



*CITY OF JACKSON, OHIO*

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**SINGLE AUDIT**

**For the Year Ended December 31, 2009**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







Mary Taylor, CPA  
Auditor of State

City 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, 2009 through December 31, 2009. 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

December 10, 2010

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*For the Fiscal Year Ended December 31, 2009*

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## Independent Auditor's Report

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 City of Jackson, Ohio, (the City) as of and for the year ended December 31, 2009, 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 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 in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The schedule of federal awards expenditures is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

October 29, 2010

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**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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The discussion and analysis of the City of Jackson's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. 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 2009 are as follows:

- The City's total net assets increased by 9.1 percent, or \$3,934,825, from the total net assets at the beginning of the year 2009.
- At the end of the current year, the City's governmental activities reported total net assets of \$12,327,150, a decrease of \$108,182 from the prior year.
- At the end of the current year, unreserved fund balance for the General Fund was \$1,495,477 which represents a \$180,978 decrease from the prior year. This represents 44.2 percent of total General Fund expenditures.
- Capital assets increased \$3,528,073. Capital assets of governmental activities decreased \$379,136. Capital assets of business-type activities increased \$3,907,209.

**Using this Annual Financial Report**

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

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

***Reporting the City of Jackson as a Whole***

**Statement of Net Assets and Statement of Activities**

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" 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.

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

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

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

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

***Reporting the City of Jackson's Most Significant Funds***

***Fund Financial Statements***

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

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

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

***Fiduciary Fund*** The City accounts for resources held for the benefit of parties outside the government as a fiduciary fund. This fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the City's own programs. The City uses accrual accounting for fiduciary funds, the same as that of the proprietary funds.

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
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**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 2009 compared to 2008.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and Other Assets	\$6,648,584	\$6,199,648	\$18,206,361	\$18,820,760	\$24,854,945	\$25,020,408
Investment in Joint Venture	0	0	766,324	639,667	766,324	639,667
Capital Assets, Net	7,686,095	8,065,231	31,895,026	27,987,817	39,581,121	36,053,048
<i>Total Assets</i>	<u>14,334,679</u>	<u>14,264,879</u>	<u>50,867,711</u>	<u>47,448,244</u>	<u>65,202,390</u>	<u>61,713,123</u>
<b>Liabilities</b>						
Current and Other Liabilities	850,443	827,032	714,282	1,204,785	1,564,725	2,031,817
Noncurrent Liabilities	1,157,086	1,002,515	15,316,463	15,449,500	16,473,549	16,452,015
<i>Total Liabilities</i>	<u>2,007,529</u>	<u>1,829,547</u>	<u>16,030,745</u>	<u>16,654,285</u>	<u>18,038,274</u>	<u>18,483,832</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	7,135,417	7,543,680	17,328,884	16,318,461	24,464,301	23,862,141
Restricted	3,561,741	3,101,671	0	588,477	3,561,741	3,690,148
Unrestricted	1,629,992	1,789,981	17,508,082	13,887,021	19,138,074	15,677,002
<i>Total Net Assets</i>	<u>\$12,327,150</u>	<u>\$12,435,332</u>	<u>\$34,836,966</u>	<u>\$30,793,959</u>	<u>\$47,164,116</u>	<u>\$43,229,291</u>

Total assets increased \$3,489,267. Governmental activities' capital assets decreased \$379,136. The increase in capital assets for business-type activities in the amount of \$3,907,209 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 \$448,936 and net assets decreased \$108,182, due to an increase in receivables, offset by the sale of city property.

There was an increase in current and other liabilities for governmental activities of \$23,411 due to increases in accounts payable, accrued wages, and intergovernmental payables.

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
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Table 2 shows the changes in net assets for the year ended December 31, 2009, and comparisons to 2008.

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

	Governmental Activities 2009	Business- Type Activities 2009	Total 2009	Governmental Activities 2008	Business- Type Activities 2008	Total 2008
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$1,114,637	\$22,755,649	\$23,870,286	\$476,214	\$19,628,097	\$20,104,311
Operating Grants and Contributions	1,192,260	118,734	1,310,994	724,981	385,430	1,110,411
<i>Total Program Revenues</i>	<u>2,306,897</u>	<u>22,874,383</u>	<u>25,181,280</u>	<u>1,201,195</u>	<u>20,013,527</u>	<u>21,214,722</u>
General Revenues:						
Property Taxes	651,338	0	651,338	705,115	0	705,115
Other Local Taxes	740,153	0	740,153	817,876	0	817,876
Gain on Sale of Capital Assets	2,500	10,297	12,797	1,850	4,440	6,290
Grants and Entitlements	476,160	0	476,160	395,995	0	395,995
Investment Earnings	393,303	8,700	402,003	695,726	84,504	780,230
Miscellaneous	56,014	99,942	155,956	66,223	546,104	612,327
Total General Revenues	<u>2,319,468</u>	<u>118,939</u>	<u>2,438,407</u>	<u>2,682,785</u>	<u>635,048</u>	<u>3,317,833</u>
<i>Total Revenues</i>	<u>4,626,365</u>	<u>22,993,322</u>	<u>27,619,687</u>	<u>3,883,980</u>	<u>20,648,575</u>	<u>24,532,555</u>
<b>Program Expenses</b>						
General Government	1,338,475	0	1,338,475	1,434,658	0	1,434,658
Security of Persons and Property	1,992,352	0	1,992,352	2,072,007	0	2,072,007
Public Health Services	291,659	0	291,659	286,685	0	286,685
Transportation	610,839	0	610,839	527,768	0	527,768
Leisure Time Activities	167,142	0	167,142	235,673	0	235,673
Community Environment	161,625	0	161,625	285,627	0	285,627
Interest and Fiscal Charges	22,507	0	22,507	13,445	0	13,445
Water	0	1,631,659	1,631,659	0	1,875,073	1,875,073
Sewer	0	2,638,146	2,638,146	0	2,541,050	2,541,050
Garbage	0	615,697	615,697	0	570,975	570,975
Electric	0	14,135,662	14,135,662	0	13,425,784	13,425,784
Railroad	0	79,099	79,099	0	70,671	70,671
<i>Total Program Expenses</i>	<u>4,584,599</u>	<u>19,100,263</u>	<u>23,684,862</u>	<u>4,855,863</u>	<u>18,483,553</u>	<u>23,339,416</u>
Increase (Decrease) in Net Assets						
before transfers	41,766	3,893,059	3,934,825	(971,883)	2,165,022	1,193,139
Transfers	(149,948)	149,948	0	10,496	(10,496)	0
Increase (Decrease) in Net Assets	(108,182)	4,043,007	3,934,825	(961,387)	2,154,526	1,193,139
Net Assets Beginning of Year	12,435,332	30,793,959	43,229,291	13,396,719	28,639,433	42,036,152
Net Assets End of Year	<u>\$12,327,150</u>	<u>\$34,836,966</u>	<u>\$47,164,116</u>	<u>\$12,435,332</u>	<u>\$30,793,959</u>	<u>\$43,229,291</u>

**Governmental Activities**

Grants and contributions accounted for 25.7 percent of total governmental revenues. Tax revenue provided 30 percent of total governmental revenues, all generated from property and other local taxes. Investment earnings accounted for 8.5 percent of total governmental revenues. These revenue sources comprise the largest components of City revenues. Property and other local taxes; operating grants, and contributions; and investment revenue combined together, provided 64.2 percent of the City's total governmental revenues.

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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The City received \$1,114,637, or 24.1 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 \$1,992,352, or 43.5 percent, of total expenses. General Government activities accounted for \$1,338,475, or 29.2 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, 2009**

	Program Activity Expenses	Net Cost of Program Activity	Program Activity Expenses	Net Cost of Program Activity
	2009	2009	2008	2008
General Government	\$1,338,475	\$425,926	\$1,434,658	\$1,349,603
Security of Persons and Property	1,992,352	1,805,768	2,072,007	1,863,880
Public Health Services	291,659	190,147	286,685	175,843
Transportation	610,839	254,635	527,768	171,346
Leisure Time Activities	167,142	98,713	235,673	(11,890)
Community Environment	161,625	(519,994)	285,627	92,441
Interest and Fiscal Charges	22,507	22,507	13,445	13,445
Totals	<u>\$4,584,599</u>	<u>\$2,277,702</u>	<u>\$4,855,863</u>	<u>\$3,654,668</u>

***Business-Type Activities***

The City's business-type activities are for water, sewer, electric, railroad, storm sewer, and garbage services. During 2009, total program revenues exceeded expenses by \$3,774,120.

The minimum water rate is \$7.31 per thousand gallons of water for customers within the City limits and \$8.79 per thousand gallons of water for those living outside the City limits. Sewer fees are calculated on the amount of water used. The minimum sewer rate is \$6.51 per month. Garbage fees are assessed at a flat rate of \$6.50 per month for unoccupied residences, \$9.50 per month for senior citizens and \$12.50 per month for others. Fees for electrical service are also based on usage. The minimum rate is \$3.16 for residential use inside City limits and \$3.76 for residential use outside City limits 0-20 kwh.

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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**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 2009, fund balance was \$1,532,890. Fund balance represents 45.3 percent to total General Fund expenditures. There was a 0.6 percent decrease in General Fund expenditures, there was an 18.9 percent increase in General Fund revenue. Increases in intergovernmental revenues and taxes were more than offset by decreases in charges for services, investment earnings, and fines.

The fund balance of the City's General Fund decreased by \$226,214 during the current year.

***Enterprise Funds***

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

The City's major enterprise funds are the Water Fund, the Sewer Fund, and the Electric Fund. The Water Fund's net assets increased \$290,897, the Sewer Fund's net assets decreased \$35,502, and the Electric Fund's net assets increased \$3,794,312. The Water Fund increase was due to an increase in maintenance and repairs at both of the plants in connection with the ongoing renovation projects. The Electric Fund increase was due mostly to the city not implementing their cost allocation plan for 2008.

**General Fund Budgetary Highlights**

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

The City made few revisions to the original appropriations approved by City Council. Overall, these changes resulted in an increase from the original budget in the amount of \$73,774, excluding transfers out. The change was primarily due to expected increases in general government and police expenditures. The City's General Fund actual expenditures were \$251,959 less than appropriations, due to conservative spending.

The General Fund budgeted revenue increased \$673,452 and was primarily due to an increase in expected investment earnings, intergovernmental revenue, and charges for services.

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2009, the City had \$39,581,121 invested in capital assets, net of accumulated depreciation. Table 4 shows 2009 balances compared to 2008.

**Table 4**  
**Capital Assets at December 31, 2009 with comparative as of December 31, 2008**  
**(Net of Depreciation)**

	Government Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$1,171,968	\$1,484,816	\$3,122,332	\$2,922,332	\$4,294,300	\$4,407,148
Land Improvements	239,244	249,780	23,632	24,557	262,876	274,337
Buildings	1,584,587	1,632,728	646,862	651,035	2,231,449	2,283,763
Equipment	417,311	468,544	1,006,610	1,126,761	1,423,921	1,595,305
Infrastructure	3,768,100	3,902,945	14,034,960	12,683,153	17,803,060	16,586,098
Vehicles	504,885	326,418	598,048	593,512	1,102,933	919,930
Construction in Progress	0	0	12,462,582	9,986,467	12,462,582	9,986,467
<b>Totals</b>	<b>\$7,686,095</b>	<b>\$8,065,231</b>	<b>\$31,895,026</b>	<b>\$27,987,817</b>	<b>\$39,581,121</b>	<b>\$36,053,048</b>

The total increase in the City's capital assets, net of accumulated depreciation, for the current year was \$3,528,073, or 9.78 percent.

For additional information on capital assets, see Note 7 to the basic financial statements.

***Debt***

As of December 31, 2009, and December 31, 2008, the City had total debt of \$15,326,511 and \$15,483,405, respectively, as follows:

**Table 5**  
**Outstanding Debt**  
**As of December 31, 2009, with comparative for December 31, 2008**

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenue Bonds	\$0	\$0	\$6,618,346	\$7,043,949	\$6,618,346	\$7,043,949
OWDA Loans	0	0	7,457,827	7,300,363	7,457,827	7,300,363
Notes Payable	550,678	521,551	699,660	617,542	1,250,338	1,139,093
<b>Totals</b>	<b>\$550,678</b>	<b>\$521,551</b>	<b>\$14,775,833</b>	<b>\$14,961,854</b>	<b>\$15,326,511</b>	<b>\$15,483,405</b>

The City's overall legal debt margin was \$11,936,058. For additional information on debt, see Note 13 to the basic financial statements.

**City of Jackson, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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***Economic Factors***

Jackson County's unemployment rate increased 1.2% from 2007 to 2008, going from 8.5% to 9.7%.

**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, 2009*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,545,988	\$15,266,574	\$18,812,562
Accounts Receivable	82,187	2,559,241	2,641,428
Accrued Interest Receivable	39,797	0	39,797
Intergovernmental Receivable	753,787	324,000	1,077,787
Internal Balances	1,330,787	(1,330,787)	0
Property Taxes Receivable	752,163	0	752,163
Other Taxes Receivable	58,238	0	58,238
Loans Receivable	4,554	0	4,554
Materials and Supplies Inventory	45,236	1,118,195	1,163,431
Prepaid Items	35,847	59,447	95,294
Deferred Charges	0	209,691	209,691
Investment in Joint Venture	0	766,324	766,324
Non-Depreciable Capital Assets	1,171,968	15,584,914	16,756,882
Depreciable Capital Assets, Net	6,514,127	16,310,112	22,824,239
<i>Total Assets</i>	<u>14,334,679</u>	<u>50,867,711</u>	<u>65,202,390</u>
<b>Liabilities</b>			
Accounts Payable	5,850	24,217	30,067
Accrued Wages Payable	90,317	102,526	192,843
Intergovernmental Payable	100,240	93,372	193,612
Accrued Interest Payable	13,091	0	13,091
Claims Payable	0	4,590	4,590
Deferred Revenue	640,945	0	640,945
Notes Payable	0	100,000	100,000
Customer Deposits Payable	0	389,577	389,577
Long-Term Liabilities:			
Due Within One Year	458,274	893,370	1,351,644
Due In More Than One Year	698,812	14,423,093	15,121,905
<i>Total Liabilities</i>	<u>2,007,529</u>	<u>16,030,745</u>	<u>18,038,274</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	7,135,417	17,316,266	24,451,683
Restricted for:			
Street	238,857	0	238,857
Cemetery	550,954	0	550,954
Police	34,461	0	34,461
Fire	395,429	0	395,429
Community Development	856,716	0	856,716
Recreation	943,473	0	943,473
Capital Projects	11,081	0	11,081
Cemetery Endowment:			
Expendable Portion	885	0	885
Nonexpendable Portion	438,207	0	438,207
Other Purposes	91,678	0	91,678
Unrestricted	1,629,992	17,520,700	19,150,692
<i>Total Net Assets</i>	<u>\$12,327,150</u>	<u>\$34,836,966</u>	<u>\$47,164,116</u>

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2009

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest
<b>Governmental Activities</b>			
General Government	\$1,338,475	\$912,549	\$0
Security of Persons and Property	1,992,352	135,861	50,723
Public Health Services	291,659	42,230	59,282
Transportation	610,839	120	356,084
Leisure Time Activities	167,142	23,877	44,552
Community Environment	161,625	0	681,619
Interest and Fiscal Charges	22,507	0	0
<i>Total Governmental Activities</i>	4,584,599	1,114,637	1,192,260
<b>Business-Type Activities</b>			
Water	1,631,659	1,635,674	118,734
Sewer	2,638,146	2,575,729	0
Electric	14,135,662	17,849,765	0
Garbage	615,697	636,466	0
Railroad	79,099	58,015	0
<i>Total Business-Type Activities</i>	19,100,263	22,755,649	118,734
<i>Total</i>	\$23,684,862	\$23,870,286	\$1,310,994

**General Revenues**

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

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and  
Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$425,926)	\$0	(\$425,926)
(1,805,768)	0	(1,805,768)
(190,147)	0	(190,147)
(254,635)	0	(254,635)
(98,713)	0	(98,713)
519,994	0	519,994
(22,507)	0	(22,507)
<u>(2,277,702)</u>	<u>0</u>	<u>(2,277,702)</u>
0	122,749	122,749
0	(62,417)	(62,417)
0	3,714,103	3,714,103
0	20,769	20,769
0	(21,084)	(21,084)
<u>0</u>	<u>3,774,120</u>	<u>3,774,120</u>
<u>(2,277,702)</u>	<u>3,774,120</u>	<u>1,496,418</u>
350,318	0	350,318
159,529	0	159,529
141,491	0	141,491
740,153	0	740,153
2,500	10,297	12,797
476,160	0	476,160
393,303	8,700	402,003
56,014	99,942	155,956
2,319,468	118,939	2,438,407
<u>(149,948)</u>	<u>149,948</u>	<u>0</u>
<u>2,169,520</u>	<u>268,887</u>	<u>2,438,407</u>
(108,182)	4,043,007	3,934,825
<u>12,435,332</u>	<u>30,793,959</u>	<u>43,229,291</u>
<u>\$12,327,150</u>	<u>\$34,836,966</u>	<u>\$47,164,116</u>

**City of Jackson, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2009*

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$635,557	\$2,910,431	\$3,545,988
Receivables:			
Accounts	40,709	41,478	82,187
Accrued Interest	35,694	4,103	39,797
Intergovernmental	61,723	692,064	753,787
Interfund	863,236	0	863,236
Property Taxes	406,437	345,726	752,163
Other Local Taxes	52,535	5,703	58,238
Loans	0	4,554	4,554
Materials and Supplies Inventory	1,480	43,756	45,236
Prepaid Items	30,007	5,840	35,847
<i>Total Assets</i>	<u>\$2,127,378</u>	<u>\$4,053,655</u>	<u>\$6,181,033</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$0	\$5,850	\$5,850
Accrued Wages Payable	73,704	16,613	90,317
Intergovernmental Payable	73,555	26,685	100,240
Deferred Revenue	447,229	947,943	1,395,172
Interfund Payable	0	20,320	20,320
<i>Total Liabilities</i>	<u>594,488</u>	<u>1,017,411</u>	<u>1,611,899</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	37,413	19,803	57,216
Reserved for Endowments	0	438,207	438,207
Reserved for Loans Receivable	0	3,354	3,354
Unreserved, Undesignated, Reported in:			
General Fund	1,495,477	0	1,495,477
Special Revenue Funds	0	2,562,914	2,562,914
Capital Projects Funds	0	11,081	11,081
Permanent Funds	0	885	885
<i>Total Fund Balance</i>	<u>1,532,890</u>	<u>3,036,244</u>	<u>4,569,134</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,127,378</u>	<u>\$4,053,655</u>	<u>\$6,181,033</u>

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2009*

**Total Governmental Fund Balances** \$4,569,134

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

Capital Assets used in governmental activities are not  
 financial resources and therefore are not reported in the funds. 7,686,095

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

Property Taxes	111,218	
Intergovernmental Revenues	643,009	
Total	754,227	754,227

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. 487,871

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

Compensated Absences Payable	(570,928)	
Accrued Interest Payable	(13,091)	
Police and Fire Pension Payable	(35,480)	
Long-Term Notes Payable	(550,678)	
Total	(1,170,177)	(1,170,177)

**Net Assets of Governmental Activities** \$12,327,150

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2009*

	General Fund	Other Governmental Funds	Totals Governmental Funds
<b>Revenues:</b>			
Property Taxes	\$337,391	\$290,024	\$627,415
Other Local Taxes	680,247	59,906	740,153
Intergovernmental	491,667	657,619	1,149,286
Charges for Services	883,034	66,107	949,141
Fines and Forfeitures	60,165	3,314	63,479
Licenses and Permits	86,335	0	86,335
Investment Earnings	393,430	48,392	441,822
Contributions and Donations	0	21,593	21,593
Miscellaneous	54,611	17,085	71,696
<i>Total Revenues</i>	<u>2,986,880</u>	<u>1,164,040</u>	<u>4,150,920</u>
<b>Expenditures:</b>			
Current:			
General Government	1,149,403	0	1,149,403
Security of Persons and Property	1,752,975	345,731	2,098,706
Public Health Services	0	290,416	290,416
Transportation	158,852	420,461	579,313
Leisure Time Activities	0	157,107	157,107
Community Environment	0	311,573	311,573
Debt Service:			
Principal Retirement	10,503	8,534	19,037
Interest and Fiscal Charges	1,836	7,911	9,747
<i>Total Expenditures</i>	<u>3,073,569</u>	<u>1,541,733</u>	<u>4,615,302</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(86,689)</u>	<u>(377,693)</u>	<u>(464,382)</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Capital Assets	0	6,600	6,600
Proceeds of Notes	0	360,250	360,250
Transfers In	0	153,513	153,513
Transfers Out	(139,525)	(13,988)	(153,513)
<i>Total Other Financing Sources (Uses)</i>	<u>(139,525)</u>	<u>506,375</u>	<u>366,850</u>
<i>Net Change in Fund Balances</i>	(226,214)	128,682	(97,532)
<i>Fund Balances at Beginning of Year</i>	<u>1,759,104</u>	<u>2,907,562</u>	<u>4,666,666</u>
<i>Fund Balances at End of Year</i>	<u>\$1,532,890</u>	<u>\$3,036,244</u>	<u>\$4,569,134</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, 2009*

**Net Change in Fund Balances - Total Governmental Funds** (\$97,532)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital Asset Additions	306,349	
Depreciation Expense	<u>(361,606)</u>	(55,257)

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. (323,879)

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

Grants	449,022	
Delinquent Taxes	<u>23,923</u>	472,945

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. 48,533

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 331,885

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 1,579

Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities:

Long-Term Bond Anticipation Notes		(360,250)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences Payable		<u>(126,206)</u>
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*Change in Net Assets of Governmental Activities* (\$108,182)

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$363,082	\$336,797	\$337,391	\$594
Other Local Taxes	680,000	676,161	685,815	9,654
Intergovernmental	305,550	293,554	495,287	201,733
Charges for Services	862,756	882,678	883,034	356
Fines and Forfeitures	60,750	60,090	61,804	1,714
Licenses and Permits	75,275	75,533	86,335	10,802
Investment Earnings	475,000	398,000	400,304	2,304
Miscellaneous	57,900	24,471	38,046	13,575
<i>Total Revenues</i>	<u>2,880,313</u>	<u>2,747,284</u>	<u>2,988,016</u>	<u>240,732</u>
<b>Expenditures</b>				
Current:				
General Government	1,243,040	1,312,281	1,179,999	132,282
Security of Persons and Property	1,865,225	1,855,933	1,748,662	107,271
Transportation	165,279	166,579	154,359	12,220
Debt Service:				
Principal Retirement	0	10,590	10,503	87
Interest and Fiscal Charges	0	1,935	1,836	99
<i>Total Expenditures</i>	<u>3,273,544</u>	<u>3,347,318</u>	<u>3,095,359</u>	<u>251,959</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(393,231)</u>	<u>(600,034)</u>	<u>(107,343)</u>	<u>492,691</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	357,322	857,322	857,322	0
Advances Out	0	(842,916)	(842,916)	0
Transfers Out	(366,000)	(139,525)	(139,525)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(8,678)</u>	<u>(125,119)</u>	<u>(125,119)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(401,909)</u>	<u>(725,153)</u>	<u>(232,462)</u>	<u>492,691</u>
<i>Fund Balance Beginning of Year</i>	713,929	713,929	713,929	0
Prior Year Encumbrances Appropriated	84,406	84,406	84,406	0
<i>Fund Balance End of Year</i>	<u>\$396,426</u>	<u>\$73,182</u>	<u>\$565,873</u>	<u>\$492,691</u>

See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2009*

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<b>Assets</b>			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$1,693,504	\$2,362,515	\$8,815,012
Accounts Receivable	230,412	306,780	1,967,558
Materials and Supplies Inventory	149,629	20,236	948,024
Prepaid Items	18,239	20,645	16,558
Intergovernmental Receivable	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	0	575,396
Customer Deposits	60,735	56,427	254,412
<i>Total Current Assets</i>	<u>2,152,519</u>	<u>2,766,603</u>	<u>12,576,960</u>
Noncurrent:			
Deferred Charges	79,491	0	130,200
Investment in Joint Venture	0	0	766,324
Non-Depreciable Capital Assets	1,266,587	12,161,051	200,000
Depreciable Capital Assets, Net	3,999,300	2,862,574	7,743,239
<i>Total Noncurrent Assets</i>	<u>5,345,378</u>	<u>15,023,625</u>	<u>8,839,763</u>
<i>Total Assets</i>	<u>7,497,897</u>	<u>17,790,228</u>	<u>21,416,723</u>
<b>Liabilities</b>			
Current:			
Accounts Payable	0	5,725	18,492
Accrued Wages Payable	23,391	32,299	35,987
Intergovernmental Payable	21,137	29,557	32,640
Interfund Payable	0	500,000	0
Claims Payable	0	0	0
Notes Payable	14,737	37,384	100,000
Compensated Absences Payable	39,607	57,072	57,197
OWDA Loans Payable	0	185,890	0
Payables from Restricted Assets:			
Revenue Bonds Payable	170,000	0	290,000
<i>Total Current Liabilities</i>	<u>268,872</u>	<u>847,927</u>	<u>534,316</u>
Long-Term:			
Customer Deposits Payable from Restricted Assets	60,735	56,427	254,412
Notes Payable	187,219	320,070	0
Compensated Absences Payable	109,202	130,512	140,882
OWDA Loans Payable	0	7,271,937	0
Revenue Bonds Payable	1,931,346	0	4,227,000
<i>Total Long-Term Liabilities</i>	<u>2,288,502</u>	<u>7,778,946</u>	<u>4,622,294</u>
<i>Total Liabilities</i>	<u>2,557,374</u>	<u>8,626,873</u>	<u>5,156,610</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	3,029,458	7,208,344	3,556,439
Unrestricted	1,911,065	1,955,011	12,703,674
<i>Total Net Assets</i>	<u>\$4,940,523</u>	<u>\$9,163,355</u>	<u>\$16,260,113</u>

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

Other Enterprise Funds	Total Enterprise Funds	Business-Type Activities- Internal Service Fund
\$390,564	\$13,261,595	\$1,040,006
54,491	2,559,241	0
306	1,118,195	0
4,005	59,447	0
324,000	324,000	0
0	575,396	0
18,003	389,577	0
<u>791,369</u>	<u>18,287,451</u>	<u>1,040,006</u>
0	209,691	0
0	766,324	0
1,957,276	15,584,914	0
1,704,999	16,310,112	0
<u>3,662,275</u>	<u>32,871,041</u>	<u>0</u>
<u>4,453,644</u>	<u>51,158,492</u>	<u>1,040,006</u>
0	24,217	0
10,849	102,526	0
10,038	93,372	0
342,916	842,916	0
0	0	4,590
28,050	180,171	0
3,433	157,309	0
0	185,890	0
<u>0</u>	<u>460,000</u>	<u>0</u>
<u>395,286</u>	<u>2,046,401</u>	<u>4,590</u>
18,003	389,577	0
112,200	619,489	0
2,725	383,321	0
0	7,271,937	0
0	6,158,346	0
<u>132,928</u>	<u>14,822,670</u>	<u>0</u>
<u>528,214</u>	<u>16,869,071</u>	<u>4,590</u>
3,522,025	17,316,266	0
403,405	16,973,155	1,035,416
<u>\$3,925,430</u>	<u>34,289,421</u>	<u>\$1,035,416</u>
	1,035,416	
	(487,871)	
	<u>\$34,836,966</u>	

**City of Jackson, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2009*

	Water	Sewer	Electric
<b>Operating Revenues</b>			
Charges for Services	\$1,628,490	\$2,568,545	\$17,715,924
Miscellaneous	11,094	17,309	59,706
<i>Total Operating Revenues</i>	<u>1,639,584</u>	<u>2,585,854</u>	<u>17,775,630</u>
<b>Operating Expenses</b>			
Personal Services	562,506	786,700	889,032
Fringe Benefits	241,334	329,031	361,589
Contractual Services	246,592	356,390	11,438,339
Materials and Supplies	89,280	106,957	26,368
Utilities	94,045	474,109	13,482
Depreciation	247,824	203,591	260,292
Other	37,929	288,178	917,577
<i>Total Operating Expenses</i>	<u>1,519,510</u>	<u>2,544,956</u>	<u>13,906,679</u>
<i>Operating Income (Loss)</i>	<u>120,074</u>	<u>40,898</u>	<u>3,868,951</u>
<b>Non-Operating Revenues (Expenses)</b>			
Federal and State Subsidies	118,734	0	0
Investment in Joint Venture	0	0	126,657
Investment Earnings	0	0	8,700
Interest and Fiscal Charges	(97,859)	(78,900)	(214,693)
Gain on Disposal of Capital Assets	0	2,500	4,697
<i>Total Non-Operating Revenues (Expenses)</i>	<u>20,875</u>	<u>(76,400)</u>	<u>(74,639)</u>
<i>Income (Loss) Before Contributions and Transfers</i>	140,949	(35,502)	3,794,312
Capital Contributions from Other funds	149,948	0	0
<i>Change in Net Assets</i>	290,897	(35,502)	3,794,312
<i>Net Assets Beginning of Year</i>	<u>4,649,626</u>	<u>9,198,857</u>	<u>12,465,801</u>
<i>Net Assets End of Year</i>	<u><u>\$4,940,523</u></u>	<u><u>\$9,163,355</u></u>	<u><u>\$16,260,113</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

All Other Enterprise Funds	Total Enterprise Funds	Business-Type Activities- Internal Service Funds
\$692,086	\$22,605,045	\$158,623
11,833	99,942	0
<u>703,919</u>	<u>22,704,987</u>	<u>158,623</u>
264,125	2,502,363	0
122,188	1,054,142	133,777
164,739	12,206,060	0
37,186	259,791	0
5,311	586,947	0
86,385	798,092	0
10,063	1,253,747	0
<u>689,997</u>	<u>18,661,142</u>	<u>133,777</u>
<u>13,922</u>	<u>4,043,845</u>	<u>24,846</u>
0	118,734	0
0	126,657	0
0	8,700	0
(35)	(391,487)	0
3,100	10,297	0
<u>3,065</u>	<u>(127,099)</u>	<u>0</u>
16,987	3,916,746	24,846
<u>0</u>	<u>149,948</u>	<u>0</u>
16,987	4,066,694	24,846
<u>3,908,443</u>		<u>1,010,570</u>
<u>\$3,925,430</u>		<u>\$1,035,416</u>
	<u>(23,687)</u>	
	<u>\$4,043,007</u>	

**City of Jackson, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
*For the Year Ended December 31, 2009*

	Water	Sewer	Electric
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$1,587,315	\$2,566,645	\$17,451,008
Other Cash Receipts	11,094	13,036	42,396
Cash Payments for Employee Services and Benefits	(801,311)	(1,096,102)	(1,199,012)
Cash Payments for Goods and Services	(489,630)	(925,001)	(11,357,901)
Utility Deposits Received	27,125	25,500	113,900
Utility Deposits Returned	(27,395)	(25,390)	(111,025)
Other Operating Expenses	(65,324)	(313,568)	(1,028,602)
<i>Net Cash Provided by Operating Activities</i>	241,874	245,120	3,910,764
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating Grants Received	118,734	0	0
Advances In	0	500,000	0
Advances Out	0	(500,000)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	118,734	0	0
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from the Sale of Capital Assets	0	2,500	4,697
Proceeds from OWDA Loans	0	530,174	0
Payments for Capital Acquisitions	(196,028)	(3,598,841)	(909,584)
Notes Issued	0	0	100,000
Principal Paid on Revenue Bonds Payable	(150,000)	0	(280,000)
Principal Paid on OWDA Loans	0	(372,710)	0
Principal Paid on Notes	(14,737)	(37,384)	0
Interest Paid on Revenue Bonds	(91,763)	0	(205,493)
Interest Paid on Notes	0	0	0
Interest Paid on OWDA Loans Payable	0	(78,900)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	(452,528)	(3,555,161)	(1,290,380)
<b>Cash Flows from Investing Activities</b>			
Investment Earnings	0	0	8,700
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(91,920)	(3,310,041)	2,629,084
<i>Cash and Cash Equivalents Beginning of Year</i>	1,846,159	5,728,983	7,015,736
<i>Cash and Cash Equivalents End of Year</i>	\$1,754,239	\$2,418,942	\$9,644,820

See accompanying notes to the basic financial statements

All Other Enterprise Funds	Total Enterprise Funds	Business-Type Activities - Internal Service Fund
\$695,045	\$22,300,013	\$158,623
9,995	76,521	0
(382,492)	(3,478,917)	(139,027)
(198,267)	(12,970,799)	0
9,464	175,989	0
(9,409)	(173,219)	0
(19,379)	(1,426,873)	0
<u>104,957</u>	<u>4,502,715</u>	<u>19,596</u>
0	118,734	0
342,916	842,916	0
<u>(354,000)</u>	<u>(854,000)</u>	<u>0</u>
<u>(11,084)</u>	<u>107,650</u>	<u>0</u>
3,100	10,297	0
0	530,174	0
(454,066)	(5,158,519)	0
140,250	240,250	0
0	(430,000)	0
0	(372,710)	0
(6,011)	(58,132)	0
0	(297,256)	0
(35)	(35)	0
0	(78,900)	0
<u>(316,762)</u>	<u>(5,614,831)</u>	<u>0</u>
<u>0</u>	<u>8,700</u>	<u>0</u>
(222,889)	(995,766)	19,596
<u>631,456</u>	<u>15,222,334</u>	<u>1,020,410</u>
<u>\$408,567</u>	<u>\$14,226,568</u>	<u>\$1,040,006</u>

**City of Jackson, Ohio**  
*Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities*  
*Proprietary Funds*  
*For the Year Ended December 31, 2009*

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Operating Income (Loss)	\$120,074	\$40,898	\$3,868,951
Adjustments:			
Depreciation	247,824	203,591	260,292
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(41,175)	(6,173)	(282,226)
(Increase) Decrease in Prepaid Items	(845)	(4,639)	281
(Increase) Decrease in Materials and Supplies Inventory	(68,816)	2,210	(9,510)
Increase (Decrease) in Accounts Payable	(17,447)	(10,506)	18,492
Increase in Accrued Wages Payable	586	3,002	4,831
Decrease in Claims Payable	0	0	0
Increase (Decrease) in Compensated Absences Payable	(694)	12,109	39,988
Increase (Decrease) in Customer Deposits Payable	(270)	110	2,875
Increase in Intergovernmental Payable	2,637	4,518	6,790
<i>Net Cash Provided by Operating Activities</i>	<u>\$241,874</u>	<u>\$245,120</u>	<u>\$3,910,764</u>

**Noncash Transactions:**

The Community Improvement Special Revenue Fund donated \$149,948 in Capital Assets to the Water Fund.  
The Sewer Fund recorded a payable for the purchase of capital assets in the amount of \$603,166 in 2008.

See accompanying notes to the basic financial statements

All Other Enterprise Funds	Total Enterprise Funds	Business-Type Activities - Internal Service Fund
\$13,922	\$4,043,845	\$24,846
86,385	798,092	0
1,121	(328,453)	0
(181)	(5,384)	0
(166)	(76,282)	0
0	(9,461)	0
118	8,537	0
0	0	(5,250)
1,581	52,984	0
55	2,770	0
2,122	16,067	0
<u>\$104,957</u>	<u>\$4,502,715</u>	<u>\$19,596</u>

**City of Jackson, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2009*

**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$15,863</u></u>
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**Liabilities**

Due to Others	<u><u>\$15,863</u></u>
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See accompanying notes to the basic financial statements

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**NOTE 1 - REPORTING ENTITY**

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

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

**Reporting Entity**

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

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

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

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

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

The financial statements of the City of Jackson have been prepared in conformity with 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, 2009*

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

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

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

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

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

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

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

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

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

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

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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vehicle registration fees and gasoline taxes), and fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance fiscal year 2010 operations have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

#### E. Budgetary Process

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

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

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

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

#### 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."

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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During 2009, investments were limited to certificates of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on current share price. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost. The City has invested funds in STAR Ohio during 2009. 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, 2009.

Provisions of the Ohio Revised Code restrict investment procedures. During 2009, interest was distributed to the General Fund, certain special revenue funds, capital projects funds, and enterprise funds. Interest revenue credited to the General Fund during 2009 amounted to \$393,430, of which \$379,108 was assigned from other City funds.

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

G. Receivables and Payables

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

H. Inventory of Supplies

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, 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

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

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**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.

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

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

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

**L. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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M. Compensated Absences

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

O. Bond Premiums, Discounts, and Issuance Costs

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

P. Gain/Loss on Refunding

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

Q. Fund Balance Reserves

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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R. Net Assets

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

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

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

S. Internal Activity

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

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

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

T. Estimates

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

U. Operating Revenues and Expenses

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

V. Extraordinary and Special Items

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**NOTE 3 - 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).
5. Unrecorded cash and prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.

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	(\$226,214)
Net Adjustment for Revenue Accruals	11,707
Net Adjustment for Expenditure Accruals	17,428
Beginning of Year:	
Unreported Cash	21,095
Prepaid Items	28,807
End of Year:	
Unreported Cash	(31,666)
Prepaid Items	(30,007)
Advances In	857,322
Advances Out	(842,916)
Encumbrances	(38,018)
	(38,018)
Budget Basis	(\$232,462)

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, 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;
2. Bonds, notes, debentures, or any other obligation or security 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, and 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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 describe in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the City lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the City's average portfolio in either of the following:
  - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.
  - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Fifteen percent of the City's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
  11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. One percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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, 2009*

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**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the City's deposits was \$13,353,735 and the bank balance was \$13,511,221. Of the bank balance \$1,389,335 was covered by Federal depository insurance and \$12,121,886 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

**Investments**

As of December 31, 2009, the City had the following investments:

	Fair Value	Maturity
Repurchase Agreement	\$4,794,481	1 Day
STAR Ohio	680,209	Average 54.7 Days
Total Portfolio	\$5,474,690	

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

**Credit Risk.** STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The repurchase agreements are not rated. The City has no policy that addresses credit risk.

**Concentration of Credit Risk** is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The City's investment policy places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2008:

Investment Issuer	Percentage of Investments
Repurchase Agreement	87.58%
STAR Ohio	12.42%

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**NOTE 5 - 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 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of the appraised value. 2009 real property taxes are collected in and intended to finance 2010.

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.

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. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008.

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 full tax rate for all City operations for the year ended December 31, 2009, was \$6.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

	<u>2009</u>
Real Property	\$64,568,540
Public Utility Real and Tangible Personal Property	<u>55,688,470</u>
Total Assessed Value	<u><u>\$120,257,010</u></u>

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, 2009 and for which there is an enforceable legal claim. In the General Fund and Police Special Revenue Fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2009 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.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2009, consisted primarily of taxes, intergovernmental receivables arising from grants, loans, entitlements and shared revenues, interest on investments, and utility accounts.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables are expected to be collected within one year, with the exception of delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$111,218. The financial statements reflect loans receivable of \$4,554. This amount is the amount owed to the City for Federal Community Development Block Grant monies loaned to an individual for home improvements. The loan is interest-free and is to be repaid over a period of thirty years. The amount not scheduled for collection during the subsequent year is \$3,354.

A summary of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Community Housing Improvement Projects	\$489,225
Local Government Subsidies	61,187
Gasoline Tax	108,035
Motor Vehicle License Tax	33,308
Miscellaneous Grants	<u>62,032</u>
 Total Governmental Activities	 753,787
 <u>Business-type Activities:</u>	
Railroad Grant	<u>324,000</u>
 Total Intergovernmental Receivable	 <u><u>\$1,077,787</u></u>

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2009, was as follows:

**City of Jackson, Ohio**  
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	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009
<b><u>Governmental Activities:</u></b>				
Non-Depreciable Capital Assets:				
Land	\$1,484,816	\$0	(\$312,848)	\$1,171,968
Total Non-Depreciable Capital Assets	<u>1,484,816</u>	<u>0</u>	<u>(312,848)</u>	<u>1,171,968</u>
Depreciable Capital Assets:				
Land Improvements	363,025	0	0	363,025
Buildings	2,306,966	0	0	2,306,966
Equipment	1,187,062	29,372	(16,700)	1,199,734
Infrastructure	8,038,447	0	0	8,038,447
Vehicles	1,439,764	276,977	(42,000)	1,674,741
Total Depreciable Capital Assets	<u>13,335,264</u>	<u>306,349</u>	<u>(58,700)</u>	<u>13,582,913</u>
Accumulated Depreciation:				
Land Improvements	(113,245)	(10,536)	0	(123,781)
Buildings	(674,238)	(48,141)	0	(722,379)
Equipment	(718,518)	(69,574)	5,669	(782,423)
Infrastructure	(4,135,502)	(134,845)	0	(4,270,347)
Vehicles	(1,113,346)	(98,510)	42,000	(1,169,856)
Total Accumulated Depreciation	<u>(6,754,849)</u>	<u>(361,606)*</u>	<u>47,669</u>	<u>(7,068,786)</u>
Total Depreciable Capital Assets, Net	<u>6,580,415</u>	<u>(55,257)</u>	<u>(11,031)</u>	<u>6,514,127</u>
Governmental Capital Assets, Net	<u>\$8,065,231</u>	<u>(\$55,257)</u>	<u>(\$323,879)</u>	<u>\$7,686,095</u>

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

<b><u>Governmental Activities:</u></b>	
General Government	\$187,277
Security of Persons and Property	116,622
Public Health Services	6,640
Transportation	32,688
Leisure Time Activities	18,379
Total Depreciation Expense	<u>\$361,606</u>

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
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	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009
<b>Business-Type Activities:</b>				
Non-Depreciable Capital Assets:				
Land	\$2,922,332	\$200,000	\$0	\$3,122,332
Construction in Progress	9,986,467	3,316,762	(840,647)	12,462,582
Total-Non Depreciable Capital Assets	<u>12,908,799</u>	<u>3,516,762</u>	<u>(840,647)</u>	<u>15,584,914</u>
Depreciable Capital Assets:				
Land Improvements	34,348	0	0	34,348
Buildings	1,093,527	14,600	0	1,108,127
Equipment	2,309,767	66,485	(12,407)	2,363,845
Infrastructure	18,390,292	1,808,101	0	20,198,393
Vehicles	1,878,909	140,000	(116,790)	1,902,119
Total Depreciable Capital Assets	<u>23,706,843</u>	<u>2,029,186</u>	<u>(129,197)</u>	<u>25,606,832</u>
Accumulated Depreciation:				
Land Improvements	(9,791)	(925)	0	(10,716)
Buildings	(442,492)	(18,773)	0	(461,265)
Equipment	(1,183,006)	(186,636)	12,407	(1,357,235)
Infrastructure	(5,707,139)	(456,294)	0	(6,163,433)
Vehicles	(1,285,397)	(135,464)	116,790	(1,304,071)
Total Accumulated Depreciation	<u>(8,627,825)</u>	<u>(798,092)</u>	<u>129,197</u>	<u>(9,296,720)</u>
Total Depreciable Capital Assets, Net	<u>15,079,018</u>	<u>1,231,094</u>	<u>0</u>	<u>16,310,112</u>
Business-Type Activities Capital Assets, Net	<u>\$27,987,817</u>	<u>\$4,747,856</u>	<u>(\$840,647)</u>	<u>\$31,895,026</u>

**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employee Retirement System**

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

OPERS provides retirement, disability and survivor benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 10.1 percent.

The City's 2009 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$291,588, \$249,992, and \$266,980, respectively; 88.09 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the Member-Directed Plan for 2009 were \$588 made by the City and \$420 made by plan members.

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

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

Funding Policy – The City has no firefighters. Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. The City's contributions to OP&F were \$89,719 for the year ended December 31, 2009, \$95,434 for the year ended December 31, 2008, and \$88,231 for the year ended December 31, 2007. 87.43 percent has been contributed for 2009. The full amount has been contributed for 2008 and 2007.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2009, the unfunded police liability of the City was \$35,480 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

**NOTE 9 – POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employee Retirement System**

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
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coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Funding Policy** – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$210,841, \$249,992, and \$175,855, respectively; 88.09 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

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

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

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police were \$47,498 for the year ended December 31, 2009, \$50,524 for the year ended December 31, 2008, and \$46,758 for the year ended December 31, 2007. 87.43 percent has been contributed for police for 2009. The full amount has been contributed for 2008 and 2007.

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**A. Deferred Compensation Plans**

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

**B. Additional Insurance**

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

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The City provides comprehensive major medical insurance through Anthem Blue Cross and Blue Shield. The City pays 94 percent of the total monthly premiums of \$1,356.99 for family coverage and \$493.44 for single coverage.

C. Compensated Absences

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

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

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2009, 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 \$1,000,000 of total liability coverage for each occurrence, and a \$2,000,000 aggregate limit. The City carries a \$10,000 deductible for both law enforcement and public officials' liability insurance. Property insurance is covered to a limit of \$33,149,203 with a \$5,000 deductible. Under automobile liability the City has \$1,000,000 of total liability coverage for each occurrence. Automobile insurance carries a \$500 per vehicle deductible for comprehensive coverage and a \$1,000 per vehicle collision coverage. Boiler and machinery insurance is covered to a limit of \$7,000,000 with various sublimits. The City carries a \$10,000 deductible for boiler and machinery liability. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

The City is a member in good standing of the Ohio Rural Water Association (ORWA) group rating plan. The intent of the City's membership in the ORWA is to achieve the benefit of reduced workers' compensation premiums, foster safer working conditions and promote cost effective claims management by virtue of its grouping and representation with other members of the ORWA. The City pays a workers' compensation premium based on its individual workers' compensation claim experience; then the workers' compensation claim experience of the ORWA members is calculated as one experience. A comparison is calculated and each member's individual workers' compensation claim experience is compared to the workers' compensation claim experience of the ORWA members. A member may then receive a refund for a favorable comparison to the group or contribute to an equity pooling fund for an unfavorable comparison. The equity pooling arrangement ensures that each member shares equally in the overall experience of the ORWA members. CompManagement, Inc. is the third party administrator that provides case management, consulting and administrative services to participating members of the ORWA.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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Beginning in 2004, the City manages the deductible portion of employee health benefits on a self-insured basis. The employee health benefit plan provides this coverage through Patrick and Associates, the third party administrator of the program, which reviews and pays the claims. Patrick and Associates charges the City an annual fee of \$300, with a monthly administration fee of \$4.75 per employee. The claims liability of \$4,590 reported in the self-insurance fund at December 31, 2009, 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
2008	\$11,280	\$86,784	\$88,224	\$9,840
2009	9,840	133,777	139,027	4,590

**NOTE 12 – SHORT TERM OBLIGATIONS**

The following is a summary of the City's short term obligations for the year ended December 31, 2009:

<u>Business-Type Activity</u>	<u>Outstanding 12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/2009</u>
Barridge Property Note, 0%	\$0	\$100,000	\$0	\$100,000

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

**NOTE 13 - LONG-TERM OBLIGATIONS**

Changes in the City's long-term obligations during 2009 consist of the following:

	Outstanding 12/31/2008	Additions	Reductions	Outstanding 12/31/2009	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
<u>Notes</u>					
Police Cruiser Note 3.2%	\$5,230	\$0	\$5,230	\$0	\$0
Police Cruiser Note 3.2%	4,511	0	4,511	0	0
Building Acquisition Note 4.0%	110,631	0	4,741	105,890	4,937
Building Improvement Note 4.0%	88,331	0	3,793	84,538	3,950
Fire Truck Note 3.7%	0	360,250	0	360,250	72,050
Land Note 1.0%	312,848	0	312,848	0	0
Total Notes	<u>521,551</u>	<u>360,250</u>	<u>331,123</u>	<u>550,678</u>	<u>80,937</u>
Police and Fire Pension Liability	36,242	0	762	35,480	795
Compensated Absences	444,722	136,994	10,788	570,928	136,410
Total Governmental Activities	<u>\$1,002,515</u>	<u>\$497,244</u>	<u>\$342,673</u>	<u>\$1,157,086</u>	<u>\$218,142</u>
<b><u>Business-Type Activities:</u></b>					
<u>Bonds</u>					
2007 Water System General Obligation Bonds 4%	\$2,275,000	\$0	\$150,000	\$2,125,000	\$170,000
Deferred Amount on Refunding	(46,514)	0	(2,595)	(43,919)	0
Unamortized Bond Premium	21,463	0	1,198	20,265	0
2006 Electric System Revenue Bonds 4.2-6.4%	4,860,000	0	280,000	4,580,000	290,000
Unamortized Bond Discount	(66,000)	0	(3,000)	(63,000)	0
Total Bonds Payable	<u>7,043,949</u>	<u>0</u>	<u>425,603</u>	<u>6,618,346</u>	<u>460,000</u>
<u>Notes Payable</u>					
2001 Holzer Hospital Water Lines 0%	216,693	0	14,737	201,956	14,737
2002 Holzer Hospital Lift Station 0%	394,838	0	37,384	357,454	37,384
Garbage Truck Note 3.5%	6,011	0	6,011	0	0
Garbage Truck Note 3.7%	0	140,250	0	140,250	28,050
Total Notes Payable	<u>617,542</u>	<u>140,250</u>	<u>58,132</u>	<u>699,660</u>	<u>80,171</u>
2007 OWDA Loan 1%	7,300,363	530,174	372,710	7,457,827	185,890
Compensated Absences Payable	487,646	95,801	42,817	540,630	157,309
Total Business-Type Activities	<u>\$15,449,500</u>	<u>\$766,225</u>	<u>\$899,262</u>	<u>\$15,316,463</u>	<u>\$883,370</u>

**Governmental Activities:**

***Notes Payable***

The \$312,848 2004 Land Note was for the purchase of land as part of a grant to improve local wetlands. The note was paid off in 2009. In 2009, the City also paid off its Police Cruiser Notes from the General Fund, as well as issued a 3.7% Fire Truck Note.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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The City will pay the Building Acquisition and Improvement Notes from the Community Improvement Special Revenue Fund and the Fire Truck Note from the Fire Levy Fund. Principal and interest requirements to retire these outstanding notes at December 31, 2009 were:

Year	Principal	Interest	Total
2010	\$80,937	\$21,072	\$102,009
2011	81,304	18,005	99,309
2012	81,666	14,938	96,604
2013	82,083	11,833	93,916
2014	82,497	8,700	91,197
2015	142,191	3,754	145,945
	<u>\$550,678</u>	<u>\$78,302</u>	<u>\$628,980</u>

***Police and Fire Pension Liability***

The City will pay the Police and Fire Pension Liability from the General Fund. Principal and interest requirements to retire the City's police and fire pension liability outstanding at December 31, 2009 were:

Year	Principal	Interest	Total
2010	\$795	\$1,500	\$2,295
2011	829	1,466	2,295
2012	865	1,430	2,295
2013	902	1,393	2,295
2014	940	1,355	2,295
2015-2019	5,344	6,131	11,475
2020-2024	6,597	4,878	11,475
2025-2029	8,139	3,336	11,475
2030-2034	10,043	1,432	11,475
2035	1,026	22	1,048
	<u>\$35,480</u>	<u>\$22,943</u>	<u>\$58,423</u>

***Compensated Absences Payable***

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

As of December 31, 2009, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$11,936,058, with an unvoted debt margin of \$5,923,208.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**Business-Type Activities:**

***Bonds***

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

On October 9, 2007, the City issued \$2,375,000 in Water System General Obligation Bonds, with a premium of \$22,761, for the purpose of (1) defeasing the 1993 Water System Revenue Bonds, and (2) paying for additional water system improvements.

\$1,899,314 (after underwriting fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1993 water revenue bonds. The refunded bonds were called on December 1, 2007, and the irrevocable trust account was closed as of December 31, 2007.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$49,314. This difference, reported as a deduction from bonds payable, is being charged to interest through 2026.

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

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.

The City has pledged future electric customer revenues, net of specified operating expenses, to repay \$6,495,000 in electric system revenue bonds issued in 2006. Proceeds from these bonds provided financing for various electric utility projects. The bonds are payable solely from electric customer net revenues and are payable through 2035. Annual principal and interest payments on the bonds are expected to require less than 12 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$6,486,944. Principal and interest paid for the current year and total customer net revenues were \$478,356 and \$4,133,246, respectively. Principal and interest requirements for revenue bonds are as follows:

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$460,000	\$272,918	\$732,918
2011	480,000	254,518	734,518
2012	495,000	235,318	730,318
2013	500,000	215,518	715,518
2014	540,000	195,518	735,518
2015-2019	1,815,000	697,990	2,512,990
2020-2024	1,050,000	424,943	1,474,943
2025-2029	1,135,000	189,977	1,324,977
2030	230,000	9,775	239,775
Total	<u>\$6,705,000</u>	<u>\$2,496,475</u>	<u>\$9,201,475</u>

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Notes Payable***

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

The Garbage Truck Note issued on March 31, 2005, for \$90,000 at 3.5%, for the purchase of a garbage truck was paid off in 2009. The City issued a Garbage Truck Note on January 16, 2009, for \$140,000 at 3.7% for the purchase of a garbage truck. Payment for this debt will come from the Garbage Enterprise Fund.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$28,050	\$5,263	\$33,313
2011	28,050	4,209	32,259
2012	28,050	3,157	31,207
2013	28,050	2,110	30,160
2014	28,050	1,052	29,102
Total	<u>\$140,250</u>	<u>\$15,791</u>	<u>\$156,041</u>

During 2007, the City was approved for an \$8,219,736 one percent loan for a sewer project. As of December 31, 2009, the City has received \$8,015,502 in loan proceeds for this ongoing project. The project is scheduled for completion during 2010. Based on the current status of the OWDA loan, there is a tentative repayment schedule in place, but a final loan repayment schedule will be provided at the point the project is complete.

***Compensated Absences Payable***

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**NOTE 14 - INTERFUND ACTIVITY**

A. Transfers

<u>Transfer from</u>	<u>Transfer to Other Governmental Funds</u>
Major Fund:	
General Fund	\$139,525
Other Governmental Funds	13,988
Total	<u>\$153,513</u>

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

B. Balances

Interfund balances at December 31, 2009, arise from the provision of cash flows from the General Fund until the receipt of grant monies by Special Revenue Funds and Enterprise Funds. These advances will be repaid in 2009.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$863,236	\$0
Recreation Special Revenue Fund	0	20,320
Sewer Fund	0	500,000
Railroad Fund	0	342,916
Total Enterprise Funds	0	842,916
Total All Funds	<u>\$863,236</u>	<u>\$863,236</u>

**NOTE 15 – JOINT VENTURE**

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

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

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2009, Jackson has met their debt coverage obligation.

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

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

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$766,324 at December 31, 2009. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**NOTE 16 - CONTINGENT LIABILITIES**

**A. Litigation**

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

**B. Federal and State Grants**

For the period January 1, 2009, to December 31, 2009, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**City of Jackson, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**NOTE 17 – CONDUIT DEBT OBLIGATIONS**

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

As of December 31, 2009, there was one series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$670,319 and one series of hospital facilities revenue bonds outstanding with an aggregate principal amount payable of \$25 million.

**CITY OF JACKSON, JACKSON COUNTY**  
**Schedule of Federal Awards Expenditures**  
**For the Year Ended December 31, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Passed through the Ohio Department of Development/State's Program</i>			
HOME Investment Partnerships Program	A-C-09-135-2	14.239	\$27,500
Total U.S. Department of Housing and Urban Development			27,500
<b><u>U.S. Department of Commerce</u></b>			
<i>Economic Development Administration</i>			
Public Works Project	06-01-05053	11.300	1,898,146
Total U.S. Department of Commerce			1,898,146
<b><u>Federal Highway Administration</u></b>			
<i>Pass through Ohio Department of Transportation</i>			
Highway Planning & Construction	85429	20.205	49,947
Total Federal Highway Administration			49,947
Total Federal Assistance			<u>\$1,975,593</u>

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

**Note A - Significant Accounting Policies**

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

**Note B - Matching Requirements**

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

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

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 29, 2010. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 instance of noncompliance or other matters we must report under *Government Auditing Standards*.

Members of Council  
City of Jackson, Jackson County  
Independent Accountant's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Required by  
Government Auditing Standards

We did note certain matters not requiring inclusion in this report that we have reported to the Members of Council and management in a separate letter dated October 29, 2010.

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

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

October 29, 2010

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

City of Jackson  
145 Broadway Street  
Jackson, Ohio 45640

**Compliance**

We have audited the compliance of the City of Jackson, Jackson County, Ohio (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2009-01.

**Internal Control over Compliance**

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

Members of Council  
City of Jackson, Jackson County  
Independent Accountant's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control  
over Compliance in Accordance with OMB Circular A-133

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

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

The City's response to the finding identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

October 29, 2010

**CITY OF JACKSON  
JACKSON COUNTY, OHIO**  
*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2009*

**A. SUMMARY OF AUDITOR'S RESULTS**

<b>1. Type of Financial Statement Opinion</b>	Unqualified
<b>2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>4. Was there any material noncompliance reported at the financial statement level (GAGAS)?</b>	No
<b>5. Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>6. Were there any other reportable internal control weaknesses reported for major federal programs?</b>	No
<b>7. Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>8. Are there any reportable findings under § .510?</b>	Yes
<b>9. Major Programs (list):</b>	CFDA # 11.300 Public Works Project
<b>10. Dollar Threshold: Type A/B Programs</b>	Type A: >\$300,000 Type B: All Other Programs
<b>11. Low Risk Auditee?</b>	No

**CITY OF JACKSON**  
**JACKSON COUNTY, OHIO**  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended December 31, 2009*

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

There were no findings related to the financial statements.

**C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

*Finding Number 2009-01*

**Federal Reporting Compliance - Material Noncompliance**

OMB Circular A-133 Section .300(e) provides that the auditee is responsible for appropriate submission of the audit reports to the appropriate government officials and organizations. OMB A-133 Section .320(a) further provides that the audit report and data collection form must be submitted within the earlier of 30 days after the reports are received from the auditors, or nine months after year end of the audit period, unless a longer period is agreed upon in advance by the cognizant or oversight agency. The City did not request an extension of time with the cognizant or oversight agency when they noted that the audit would not be completed by the appropriate deadline.

We recommend the City contact the appropriate cognizant or oversight agency if is or will be known that they cannot meet the appropriate deadline for the filing of the audit report and Data Collection form.

**Officials Response**

The City of Jackson did request an extension for the filing of our 2009 Financial Statements with the Auditor of State's Office which was approved. However, at the time that this extension was requested the City had not made the determination whether or not their current year's federal expenditures would meet the threshold criteria for reporting under OMB Circular A-133. When the determination was made by the City in conjunction with the independent auditor, the deadline had already passed for the initial submission of this information, much less time to request an extension.

In the future, if the City of Jackson requires an extension we will make the appropriate requests to all agencies involved within the proper timeframes.

**CITY OF JACKSON, OHIO**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2009**

Description	Status	Comments
<b>Government Auditing Standards:</b>		
1. Overtime or compensatory time pay was given to employees prior to or without authorization of the employee's supervisor, the Department Head, or the Service/Safety Director as required by the City's Personnel Policies and Procedures Manual. This situation lead to the Auditor of State issuing findings for recovery against three employees.	Corrected	N/A
2. Painting projects for the water and wastewater plants were not competitively bid out.	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 23, 2010**