



CITY OF JACKSON, OHIO

Jackson County

Regular Audit

For the Year Ended December 31, 2006

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Jackson, Jackson County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 29, 2007

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Ohio (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Ohio as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparisons for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2006, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 47, *Accounting for Termination Benefits*.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

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

The management's discussion and analysis on pages 4 through 10, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG & ASSOCIATES, INC.

August 30, 2007

City of Jackson, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The discussion and analysis of the City of Jackson's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- The City's total net assets increased by 8.9 percent, or \$3,302,574, from the total net assets at the beginning of the year 2006.
- At the end of the current year, the City's governmental activities reported total net assets of \$13,218,272, an increase of \$1,357,480 from the prior year.
- At the end of the current year, unreserved fund balance for the General Fund was \$2,771,980 which represents a \$406,193 increase from the prior year, mostly due to the implementation of cost allocation and right-of-way programs, and represents 83.5 percent of total General Fund expenditures.
- Capital assets increased \$533,542. Capital assets from governmental activities increased \$66,719. Capital assets of business-type activities increased \$466,823.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Jackson as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

City of Jackson, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
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Reporting the City of Jackson as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as the condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

Governmental Activities – Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our Water, Sewer, Electric, Railroad, and Garbage Funds.

Business-Type Activities – Water and sewer services have charges based upon the amount of usage. The City charges fees to recoup the cost of the entire operations of our Electric, Water and Sewer Treatment Plants as well as all capital expenses associated with the facilities. Garbage collection services have charges based upon set rates. The City attempts to set fees that cover the costs of providing the service. Railroad charges are based on a contract with the Great Miami Railroad.

Reporting the City of Jackson's Most Significant Funds

Fund Financial Statements

Fund financial statements begin on page 16. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Jackson, our major funds are the General, Water, Sewer, Garbage, Electric, and Railroad Funds.

Governmental Funds Governmental funds focus on how money flows into and out of those funds and the balances left at year end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

City of Jackson, Ohio
Management's Discussion and Analysis
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Proprietary Funds When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

The City of Jackson as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2006 compared to 2005.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and Other Assets	\$6,838,449	\$5,778,198	\$20,306,239	\$15,703,974	\$27,144,688	\$21,482,172
Investment in Joint Venture	0	0	771,348	662,734	771,348	662,734
Capital Assets, Net	8,275,630	8,208,911	16,230,221	15,763,398	24,505,851	23,972,309
<i>Total Assets</i>	<u>15,114,079</u>	<u>13,987,109</u>	<u>37,307,808</u>	<u>32,130,106</u>	<u>52,421,887</u>	<u>46,117,215</u>
Liabilities						
Current and Other Liabilities	753,124	892,442	778,444	637,220	1,531,568	1,529,662
Noncurrent Liabilities	1,142,683	1,233,876	9,135,299	6,043,912	10,277,982	7,277,788
<i>Total Liabilities</i>	<u>1,895,807</u>	<u>2,126,318</u>	<u>9,913,743</u>	<u>6,681,132</u>	<u>11,809,550</u>	<u>8,807,450</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	7,719,458	7,585,251	10,757,027	10,156,420	18,476,485	17,741,671
Restricted	2,783,136	2,130,500	874,229	382,691	3,657,365	2,513,191
Unrestricted	2,715,678	2,145,041	15,762,809	14,909,860	18,478,487	17,054,901
<i>Total Net Assets</i>	<u>\$13,218,272</u>	<u>\$11,860,792</u>	<u>\$27,394,065</u>	<u>\$25,448,971</u>	<u>\$40,612,337</u>	<u>\$37,309,763</u>

Total assets increased \$6,304,672. Governmental activities' capital assets increased \$66,719. The increase in capital assets for business-type activities in the amount of \$466,823 is due to asset acquisitions and construction in progress, offset by depreciation and deletions.

Current and other assets of the City's governmental activities increased \$1,060,251 and net assets increased \$1,357,480, mostly due to the implementation of the City's right of way and cost allocation plans.

There was a decrease in current and other liabilities for governmental activities of \$139,318 due to decreases in deferred revenue and short-term note payments made in 2006.

City of Jackson, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Table 2 shows the changes in net assets for the year ended December 31, 2006, and comparisons to fiscal year 2005.

Table 2
Changes in Net Assets

	Governmental Activities 2006	Business- Type Activities 2006	Total 2006	Governmental Activities 2005	Business- Type Activities 2005	Total 2005
Revenues						
Program Revenues:						
Charges for Services	\$675,693	\$20,006,495	\$20,682,188	\$382,506	\$18,979,671	\$19,362,177
Operating Grants and Contributions	1,321,773	0	1,321,773	891,030	50,000	941,030
<i>Total Program Revenues</i>	<u>1,997,466</u>	<u>20,006,495</u>	<u>22,003,961</u>	<u>1,273,536</u>	<u>19,029,671</u>	<u>20,303,207</u>
General Revenues:						
Property Taxes	894,209	0	894,209	811,400	0	811,400
Other Local Taxes	740,462	0	740,462	671,890	0	671,890
Right of Way	1,211,117	0	1,211,117	1,856,776	0	1,856,776
Gain on Sale of Capital Assets	0	6,994	6,994	0	109,784	109,784
Grants and Entitlements	304,739	0	304,739	570,659	0	570,659
Investment Earnings	706,260	137,658	843,918	477,154	13,206	490,360
Miscellaneous	187,792	300,076	487,868	108,535	290,018	398,553
Total General Revenues	<u>4,044,579</u>	<u>444,728</u>	<u>4,489,307</u>	<u>4,496,414</u>	<u>413,008</u>	<u>4,909,422</u>
<i>Total Revenues</i>	<u>6,042,045</u>	<u>20,451,223</u>	<u>26,493,268</u>	<u>5,769,950</u>	<u>19,442,679</u>	<u>25,212,629</u>
Program Expenses						
General Government	935,449	0	935,449	519,437	0	519,437
Security of Persons and Property	2,019,638	0	2,019,638	1,934,582	0	1,934,582
Transportation	606,972	0	606,972	900,570	0	900,570
Leisure Time Activities	242,403	0	242,403	218,171	0	218,171
Public Health Services	242,298	0	242,298	217,840	0	217,840
Community Environment	623,772	0	623,772	349,306	0	349,306
Interest and Fiscal Charges	14,033	0	14,033	14,675	0	14,675
Water	0	1,725,295	1,725,295	0	2,469,528	2,469,528
Sewer	0	2,710,278	2,710,278	0	2,596,228	2,596,228
Garbage	0	534,424	534,424	0	532,293	532,293
Electric	0	13,492,842	13,492,842	0	12,464,824	12,464,824
Railroad	0	43,290	43,290	0	49,576	49,576
<i>Total Program Expenses</i>	<u>4,684,565</u>	<u>18,506,129</u>	<u>23,190,694</u>	<u>4,154,581</u>	<u>18,112,449</u>	<u>22,267,030</u>
Increase (Decrease) in Net Assets before transfers	1,357,480	1,945,094	3,302,574	1,615,369	1,330,230	2,945,599
Transfers	0	0	0	(65,781)	65,781	0
Increase in Net Assets	<u>1,357,480</u>	<u>1,945,094</u>	<u>3,302,574</u>	<u>1,549,588</u>	<u>1,396,011</u>	<u>2,945,599</u>
Net Assets Beginning of Year	11,860,792	25,448,971	37,309,763	10,311,204	24,052,960	34,364,164
Net Assets End of Year	<u>\$13,218,272</u>	<u>\$27,394,065</u>	<u>\$40,612,337</u>	<u>\$11,860,792</u>	<u>\$25,448,971</u>	<u>\$37,309,763</u>

Governmental Activities

Grants and contributions accounted for 29 percent of total governmental revenues. Tax revenue provided 27 percent of total governmental revenues, all generated from property and other local taxes. The City's right of way plan accounted for 20 percent of total governmental revenues. These revenue sources comprise the largest components of City revenues. Property and other local taxes, grants, entitlements, and contributions, and the right of way revenue combined together, provided 76 percent of the City's total governmental revenues.

City of Jackson, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The City received \$675,693, or 11 percent, of total governmental revenues, in charges for services. These direct charges to citizens include recreation fees, court fines and forfeitures, police security services, and licenses and permits.

The City's security of persons and property activities accounted for \$2,019,638, or 43 percent, of total expenses. General Government activities utilized \$935,449, or 20 percent, of total expenses.

The following table presents the total expenses and net cost of each of the City's governmental program activities. The net cost (total program activity expenses less revenues generated by the program) represents the financial burden that was placed on the City's taxpayers by each of these program activities. Costs not covered by program revenues are essentially funded with the City's general revenues, which are primarily composed of property taxes, intergovernmental revenues, and unrestricted interest earnings.

Table 3
Program Expenses and Net Costs of Governmental Activities, by Program
For the Year Ended December 31, 2006

	Program Activity Expenses	Net Cost of Program Activity	Program Activity Expenses	Net Cost of Program Activity
	2006	2006	2005	2005
General Government	\$935,449	\$717,286	\$519,437	\$401,588
Security of Persons and Property	2,019,638	1,801,297	1,934,582	1,700,804
Public Health Services	242,298	149,426	217,840	122,934
Transportation	606,972	337,984	900,570	605,418
Leisure Time Activities	242,403	(59,843)	218,171	56,320
Community Environment	623,772	(273,084)	349,306	(20,694)
Interest and Fiscal Charges	14,033	14,033	14,675	14,675
Totals	<u>\$4,684,565</u>	<u>\$2,687,099</u>	<u>\$4,154,581</u>	<u>\$2,881,045</u>

Business-Type Activities

The City's business-type activities are for water, sewer, electric, railroad, and garbage services. During 2006, program revenues exceeded expenses by \$1,500,366.

The minimum water rate is \$7.10 per thousand gallons of water for customers within the City limits and \$8.53 per thousand gallons of water for those living outside the City limits. Sewer fees are calculated on the amount of water used. The minimum sewer rate is \$6.51 per month. Garbage fees are assessed at a flat rate of \$7.50 per month for senior citizens and \$10.50 per month for others. Fees for electrical service are also based on usage. The minimum rate is \$3.31 for 0-20 kwh.

City of Jackson, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in accessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

General Fund

The General Fund is the primary operating fund of the City. At the end of 2006, fund balance was \$2,792,502. Fund balance represents 84 percent to total General Fund expenditures.

The fund balance of the City's General Fund increased by \$406,193 during the current fiscal year. The key factor in this increase is the implementation of the City's cost allocation and right-of-way plans.

Enterprise Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's major enterprise funds are the Water Fund, the Sewer Fund, the Electric Fund, the Railroad Fund, and the Garbage Fund. The Water Fund's net assets decreased \$254,113, the Sewer Fund's net assets decreased \$222,278, the Garbage Fund's net assets increased \$2,116, the Electric Fund's net assets increased \$2,198,715, and the Railroad Fund's net assets increased \$26,087. The Water and Sewer Fund decreases were due to the loss of one of its highest volume customers. The Electric Fund increase was due mostly to the city school district's new buildings going on-line during 2006.

General Fund Budgetary Highlights

The City made few revisions to the original appropriations approved by City Council. Overall, these changes resulted in a negligible increase from the original budget. The City's General Fund actual expenditures were \$326,151 less than appropriations, due to conservative spending.

The General Fund budgeted revenue decreased \$862,879 and was primarily due to a decrease in expected revenue from the City's cost allocation and right-of-way programs.

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the City had \$24,505,851 invested in capital assets, net of accumulated depreciation. Table 4 shows fiscal year 2006 balances compared to 2005.

Table 4
Capital Assets at December 31, 2006 with comparative as of December 31, 2005
(Net of Depreciation)

	Government Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	\$1,434,816	\$1,238,316	\$2,922,332	\$2,922,332	\$4,357,148	\$4,160,648
Land Improvements	73,784	77,701	26,406	27,331	100,190	105,032
Buildings	1,627,767	1,551,828	574,248	579,432	2,202,015	2,131,260
Equipment	461,173	360,684	930,581	884,973	1,391,754	1,245,657
Infrastructure	4,170,838	4,304,586	9,498,054	9,826,392	13,668,892	14,130,978
Vehicles	507,252	585,597	883,745	1,029,350	1,390,997	1,614,947
Construction in Progress	0	90,199	1,394,855	493,588	1,394,855	583,787
Totals	\$8,275,630	\$8,208,911	\$16,230,221	\$15,763,398	\$24,505,851	\$23,972,309

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

The total increase in the City's capital assets, net of accumulated depreciation, for the current year was \$533,542, or two percent.

Debt

As of December 31, 2006, and December 31, 2005, the City had total debt of \$9,218,418 and \$6,230,637, respectively, as follows:

Table 5
Outstanding Debt
As of December 31, 2006, with comparative for December 31, 2005

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Revenue Bonds	\$0	\$0	\$7,898,000	\$1,955,000	\$7,898,000	\$1,955,000
Notes Payable	556,172	623,659	764,246	3,651,978	1,320,418	4,275,637
Totals	\$556,172	\$623,659	\$8,662,246	\$5,606,978	\$9,218,418	\$6,230,637

The City's overall legal debt margin was \$14,061,718. For additional information on debt, see Notes 13 and 14 to the basic financial statements.

City of Jackson, Ohio
Management's Discussion and Analysis
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Economic Factors

- One of the City's largest employers and utility customers is experiencing a prolonged contract issue with its employees.

Requests for Information

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

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City of Jackson, Ohio
Statement of Net Assets
 December 31, 2006

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,559,276	\$17,787,628	\$22,346,904
Accounts Receivable	69,054	1,508,673	1,577,727
Accrued Interest Receivable	67,254	15,931	83,185
Intergovernmental Receivable	977,816	0	977,816
Internal Balances	308,251	(308,251)	0
Property Taxes Receivable	689,703	0	689,703
Other Taxes Receivable	71,055	0	71,055
Loans Receivable	7,054	0	7,054
Materials and Supplies Inventory	34,359	1,048,626	1,082,985
Prepaid Items	54,627	61,944	116,571
Deferred Charges	0	191,688	191,688
Investment in Joint Venture	0	771,348	771,348
Non-Depreciable Capital Assets	1,434,816	4,317,187	5,752,003
Depreciable Capital Assets, Net	6,840,814	11,913,034	18,753,848
<i>Total Assets</i>	<u>15,114,079</u>	<u>37,307,808</u>	<u>52,421,887</u>
Liabilities			
Accounts Payable	27,171	190,922	218,093
Accrued Wages Payable	51,049	55,632	106,681
Intergovernmental Payable	47,175	41,451	88,626
Accrued Interest Payable	8,688	0	8,688
Contracts Payable	0	138,929	138,929
Claims Payable	0	8,860	8,860
Deferred Revenue	619,041	0	619,041
Customer Deposits Payable	0	342,650	342,650
Long-Term Liabilities:			
Due Within One Year	197,082	947,062	1,144,144
Due In More Than One Year	945,601	8,188,237	9,133,838
<i>Total Liabilities</i>	<u>1,895,807</u>	<u>9,913,743</u>	<u>11,809,550</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	7,719,458	10,757,027	18,476,485
Restricted for:			
Debt Service	0	874,229	874,229
Street	204,071	0	204,071
Cemetery	468,023	0	468,023
Police	47,965	0	47,965
Fire	34,535	0	34,535
Community Development	998,974	0	998,974
Recreation	531,770	0	531,770
Capital Projects	12,201	0	12,201
Cemetery Endowment:			
Expendable Portion	2,311	0	2,311
Nonexpendable Portion	438,207	0	438,207
Other Purposes	45,079	0	45,079
Unrestricted	2,715,678	15,762,809	18,478,487
<i>Total Net Assets</i>	<u>\$13,218,272</u>	<u>\$27,394,065</u>	<u>\$40,612,337</u>

See accompanying notes to the basic financial statements

City of Jackson, Ohio
Statement of Activities
For the Year Ended December 31, 2006

	Expenses	Indirect Expense Allocation	Program Revenues	
			Charges for Services	Operating Grants, Contributions, and Interest
Governmental Activities				
General Government	\$1,328,045	(\$392,596)	\$196,163	\$22,000
Security of Persons and Property	2,019,638	0	159,961	58,380
Public Health Services	242,298	0	73,193	19,679
Transportation	606,972	0	2,945	266,043
Leisure Time Activities	242,403	0	243,431	58,815
Community Environment	624,676	(904)	0	896,856
Interest and Fiscal Charges	14,033	0	0	0
<i>Total Governmental Activities</i>	<u>5,078,065</u>	<u>(393,500)</u>	<u>675,693</u>	<u>1,321,773</u>
Business-Type Activities				
Water	1,518,401	206,894	1,505,087	0
Sewer	2,710,278	0	2,536,768	0
Garbage	534,424	0	555,519	0
Electric	13,306,236	186,606	15,339,744	0
Railroad	43,290	0	69,377	0
<i>Total Business-Type Activities</i>	<u>18,112,629</u>	<u>393,500</u>	<u>20,006,495</u>	<u>0</u>
<i>Total</i>	<u>\$23,190,694</u>	<u>\$0</u>	<u>\$20,682,188</u>	<u>\$1,321,773</u>

General Revenues

Property Taxes Levied for:
General Purposes
Cemetery
Fire Protection
Other Local Taxes
Right of Way
Gain on Sale of Capital Assets
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - Restated (See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Change in Net Assets

Governmental Activities	Business - Type Activities	Total
(\$717,286)	\$0	(\$717,286)
(1,801,297)	0	(1,801,297)
(149,426)	0	(149,426)
(337,984)	0	(337,984)
59,843	0	59,843
273,084	0	273,084
(14,033)	0	(14,033)
<u>(2,687,099)</u>	<u>0</u>	<u>(2,687,099)</u>
0	(220,208)	(220,208)
0	(173,510)	(173,510)
0	21,095	21,095
0	1,846,902	1,846,902
<u>0</u>	<u>26,087</u>	<u>26,087</u>
<u>0</u>	<u>1,500,366</u>	<u>1,500,366</u>
<u>(2,687,099)</u>	<u>1,500,366</u>	<u>(1,186,733)</u>
536,304	0	536,304
161,811	0	161,811
196,094	0	196,094
740,462	0	740,462
1,211,117	0	1,211,117
0	6,994	6,994
304,739	0	304,739
706,260	137,658	843,918
<u>187,792</u>	<u>300,076</u>	<u>487,868</u>
<u>4,044,579</u>	<u>444,728</u>	<u>4,489,307</u>
1,357,480	1,945,094	3,302,574
<u>11,860,792</u>	<u>25,448,971</u>	<u>37,309,763</u>
<u>\$13,218,272</u>	<u>\$27,394,065</u>	<u>\$40,612,337</u>

City of Jackson, Ohio
Balance Sheet
Governmental Funds
December 31, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,655,360	\$1,903,916	\$4,559,276
Receivables:			
Interfund	23,642	0	23,642
Intergovernmental	61,569	916,247	977,816
Property Taxes	369,671	320,032	689,703
Other Local Taxes	61,007	10,048	71,055
Accounts	19,318	49,736	69,054
Accrued Interest	60,060	7,194	67,254
Loans	0	7,054	7,054
Materials and Supplies Inventory	690	33,669	34,359
Prepaid Items	46,467	8,160	54,627
Total Assets	\$3,297,784	\$3,256,056	\$6,553,840
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$21,230	\$5,941	\$27,171
Accrued Wages Payable	41,110	9,939	51,049
Intergovernmental Payable	32,479	14,696	47,175
Deferred Revenue	410,463	915,283	1,325,746
Interfund Payable	0	23,642	23,642
Total Liabilities	505,282	969,501	1,474,783
Fund Balances			
Reserved for Encumbrances	20,522	9,485	30,007
Reserved for Endowments	0	438,207	438,207
Reserved for Loans Receivable	0	5,854	5,854
Unreserved, Undesignated, Reported in:			
Undesignated, Reported in:			
General Fund	2,771,980	0	2,771,980
Special Revenue Funds	0	1,818,497	1,818,497
Capital Projects Funds	0	12,201	12,201
Permanent Funds	0	2,311	2,311
Total Fund Balance	2,792,502	2,286,555	5,079,057
Total Liabilities and Fund Balances	\$3,297,784	\$3,256,056	\$6,553,840

See accompanying notes to the basic financial statements

City of Jackson, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2006*

Total Governmental Fund Balances \$5,079,057

*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital Assets used in governmental activities are not
 financial resources and therefore are not reported in the funds. 8,275,630

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

Property Taxes	70,662	
Intergovernmental Revenues	<u>636,043</u>	
Total		706,705

An internal service fund is used by management to charge the costs
 of insurance to individual funds. The assets and liabilities of the
 internal service fund are included in governmental activities in the
 statement of net assets. 308,251

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

Compensated Absences Payable	(449,598)	
Accrued Interest Payable	(8,688)	
Early Retirement Incentive Payable	(99,240)	
Police and Fire Pension Payable	(37,673)	
Long-Term Notes Payable	<u>(556,172)</u>	
Total		<u>(1,151,371)</u>

Net Assets of Governmental Activities \$13,218,272

See accompanying notes to the basic financial statements

City of Jackson, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2006

	General Fund	All Other Governmental Funds	Totals Governmental Funds
Revenues:			
Property Taxes	\$398,672	\$412,396	\$811,068
Other Local Taxes	757,781	58,791	816,572
Intergovernmental	270,252	834,202	1,104,454
Charges for Services	1,669,882	317,528	1,987,410
Fines and Forfeitures	204,789	6,799	211,588
Licenses and Permits	81,312	0	81,312
Investment Earnings	677,861	48,367	726,228
Contributions and Donations	0	35,234	35,234
Miscellaneous	52,270	135,522	187,792
<i>Total Revenues</i>	<u>4,112,819</u>	<u>1,848,839</u>	<u>5,961,658</u>
Expenditures:			
Current:			
General Government	1,371,892	0	1,371,892
Security of Persons and Property	1,839,358	319,024	2,158,382
Public Health Services	0	279,176	279,176
Transportation	96,266	558,886	655,152
Leisure Time Activities	0	266,473	266,473
Community Environment	0	624,676	624,676
Capital Outlay	0	8,489	8,489
Debt Service:			
Principal Retirement	8,863	7,557	16,420
Interest and Fiscal Charges	2,247	10,129	12,376
<i>Total Expenditures</i>	<u>3,318,626</u>	<u>2,074,410</u>	<u>5,393,036</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>794,193</u>	<u>(225,571)</u>	<u>568,622</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	0	8,190	8,190
Operating Transfers In	0	414,166	414,166
Operating Transfers Out	(388,000)	(26,166)	(414,166)
<i>Total Other Financing Sources (Uses)</i>	<u>(388,000)</u>	<u>396,190</u>	<u>8,190</u>
<i>Net Change in Fund Balances</i>	406,193	170,619	576,812
<i>Fund Balances at Beginning of Year</i>	<u>2,386,309</u>	<u>2,115,936</u>	<u>4,502,245</u>
<i>Fund Balances at End of Year</i>	<u>\$2,792,502</u>	<u>\$2,286,555</u>	<u>\$5,079,057</u>

See accompanying notes to the general purpose financial statements

City of Jackson, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006*

Net Change in Fund Balances - Total Governmental Funds		\$576,812
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital Asset Additions	414,138	
Depreciation Expense	<u>(333,533)</u>	80,605
 Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(13,886)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Grants	466,856	
Delinquent Taxes	<u>7,031</u>	473,887
 The internal service fund used by management to charge the cost of insurance deductible reimbursements to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.		
		150,526
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		17,092
 In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.		
		(1,657)
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Special Termination Benefits Payable	96,311	
Compensated Absences Payable	<u>(22,210)</u>	<u>74,101</u>
 <i>Change in Net Assets of Governmental Activities</i>		 <u><u>\$1,357,480</u></u>

See accompanying notes to the basic financial statements

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City of Jackson, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Taxes	\$1,066,251	\$1,045,726	\$1,173,772	\$128,046
Intergovernmental	179,244	173,710	247,871	74,161
Charges for Services	2,575,070	1,756,645	1,758,394	1,749
Fines and Forfeitures	101,664	101,469	103,132	1,663
Licenses and Permits	83,901	81,025	81,312	287
Investment Earnings	386,132	386,132	697,565	311,433
Miscellaneous	45,029	29,705	73,680	43,975
<i>Total Revenues</i>	<u>4,437,291</u>	<u>3,574,412</u>	<u>4,135,726</u>	<u>561,314</u>
Expenditures				
Current:				
General Government	1,929,501	1,658,969	1,429,774	229,195
Security of Persons and Property	1,714,854	1,963,987	1,872,253	91,734
Transportation	101,670	100,826	96,347	4,479
Debt Service:				
Principal Retirement	8,863	32,397	32,397	0
Interest and Fiscal Charges	1,190	2,990	2,247	743
<i>Total Expenditures</i>	<u>3,756,078</u>	<u>3,759,169</u>	<u>3,433,018</u>	<u>326,151</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>681,213</u>	<u>(184,757)</u>	<u>702,708</u>	<u>887,465</u>
Other Financing Sources (Uses)				
Advances In	375,840	375,840	375,840	0
Advances Out	0	(23,642)	(23,642)	0
Transfers Out	0	(549,357)	(388,000)	161,357
<i>Total Other Financing Sources (Uses)</i>	<u>375,840</u>	<u>(197,159)</u>	<u>(35,802)</u>	<u>161,357</u>
<i>Net Change in Fund Balance</i>	1,057,053	(381,916)	666,906	1,048,822
<i>Fund Balance Beginning of Year</i>	1,934,885	1,934,885	1,934,885	0
Prior Year Encumbrances Appropriated	22,108	22,108	22,108	0
<i>Fund Balance End of Year</i>	<u>\$3,014,046</u>	<u>\$1,575,077</u>	<u>\$2,623,899</u>	<u>\$1,048,822</u>

See accompanying notes to the basic financial statements

City of Jackson, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2006

	Water	Sewer	Garbage	Electric
Assets				
Current:				
Equity in Pooled Cash and Cash Equivalents	\$2,325,110	\$5,489,349	\$121,540	\$7,917,126
Accounts Receivable	144,705	228,999	42,882	1,092,087
Accrued Interest Receivable	6	0	0	15,925
Materials and Supplies Inventory	180,447	62,949	126	805,104
Prepaid Items	22,980	15,089	5,679	18,196
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	248,457	0	0	625,772
Customer Deposits	55,728	51,412	15,890	219,620
Total Current Assets	2,977,433	5,847,798	186,117	10,693,830
Noncurrent:				
Deferred Charges	42,888	0	0	148,800
Investment in Joint Venture	0	0	0	771,348
Non-Depreciable Capital Assets	1,306,452	751,251	0	615,602
Depreciable Capital Assets, Net	3,192,870	3,177,542	284,873	3,724,144
Total Noncurrent Assets	4,542,210	3,928,793	284,873	5,259,894
Total Assets	7,519,643	9,776,591	470,990	15,953,724
Liabilities				
Current:				
Accounts Payable	42,126	14,690	1,235	132,871
Accrued Wages Payable	13,318	19,677	4,106	18,531
Intergovernmental Payable	10,161	12,949	4,144	14,197
Contracts Payable	2,127	1,312	0	135,490
Claims Payable	0	0	0	0
Notes Payable	13,023	26,629	22,718	0
Early Retirement Incentive Payable	28,511	0	0	0
Compensated Absences Payable	31,339	48,679	6,581	39,582
Payables from Restricted Assets:				
Revenue Bonds Payable	110,000	0	0	620,000
Total Current Liabilities	250,605	123,936	38,784	960,671
Long-Term:				
Customer Deposits Payable from Restricted Assets	55,728	51,412	15,890	219,620
Notes Payable	232,418	439,924	29,534	0
Revenue Bonds Payable	1,740,000	0	0	5,428,000
Early Retirement Incentive Payable	25,179	0	0	0
Compensated Absences Payable	93,683	116,441	17,800	65,258
Total Long-Term Liabilities	2,147,008	607,777	63,224	5,712,878
Total Liabilities	2,397,613	731,713	102,008	6,673,549
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,446,769	3,462,240	232,621	1,437,910
Restricted for Debt Service	248,457	0	0	625,772
Unrestricted	2,426,804	5,582,638	136,361	7,216,493
Total Net Assets	\$5,122,030	\$9,044,878	\$368,982	\$9,280,175

Some amounts reported for business-type activities in the statement of net assets are different because internal service fund assets and liabilities are included with business-type activities:

Net assets of the Internal Service Fund
Amount owed to governmental activities
Net assets of business-type activities

See accompanying notes to the basic financial statements

Railroad	Total Enterprise Funds	Business-Type Activities- Internal Service Funds
\$6,434	\$15,859,559	\$711,190
0	1,508,673	0
0	15,931	0
0	1,048,626	0
0	61,944	0
0	874,229	0
0	342,650	0
<u>6,434</u>	<u>19,711,612</u>	<u>711,190</u>
0	191,688	0
0	771,348	0
1,643,882	4,317,187	0
1,533,605	11,913,034	0
<u>3,177,487</u>	<u>17,193,257</u>	<u>0</u>
<u>3,183,921</u>	<u>36,904,869</u>	<u>711,190</u>
0	190,922	0
0	55,632	0
0	41,451	0
0	138,929	0
0	0	8,860
0	62,370	0
0	28,511	0
0	126,181	0
<u>0</u>	<u>730,000</u>	<u>0</u>
<u>0</u>	<u>1,373,996</u>	<u>8,860</u>
0	342,650	0
0	701,876	0
0	7,168,000	0
0	25,179	0
0	293,182	0
<u>0</u>	<u>8,530,887</u>	<u>0</u>
<u>0</u>	<u>9,904,883</u>	<u>8,860</u>
3,177,487	10,757,027	0
0	874,229	
6,434	15,368,730	702,330
<u>\$3,183,921</u>	<u>26,999,986</u>	<u>\$702,330</u>
	702,330	
	(308,251)	
	<u>\$27,394,065</u>	

City of Jackson, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2006

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>
Operating Revenues			
Charges for Services	\$1,505,087	\$2,536,768	\$555,519
Miscellaneous	11,078	2,608	479
<i>Total Operating Revenues</i>	<u>1,516,165</u>	<u>2,539,376</u>	<u>555,998</u>
Operating Expenses			
Personal Services	566,518	726,316	229,766
Fringe Benefits	252,601	296,652	87,449
Contractual Services	98,579	324,604	134,824
Materials and Supplies	352,037	84,461	31,669
Utilities	102,467	345,907	6,551
Depreciation	197,062	207,922	47,090
Other	58,229	782,786	13,728
<i>Total Operating Expenses</i>	<u>1,627,493</u>	<u>2,768,648</u>	<u>551,077</u>
<i>Operating Income (Loss)</i>	<u>(111,328)</u>	<u>(229,272)</u>	<u>4,921</u>
Non-Operating Revenues (Expenses)			
Investment in Joint Venture	0	0	0
Gain on Disposal of Capital Assets	0	6,994	0
Loss on Disposal of Capital Assets	(47,083)	0	(559)
Investment Earnings	13,387	0	0
Interest and Fiscal Charges	(109,089)	0	(2,246)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(142,785)</u>	<u>6,994</u>	<u>(2,805)</u>
<i>Change in Net Assets</i>	(254,113)	(222,278)	2,116
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>5,376,143</u>	<u>9,267,156</u>	<u>366,866</u>
<i>Net Assets End of Year</i>	<u><u>\$5,122,030</u></u>	<u><u>\$9,044,878</u></u>	<u><u>\$368,982</u></u>

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

Change in net assets of
business-type activities

See accompanying notes to the basic financial statements

Electric	Railroad	Total Enterprise Funds	Business-Type Activities- Internal Service Funds
\$15,231,130	\$69,377	\$19,897,881	\$397,484
285,911	0	300,076	0
<u>15,517,041</u>	<u>69,377</u>	<u>20,197,957</u>	<u>397,484</u>
829,257	0	2,351,857	0
368,752	0	1,005,454	52,391
10,534,622	55	11,092,684	0
133,374	0	601,541	0
13,569	0	468,494	0
157,700	40,979	650,753	0
1,296,980	0	2,151,723	0
<u>13,334,254</u>	<u>41,034</u>	<u>18,322,506</u>	<u>52,391</u>
<u>2,182,787</u>	<u>28,343</u>	<u>1,875,451</u>	<u>345,093</u>
108,614	0	108,614	0
0	0	6,994	0
(1,705)	0	(49,347)	0
124,271	0	137,658	0
(215,252)	(2,256)	(328,843)	0
<u>15,928</u>	<u>(2,256)</u>	<u>(124,924)</u>	<u>0</u>
2,198,715	26,087	1,750,527	345,093
<u>7,081,460</u>	<u>3,157,834</u>		<u>357,237</u>
<u>\$9,280,175</u>	<u>\$3,183,921</u>		<u>\$702,330</u>
		<u>194,567</u>	
		<u>\$1,945,094</u>	

City of Jackson, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

Increase (Decrease) in Cash and Cash Equivalents	Water	Sewer	Garbage	Electric
Cash Flows from Operating Activities				
Cash Received from Customers	\$1,580,589	\$2,649,965	\$550,899	\$15,004,221
Other Cash Receipts	11,078	2,608	479	171,691
Cash Payments for Employee Services and Benefits	(845,343)	(1,009,507)	(320,597)	(1,176,718)
Cash Payments for Goods and Services	(572,432)	(812,947)	(197,468)	(10,837,521)
Utility Deposits Received	36,025	32,150	12,203	137,725
Utility Deposits Returned	(30,210)	(26,580)	(9,795)	(111,120)
Other Operating Expenses	(57,661)	(782,218)	(13,537)	(1,351,135)
<i>Net Cash Provided by Operating Activities</i>	<u>122,046</u>	<u>53,471</u>	<u>22,184</u>	<u>1,837,143</u>
Cash Flows from Noncapital Financing Activities				
Advances Out	0	0	0	0
Cash Flows from Capital and Related Financing Activities				
Proceeds from the Sale of Capital Assets	325	9,000	0	30,000
Payments for Capital Acquisitions	(114,781)	(264,281)	(191)	(586,405)
Proceeds from the Sale of Revenue Bonds	0	0	0	6,420,000
Principal Paid on Revenue Bonds Payable	(105,000)	0	0	(375,000)
Principal Paid on Notes Payable	(15,689)	(26,629)	(21,938)	(2,765,000)
Interest Paid on Revenue Bonds Payable	(109,459)	0	0	(155,000)
Interest Paid on Notes Payable	0	0	(2,246)	(234,262)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(344,604)</u>	<u>(281,910)</u>	<u>(24,375)</u>	<u>2,334,333</u>
Cash Flows from Investing Activities				
Investment Earnings	13,404	0	0	129,737
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(209,154)	(228,439)	(2,191)	4,301,213
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,838,449</u>	<u>5,769,200</u>	<u>139,621</u>	<u>4,461,305</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$2,629,295</u></u>	<u><u>\$5,540,761</u></u>	<u><u>\$137,430</u></u>	<u><u>\$8,762,518</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	(\$111,328)	(\$229,272)	\$4,921	\$2,182,787
Adjustments:				
Depreciation	197,062	207,922	47,090	157,700
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	75,502	113,197	(4,620)	(341,129)
(Increase) Decrease in Prepaid Items	350	(1,827)	(564)	2,655
(Increase) Decrease in Materials and Supplies Inventory	(13,847)	(26,558)	41	(132,029)
Decrease in Accounts Payable	(7,411)	(25,152)	(23,710)	(26,014)
Increase in Accrued Wages and Benefits Payable	621	1,952	468	2
Increase (Decrease) in Contracts Payable	2,127	(3,870)	0	0
Decrease in Claims Payable	0	0	0	0
Increase (Decrease) in Compensated Absences Payable	9,488	20,286	(856)	36,263
Decrease in Due to Other Funds	0	0	0	(54,723)
Increase in Customer Deposits Payable	5,815	5,570	2,408	26,605
Decrease in Early Retirement Incentives	(27,116)	0	0	(1,946)
Decrease in Intergovernmental Payable	(9,217)	(8,777)	(2,994)	(13,028)
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$122,046</u></u>	<u><u>\$53,471</u></u>	<u><u>\$22,184</u></u>	<u><u>\$1,837,143</u></u>

See accompanying notes to the basic financial statements

Railroad	Total Enterprise Funds	Business-Type Activities - Internal Service Fund
\$69,377	\$19,855,051	\$397,484
0	185,856	0
0	(3,352,165)	(54,652)
0	(12,420,368)	0
0	218,103	0
0	(177,705)	0
0	(2,204,551)	0
<u>69,377</u>	<u>2,104,221</u>	<u>342,832</u>
(2,500)	(2,500)	0
0	39,325	0
0	(965,658)	0
0	6,420,000	0
0	(480,000)	0
(58,476)	(2,887,732)	0
0	(264,459)	0
(2,256)	(238,764)	0
<u>(60,732)</u>	<u>1,622,712</u>	<u>0</u>
0	143,141	0
6,145	3,867,574	342,832
289	13,208,864	368,358
<u>\$6,434</u>	<u>\$17,076,438</u>	<u>\$711,190</u>
\$28,343	\$1,875,451	\$345,093
40,979	650,753	0
0	(157,050)	0
55	669	0
0	(172,393)	0
0	(82,287)	0
0	3,043	0
0	(1,743)	0
0	0	(2,261)
0	65,181	0
0	(54,723)	0
0	40,398	0
0	(29,062)	0
0	(34,016)	0
<u>\$69,377</u>	<u>\$2,104,221</u>	<u>\$342,832</u>

City of Jackson, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2006

Assets

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

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 1 - REPORTING ENTITY

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

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

Reporting Entity

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

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

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

The City's Electric Utility Enterprise Fund has entered into an ongoing joint venture agreement called the Ohio Municipal Electric Generation Agency Joint Venture (OMEGA JV5), with 41 other Ohio municipalities for the construction, installation, and operation of a 42 megawatt hydroelectric generator and related facilities at the Belleville locks and dam on the Ohio River. Additional information concerning this joint venture is presented in Note 17.

The City is also associated with an insurance purchasing pool, the Ohio Municipal League Workers' Compensation Group Rating Program. This organization is discussed in Note 18.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the City. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited expectations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

B. Fund Accounting

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

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

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

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

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

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

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

Garbage Fund –To account for refuse services provided to individuals and commercial users. The costs of providing these services are financed primarily through user charges.

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

Railroad Fund –To account for the activities of the City’s Railroad. The Railroad operates a rail spur.

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

Fiduciary funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City’s own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

The City's fiduciary funds are classified as agency funds. The agency funds account for insurance company proceeds to pay for the removal of unsafe structures due to fire and refundable bonds for street excavation.

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

The non-exchange transactions, in which the City receives value without directly giving equal value in return, includes income taxes, property taxes, grants, entitlements, and donations. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year in which the taxes are levied. Revenues from grants and entitlements are recognized in the year eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the City on a reimbursable basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue resources are considered to be both measurable and available at year end: interest, federal and state grants, state-levied locally shared taxes (including motor vehicle registration fees and gasoline taxes), income taxes, and fees and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance fiscal year 2007 operations have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

E. Budgetary Process

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

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During 2006, investments were limited to certificates of deposit, money market mutual funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The City has invested funds in STAR Ohio during 2006. 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, 2006.

Provisions of the Ohio Revised Code restrict investment procedures. During 2006, interest was distributed to the General Fund, certain special revenue funds, capital projects funds, debt service funds, and enterprise funds. Interest revenue credited to the General Fund during 2006 amounted to \$677,861, of which \$529,972 was assigned from other City funds.

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

G. Receivables and Payables

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

H. Inventory of Supplies

Inventories represent supplies held for consumption, are presented at cost on a first-in, first-out basis and are expended/expensed when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

J. Restricted Assets

Certain resources set aside for the repayment of enterprise fund mortgage revenue bonds are classified as restricted assets on the Statement of Fund Net Assets – Proprietary Funds because their use is limited by applicable bond covenants. Restricted assets of the City also include cash held for customer deposits and unclaimed monies.

K. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities columns of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The City's capitalization threshold is \$1,000.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful life of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	25-50 years	25-50 years
Buildings	25-50 years	25-50 years
Equipment	5-20 years	5-20 years
Infrastructure	25-60 years	25-60 years
Vehicles	5-12 years	5-12 years

The City's infrastructure consists of streets, curbs and gutters, traffic lights, water, sewer, and stormwater lines and only includes infrastructure acquired after December 31, 1980.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

L. Interfund Balances

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City records a liability for accumulated unused sick leave for employees after five years of service.

N. Accrued Liabilities and Long-Term Obligations

The City reports all payables, accrued liabilities, and long-term obligations in the government-wide financial statements and it reports all payables, accrued liabilities, and long-term obligations payable from proprietary funds in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and special termination benefits that are paid from governmental funds are reported as a liability on the fund financial statements only to the extent that they are due for payment during the current year. The City recognizes bonds and long-term notes as a liability in the governmental fund financial statements when due.

O. Bond Discounts and Issuance Costs

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

P. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, endowments, and loans.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the constitutional provisions or through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations or other governments.

The government-wide statement of net assets reports \$3,657,365 of restricted net assets, none of which is restricted by enabling legislation.

Net assets restricted for other purposes include activities related to various City improvement programs.

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

R. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

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

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

S. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

T. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer, electric, garbage, and railroad utility services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting the definition are reported as nonoperating.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City that are either unusual in nature or infrequent in occurrence.

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

A. Changes in Accounting Principles

For the fiscal year ended December 31, 2006, the City GASB Statement No. 47, "Accounting for Termination Benefits." The implementation of this statement had no effect on the financial statements as reported at December 31, 2006.

B. Restatement of Balances

An accounting error led to the overstatement of Equity in Pooled Cash and Cash Equivalents in the Sewer Fund in the amount of \$145,753. This error caused an overstatement of net assets. The December 31, 2005, fund balance in the Sewer Fund was restated from \$9,412,909 to \$9,267,156, resulting in a restatement of the Business-Type Activities' Net Assets of \$25,594,724 to \$25,448,971.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

The adjustments necessary to convert the results of operations of the General Fund for the year on the GAAP basis to the budget basis are as follows:

Net Change in Fund Balance	
GAAP Basis	\$406,193
Net Adjustment for Revenue Accruals	22,907
Net Adjustment for Expenditure Accruals	(52,752)
Beginning of Year Prepaid Items	39,822
End of Year Prepaid Items	(46,467)
Advances In	375,840
Advances Out	(23,642)
Debt Service Principal Payments	(23,534)
Encumbrances	<u>(31,461)</u>
Budget Basis	<u><u>\$666,906</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;
7. The State Treasurer's investment pool (STAROhio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the City's deposits was \$11,531,313 and the bank balance was \$11,719,257. Of the bank balance \$2,805,000 was covered by Federal depository insurance and \$8,914,257 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Investments are reported at fair value. As of December 31, 2006, the City had the following investments:

	Fair Value	Maturity
STAR Ohio	\$10,830,296	Average 35 Days

Interest Rate Risk The City does not have an investment policy that addresses interest risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The City's investment policy places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2006:

Investment Issuer	Percentage of Investments
STAR Ohio	100%

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) is for 2006 taxes.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

2006 real property taxes are levied after October 1, 2006, on assessed value as of January 1, 2006, the lien date. Assessed values are established by State law 35 percent of the appraised value. 2006 real property taxes are collected in and intended to finance 2007.

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. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets other than inventory, which was assessed at 23 percent. The tangible personal property tax is being phased out - the assessment percentage of all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009.

The full tax rate for all City operations for the year ended December 31, 2006, was \$6.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$61,330,080
Public Utility Real and Tangible Personal Property	52,733,960
Tangible Personal Property	<u>19,857,086</u>
Total Assessed Value	<u><u>\$133,921,126</u></u>

Real property taxes are payable annually and semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of Jackson County, including the City of Jackson. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2006, and for which there is an enforceable legal claim. In the General Fund and the Cemetery and Fire Special Revenue Funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2006 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2006, consisted primarily of taxes, intergovernmental receivables arising from grants, loans, entitlements and shared revenues, interest on investments, and utility accounts.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables are expected to be collected within one year.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

A summary of intergovernmental receivables follows:

<u>Governmental Activities</u>	
CHIP	\$492,500
Daycare Project Grant	198,000
Local Government Subsidies	61,569
Gasoline Tax	103,911
Motor Vehicle License Tax	32,153
Natureworks Grant	26,388
Miscellaneous Grants	<u>63,295</u>
Total Governmental Activities	<u><u>\$977,816</u></u>

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Balance</u> <u>12/31/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2006</u>
<u>Governmental Activities:</u>				
Non-Depreciable Capital Assets:				
Land	\$1,238,316	\$196,500	\$0	\$1,434,816
Construction in Progress	90,199	8,489	(98,688)	0
Total Non-Depreciable Capital Assets	<u>1,328,515</u>	<u>204,989</u>	<u>(98,688)</u>	<u>1,434,816</u>
Depreciable Capital Assets:				
Land Improvements	168,690	0	0	168,690
Buildings	2,090,756	119,414	0	2,210,170
Equipment	1,037,409	180,635	(31,095)	1,186,949
Infrastructure	8,038,447	0	0	8,038,447
Vehicles	1,517,820	7,788	(24,732)	1,500,876
Total Depreciable Capital Assets	<u>12,853,122</u>	<u>307,837</u>	<u>(55,827)</u>	<u>13,105,132</u>
Accumulated Depreciation:				
Land Improvements	(90,989)	(3,917)	0	(94,906)
Buildings	(538,928)	(43,475)	0	(582,403)
Equipment	(676,725)	(66,260)	17,209	(725,776)
Infrastructure	(3,733,861)	(133,748)	0	(3,867,609)
Vehicles	(932,223)	(86,133)	24,732	(993,624)
Total Accumulated Depreciation	<u>(5,972,726)</u>	<u>(333,533) *</u>	<u>41,941</u>	<u>(6,264,318)</u>
Total Depreciable Capital Assets, Net	<u>6,880,396</u>	<u>(25,696)</u>	<u>(13,886)</u>	<u>6,840,814</u>
Governmental Capital Assets, Net	<u><u>\$8,208,911</u></u>	<u><u>\$179,293</u></u>	<u><u>(\$112,574)</u></u>	<u><u>\$8,275,630</u></u>

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

*Depreciation expense was charged to governmental activities as follows:

<u>Governmental Activities:</u>	
General Government	\$173,086
Security of Persons and Property	105,849
Public Health Services	5,868
Transportation	14,838
Leisure Time Activities	33,892
Total Depreciation Expense	<u><u>\$333,533</u></u>

	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006
<u>Business - Type Activities:</u>				
Non-Depreciable Capital Assets:				
Land	\$2,922,332	\$0	\$0	\$2,922,332
Construction in Progress	493,588	901,267	0	1,394,855
Total-Non Depreciable Capital Assets	<u>3,415,920</u>	<u>901,267</u>	<u>0</u>	<u>4,317,187</u>
Depreciable Capital Assets:				
Land Improvements	34,348	0	0	34,348
Buildings	971,671	11,050	0	982,721
Equipment	1,691,152	230,238	(84,836)	1,836,554
Infrastructure	14,540,009	0	0	14,540,009
Vehicles	1,973,442	56,699	(154,870)	1,875,271
Total Depreciable Capital Assets	<u>19,210,622</u>	<u>297,987</u>	<u>(239,706)</u>	<u>19,268,903</u>
Accumulated Depreciation:				
Land Improvements	(7,017)	(925)	0	(7,942)
Buildings	(392,239)	(16,234)	0	(408,473)
Equipment	(806,179)	(141,671)	41,877	(905,973)
Infrastructure	(4,713,617)	(328,338)	0	(5,041,955)
Vehicles	(944,092)	(163,585)	116,151	(991,526)
Total Accumulated Depreciation	<u>(6,863,144)</u>	<u>(650,753)</u>	<u>158,028</u>	<u>(7,355,869)</u>
Total Depreciable Capital Assets, Net	<u>12,347,478</u>	<u>(352,766)</u>	<u>(81,678)</u>	<u>11,913,034</u>
Business - Type Activities Capital Assets, Net	<u>\$15,763,398</u>	<u>\$548,501</u>	<u>(\$81,678)</u>	<u>\$16,230,221</u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement. For that classification, the employer's pension contributions were 12.43 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$308,175, \$295,640, and \$283,607 respectively; 83.38 percent has been contributed for 2006 and 100 percent for 2005 and 2004.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters years ended December 31, 2006, 2005, and 2004, were \$87,640, \$82,948, and \$79,873 respectively. The full amount has been contributed for 2005 and 2004. 79.10 percent has been contributed for 2006.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2006, the unfunded police liability of the City was \$37,673 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 to 6 percent annually for the next nine years and 4 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual City contributions for 2006 which were used to fund postemployment benefits were \$150,738. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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 the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment health care benefits were \$57,805. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Additional Insurance

The City provides \$20,000 in life insurance and accidental death and dismemberment insurance to its full-time employees working a minimum of twenty hours per week through Anthem Life.

The City provides comprehensive major medical insurance through Anthem Blue Cross and Blue Shield. The City pays 94 percent of the total monthly premiums of \$1,060.12 for family coverage and \$343.41 for single coverage.

C. Compensated Absences

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

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2006, the City contracted with Jones-Stephenson for property and general liability, automobile liability, boiler and machinery liability, law enforcement liability, and public officials' liability.

Under the Jones-Stephenson program for general liability, law enforcement liability, and public officials' liability, the City has \$2,000,000 of total liability coverage for each occurrence. The City carries a \$100,000 deductible for both law enforcement and public officials' liability insurance. Property insurance is covered to a limit of \$100,000,000 with a \$25,000 deductible. Under automobile liability the City has \$1,000,000 of total liability coverage for each occurrence. Automobile insurance carries a \$100 per vehicle deductible for comprehensive coverage and a \$250 per vehicle collision coverage. Boiler and machinery insurance is covered to a limit of \$50,000,000 with various sublimits. The City carries a \$1,000 deductible for boiler and machinery liability. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

The City participates in the Ohio Municipal League Group Rating Program (OML) for workers' compensation. The intent of the OML is to achieve the benefit of reduced premiums for participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers' compensation premium to the state based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OML. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to cities that can meet the OML's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the OML.

Beginning in 2004, the City manages the deductible portion of employee health benefits on a self-insured basis. The employee health benefit plan provides this coverage through Oak Hill Financial Administrators, the third party administrator of the program, which reviews and pays the claims. Oak Hill Financial Administrators charges the City an annual fee of \$300, with a monthly administration fee of \$8 per employee. The claims liability of \$8,860 reported in the self-insurance fund at December 31, 2006, is estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the internal services fund's claims liability amounts in the past year follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2005	\$9,463	\$58,357	\$56,699	\$11,121
2006	11,121	52,391	54,652	8,860

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 13 – NOTES PAYABLE

Changes in the City's governmental short-term obligations during 2006 consist of the following:

	Outstanding 12/31/2005	Additions	Reductions	Outstanding 12/31/2006
Real Estate Bond Anticipation Note 6%	\$51,067	\$0	\$51,067	\$0

The General Fund and the Street Construction, Maintenance and Repair Special Revenue Fund used the proceeds of the Real Estate Bond Anticipation Note, paid off on March 16, 2006, to pay off a note originally issued in 2004.

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the City's long-term obligations during 2006 consist of the following:

	Outstanding 12/31/2005	Additions	Reductions	Outstanding 12/31/2006	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>Bond Anticipation Notes:</u>					
Police Cruiser Note 3.2%	\$19,967	\$0	\$4,759	\$15,208	\$4,911
Police Cruiser Note 3.2%	17,222	0	4,104	13,118	4,236
Building Acquisition Note 4.0%	123,642	0	4,199	119,443	4,373
Building Improvement Note 4.0%	98,913	0	3,358	95,555	3,496
Land Note 1.0%	312,848	0	0	312,848	0
Total Notes	572,592	0	16,420	556,172	17,016
Police and Fire Pension Liability	38,345	0	672	37,673	701
Special Termination Benefits	195,551	0	96,311	99,240	67,054
Compensated Absences	427,388	74,098	51,888	449,598	112,311
Total Governmental Activities	\$1,233,876	\$74,098	\$165,291	\$1,142,683	\$197,082
<u>Business-Type Activities:</u>					
<u>Revenue Bonds</u>					
1993 Water System 2.8-5.6%	\$1,955,000	\$0	\$105,000	\$1,850,000	\$110,000
2006 Electric System 4.2-6.4%	0	6,495,000	375,000	6,120,000	620,000
Unamortized Bond Discount	0	(75,000)	(3,000)	(72,000)	0
Total Bonds Payable	1,955,000	6,420,000	477,000	7,898,000	730,000
<u>Notes Payable</u>					
2001 Railroad Rehabilitation 4.0%	30,285	0	30,285	0	0
2002 Railroad Industrial Park 1.5%	28,191	0	28,191	0	0
2001 Holzer Hospital Water Tower 0%	7,544	0	5,105	2,439	2,439
2001 Holzer Hospital Water Lines 0%	253,586	0	10,584	243,002	10,584
2001 Holzer Hospital Sewer Lift Station 0%	493,182	0	26,629	466,553	26,629
2005 Electrical System Note 4.5%	2,765,000	0	2,765,000	0	0
Garbage Truck Note 3.5%	74,190	0	21,938	52,252	22,718
Total Notes Payable	3,651,978	0	2,887,732	764,246	62,370
Special Termination Benefits	82,752	0	29,062	53,690	28,511
Compensated Absences Payable	354,182	76,168	10,987	419,363	126,181
Total Business-Type Activities	\$6,043,912	\$6,496,168	\$3,404,781	\$9,135,299	\$947,062

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Governmental Activities:

Bond Anticipation Notes Payable

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

The City will pay the Police Cruiser Notes from the General Fund. Principal and interest requirements to retire the notes outstanding at December 31, 2006 were:

	Principal	Interest	Total
2007	\$9,147	\$907	\$10,054
2008	9,438	615	10,053
2009	9,741	311	10,052
	\$28,326	\$1,833	\$30,159

The City will pay the Building Acquisition and Improvement Notes from the Community Improvement Special Revenue Fund. Principal and interest requirements to retire these outstanding notes at December 31, 2006 were:

	Principal	Interest	Total
2007	\$7,869	\$8,576	\$16,445
2008	8,180	8,265	16,445
2009	8,531	7,914	16,445
2010	8,884	7,561	16,445
2011	9,601	6,844	16,445
2012-2016	118,607	26,423	145,030
2017-2021	28,465	8,080	36,545
2022-2025	24,861	1,938	26,799
	\$214,998	\$75,601	\$290,599

Police and Fire Pension Liability

The City will pay Police and Fire Pension Liability from the General Fund. Principal and interest requirements to retire the City's police and fire pension liability outstanding at December 31, 2006 were:

	Principal	Interest	Total
2007	\$701	\$1,594	\$2,295
2008	731	1,564	2,295
2009	762	1,533	2,295
2010	795	1,500	2,295
2011	820	1,465	2,285
2012-2016	4,711	6,761	11,472
2017-2021	5,814	5,359	11,173
2022-2026	7,174	4,298	11,472
2027-2031	8,852	2,619	11,471
2032-2035	7,313	628	7,941
	\$37,673	\$27,321	\$64,994

City of Jackson, Ohio
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For the Year Ended December 31, 2006

Compensated Absences Payable

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

As of December 31, 2006, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$14,061,718.

Business-Type Activities:

Revenue Bonds

The 1993 Water System Revenue Bonds were issued in the amount of \$2,910,000 for the purpose of (1) current refunding and permanent financing of \$2,540,000 of the City's bond anticipation notes issued to pay part of the costs of water system improvements, (2) funding a debt service reserve account, and (3) paying certain costs related to the issuance of the Series 1993 Bonds, together with other permissible costs under the Uniform Public Securities Law.

In 2006, the City issued \$6,495,000 in Electric System Revenue Bonds for the purpose of (1) permanent financing of the City's \$2,765,000 bond anticipation note issued to pay part of the costs of electric system upgrades, and (2) paying for additional electric system improvements, and (3) paying certain costs related to the issuance of the Series 1993 Bonds, together with other permissible costs under the Uniform Public Securities Law. As of December 31, 2006, the City had not spent \$2,997,364 of the proceeds.

Principal and interest requirements for revenue bonds are as follows:

	Principal	Interest	Total
2007	\$730,000	\$351,971	\$1,081,971
2008	760,000	321,066	1,081,066
2009	405,000	288,806	693,806
2010	420,000	270,669	690,669
2011	445,000	251,853	696,853
2012-2016	2,295,000	941,309	3,236,309
2017-2021	1,140,000	496,661	1,636,661
2022-2026	905,000	302,131	1,207,131
2027-2030	870,000	94,138	964,138
Total	<u>\$7,970,000</u>	<u>\$3,318,604</u>	<u>\$11,288,604</u>

Notes Payable

The Railroad Rehabilitation Note was issued on December 6, 2001, for \$123,501 at 4%. The Railroad Industrial Park Note was issued on December 6, 2001, for \$143,599. Both notes were issued for the purpose of developing a rail spur in conjunction with Jackson's industrial park. The notes were paid off in 2006.

The Holzer Hospital loans represent monies owed Holzer Medical Center for improvements to water and sewer lines to and from the hospital facility. Payment for this debt will come in the form of reduced user fees paid by the hospital until the debt is paid.

The Garbage Truck Note was issued on March 31, 2005, for \$90,000 at 3.5%, for the purchase of a garbage truck. Payment for this debt will come from the Garbage Enterprise Fund.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

	Principal	Interest	Total
2007	\$22,718	\$1,466	\$24,184
2008	23,523	661	24,184
2009	6,011	35	6,046
Total	\$52,252	\$2,162	\$54,414

Compensated Absences Payable

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

NOTE 15 – SPECIAL TERMINATION BENEFITS PAYABLE

The City of Jackson terminated its Retirement Incentive Plan as of July 12, 2004. Currently, the City is making payments on the plan for employees who elected to participate prior to that date. These retirement incentive payments will be paid from the same funds from which those employees were paid.

Principal and interest requirements to retire the City's special termination benefits for governmental activities at December 31, 2006, were:

	Principal	Interest	Total
2007	\$67,054	\$5,479	\$72,533
2008	32,186	3,009	35,195
	\$99,240	\$8,488	\$107,728

Principal and interest requirements to retire the City's special termination benefits for business-type activities at December 31, 2006, were:

	Principal	Interest	Total
2007	\$28,511	\$3,009	\$31,520
2008	25,179	1,542	26,721
	\$53,690	\$4,551	\$58,241

NOTE 16 - INTERFUND ACTIVITY

A. Transfers

	Transfer to Other Nonmajor Governmental
<u>Transfer from</u>	
Major Fund:	
General Fund	\$388,000
Other Nonmajor Governmental	26,166
Total	\$414,166

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

B. Balances

Interfund balances at December 31, 2006, arise from the provision of cash flows from the General Fund until the receipt of grant monies by Special Revenue Funds. These advances will be repaid in 2007.

	Interfund Receivables	Interfund Payables
General	\$23,642	\$0
Recreation	0	20,320
CHIP	0	3,322
Total Special Revenue Funds	0	23,642
Total All Funds	\$23,642	\$23,642

NOTE 17 – JOINT VENTURE

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

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

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005, Jackson has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$771,348 at December 31, 2006. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 18 – INSURANCE PURCHASING POOL

The City is participating in a group rating plan for workers' compensation called The Ohio Municipal League Workers' Compensation Group Rating Program, as established under Section 4123.29 of the Ohio Revised Code. The group rating plan is sponsored by the Ohio Municipal League.

The Ohio Municipal League is governed by a Board of Trustees, elected by membership. The Board consists of all past presidents of the League, as long as they are municipal officials, and 28 trustees (also municipal officials) elected for two year terms. The Board exercises general oversight over operation of the workers' compensation group. League staff maintains direct and on-going liaison with the program contract operator, Gates McDonald.

NOTE 19 - CONTINGENT LIABILITIES

A. Litigation

The City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Federal and State Grants

For the period January 1, 2006, to December 31, 2006, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 20 – CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

As of December 31, 2006, there was one series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$878,479 and one series of hospital facilities revenue bonds outstanding with an aggregate principal amount payable of \$25 million.

NOTE 21 – CONTRACTUAL COMMITMENTS

At December 31, 2006, the City had the following contractual commitments in the Water and Sewer Enterprise Funds for rehabilitation and improvement work:

<u>Project</u>	<u>Fund</u>	<u>Purchase Commitments</u>	<u>Amount Paid as of 12/31/2006</u>	<u>Amount Remaining on Contracts</u>
Wastewater Treatment Plant				
Wet Weather Expansion Project	Sewer	\$434,050	\$385,027	\$49,023
Sanitary Sewer Rehabilitation	Sewer	175,000	73,749	101,251
Electric Substation Construction	Electric	2,609,637	615,602	1,994,035
Water System Improvements	Water	155,800	34,812	120,988
Total		<u>\$3,374,487</u>	<u>\$1,109,190</u>	<u>\$2,265,297</u>

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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Jackson County, Ohio (the City), as of and for the years ended December 31, 2006, and have issued our report thereon dated August 30, 2007, wherein we noted that the City adopted Governmental Accounting Standards Board (GASB) Statement No. 47, *Accounting for Termination Benefits*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiencies described in the accompanying schedule of findings as 2006-001 and 2006-002, to be significant deficiencies in internal control over financial reporting period.

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

**Internal Control over Financial Reporting
(Continued)**

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to the City's management in a separate letter dated August 30, 2007.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

August 30, 2007

*CITY OF JACKSON, OHIO
Schedule of Findings
For the Year Ended December 31, 2006*

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

Finding Number 2006-001

Overtime Compensation - Significant Deficiency

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

During our testing we found instances where overtime was claimed on the timesheets and the overtime was authorized several pay periods after the fact. We also found instances where overtime was claimed on the timesheets and no one authorized the payment of the overtime.

Both of these situations imply that the employee's supervisor was not approving the payment of overtime prior to the overtime payment being made. Both of these situations could also result in the City paying for unauthorized overtime.

We recommend the City, its employees and its supervisors follow the City of Jackson Personnel Policies and Procedures Manual regarding the payment of overtime and compensatory time. Any submitted timesheet that has overtime or compensatory time must be approved by the employee's supervisor prior to the payment of the overtime or compensatory time. The approval should be in the form of the supervisor's initials or signature and the date of the authorization. Any timesheet that does not have the supervisor's authorization should not be paid until the authorization is obtained.

If we find multiple occurrences of employees being paid for unauthorized overtime or compensatory time in the next audit of the City of Jackson, the occurrences will result in findings for recovery being made against the employee, approving supervisor and the City Audit.

Officials' Response

In the future, no overtime will be paid or saved as comptime unless an approved overtime sheet is remitted to the Auditor's Office. The overtime sheet must be signed and dated by the employee and their supervisor before payment will be issued. The policy and procedure manual will be followed regarding payment of overtime to employees.

*CITY OF JACKSON, OHIO
Schedule of Findings
For the Year Ended December 31, 2006*

Finding Number 2006-002

Financial Reporting - Significant Deficiency

Sound financial reporting is the responsibility of the Director of Finance and the City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. This responsibility remains intact, even if management decides to outsource this function for efficiency purposes, or any other reason, to another accountant or consultant. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

There was a prior period adjustment made by the City to restate the beginning net assets for the Sewer Fund and Business-Type Activities that was made to the financial statements. Also as a result of our audit, we identified two misstatements that were not material, but were more than inconsequential to the City's financial statements. We provided adjusting entries to the City and the misstatements were subsequently corrected.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the City Auditor adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the City and thereby increasing the reliability of the financial data throughout the year.

Officials' Response

Although we felt the amount was not material at less than 2% of the fund balance in question, we posted the \$145,753 as a prior period adjustment in order to be as transparent as possible concerning this matter, and so that the City's financial statements more accurately reflected the financial picture as of 2005 and future periods.

During the course of the audit there were two non-material audit adjustments that were proposed to the City. The City elected to post these adjustments regardless of materiality so that the 2006 financial statements more accurately reflected the financial position of the City.

Policies and procedures for controls are put in place to help ensure that the information accurately reflects the activity of the City. Controls are put in place to minimize the occurrence of misstatements and erroneous entries. It would not be possible to completely eliminate the occurrence of these misstatements and errors but I feel that our current controls are sufficient since the error from the prior period was detected by the City and the current audit revealed only two non-material audit adjustments.

CITY OF JACKSON, OHIO
Corrective Action Plan
For the Year Ended December 31, 2006

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2006-01	The City Auditor will review the all overtime sheets before payment is made.	Immediately	James Humphreys, Auditor
2006-02	The City Auditor will continue to monitor the policies and procedures for controls.	Immediately	James Humphreys, Auditor

CITY OF JACKSON, OHIO
Schedule of Prior Audit Findings
For the Year Ended December 31, 2006

Description	Status	Comments
Government Auditing Standards:		
1. ORC 5705.36 - Money paid into any fund shall be used only for the purpose for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.	Corrected	N/A



Mary Taylor, CPA
Auditor of State

CITY OF JACKSON

JACKSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 11, 2007**