Carl A. Barnett, City Auditor, and the Jackson County Budget Commission.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

November 18, 2002

**CITY OF JACKSON, OHIO**  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2000 and 2001, Actual; and  
Ending December 31, 2002; Forecasted  
General Fund

	2000 Actual	2001 Actual	2002 Forecasted	Variance Increase (Decrease)
<b><u>Revenues:</u></b>				
Property Taxes	\$309,000	\$354,000	\$470,000	\$116,000
Other Local Taxes	65,000	55,000	56,000	1,000
Kilowatt Per Hour Tax	0	315,000	563,000	248,000
Intergovernmental	377,000	417,000	386,000	(31,000)
Charges For Services	684,000	704,000	198,000	(506,000)
Fees, Licenses and Permits	20,000	162,000	91,000	(71,000)
Fines and Forfeitures	46,000	34,000	54,000	20,000
Investment Income	507,000	440,000	268,000	(172,000)
Other	38,000	85,000	62,000	(23,000)
Total Revenues	<u>2,046,000</u>	<u>2,566,000</u>	<u>2,148,000</u>	<u>(418,000)</u>
<b><u>Other Financing Sources:</u></b>				
Transfers In	0	0	5,000	5,000
Advances In	59,000	224,000	0	(224,000)
Total Other Financing Sources	<u>59,000</u>	<u>224,000</u>	<u>5,000</u>	<u>(219,000)</u>
Total Revenues and Other Financing Sources	<u>2,105,000</u>	<u>2,790,000</u>	<u>2,153,000</u>	<u>(637,000)</u>
<b><u>Expenditures:</u></b>				
Current:				
Security of Persons and Property				
Police Department				
Personal Services	766,000	940,000	879,000	(61,000)
Employee Fringe Benefits	300,000	392,000	378,000	(14,000)
Contractual Services	89,000	30,000	42,000	12,000
Supplies and Materials	16,000	13,000	17,000	4,000
Utilities	21,000	7,000	3,000	(4,000)
Capital Outlay	25,000	0	25,000	25,000
Other Operating Expenses	48,000	30,000	22,000	(8,000)
Total Police Department	<u>1,265,000</u>	<u>1,412,000</u>	<u>1,366,000</u>	<u>(46,000)</u>
Fire Department				
Personal Services	12,000	10,000	23,000	13,000
Employee Fringe Benefits	2,000	2,000	3,000	1,000
Contractual Services	7,000	4,000	7,000	3,000
Supplies and Materials	1,000	0	1,000	1,000
Capital Outlay	8,000	0	11,000	11,000
Other Operating Expenses	3,000	2,000	5,000	3,000
Total Fire Department	<u>33,000</u>	<u>18,000</u>	<u>50,000</u>	<u>32,000</u>
Total Security of Persons and Property	<u>1,298,000</u>	<u>1,430,000</u>	<u>1,416,000</u>	<u>(14,000)</u>

(continued)

**CITY OF JACKSON, OHIO**  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2000 and 2001, Actual; and  
Ending December 31, 2002; Forecasted  
General Fund (Continued)

	2000 <u>Actual</u>	2001 <u>Actual</u>	2002 <u>Forecasted</u>	Variance Increase (Decrease)
<b>General Government</b>				
<b>Mayor's Office</b>				
Personal Services	25,000	25,000	25,000	0
Employee Fringe Benefits	8,000	11,000	13,000	2,000
Other Operating Expenses	2,000	3,000	4,000	1,000
<b>Total Mayor's Office</b>	<u>35,000</u>	<u>39,000</u>	<u>42,000</u>	<u>3,000</u>
<b>City Council</b>				
Personal Services	27,000	27,000	38,000	11,000
Employee Fringe Benefits	3,000	4,000	6,000	2,000
Supplies and Materials	1,000	0	1,000	1,000
Other Operating Expenses	1,000	0	2,000	2,000
<b>Total City Council</b>	<u>32,000</u>	<u>31,000</u>	<u>47,000</u>	<u>16,000</u>
<b>Auditor</b>				
Personal Services	85,000	49,000	69,000	20,000
Employee Fringe Benefits	26,000	29,000	32,000	3,000
Contractual Services	1,000	1,000	1,000	0
Supplies and Materials	6,000	5,000	4,000	(1,000)
Capital Outlay	4,000	1,000	3,000	2,000
Other Operating Expenses	5,000	3,000	3,000	0
<b>Total Auditor</b>	<u>127,000</u>	<u>88,000</u>	<u>112,000</u>	<u>24,000</u>
<b>Treasurer</b>				
Personal Services	4,000	4,000	4,000	0
Employee Fringe Benefits	7,000	8,000	10,000	2,000
Supplies and Materials	1,000	0	0	0
Other Operating Expenses	0	2,000	1,000	(1,000)
<b>Total Treasurer</b>	<u>12,000</u>	<u>14,000</u>	<u>15,000</u>	<u>1,000</u>
<b>Service</b>				
Personal Services	142,000	131,000	147,000	16,000
Employee Fringe Benefits	42,000	53,000	52,000	(1,000)
Contractual Services	7,000	4,000	5,000	1,000
Supplies and Materials	6,000	7,000	13,000	6,000
Utilities	6,000	9,000	9,000	0
Capital Outlay	0	10,000	6,000	(4,000)
Other Operating Expenses	2,000	2,000	4,000	2,000
<b>Total Service</b>	<u>205,000</u>	<u>216,000</u>	<u>236,000</u>	<u>20,000</u>
<b>Civil Service Commission</b>				
Employee Fringe Benefits	0	1,000	0	(1,000)
<b>Total Civil Service Commission</b>	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>(1,000)</u>

(continued)

**CITY OF JACKSON, OHIO**  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2000 and 2001, Actual; and  
Ending December 31, 2002; Forecasted  
General Fund (Continued)

	2000 <u>Actual</u>	2001 <u>Actual</u>	2002 <u>Forecasted</u>	Variance Increase (Decrease)
General Government				
Contractual Services	23,000	56,000	107,000	51,000
Other Operating Expenses	37,000	49,000	163,000	114,000
Total General Government	<u>60,000</u>	<u>105,000</u>	<u>270,000</u>	<u>165,000</u>
Total General Government	<u>471,000</u>	<u>494,000</u>	<u>722,000</u>	<u>228,000</u>
Debt Service:				
Principal Retirement	15,000	15,000	24,000	9,000
Interest and Fiscal Charges	5,000	6,000	8,000	2,000
Total Debt Service	<u>20,000</u>	<u>21,000</u>	<u>32,000</u>	<u>11,000</u>
<b><u>Other Financing Uses:</u></b>				
Advances Out	224,000	0	0	0
Transfers Out	201,000	209,000	454,000	245,000
Total Other Financing Uses	<u>425,000</u>	<u>209,000</u>	<u>454,000</u>	<u>245,000</u>
Total Expenditures	<u>2,214,000</u>	<u>2,154,000</u>	<u>2,624,000</u>	<u>470,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(109,000)	636,000	(471,000)	(1,107,000)
Cash Balance (Deficit), January 1	328,000	219,000	855,000	636,000
<u>Restatement:</u>				
Correction of Prior Period Errors	0	0	(6,302,000)	(6,302,000)
Cash Balance (Deficit), December 31	219,000	855,000	(5,918,000)	(6,773,000)
Estimated Encumbrances, December 31	<u>0</u>	<u>23,000</u>	<u>0</u>	<u>(23,000)</u>
Unencumbered Fund Balance (Deficit), December 31	<u>\$219,000</u>	<u>\$878,000</u>	<u>(\$5,918,000)</u>	<u>(\$6,796,000)</u>

**CITY OF JACKSON, OHIO**  
Schedule of Expenditures by Object and Department - Budget Basis  
For the Years Ended December 31, 2000 and 2001, Actual; and  
Ending December 31, 2002; Forecasted  
General Fund

Object/Department	2000 Actual	2001 Actual	2002 Forecasted	Variance Inc./(Dec.) 2002/2001
<b>Personal Services:</b>				
Fire	\$12,000	\$10,000	\$23,000	\$13,000
Police	766,000	940,000	879,000	(61,000)
Auditor	85,000	49,000	69,000	20,000
Council	27,000	27,000	38,000	11,000
Mayor	25,000	25,000	25,000	0
Service	142,000	131,000	147,000	16,000
Treasurer	4,000	4,000	4,000	0
Total Personal Services	<u>1,061,000</u>	<u>1,186,000</u>	<u>1,185,000</u>	<u>(1,000)</u>
<b>Employee Fringe Benefits:</b>				
Fire	2,000	2,000	3,000	1,000
Police	300,000	392,000	378,000	(14,000)
Auditor	26,000	29,000	32,000	3,000
Civil Commission	0	1,000	0	(1,000)
Council	3,000	4,000	6,000	2,000
Mayor	8,000	11,000	13,000	2,000
Service	42,000	53,000	52,000	(1,000)
Treasurer	7,000	8,000	10,000	2,000
Total Employee Fringe Benefits	<u>388,000</u>	<u>500,000</u>	<u>494,000</u>	<u>(6,000)</u>
<b>Contractual Services:</b>				
Fire	7,000	4,000	7,000	3,000
Police	89,000	30,000	42,000	12,000
Auditor	1,000	1,000	1,000	0
General Government	23,000	56,000	107,000	51,000
Service	7,000	4,000	5,000	1,000
Total Contractual Services	<u>127,000</u>	<u>95,000</u>	<u>162,000</u>	<u>67,000</u>
<b>Supplies and Materials:</b>				
Fire	1,000	0	1,000	1,000
Police	16,000	13,000	17,000	4,000
Auditor	6,000	5,000	4,000	(1,000)
Council	1,000	0	1,000	1,000
Service	6,000	7,000	13,000	6,000
Treasurer	1,000	0	0	0
Total Supplies and Materials	<u>31,000</u>	<u>25,000</u>	<u>36,000</u>	<u>11,000</u>
<b>Utilities:</b>				
Police	21,000	7,000	3,000	(4,000)
Service	6,000	9,000	9,000	0
Total Utilities	<u>27,000</u>	<u>16,000</u>	<u>12,000</u>	<u>(4,000)</u>

(continued)

**CITY OF JACKSON, OHIO**  
Schedule of Expenditures by Object and Department - Budget Basis  
For the Years Ended December 31, 2000 and 2001, Actual; and  
Ending December 31, 2002; Forecasted  
General Fund (Continued)

Object/Department	2000 Actual	2001 Actual	2002 Forecasted	Variance Inc./(Dec.) 2002/2001
<b>Capital Outlay:</b>				
Fire	8,000	0	11,000	11,000
Police	25,000	0	25,000	25,000
Auditor	4,000	1,000	3,000	2,000
Service	0	10,000	6,000	(4,000)
Total Capital Outlay	<u>37,000</u>	<u>11,000</u>	<u>45,000</u>	<u>34,000</u>
<b>Other Operating Expenses:</b>				
Fire	3,000	2,000	5,000	3,000
Police	48,000	30,000	22,000	(8,000)
Auditor	5,000	3,000	3,000	0
Council	1,000	0	2,000	2,000
General Government	37,000	49,000	163,000	114,000
Mayor	2,000	3,000	4,000	1,000
Service	2,000	2,000	4,000	2,000
Treasurer	0	2,000	1,000	(1,000)
Total Other Operating Expenses	<u>98,000</u>	<u>91,000</u>	<u>204,000</u>	<u>113,000</u>
<b>Debt Service:</b>				
Principal Retirement	15,000	15,000	24,000	9,000
Interest and Fiscal Charges	5,000	6,000	8,000	2,000
Total Debt Service	<u>20,000</u>	<u>21,000</u>	<u>32,000</u>	<u>11,000</u>
<b>Other Financing Uses:</b>				
Advances Out	224,000	0	0	0
Transfers Out	201,000	209,000	454,000	245,000
Total Other Financing Uses	<u>425,000</u>	<u>209,000</u>	<u>454,000</u>	<u>245,000</u>
Total Expenditures and Other Financing Uses	<u>\$2,214,000</u>	<u>\$2,154,000</u>	<u>\$2,624,000</u>	<u>\$470,000</u>

City of Jackson  
Summary of Significant Forecast Assumptions and Accounting Policies  
For the Year Ending December 31, 2002

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**Note 1 – The City**

The City of Jackson (the “City”) operates as a statutory City under the laws and regulations as set forth under the Ohio Constitution. Legislative authority is vested in a seven-member City Council and a Council President elected by the voters of the City. The Council fixes compensation of the City officials and employees and enacts ordinances and resolutions including, but not limited to City services, tax levies, appropriating and borrowing money. The City’s chief administrative officer, elected by the voters, is the Mayor. The Mayor is the contracting body, and is responsible for basic City services such as police and fire protection, water, sewer, electric and garbage services, parks and recreation services, street maintenance, and other general governmental services. The Mayor appoints a Director of Public Safety/Service, department heads, boards and commissions. The City Auditor and Treasurer, both of whom are elected, are responsible for fiscal control of the financial resources of the City.

**Note 2 – Nature of Presentation**

The financial forecast presents, to the best of the knowledge and belief of the City of Jackson, the expected revenues, expenditures, and changes in fund balance of the general fund for the year ending December 31, 2002. Accordingly, the forecast reflects the City’s judgment of the expected conditions and its expected course of action as of October 28, 2002, the date of this forecast. The assumptions disclosed herein are those that the City believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

**Note 3 – Summary of Significant Accounting Policies**

**A. – Basis of Accounting**

The financial forecast has been prepared on a basis of cash receipts and disbursements, which is consistent with the basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the City is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**B. – Basis of Presentation – Fund Accounting**

The City maintains its accounting 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 restrictions require recording of specific revenues and expenditures. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The City uses various fund types to report on its financial position and the results of its operations. The fund types and restrictions associated with each type are as follows:

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

City of Jackson  
Summary of Significant Forecast Assumptions and Accounting Policies  
For the Year Ending December 31, 2002

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Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – Capital projects 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).

Enterprise Funds – The enterprise funds are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public safety, management control, accountability or other purposes.

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

Fiduciary Funds – Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City utilizes 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 purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

### **C. – 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.

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

City of Jackson  
Summary of Significant Forecast Assumptions and Accounting Policies  
For the Year Ending December 31, 2002

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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 2002.

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.

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. 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.

**Note 4 – General Operating Assumptions**

The City will continue to operate and maintain current service levels and pay all obligations. The forecast contains those expenditures the City has determined to be necessary to preserve the health, welfare, and safety of the City.

**Note 5 – Significant Assumptions for Revenues and Other Financing Sources**

A. - Property Taxes

Property taxes consist of property and trailer taxes and public utility reimbursements. The property taxes consist of amounts levied against all real estate, public utility real, and personal property and tangible personal property in the City. The County Treasurer collects property taxes for all taxing districts in the County. The County Auditor periodically remits to the City its portion of the tax collected. Advances may be requested by the City Auditor as the tax is collected. When settlements are made, any amounts remaining to be distributed to the City are paid. Deductions for auditor and treasurer fees, advertising, delinquent taxes, election expenses, and other fees are made at these settlement times.

The property tax revenues are generated from a 3.2 mill levy authorized by State Law. The levy is estimated to generate \$470,000 which includes rollback and homestead exemptions and the reimbursement from the State for the lost revenue due to changes in public utility tax rates. The anticipated increase in revenue is due to new construction and timing issues with the receipt of the October personal property tax settlement and the second half homestead and rollback revenue from the State. In past years, the City received the October personal property tax settlement and the second half homestead and rollback revenue after year-end.

City of Jackson  
Summary of Significant Forecast Assumptions and Accounting Policies  
For the Year Ending December 31, 2002

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B. - Other Local Taxes

Other local taxes consist of transient occupancy taxes. The transient occupancy taxes are forecasted to increase \$1,000 over 2001. The forecasted amount is based on the actual monthly collections for 2002.

C. – Kilowatt Per Hour Tax

Ohio Senate Bill 3, which became effective July 6, 1999, created an excise (kilowatt per hour) tax that is to be paid by electric distribution companies, including municipal electric distribution systems, for electricity distributed to end users located in Ohio. The kilowatt per hour tax attributed to the distribution of electricity to end users located outside a municipality's corporation limits is paid to the Treasurer of the State of Ohio and the tax attributed to the distribution of electricity to end users located in the City is deposited into the City's general fund. The City recovers the kilowatt per hour tax by increasing the City's electric rates by an amount equal to the kilowatt per hour tax imposed upon the City. The forecasted amount is based on the average collections since implementation in 2001.

D. - Intergovernmental Revenues

Intergovernmental revenues consist of local government revenue, estate and inheritance tax, cigarette tax, liquor and beer permits, and pawn brokers' licenses. Forecasted amounts for local government revenue are based upon the Ohio Department of Taxation's letter of June 18, 2002, decreasing payments for calendar year 2002 by \$15,000. Forecasted estate tax is based on actual settlements received in 2002, which are less than 2001 by \$16,000. The remaining forecasted revenues are also based on actual receipts received already for 2002, which are comparable to 2001.

E. - Charges For Services

Charges for services include fire protection contracts and departmental reimbursements. The fire protection contracts are for contracts with the surrounding townships to provide fire protection for an annual fee. The City anticipates receiving \$47,000 in fire protection contract revenues which represents an increase of \$3,000 over 2001. In 2000 and 2001, charges for services amounts included reimbursements of rent, right-of-way, and administrative support of \$643,000 and \$659,000, respectively. Those reimbursements will not be made in 2002.

For 2002, charges for services include reimbursements from various funds within the City for services provided by the departments within the general fund. The forecasted amount of \$151,000 is based on the Maximus Central Services Cost Allocation Plan dated September 12, 2002 for those services provided in 2001.

F. - Fees, Licenses and Permits

Fees, licenses and permits are amounts collected by the City for transient merchant licenses, game machines licenses, taxi cab licenses, building and parking permits, franchise fees, and alarm permits. The franchise fees collected by the City are from Adelphia, a local cable provider for the City. The fees are 5 percent of the gross revenues derived from the operation of the cable system in the City and the fees are received quarterly. The forecasted amount of \$62,000 for the franchise fees are based upon the average receipts to date in 2002. Franchise fees received in 2001 were \$136,000, which represented late 2000

City of Jackson  
Summary of Significant Forecast Assumptions and Accounting Policies  
For the Year Ending December 31, 2002

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payments and 2001 payments. The remaining forecasted revenues are based upon the 2001 levels or actual receipts to date in 2002 if the amount had already exceeded 2001 levels.

G. - Fines and Forfeitures

Fines and forfeitures are resources collected by the county municipal courts and parking fines. The forecasted amount is based upon the average of 2002 collections to date.

H. - Investment Income

Investment income represents interest received on the investments of the City. Interest is allocated to those funds required to receive interest under State law with the remaining balance recorded to the general fund. The forecasted investment income is based on interest received to date and current monthly interest for remainder of the year. The decrease from 2001 is associated with the low rates of return on investments.

I. - Other

Other revenue includes rental and lease income, towing charges, school resource officer's reimbursement from the local schools, and miscellaneous receipts. The decrease in these revenues from 2001 is mainly due to the City receiving a premium rate refund from workers compensation in 2001. The City does not anticipate any such refunds in 2002. While the school resource officers' grant will not be received in the future, the City is working on a plan of reimbursement with the City Schools to try and keep officers in the schools while compensating the City for this service.

J. - Operating Transfer-In

The forecasted amount for transfers-in of \$5,000 is the portion of the City's unclaimed money fund that is over 5 years old. The Ohio Revised Code Section 9.39 provides for this transfer of money to the general fund.

The City has petitioned the State Tax Commissioner for the authority to transfer \$3.5 million from the electric fund pursuant to Ohio Revised Code Sections 5705.15 and 5705.16. On September 11, 2002, the State Tax Commissioner approved the application for the transfer and approved the request to file this petition in the Court of Common Pleas in Jackson County Ohio. The City filed this petition with the Court on September 25, 2002. A hearing has been schedule for this petition on October 31, 2002. Since the outcome of this hearing is not known as of the date of this forecast, the City has not included the \$3.5 million as a transfer-in.

K. - Advances-In

Advances-in represents amounts lent to other funds to meet cash flow requirements. There are no advances anticipated in 2002. The advances-in amount received in 2001 was the result of advances-out from the general fund from 2000.

City of Jackson  
Summary of Significant Forecast Assumptions and Accounting Policies  
For the Year Ending December 31, 2002

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**Note 6 – Significant Assumptions for Expenditures and Other Financing Uses**

**A. - Salaries and Wages**

Salaries and wages include all compensation paid to City employees and elected officials. The annual compensation for union employees is set per the negotiated contracts and the compensation for all other employees is set by ordinance. There are three non-union employees who negotiate their individual employment contracts with the City and these are approved by ordinance. All employees are compensated on a biweekly basis.

Salaries are generally expected to remain relatively comparable to 2001 salaries. The employees who are covered by the AFSCME Local #3619 contract received a \$.50 increase effective September 1, 2002. The employees who are covered by the FOP contract received a 4 percent increase effective September 22, 2002. Salaries will also increase due to a change in the allocation of salaries and wages for several employees. This change occurred in July 2002.

The increase in salaries and wages will be offset by the decrease in overtime in the police department. The officers working in the drug task force during 2001 worked a significant amount of overtime. In 2002, the officers did not work in the drug task force and the City does not expect to pay the large amount of overtime.

**B. - Fringe Benefits**

The City provides retirement, health, life, medicare, workers' compensation, and unemployment compensation benefits for its employees. In addition, the City provides dental and vision benefits to its employees under a self-insurance program. All benefits are charged to the employee's home department. In the case of general fund employees whose services can be allocated to other departments, those benefits are originally charged to that employee's home department and then allocated to other funds based upon the cost allocation plan.

All City employees, other than police officers, participate in 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 basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Plan members contribute 8.5 percent of the annual covered salary and the City contributes 13.55 percent of the employees covered salary.

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Plan members contribute 10.0 percent of their annual covered salary and the City contributes 19.5 percent of the employee's covered annual salary.

Currently, the City pays for 94 percent of the health, life, dental, and vision premiums with the remaining 6 percent being paid by the employee. The monthly premium for medical coverage (which includes the prescription drug plan) in 2002 is \$321.01 for single coverage and \$796.70 for family coverage. Effective April 2002, the health premiums increased approximately 20 percent over 2001. The monthly premium

City of Jackson  
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paid for dental and vision self insurance coverage in 2002 is \$24.58 for single coverage and \$63.55 for family coverage.

The increase of forecasted insurance premiums will be offset by a decrease in retirement and workers' compensation. Retirement will drop slightly due to a decrease in overtime by the police department. Workers' compensation will decrease approximately \$28,000.

C. - Contractual Services

Contractual services are forecasted to increase \$67,000. The increase is due to legal fees arising from the special audit. The City paid approximately \$30,000 in legal fees in 2001 and had expended \$33,000 as of September 30, 2002, with \$32,000 left to be paid on contracts with the attorneys.

D. - Supplies and Materials

The \$11,000 increase in supplies and materials is due mostly to materials and supplies purchased by the service administration. Forecasted amounts are based upon an analysis of 2002 actual expenditures to date.

E. - Utilities

In total, utilities expenditures are forecasted to decrease approximately \$4,000 based upon actual expenditures through September 2002 and anticipated remaining expenditures.

F. - Capital Outlay

Capital outlay is forecasted to increase \$34,000. This increase is due to the police and fire departments not making any capital outlay expenditures in 2001. In 2002, \$11,000 has been forecasted for the fire department for two new bays at the City Garage to house the City's excess fire vehicles. The police department capital outlay expenditures represent amounts already expended during 2002.

G. - Other Expenditures

In total, other operating expenditures are forecasted to increase by \$113,000. The increase is primarily due to audit costs. In 2001, audit costs were charged to the water, sewer, garbage, and electric funds. Audit costs in 2002 have totaled \$63,000 as of September 30, 2002, with additional charges anticipated, all of which will be paid from the general fund.

H. - Debt Service

The City's debt service expenditures for fiscal year 2002 include a portion of the City's Real Estate Note and the accrued pension liability. In 2001, the general fund did not pay its proportionate share of the Real Estate Note.

The principal and interest payments due in 2002 for the debt issues are as follows:

	Principal	Interest	Total
Real Estate Note	\$23,000	\$7,000	\$30,000
OP&F Accrued Liability	1,000	1,000	2,000
Totals	<u>\$24,000</u>	<u>\$8,000</u>	<u>\$32,000</u>

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I. - Operating Transfers Out

The general fund transfers annually resources to other funds to subsidize their operations or to meet matching requirements of grant programs. In 2002, the general fund will also transfer resources to certain funds in order to eliminate an existing or anticipated deficit. The table below summarizes the transfers out for the last two years and the anticipated transfers out for 2002:

<u>FUND</u>	<u>2000 Actual</u>	<u>2001 Actual</u>	<u>2002 Forecasted</u>
General	\$86,000	\$90,000	\$0
Street Construction, Maintenance and Repair	0	29,000	358,000
State Highway	0	15,000	0
Community Improvement	0	13,000	0
COPS Fast Grant	91,000	0	0
DARE Grant	0	0	21,000
Flood Mitigation	0	0	1,000
99 School Based Partnership Grant	0	0	1,000
FEMA Fire Truck Grant	0	13,000	0
FEMA Fire Gear Grant	0	4,000	0
1998 Bridge Rehabilitation	2,000	0	0
Alternate Access Road Project	0	0	49,000
Jackson Industrial Park Building	0	0	0
Park Enhancement	0	21,000	0
Garbage	0	13,000	0
Municipal Swimming Pool	7,000	11,000	24,000
Nature Works Grant	15,000	0	0
Totals	<u>\$201,000</u>	<u>\$209,000</u>	<u>\$454,000</u>

Street Construction, Maintenance and Repair Fund – The street construction, maintenance and repair fund accounts for a portion of State gasoline tax and motor vehicle registration fees used for maintenance and repair of dedicated streets within the City. It has been determined that this fund will end the year with a deficit balance of \$315,000. The forecast includes \$358,000 in operating transfers out which include a \$43,000 transfer already made to this fund. The deficit is due in part to the adjustments from the special audit and the 2001 proposed audit adjustments reflected in Note 7.

DARE Grant Fund – The DARE grant fund accounts for grant monies received from the Ohio Department of Alcohol and Drug Addiction Services which are used for drug awareness and education programs in local schools. Based upon a letter received from the Ohio Department of Alcohol and Drug Addiction Services on September 18, 2002, the City must return \$21,000 based upon the special audit findings. Based upon the return of these monies, it has been determined that the DARE grant fund will end the year with a \$21,000 deficit and this amount has been included in the forecast.

Flood Mitigation – The flood mitigation fund accounts for grant monies that were used for the purchase of housing in designated flood areas. It has been determined that this fund will end the year with a deficit balance of \$1,000 and this amount has been included in the forecast.

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Summary of Significant Forecast Assumptions and Accounting Policies  
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99 School Based Partnership Grant Fund – The 99 school based partnership grant fund accounts for federal grant monies received for placing police officers in schools. It has been determined that the fund will end the year with a deficit balance in the amount of \$1,000 and this amount has been included in the forecast.

Alternate Access Road Project – The alternate access road project has historically received federal grant monies which were used for the construction of an access road at the industrial park. This fund has had a negative cash balance for several years, and it is uncertain as to whether or not the City will receive the remainder of the grant money. It has been determined that this fund will end the year with a deficit balance in the amount of \$49,000 and this amount has been included in the forecast.

Municipal Swimming Pool – The municipal swimming pool fund accounts for the operations of the swimming pool. The City normally transfers money to this fund annually in order for the pool operations to continue. As of the date of this forecast, the general fund has already transferred \$20,000 to the pool fund. It has been determined that the fund will end the year with a deficit balance in the amount of \$4,000 and this amount has been included in the forecast.

**Note 7 – Prior Period Adjustments**

The Auditor of State conducted a Special Audit and issued a report dated February 11, 2002. The report examined whether payments made by the City for 1999 through 2000 were; (1) related to City operations; (2) were in accordance with City policies; (3) were in compliance with applicable provisions of the Ohio Revised Code; (4) whether the contracts awarded and expenditures from 1996 through 2000 for the Sundry Building renovations were in compliance with the Ohio Revised Code bidding requirements; and (4) to verify whether the DARE and COPS Grants' expenditures for 1995 through 2000 were allowable.

The report identified transfers of cash from the City's utility enterprise funds to the general fund that were not in accordance with Sections 5705.14 to 5705.16 of the Ohio Revised Code and many other transactions allocated to incorrect funds.

The City, on September 23, 2002, posted an adjustment for the net effect of all the findings contained in the Special Audit report and the proposed adjustments from the December 31, 2001 audit to the beginning fund balances of 2002. The fund balance at January 1, 2002, the net amount of the adjustments by fund, and the adjusted January 1, 2002 balances are as follows:

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Fund Name	Cash Balance as of December 31, 2001	Net Effect of Adjustment From Special Audit Report	Net Effect of Proposed Adjustments for 2001	Restated Cash Balance at January 1, 2002
General Fund	\$855,000	(\$6,222,000)	(\$80,000)	(\$5,447,000)
Cemetery Fund	32,000	1,000	(4,000)	29,000
Street Construction, Maintenance and Repair Fund	40,000	(247,000)	(71,000)	(278,000)
Fire Tax Levy Fund	18,000	(1,000)	0	17,000
Cemetery Tax Levy Fund	44,000	(4,000)	0	40,000
Flood Mitigation Fund	29,000	(1,000)	0	28,000
Water Fund	1,087,000	1,725,000	49,000	2,861,000
Water Improvement Fund	46,000	16,000	0	62,000
Sewer Fund	1,619,000	2,094,000	29,000	3,742,000
Sewer Improvement Fund	1,000	20,000	13,000	34,000
Garbage Fund	63,000	151,000	(3,000)	211,000
Electric Fund	4,765,000	2,419,000	65,000	7,249,000
Electric Improvement Fund	253,000	52,000	0	305,000
Railroad Fund	68,000	(6,000)	(1,000)	61,000
COPS Fast Grant Fund	0	2,000	0	2,000
1999 School Based Partnership Grant Fund	(3,000)	2,000	0	(1,000)
Recreation Fund	9,000	(1,000)	0	8,000
Pool Fund	1,000	0	(3,000)	(2,000)
Community Improvement Fund	110,000	0	6,000	116,000
Totals	<u>\$9,037,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,037,000</u>

**Note 8 – Encumbrances**

The City uses the encumbrance method of accounting. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Based upon the limitations on expenditures for materials and supplies, the City does not estimate any encumbrances at year-end.

**Note 9 – Central Services Cost Allocation Plan**

On May 10, 2002, the City received a central services cost allocation plan that had been prepared for the City by Maximus. On July 25, 2002, City Council passed a resolution that called for the application of this cost allocation plan to 2002. On September 12, 2002, the City received a revised cost allocation plan from Maximus. Upon review of the plan, not all of the reimbursements can be made from several funds to the general fund as either the funds are not legally permitted to make such reimbursements or the funds are not fiscally able to make the reimbursements. Forecasted amounts for departmental reimbursements account for this change.

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**Note 10 – Pending Litigation**

The City is the defendant in a class action lawsuit requesting injunctive relief and damages, due to the alleged overcharging of the City’s Utilities for its services. The City cannot evaluate the likelihood of a favorable or unfavorable outcome on such demands, or the amount or range of any possible loss.

The City, along with Auditor of State Jim Petro, are defendants in a lawsuit seeking a declaratory judgment action to void an audit finding against the City. Plaintiffs in this action are the City’s Mayor and Service/Safety Director. On September 23, 2002, the City Auditor made adjustments to the January 1, 2002, beginning cash balances to reflect the adjustments contained in the special audit report. On September 27, 2002, the City’s Mayor filed a motion for a restraining order and preliminary injunction to restrain the execution of the State Auditor’s findings from the special audit report against the general fund. The City cannot evaluate the likelihood of a favorable or unfavorable outcome on such demands, or the amount of any potential gain or loss.

**Note 11 – Contingencies**

The City, as a result of the Special Audit, may have to repay grant proceeds to various federal granting agencies if the questioned costs are determined to be inappropriate and a claim is filed. The City has been notified that \$21,000 in questioned costs of the DARE grant program must be repaid. This amount is included in the forecast as a transfer out to the DARE grant Fund. The remaining \$38,000 in questioned costs is still under review by the granting agency as of the date of this forecast. The City has not received a claim from any other granting agency nor is the payment of any other claim anticipated during the remainder of the forecast period.

The table below reflects the amount of the questioned costs, the amount of fund balance available to pay the potential claims, and the general fund obligation if a claim is filed:

<u>FUND</u>	<u>Special Audit Federal Questioned Costs</u>	<u>Forecasted December 31, 2002 Fund Balance</u>	<u>General Fund Obligation for Questioned Costs</u>
DARE Grant	\$38,000	\$0	\$38,000
1998 School Based Partnership Grant	35,000	0	35,000
99 School Based Partnership Grant	31,000	0	31,000
CDBG Revitalization Grant	77,000	2,000	75,000
Small Community Grant Problem Solving Partnership Grant	7,000	0	7,000
COPS Fast and Universal Hiring Grants	17,000	0	17,000
	192,000	2,000	190,000
<b>Totals</b>	<u>\$397,000</u>	<u>\$4,000</u>	<u>\$393,000</u>

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The City has constructed a speculative building in the Holley-Green Industrial Park. Currently the City has a line of credit relating to the building in the total amount of \$540,000 of which the City has drawn \$390,875. The terms of the loan agreement are that the loan shall bear no interest for years one through five with no principal or service fee payments due. Years six through fifteen shall bear interest at 3 percent plus a service fee of .25 percent per annum. Principal and interest payments of \$5,214.28, plus service fee, will be due monthly. This payment amount is contingent upon the City borrowing the full amount. If the City were to sell the building before the payments are to begin then this would no longer be a debt to the City or the general fund at that time; otherwise this would be repaid from the general fund.



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  
NOVEMBER 18, 2002**