



**Auditor of State
Betty Montgomery**

**City of Jackson
Jackson County, Ohio
Termination of Fiscal Watch**

Local Government Services Division

City of Jackson, Jackson County

Termination of Fiscal Watch

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**Auditor of State
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Termination of Fiscal Watch

The Auditor of State initiated a fiscal watch review of the City of Jackson as of December 31, 2004 to determine whether the fiscal watch status of the City may be cancelled. The review determined that the City of Jackson no longer meets any of the four fiscal watch conditions set forth in Section 118.022, Revised Code. Accordingly, the City of Jackson's status of fiscal watch is hereby terminated as of January 10, 2005.

This report is hereby submitted and filed with Shane Goodman, Mayor of the City of Jackson and Clyde Holdren, Secretary of the Jackson County Budget Commission.

Betty Montgomery

Betty Montgomery
Auditor of State

January 10, 2005

City of Jackson, Jackson County

Termination of Fiscal Watch

Introduction

Section 118.022, Ohio Revised Code describes four conditions which justify placing a city in fiscal watch. These conditions are: 1) significant accounts that have been due and payable for more than thirty days; 2) substantial deficit fund balances; 3) fund balances which exceed the balance in money and marketable securities held by the city; and 4) a forecasted deficit in the city's general fund for the current year.

On November 18, 2002, the City of Jackson was declared to be in fiscal watch because of a forecasted general fund deficit for the year ending December 31, 2002, in the amount of \$5,918,000.

In order to be removed from fiscal watch, the fiscal watch condition that resulted in the City being declared in fiscal watch has to be eliminated and no new conditions exist.

This report provides a detailed description of these conditions, the specific procedures we performed to determine if any of the conditions still existed as of December 31, 2004, and the corresponding results of our analysis.

General and Special Funds Accounts Payable

Section 118.022(A)(1) of the Ohio Revised Code defines a fiscal watch condition as the existence of either of the following situations:

- (a) All accounts that were due and payable from the general fund at the end of the preceding fiscal year that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund, exceeded one-twelfth of the general fund budget for that year.
- (b) All accounts that were due and payable at the end of the preceding fiscal year from all funds and that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds available to pay those accounts, exceeded one-twelfth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts are payable.

We searched for accounts payable as of December 31, 2004, that were due and payable from all funds of the City, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2004, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities including interest and penalties.

Conclusion: A fiscal watch condition does not exist under Section 118.022(A)(1)(a) or 118.022(A)(1)(b) of the Ohio Revised Code. We did not find any payables that had been due and payable for more than thirty days.

City of Jackson, Jackson County

Termination of Fiscal Watch

Deficit Fund Balances

Section 118.022 (A)(2) of the Ohio Revised Code defines a fiscal watch condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of the preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-twelfth of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2004, by subtracting the outstanding encumbrances from year-end cash fund balances of each fund. We then determined if the aggregate deficit fund balance exceeded one-twelfth of the general fund budget.

Deficit Fund Balances
Ohio Revised Code Section 118.022(A)(2)
As of December 31, 2004

<u>Funds</u>	<u>Cash Fund Balance</u>	<u>Encumbrances</u>	<u>Fund Balance (Deficit)</u>
General	(\$47,387)	\$40,948	(\$88,335)
CHIP - 15 Grant	482	31,874	(31,392)
Wood Ave. Sanitary Sewer	70,041	120,000	(49,959)
Aggregate deficit fund balances			<u>(169,686)</u>
One-Twelfth General Fund Revenues			<u>218,029</u>
One-twelfth of general fund revenue in excess of the aggregate deficit fund balances			<u><u>\$48,343</u></u>

Conclusion: A fiscal watch condition does not exist under Section 118.022(A)(2) of the Ohio Revised Code as of December 31, 2004. The total of all deficit fund balances did not exceed one-twelfth of 2004 general fund budgeted revenues.

Treasury Deficiency

Section 118.022(A)(3) of the Ohio Revised Code defines a fiscal watch condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds, the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-twelfth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We compared the City's bank balances to its fund cash balances as of December 31, 2004. From the treasury balance we subtracted the aggregate sum of all positive fund balances, the purpose of which the unsegregated treasury is held to meet, and compared the result to one-twelfth of the total amount received into the unsegregated treasury in 2004.

City of Jackson, Jackson County

Termination of Fiscal Watch

Treasury Balances
Ohio Revised Code Section 118.022(A)(3)
As of December 31, 2004

	<u>Amounts</u>
<u>Bank Cash Balances</u>	
Oak Hill Bank Accounts	\$6,506,310
Certificates of Deposit	2,310,000
Star Ohio	7,719,966
Other Investments	100,000
Cash on Hand	2,750
Total Cash	<u>16,639,026</u>
<u>Adjustments</u>	
Deposits in Transit	14
Outstanding Checks	(153,058)
Unrecorded Interest	(12,158)
Other Adjustments	(661)
Total Adjustments	<u>(165,863)</u>
Total Treasury Balance	16,473,163
Total Positive Fund Balances	<u>16,520,550</u>
Treasury Balance Less Positive Fund Balances	(47,387)
One-Twelfth of Treasury Receipts	<u>2,617,435</u>
One-Twelfth of Treasury Receipts in Excess of the Treasury Deficit	<u><u>\$2,570,048</u></u>

Conclusion: The schedule indicates that a fiscal watch condition does not exist under Section 118.022(A)(3) of the Ohio Revised Code as of December 31, 2004. The difference between the treasury balance and the positive fund cash balance of \$47,387 is less than one-twelfth of the treasury receipts for 2004.

Forecasted General Fund Deficit

Section 118.022(A)(4) of the Ohio Revised Code defines a fiscal watch condition as:

Based on an examination of the financial forecast approved by the legislative authority of a municipal corporation, county, or township, the auditor of state certifies that the general fund deficit at the end of the current fiscal year will exceed one-twelfth of the general fund revenue from the preceding fiscal year.

The Jackson City Council approved a financial forecast of the general fund for the year ending December 31, 2005. The Auditor of State has examined the forecast and issued a report dated January 10, 2005 (see Appendix A). The financial forecast anticipates a general fund balance of \$1,056,000.

City of Jackson, Jackson County

Termination of Fiscal Watch

Conclusion: The financial forecast of the general fund for the year ending December 31, 2005 indicates that a fiscal watch does not exist under Section 118.022(A)(4) of the Ohio Revised Code. The financial forecast of the general fund for the year ending December 31, 2005 does not reflect a deficit.

Summary

This analysis indicates that the fiscal watch conditions that existed as of December 31, 2002 have been corrected. The improvement in the City of Jackson's financial condition justifies the City's release from fiscal watch.

Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported.

Exhibit A

City of Jackson, Ohio

Financial Forecast

For the Year Ending December 31, 2005

City of Jackson, Ohio
Summary of Significant Forecast Assumptions and Accounting Policies
For the Year Ending December 31, 2005

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**Auditor of State
Betty Montgomery**

City Council
City of Jackson
145 Broadway Street
Jackson, Ohio 45640-1656

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the general fund of the City of Jackson for the year ending December 31, 2005. The City of Jackson's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for managements forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We have compiled the historical financial information for the year ended December 31, 2004, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 10, 2005

City of Jackson, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Year Ended December 31, 2004 Actual; and
Ending December 31, 2005, Forecasted

General Fund

	2004 Actual	2005 Forecasted	Variance Increase (Decrease)
<u>Revenues</u>			
Property Taxes	\$315,000	\$290,000	(\$25,000)
Charges for Services	869,000	2,548,000	1,679,000
Fines and Forfeitures	103,000	103,000	0
Intergovernmental	294,000	283,000	(11,000)
Kilowatt per Hour Tax	634,000	634,000	0
Investment Income	202,000	202,000	0
Other	199,000	194,000	(5,000)
Total Revenues	<u>2,616,000</u>	<u>4,254,000</u>	<u>1,638,000</u>
<u>Other Financing Sources</u>			
Operating Transfers In	2,817,000	0	(2,817,000)
Total Other Financing Sources	<u>2,817,000</u>	<u>0</u>	<u>(2,817,000)</u>
Total Revenues and Other Financing Sources	<u>5,433,000</u>	<u>4,254,000</u>	<u>(1,179,000)</u>
<u>Expenditures</u>			
Current:			
General Government			
Other			
Materials and Supplies	1,000	0	(1,000)
Contractual Services	117,000	169,000	52,000
Capital Outlay	0	49,000	49,000
Other	34,000	59,000	25,000
Total Other	<u>152,000</u>	<u>277,000</u>	<u>125,000</u>
Mayor			
Personal Services	102,000	104,000	2,000
Materials and Supplies	0	1,000	1,000
Contractual Services	1,000	1,000	0
Capital Outlay	2,000	0	(2,000)
Other	1,000	1,000	0
Total Mayor	<u>106,000</u>	<u>107,000</u>	<u>1,000</u>

(continued)

City of Jackson, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Year Ended December 31, 2004 Actual; and
Ending December 31, 2005, Forecasted

General Fund

	2004 Actual	2005 Forecasted	Variance Increase (Decrease)
Auditor			
Personal Services	\$219,000	\$266,000	\$47,000
Materials and Supplies	1,000	5,000	4,000
Contractual Services	7,000	14,000	7,000
Capital Outlay	0	31,000	31,000
Other	0	3,000	3,000
Total Auditor	<u>227,000</u>	<u>319,000</u>	<u>92,000</u>
Treasurer			
Personal Services	17,000	18,000	1,000
Total Treasurer	<u>17,000</u>	<u>18,000</u>	<u>1,000</u>
Law Director			
Personal Services	51,000	55,000	4,000
Materials and Supplies	0	1,000	1,000
Contractual Services	0	1,000	1,000
Other	0	1,000	1,000
Total Law Director	<u>51,000</u>	<u>58,000</u>	<u>7,000</u>
Service Administration			
Personal Services	207,000	198,000	(9,000)
Materials and Supplies	5,000	8,000	3,000
Contractual Services	8,000	18,000	10,000
Capital Outlay	0	8,000	8,000
Other	1,000	1,000	0
Total Service Administration	<u>221,000</u>	<u>233,000</u>	<u>12,000</u>
Safety Department			
Personal Services	23,000	24,000	1,000
Materials and Supplies	0	1,000	1,000
Contractual Services	0	1,000	1,000
Other	0	1,000	1,000
Total Safety Department	<u>23,000</u>	<u>27,000</u>	<u>4,000</u>

(continued)

City of Jackson, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Year Ended December 31, 2004 Actual; and
Ending December 31, 2005, Forecasted

General Fund

	2004 Actual	2005 Forecasted	Variance Increase (Decrease)
Legislation			
Personal Services	45,000	46,000	\$1,000
Materials and Supplies	0	1,000	1,000
Contractual Services	2,000	4,000	2,000
Total Legislation	<u>47,000</u>	<u>51,000</u>	<u>4,000</u>
Engineer			
Personal Services	102,000	113,000	11,000
Materials and Supplies	0	5,000	5,000
Contractual Services	0	4,000	4,000
Capital Outlay	0	5,000	5,000
Other	2,000	6,000	4,000
Total Engineering	<u>104,000</u>	<u>133,000</u>	<u>29,000</u>
Total General Government	<u>948,000</u>	<u>1,223,000</u>	<u>275,000</u>
Security of Persons and Property			
Police Department			
Personal Services	1,391,000	1,445,000	54,000
Materials and Supplies	5,000	35,000	30,000
Contractual Services	60,000	122,000	62,000
Capital Outlay	0	30,000	30,000
Other	3,000	29,000	26,000
Total Police Department	<u>1,459,000</u>	<u>1,661,000</u>	<u>202,000</u>
Fire Department			
Personal Services	0	0	0
Contractual Services	0	9,000	9,000
Capital Outlay	0	10,000	10,000
Other	0	3,000	3,000
Total Fire Department	<u>0</u>	<u>22,000</u>	<u>22,000</u>
Total Security of Persons and Property	<u>1,459,000</u>	<u>1,683,000</u>	<u>224,000</u>
Debt Service			
Principal Retirement	24,000	24,000	0
Interest and Fiscal Charges	3,000	3,000	0
Total Debt Service	<u>27,000</u>	<u>27,000</u>	<u>0</u>

(continued)

City of Jackson, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Year Ended December 31, 2004 Actual; and
Ending December 31, 2005, Forecasted

General Fund

	2004 Actual	2005 Forecasted	Variance Increase (Decrease)
<u>Other Financing Uses</u>			
Operating Transfers Out	<u>\$252,000</u>	<u>\$218,000</u>	<u>(\$34,000)</u>
Total Expenditures and Other Financing Uses	<u>2,686,000</u>	<u>3,151,000</u>	<u>465,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,747,000	1,103,000	(1,644,000)
Cash Balance (Deficit), January 1	<u>(2,790,000)</u>	<u>(47,000)</u>	<u>2,743,000</u>
Cash Balance (Deficit), December 31	(43,000)	1,056,000	1,099,000
Estimated Encumbrances, December 31	<u>41,000</u>	<u>0</u>	<u>(41,000)</u>
Unencumbered Fund Balance (Deficit), December 31	<u>(\$84,000)</u>	<u>\$1,056,000</u>	<u>\$1,140,000</u>

City of Jackson, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Year Ended December 31, 2004 Actual; and
Ending December 31, 2005, Forecasted

General Fund

Object/Department	2004 Actual	2005 Forecasted	Variance Inc./.(Dec.)
<u>Personal Services</u>			
Council	\$45,000	\$46,000	\$1,000
Mayor	102,000	104,000	2,000
Auditor	219,000	266,000	47,000
Treasurer	17,000	18,000	1,000
Law Director	51,000	55,000	4,000
Service Administration	207,000	198,000	(9,000)
Safety Department	23,000	24,000	1,000
Engineer	102,000	113,000	11,000
Police	1,391,000	1,445,000	54,000
Total Personal Services	2,157,000	2,269,000	112,000
<u>Materials and Supplies</u>			
Council	0	1,000	1,000
Mayor	0	1,000	1,000
Auditor	1,000	5,000	4,000
Law Director	0	1,000	1,000
Service Administration	5,000	8,000	3,000
Safety Department	0	1,000	1,000
Engineer	0	5,000	5,000
Police	5,000	35,000	30,000
Other	1,000	0	(1,000)
Total Materials and Supplies	12,000	57,000	45,000
<u>Contractual Services</u>			
Council	2,000	4,000	2,000
Mayor	1,000	1,000	0
Auditor	7,000	14,000	7,000
Law Director	0	1,000	1,000
Service Administration	8,000	18,000	10,000
Safety Department	0	1,000	1,000
Engineer	0	4,000	4,000
Police	60,000	122,000	62,000
Fire	0	9,000	9,000
Other	117,000	169,000	52,000
Total Contractual Services	195,000	343,000	148,000

(continued)

City of Jackson, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Year Ended December 31, 2004 Actual; and
Ending December 31, 2005, Forecasted

General Fund

Object/Department	2004 Actual	2005 Forecasted	Variance Inc./.(Dec.)
<u>Capital Outlay</u>			
Mayor	\$2,000	\$0	(\$2,000)
Auditor	0	31,000	31,000
Service Administration	0	8,000	8,000
Engineer	0	5,000	5,000
Police	0	30,000	30,000
Fire	0	10,000	10,000
Other	0	49,000	49,000
Total Capital Outlay	<u>2,000</u>	<u>133,000</u>	<u>131,000</u>
<u>Other</u>			
Mayor	1,000	1,000	0
Auditor	0	3,000	3,000
Law Director	0	1,000	1,000
Service Administration	1,000	1,000	0
Safety Department	0	1,000	1,000
Engineer	2,000	6,000	4,000
Police	3,000	29,000	26,000
Fire	0	3,000	3,000
Other	34,000	59,000	25,000
Total Other	<u>41,000</u>	<u>104,000</u>	<u>63,000</u>
<u>Debt Service</u>			
Principal Retirement	24,000	24,000	0
Interest and Fiscal Charges	3,000	3,000	0
Total Debt Service	<u>27,000</u>	<u>27,000</u>	<u>0</u>
<u>Other Financing Uses</u>			
Operating Transfers	252,000	218,000	(34,000)
Total Other Financing Uses	<u>252,000</u>	<u>218,000</u>	<u>(34,000)</u>
Total Expenditures and Other Uses	<u><u>\$2,686,000</u></u>	<u><u>\$3,151,000</u></u>	<u><u>\$465,000</u></u>

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 an eight-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 control of the financial resources of the City.

Note 2 – Nature of the Presentation

This financial forecast presents, to the best of the knowledge and belief of the City of Jackson and those elected officials whose operations are financed by the general fund, the expected revenues, expenditures, and operating balance of the General Fund. Accordingly, the forecast reflects the City’s judgment of the expected conditions and its expected course of action as of January 10, 2005, the date of this forecast. The assumptions disclosed herein are those that management 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 Presentation - Fund Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) 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. 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 segregation of specific receipts and disbursements. 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.

City of Jackson, Ohio
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending December 31, 2005

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary. The restrictions associated with each type of funds are as follows:

Governmental Fund Types Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except for 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 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.

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 expenditure for specified purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general and special assessment long-term debt principal and interest.

Capital Projects Funds - Capital project 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).

Proprietary Fund Type

Enterprise Funds – Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods and services.

Fiduciary Fund Types Fiduciary fund reporting focuses on tracking resources for which the City has a responsibility to insure that they are spent appropriately but which are not available to fund the City's own programs. The fiduciary fund category is split into four classifications: Pension Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Agency Funds.

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 appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department and fund. Any budgetary modifications at this level may only be made by resolution of the City Council.

Tax Budget. During the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue.

Estimated Resources. The Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which includes the estimated beginning fund balance and receipts 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 appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased.

Appropriations. A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council

Encumbrances. As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

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. General and Tangible Personal Property Tax

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

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

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

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

The amount forecasted for property taxes is based on estimates obtained from the County Auditor, which indicates an eight percent decrease in property taxes for 2005.

B. Charges for Services

The increase in charges for services is due to easement fees the City will be collecting in 2005. A study was done to determine how much the City could collect in easement fees, and determined that the General Fund could collect \$1,800,000 from the water, sewer, and electric enterprise funds for the use of easements not purchased by enterprise fund expenditure.

This amount was offset by a decrease in general fund cost allocation charges, due to the repayment of money to the Community Improvement fund for money expended on behalf of the General Fund in 2004. Cost allocation charges in the amount of the repayment will be posted to the Community Improvement Fund in 2005. The remainder of the revenue in this category should remain relatively consistent with 2004 receipts.

C. Intergovernmental

Intergovernmental revenue consists mainly of Local Government and Local Governmental Revenue Assistance grants from the State, and estate and inheritance taxes. Other intergovernmental revenue is derived from liquor and beer permits, homestead and rollback, and cigarette tax. The decrease in intergovernmental revenue is due to the City excluding estate taxes due to the unpredictable nature of such revenue. This decrease is offset by an anticipated increase in Local Government distributions.

All other intergovernmental revenue is assumed to remain fairly consistent with prior years.

D. 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 the City'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 expects no change in revenue from kilowatt per hour tax from 2004 to 2005.

E. Investment Income

The City expects no change in revenue from investments from 2004 to 2005.

F. Other

Other Revenue, for this forecast, includes other local taxes, fees, licenses and permits, and other revenue. The City expects no change in revenue from these sources from 2004 to 2005.

G. Transfers and Advances In

On December 20, 2004, the City received approval from the Jackson County Court of Common Pleas, to transfer \$2,817,000 to the General Fund from the Electric Fund. The City expects no transfers or advances in for 2005.

Note 6 - Significant Assumptions for Expenditures and Other Financing Uses

A. Personal Services

Salaries and wages include all compensation paid to City employees and elected officials. The annual compensation for union employees is set by 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.

City of Jackson, Ohio
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending December 31, 2005

The employees who are covered by the AFSCME Local #3619 contract underwent an equity adjustment in September 2004. They will receive a 2.5 percent increase effective September 1, 2005. The employees who are covered by the FOP contract received a 4 percent increase (Sergeants) or a 3 percent increase (Patrolmen) effective September 22, 2004, and will receive another 3 percent increase in 2005.

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 funds and departments, their benefits are originally charged to that employee's home department and then are recovered in the subsequent year through the City's cost allocation plan.

The City pays 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) is \$352 for single coverage and \$967 for family coverage, through April 2005. Effective May 2005, the health premiums are expected to increase approximately 10 percent. The monthly premium paid for dental and vision self insurance coverage in 2005 is \$33.92 for single coverage and \$97.70 for family coverage.

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.

Other changes in personal services expenditures for 2005 include a reduction in overtime for all departments and severance payments for retirees in most departments.

B. Materials and Supplies and Contractual Services

The forecasted expenditures for materials and supplies and contractual services are based on each individual department's request for 2005. In prior years, the departments consumed existing supplies and acquired goods and services to the extent of the appropriations given.

C. Capital Outlay

Capital outlay expenditures are anticipated to increase \$131,000 from the prior year. The increase is due to the purchase of four new police cruisers and other items needed within the various departments. In prior years, no significant capital outlay expenditures were allowed because of the financial condition of the City.

City of Jackson, Ohio
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending December 31, 2005

The City has plans to acquire or construct new facilities to house various city offices and departments. The anticipated cost of the project is \$2.5 million. It is the City's intent to issue bonds to finance the project. The bonds will be retired with resources available from the Community Improvement Fund.

D. Other Expenditures

Other expenditures are expected to increase \$63,000 over 2004.

E. Debt Service

The general fund makes debt service payments for police pension liability and bond anticipation notes for the new police station and council chambers. Debt service expenditures are expected to remain the same as in 2004. The City does not anticipate issuing any debt that will require general fund resources for repayment in 2005.

F. Transfers Out

The City transfers resources to various funds each year. Below are the transfers out for fiscal year 2004 and the anticipated transfers out for the forecasted year:

	2004 <u>Actual</u>	2005 <u>Forecast</u>
Transfer to Street	\$235,000	\$80,000
Transfer to Swimming Pool	17,000	36,000
Transfer to Cemetery	0	95,000
Transfer to Recreation	0	7,000
Totals	<u>\$252,000</u>	<u>\$218,000</u>

Street Fund:

Transfers to the Street Fund are expected to decrease in 2005. This is due to the Street Fund losing two and one-half employees who were not replaced.

Swimming Pool and Recreation Funds:

The anticipated transfers to the Swimming Pool Fund are the result of the City not charging admission in 2004 nor planning to charge admission in 2005. The revenues to the pool fund diminished, while the maintenance costs remained constant. The City is planning to hire a full-time recreation director for fundraising and to manage the swimming pool. The Swimming Pool Fund will pay one-half of the salary and benefits for this employee. The Recreation Fund will pay the other half of the salary and benefits for the director.

City of Jackson, Ohio
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending December 31, 2005

Cemetery:

The anticipated transfer to the Cemetery Fund is due to employee termination benefits paid upon retirement of two of the cemetery employees.

The City has numerous funds on the books that are restricted for specific purposes. The resources for these funds are anticipated to be sufficient to support their operations and capital requirements for 2005 and no transfers from the general fund are anticipated.

Note 7 – 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 appropriations.

Note 8 – Pending Litigation

The City is a party to various legal proceedings. Management of the City is of the opinion that settlement, if any, during the forecast period would not result in significant expenditures of the General Fund.



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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
JANUARY 10, 2005**