

**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS***  
**(AUDITED)**

FOR THE YEAR ENDED  
DECEMBER 31, 2014

**BRETT REED, CITY AUDITOR**





# Dave Yost • 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 Julian & Grube, Inc., for the audit period January 1, 2014 through December 31, 2014. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 16, 2015

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**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

City of Jackson  
Jackson County  
145 Broadway Street  
Jackson, Ohio 45640

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Jackson County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Jackson's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City of Jackson's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City of Jackson's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Jackson County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2015, on our consideration of the City of Jackson's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jackson's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 18, 2015



## CITY OF JACKSON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

The management's discussion and analysis of the City of Jackson's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. 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 2014 are as follows:

- The total net position of the City increased \$2,130,547 from the 2013 total net position. Net position of governmental activities decreased \$182,780 or 1.38% from 2013 and net position of business-type activities increased \$2,313,327 or 5.62% from 2013.
- General revenues accounted for \$1,920,386 or 34.21% of total governmental activities revenue. Program specific revenues accounted for \$3,693,017 or 65.79% of total governmental activities revenue.
- The City had \$5,771,183 in expenses related to governmental activities; \$3,693,017 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,078,166 were offset by general revenues (primarily property and other local taxes and unrestricted grants and entitlements) of \$1,920,386.
- The general fund had revenues of \$3,904,648 in 2014. The general fund had expenditures and other financing uses of \$4,125,701 in 2014. The net decrease in fund balance for the general fund was \$221,053 or 12.64%.
- Net position for the business-type activities, which are made up of the water, sewer, and electric major enterprise funds and the railroad and garbage nonmajor enterprise funds, increased in 2014 by \$2,313,327. This increase in net position was due primarily to charges for service revenues being greater than expenses.
- The water fund had operating revenues of \$2,619,278 and operating expenses of \$2,593,303 in 2014. The water fund also had non-operating expenses of \$58,694. The net decrease in net position for the water fund was \$32,719 or 0.52%.
- The sewer fund had operating revenues of \$3,688,741 and operating expenses of \$3,479,375 in 2014. The sewer fund also had net non-operating expenses of \$59,688, non-operating revenue of \$3, transfers in of \$25,000 and capital contributions of \$1,045,000. The net increase in net position for the sewer fund was \$1,219,681 or 11.77%.
- The electric fund had operating revenues of \$18,830,152 and operating expenses of \$17,037,394 in 2014. The electric fund also had non-operating revenues of \$4,805 and non-operating expenses of \$636,192. The net increase in net position for the electric fund was \$1,161,371 or 6.31%.
- In the general fund, the actual revenues and other financing sources were \$464,121 greater than they were in the final budget and actual expenditures and other financing uses were \$390,550 less than the amount in the final budget. Budgeted revenues and other financing sources increased \$559,509 from original to the final budget and budgeted expenditures and other financing uses increased \$837,085 from original to the final budget.

#### **Using this Annual Financial Report**

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

## CITY OF JACKSON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. 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 remains 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 as a Whole**

##### *Statement of Net Position and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in that position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

**Governmental activities** - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and other local taxes and intergovernmental revenues including federal and state grants and other shared revenues.

**Business-type activities** - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, electric, railroad and garbage operations are reported here.

The City's statement of net position and statement of activities can be found on pages 15-17 of this report.

#### **Reporting the City's Most Significant Funds**

##### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

## **CITY OF JACKSON, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014**

#### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's only major governmental fund is the general fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 18 - 22 of this report.

#### ***Proprietary Funds***

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, railroad, and garbage functions. The City's water, sewer and electric funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 23 - 26 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 27 of this report.

#### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 28 - 61 of this report.

**CITY OF JACKSON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Government-Wide Financial Analysis**

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2014 compared to 2013:

	<b>Net Position</b>					
	2014 Governmental Activities	2013 Governmental Activities	2014 Business-type Activities	2013 Business-type Activities	2014 Total	2013 Total
<u>Assets</u>						
Current and other assets	\$ 7,450,787	\$ 7,514,207	\$ 22,239,900	\$ 21,869,594	\$ 29,690,687	\$ 29,383,801
Investment in Joint Venture	-	-	213,355	697,718	213,355	697,718
Capital assets, net	<u>7,343,699</u>	<u>7,380,217</u>	<u>36,244,798</u>	<u>35,295,936</u>	<u>43,588,497</u>	<u>42,676,153</u>
Total assets	<u>14,794,486</u>	<u>14,894,424</u>	<u>58,698,053</u>	<u>57,863,248</u>	<u>73,492,539</u>	<u>72,757,672</u>
Deferred outflows	<u>-</u>	<u>-</u>	<u>130,705</u>	<u>33,539</u>	<u>130,705</u>	<u>33,539</u>
<u>Liabilities</u>						
Long-term liabilities	981,967	820,786	13,050,892	14,539,930	14,032,859	15,360,716
Other liabilities	<u>144,806</u>	<u>240,145</u>	<u>2,286,081</u>	<u>2,178,419</u>	<u>2,430,887</u>	<u>2,418,564</u>
Total liabilities	<u>1,126,773</u>	<u>1,060,931</u>	<u>15,336,973</u>	<u>16,718,349</u>	<u>16,463,746</u>	<u>17,779,280</u>
Deferred inflows	<u>629,000</u>	<u>612,000</u>	<u>-</u>	<u>-</u>	<u>629,000</u>	<u>612,000</u>
<u>Net Position</u>						
Net investment						
in capital assets	7,202,485	7,228,083	25,592,679	23,089,706	32,795,164	30,317,789
Restricted	3,603,342	3,450,441	-	-	3,603,342	3,450,441
Unrestricted	<u>2,232,886</u>	<u>2,542,969</u>	<u>17,899,086</u>	<u>18,088,732</u>	<u>20,131,972</u>	<u>20,631,701</u>
Total net position	<u>\$ 13,038,713</u>	<u>\$ 13,221,493</u>	<u>\$ 43,491,765</u>	<u>\$ 41,178,438</u>	<u>\$ 56,530,478</u>	<u>\$ 54,399,931</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$56,530,478. At year-end, net position was \$13,038,713 and \$43,491,765 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets net represented 59.17% of total assets. Capital assets include land, artwork and historical treasures, construction in progress, land improvements, buildings, equipment, vehicles, and infrastructure.

The net investment in capital assets at December 31, 2014, was \$7,202,485 and \$25,592,679 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**CITY OF JACKSON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

As of December 31, 2014, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. A portion of the City's net position, \$3,603,342 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$2,232,886 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for years 2014 and 2013.

**Change in Net Position**

	2014	2013	2014	2013	2014	2013
	Governmental	Governmental	Business-Type	Business-Type	2014	2013
	Activities	Activities	Activities	Activities	Total	Total
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,533,688	\$ 2,170,677	\$ 25,625,015	\$ 25,170,983	\$ 28,158,703	\$ 27,341,660
Operating grants and contributions	563,529	1,161,239	-	-	563,529	1,161,239
Capital grants and contributions	595,800	-	1,045,000	76,689	1,640,800	76,689
<b>Total program revenues</b>	<b>3,693,017</b>	<b>3,331,916</b>	<b>26,670,015</b>	<b>25,247,672</b>	<b>30,363,032</b>	<b>28,579,588</b>
General revenues:						
Property and other local taxes	1,404,114	1,449,257	-	-	1,404,114	1,449,257
Unrestricted grants and entitlements	237,919	504,684	-	-	237,919	504,684
Investment earnings	154,089	141,882	3	-	154,092	141,882
Miscellaneous	124,264	152,414	320,865	273,363	445,129	425,777
<b>Total general revenues</b>	<b>1,920,386</b>	<b>2,248,237</b>	<b>320,868</b>	<b>273,363</b>	<b>2,241,254</b>	<b>2,521,600</b>
<b>Total revenues</b>	<b>5,613,403</b>	<b>5,580,153</b>	<b>26,990,883</b>	<b>25,521,035</b>	<b>32,604,286</b>	<b>31,101,188</b>
Expenses:						
General government	1,314,951	1,280,711	-	-	1,314,951	1,280,711
Security of persons and property	2,387,147	2,421,221	-	-	2,387,147	2,421,221
Public health and welfare	95,045	374,280	-	-	95,045	374,280
Transportation	1,240,906	951,445	-	-	1,240,906	951,445
Community environment	527,157	378,216	-	-	527,157	378,216
Leisure time activities	199,521	177,819	-	-	199,521	177,819
Interest and fiscal charges	6,456	7,551	-	-	6,456	7,551
Water	-	-	2,605,101	2,212,096	2,605,101	2,212,096
Sewer	-	-	3,492,167	3,282,659	3,492,167	3,282,659
Electric	-	-	17,626,688	18,119,128	17,626,688	18,119,128
Other enterprise	-	-	978,600	966,247	978,600	966,247
<b>Total expenses</b>	<b>5,771,183</b>	<b>5,591,243</b>	<b>24,702,556</b>	<b>24,580,130</b>	<b>30,473,739</b>	<b>30,171,373</b>
Special item - AMP-Ohio stranded cost	-	-	-	800,853	-	800,853
Transfers	(25,000)	(277,550)	25,000	277,550	-	-
<b>Change in net position</b>	<b>(182,780)</b>	<b>(288,640)</b>	<b>2,313,327</b>	<b>2,019,308</b>	<b>2,130,547</b>	<b>1,730,668</b>
Net position at beginning of year	13,221,493	13,510,133	41,178,438	39,159,130	54,399,931	52,669,263
<b>Net position at end of year</b>	<b>\$ 13,038,713</b>	<b>\$ 13,221,493</b>	<b>\$ 43,491,765</b>	<b>\$ 41,178,438</b>	<b>\$ 56,530,478</b>	<b>\$ 54,399,931</b>

**CITY OF JACKSON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Governmental Activities**

Governmental activities net position decreased \$182,780 in 2014.

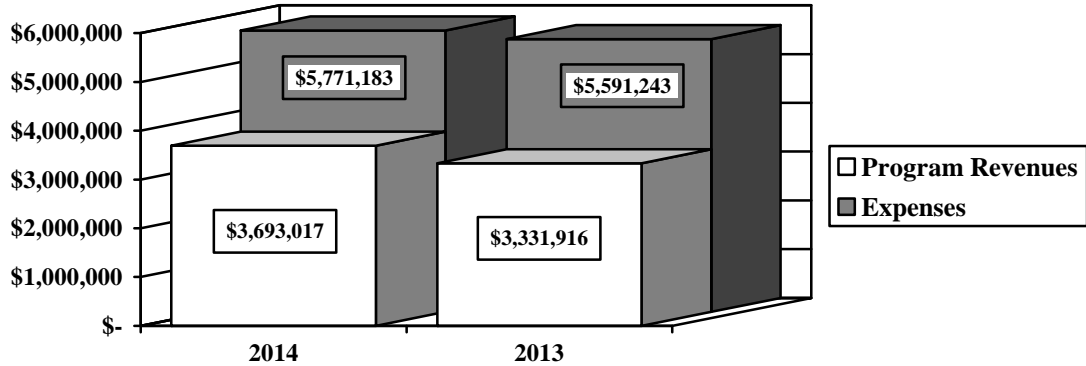
Security of persons and property, which primarily supports the operations of the police department accounted for \$2,387,147 of the total expenses of the City. These expenses were partially funded by \$72,268 in direct charges to users of the services. Transportation expenses totaled \$1,240,906. Transportation expenses were funded by \$1,249,399 in direct charges to users of the services, primarily related to right-of-ways, \$341,410 in operating grants and contributions and \$595,800 in capital grants and contributions.

The state and federal government contributed to the City a total of \$563,529 in operating grants and contributions.

General revenues totaled \$1,920,386, and amounted to 34.21% of total governmental revenues. These revenues primarily consist of property and other local tax revenue of \$1,404,114. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds, making up \$237,919.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

**Governmental Activities - Program Revenues vs. Total Expenses**



**CITY OF JACKSON, OHIO**

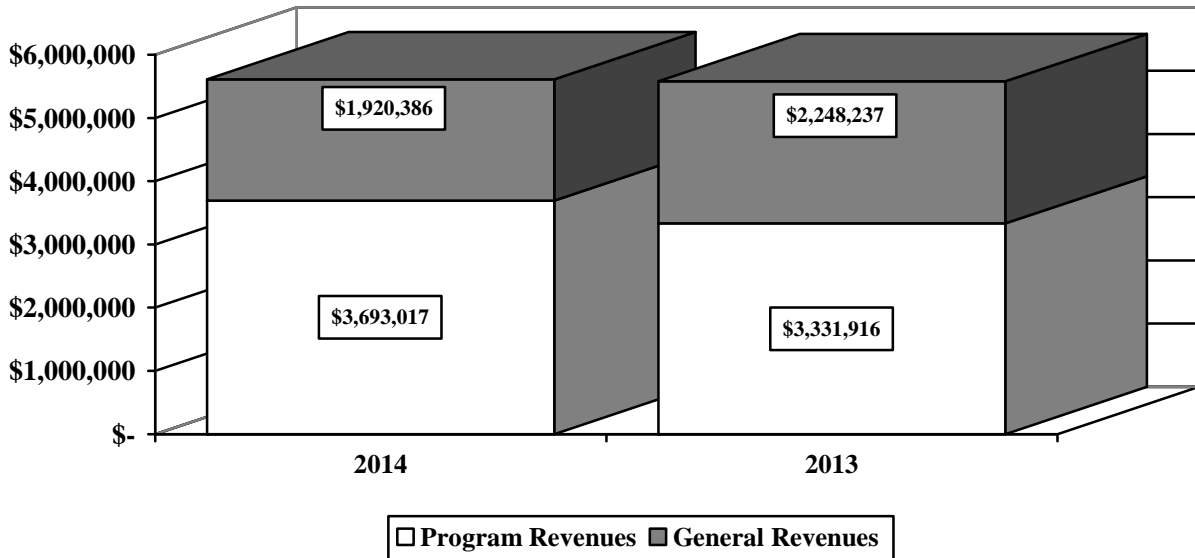
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Governmental Activities**

	Total Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2014</u>	Net Cost of Services <u>2013</u>
Program Expenses:				
General government	\$ 1,314,951	\$ 1,280,711	\$ 107,650	\$ (115,974)
Security of persons and property	2,387,147	2,421,221	2,314,879	2,351,509
Public health and welfare	95,045	374,280	84,434	307,505
Transportation	1,240,906	951,445	(945,703)	(219,503)
Community environment	527,157	378,216	372,532	(163,555)
Leisure time activity	199,521	177,819	137,918	91,794
Interest and fiscal charges	<u>6,456</u>	<u>7,551</u>	<u>6,456</u>	<u>7,551</u>
<b>Total Expenses</b>	<b><u>\$ 5,771,183</u></b>	<b><u>\$ 5,591,243</u></b>	<b><u>\$ 2,078,166</u></b>	<b><u>\$ 2,259,327</u></b>

The dependence upon general revenues for governmental activities is apparent, with 33.27% of expenses supported through taxes and other general revenues.

**Governmental Activities - General and Program Revenues**

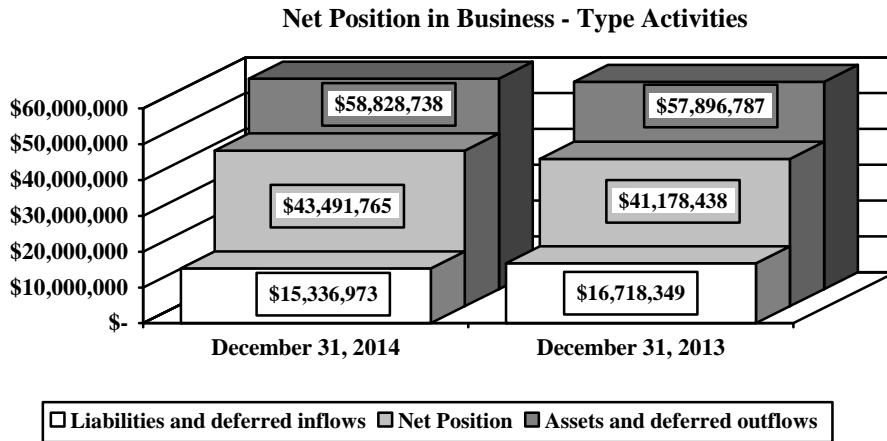


**CITY OF JACKSON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Business-type Activities**

Business-type activities include the water, sewer, and electric major enterprise funds and the railroad and garbage nonmajor enterprise funds. These programs had program revenues of \$26,670,015, general revenues of \$320,868 and expenses of \$24,702,556 for 2014. The graph below shows the business-type activities assets and deferred outflows, liabilities and deferred inflows and net position at year-end 2014 and 2013.



**Financial Analysis of the Government'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 assessing 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 year-end.

The City's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$5,178,995 which is \$115,869 below last year's total of \$5,294,864. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2014 for all major and nonmajor governmental funds.

	Balances <u>12/31/14</u>	Balances <u>12/31/13</u>	<u>(Decrease)</u>
General	\$ 1,527,490	\$ 1,748,543	\$ (221,053)
Other nonmajor governmental funds	<u>3,651,505</u>	<u>3,546,321</u>	<u>105,184</u>
<b>Total</b>	<u>\$ 5,178,995</u>	<u>\$ 5,294,864</u>	<u>\$ (115,869)</u>



**CITY OF JACKSON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**General Fund**

The City's general fund balance declined 12.64%, primarily as a result of transfers out of \$502,590. The table that follows assists in illustrating the revenues of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 1,051,346	\$ 1,044,599	0.65 %
Charges for services	2,265,584	1,880,228	20.50 %
Licenses and permits	94,769	98,904	(4.18) %
Fines and forfeitures	42,395	44,157	(3.99) %
Investment income	154,089	141,882	8.60 %
Intergovernmental	187,840	475,460	(60.49) %
Other	<u>108,625</u>	<u>148,260</u>	(26.73) %
 Total	 <u>\$ 3,904,648</u>	 <u>\$ 3,833,490</u>	 1.86 %

Tax revenue represents 26.93% of all general fund revenue. Tax revenue increased by 0.65% from prior year. The decrease in intergovernmental revenue is related to a decrease in estate tax revenue during the year. The decrease in other revenues is due to a decrease in miscellaneous receipts.

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 1,316,904	\$ 1,196,364	10.08 %
Security of persons and property	2,129,745	2,181,153	(2.36) %
Transportation	157,995	174,228	(9.32) %
Community environment	16,172	17,135	(5.62) %
Debt service	<u>2,295</u>	<u>2,295</u>	- %
 Total	 <u>\$ 3,623,111</u>	 <u>\$ 3,571,175</u>	 1.45 %

Total expenditures increased 1.45% from 2013. The largest expenditure line item, security of persons and property decreased 2.36%.

## CITY OF JACKSON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

#### ***Budgeting 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 several revisions to the original appropriations approved by City Council. Overall, these changes resulted in an increase from the original budget of \$130,456 excluding advances and transfers. The City's general fund actual expenditures were \$390,550 less than appropriations due to conservative spending.

#### ***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities.

The water fund had operating revenues of \$2,619,278 and operating expenses of \$2,593,303 in 2014. The water fund also had non-operating expenses of \$58,694. The net decrease in net position for the water fund was \$32,719 or 0.52%.

The sewer fund had operating revenues of \$3,688,741 and operating expenses of \$3,479,375 in 2014. The sewer fund also had net non-operating expenses of \$59,688, non-operating revenue of \$3, transfers in of \$25,000 and capital contributions of \$1,045,000. The net increase in net position for the sewer fund was \$1,219,681 or 11.77%.

The electric fund had operating revenues of \$18,830,152 and operating expenses of \$17,037,394 in 2014. The electric fund also had non-operating revenues of \$4,805 and non-operating expenses of \$636,192. The net increase in net position for the electric fund was \$1,161,371 or 6.31%.

#### **Capital Assets and Debt Administration**

##### ***Capital Assets***

At the end of 2014, the City had \$43,588,497 (net of accumulated depreciation) invested in land, art work and historical treasures, construction in progress, land improvements, buildings, equipment, vehicles, and infrastructure. Of this total, \$7,343,699 was reported in governmental activities and \$36,244,798 was reported in business-type activities.

**CITY OF JACKSON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

The following table shows 2014 capital asset balances compared to 2013:

**Capital Assets at December 31  
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 1,409,650	\$ 1,171,968	\$ 3,122,332	\$ 3,122,332	\$ 4,531,982	\$ 4,294,300
Art work and historical treasures	291,000	291,000	-	-	291,000	291,000
Land improvements	186,564	197,100	18,630	19,934	205,194	217,034
Buildings	1,444,070	1,496,496	551,468	571,186	1,995,538	2,067,682
Equipment	384,326	405,495	825,271	847,375	1,209,597	1,252,870
Infrastructure	3,101,392	3,236,557	29,662,429	28,717,146	32,763,821	31,953,703
Vehicles	389,175	466,279	341,069	441,811	730,244	908,090
Construction in progress	137,522	115,322	1,723,599	1,576,152	1,861,121	1,691,474
Totals	<u>\$ 7,343,699</u>	<u>\$ 7,380,217</u>	<u>\$ 36,244,798</u>	<u>\$ 35,295,936</u>	<u>\$ 43,588,497</u>	<u>\$ 42,676,153</u>

The City's largest capital asset category is infrastructure which includes roads, water lines, and sewer lines. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 75.17% of the City's total capital assets. See Note 7 to the basic financial statements for additional capital asset detail.

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2014 and 2013:

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Notes payable	\$ 141,214	\$ 152,134
Police and Fire Pension Liability	31,149	32,089
Total long-term obligations	<u>\$ 172,363</u>	<u>\$ 184,223</u>
	<u>Business-type Activities</u>	
	<u>2014</u>	<u>2013</u>
Bonds payable	\$ 3,824,275	\$ 4,734,056
Notes payable	280,007	371,965
AMP-Ohio stranded costs	1,610,889	1,610,889
OWDA loans	6,678,542	7,133,748
Total long-term obligations	<u>\$ 12,393,713</u>	<u>\$ 13,850,658</u>

See Note 12 to the basic financial statements for detail on the City's long-term obligations.

## **CITY OF JACKSON, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014**

#### **Economic Conditions and Outlook**

The City's administration considers the impact of various economic factors when establishing the 2015 budget. The continued challenges resulting from regional loss of employment, stagnant economic development, and the general national recession, have yielded significant influence on the objectives established in the 2015 budget. The primary objectives include continued improvement to constituent service delivery as well as long-term fiscal stability.

Despite the uncertainty surrounding the economy, the City continues to carefully monitor two primary sources of revenue—local property taxes and shared intergovernmental (state) revenue. In order to stabilize the impact of the fluctuations in these revenue sources, City Council continues to pursue economic development and job creation; maintain the community's reputation for high public safety standards; and adoption of a budget designed to promote long-term fiscal stability. Furthermore, the City's investment earnings, which were once a significant source of revenue for the City have drastically decreased over the past several years. With no expectation of interest rates increasing substantially in the near future, this will continue to remain an issue for the City.

The average unemployment rate for Jackson County in 2014 was 8.6% compared to the 5.7% State of Ohio average. The City Auditor anticipates the 2014 rate to continue through 2015 with the potential for it to increase during the year. In order to meet these challenges, further cost containment and/or revenue enhancement actions will be essential. With the continuation of conservative budgeting practices and constantly looking for ways to generate additional revenue, the City's financial position is anticipated to remain stable in future years.

#### **Contacting the City's Financial Management**

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

**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2014

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 4,892,813	\$ 18,061,082	\$ 22,953,895
Receivables:			
Real and other taxes . . . . .	735,097	-	735,097
Accounts . . . . .	95,433	2,550,572	2,646,005
Accrued interest . . . . .	1,693	-	1,693
Due from other governments. . . . .	990,291	1,025,000	2,015,291
Loans receivable. . . . .	4,354	-	4,354
Materials and supplies inventory. . . . .	104,286	774,496	878,782
Internal balance . . . . .	626,820	(626,820)	-
Restricted assets:			
Customer deposits. . . . .	-	455,570	455,570
Investment in joint venture. . . . .	-	213,335	213,335
Capital assets:			
Land, artwork and construction in progress. . . .	1,838,172	4,845,931	6,684,103
Depreciable capital assets, net. . . . .	<u>5,505,527</u>	<u>31,398,867</u>	<u>36,904,394</u>
Total capital assets, net. . . . .	<u>7,343,699</u>	<u>36,244,798</u>	<u>43,588,497</u>
Total assets . . . . .	<u>14,794,486</u>	<u>58,698,033</u>	<u>73,492,519</u>
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding	-	130,705	130,705
Total deferred outflows of resources . . . . .	<u>-</u>	<u>130,705</u>	<u>130,705</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	16,299	1,212,327	1,228,626
Contracts payable. . . . .	-	452,084	452,084
Accrued wages and benefits payable . . . . .	64,333	72,788	137,121
Due to other governments . . . . .	64,091	60,752	124,843
Accrued interest payable . . . . .	83	9,432	9,515
Claims payable. . . . .	-	23,128	23,128
Customer deposits payable. . . . .	-	455,570	455,570
Long-term liabilities:			
Due within one year . . . . .	182,024	1,795,789	1,977,813
Due in more than one year. . . . .	<u>799,943</u>	<u>11,255,103</u>	<u>12,055,046</u>
Total liabilities . . . . .	<u>1,126,773</u>	<u>15,336,973</u>	<u>16,463,746</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . .	<u>629,000</u>	-	<u>629,000</u>
Total deferred inflows of resources . . . . .	<u>629,000</u>	-	<u>629,000</u>
<b>Net position:</b>			
Net investment in capital assets. . . . .	7,202,485	25,592,679	32,795,164
Restricted for:			
Community development. . . . .	511,052	-	511,052
Youth arts program. . . . .	502,025	-	502,025
Cemetery. . . . .	554,577	-	554,577
Transportation projects . . . . .	549,028	-	549,028
Public safety. . . . .	358,729	-	358,729
Capital projects. . . . .	595,800	-	595,800
Cemetery endowment:			
Nonexpendable. . . . .	100,000	-	100,000
Expendable. . . . .	306,932	-	306,932
Other purposes. . . . .	125,199	-	125,199
Unrestricted . . . . .	<u>2,232,886</u>	<u>17,899,086</u>	<u>20,131,972</u>
Total net position . . . . .	<u>\$ 13,038,713</u>	<u>\$ 43,491,765</u>	<u>\$ 56,530,478</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government. . . . .	\$ 1,314,951	\$ 1,160,944	\$ 46,357	\$ -
Security of persons and property . . . . .	2,387,147	72,268	-	-
Public health and welfare . . . . .	95,045	9,027	1,584	-
Transportation. . . . .	1,240,906	1,249,399	341,410	595,800
Community environment . . . . .	527,157	5,962	148,663	-
Leisure time activity. . . . .	199,521	36,088	25,515	-
Interest and fiscal charges. . . . .	6,456	-	-	-
Total governmental activities . . . . .	<u>5,771,183</u>	<u>2,533,688</u>	<u>563,529</u>	<u>595,800</u>
<b>Business-type activities:</b>				
Water. . . . .	2,605,101	2,601,417	-	-
Sewer. . . . .	3,492,167	3,685,196	-	1,045,000
Electric. . . . .	17,626,688	18,561,606	-	-
Other business-type activities:				
Garbage. . . . .	850,578	776,796	-	-
Railroad. . . . .	128,022	-	-	-
Total business-type activities . . . . .	<u>24,702,556</u>	<u>25,625,015</u>	<u>-</u>	<u>1,045,000</u>
Total primary government . . . . .	<u>\$ 30,473,739</u>	<u>\$ 28,158,703</u>	<u>\$ 563,529</u>	<u>\$ 1,640,800</u>

**General revenues:**

Property taxes levied for:

- General purposes . . . . .
- Cemetery. . . . .
- Fire Protection. . . . .
- Other purposes. . . . .
- Grants and entitlements not restricted to specific programs . . . . .
- Investment earnings . . . . .
- Miscellaneous . . . . .

Total general revenues . . . . .

Transfers . . . . .

Total general revenues and transfers. . . . .

Change in net position . . . . .

**Net position at beginning of year. . . . .**

**Net position at end of year. . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (107,650)	\$ -	\$ (107,650)
(2,314,879)	-	(2,314,879)
(84,434)	-	(84,434)
945,703	-	945,703
(372,532)	-	(372,532)
(137,918)	-	(137,918)
(6,456)	-	(6,456)
<u>(2,078,166)</u>	<u>-</u>	<u>(2,078,166)</u>
-	(3,684)	(3,684)
-	1,238,029	1,238,029
-	934,918	934,918
-	(73,782)	(73,782)
-	(128,022)	(128,022)
<u>-</u>	<u>1,967,459</u>	<u>1,967,459</u>
<u>(2,078,166)</u>	<u>1,967,459</u>	<u>(110,707)</u>
1,037,550	-	1,037,550
152,607	-	152,607
145,922	-	145,922
68,035	-	68,035
237,919	-	237,919
154,089	3	154,092
124,264	320,865	445,129
<u>1,920,386</u>	<u>320,868</u>	<u>2,241,254</u>
<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
<u>1,895,386</u>	<u>345,868</u>	<u>2,241,254</u>
(182,780)	2,313,327	2,130,547
13,221,493	41,178,438	54,399,931
<u>\$ 13,038,713</u>	<u>\$ 43,491,765</u>	<u>\$ 56,530,478</u>

**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 1,357,086	\$ 3,535,727	\$ 4,892,813
Receivables:			
Real and other taxes . . . . .	385,298	349,799	735,097
Accounts . . . . .	76,254	19,179	95,433
Interfund loans . . . . .	168,455	-	168,455
Accrued interest . . . . .	1,573	120	1,693
Due from other governments . . . . .	78,687	911,604	990,291
Loans receivable . . . . .	4,354	-	4,354
Materials and supplies inventory . . . . .	6,773	97,513	104,286
Total assets . . . . .	\$ 2,078,480	\$ 4,913,942	\$ 6,992,422
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 13,693	\$ 2,606	\$ 16,299
Accrued wages and benefits payable . . . . .	53,061	11,272	64,333
Interfund loans payable . . . . .	-	68,455	68,455
Due to other governments . . . . .	48,055	16,036	64,091
Total liabilities . . . . .	114,809	98,369	213,178
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . .	330,000	299,000	629,000
Delinquent property tax revenue not available . .	47,890	43,391	91,281
Intergovernmental revenue not available . . . . .	58,291	821,677	879,968
Total deferred inflows of resources . . . . .	436,181	1,164,068	1,600,249
<b>Fund balances:</b>			
Nonspendable . . . . .	42,620	197,513	240,133
Restricted . . . . .	-	2,690,291	2,690,291
Committed . . . . .	-	763,701	763,701
Assigned . . . . .	424,145	-	424,145
Unassigned . . . . .	1,060,725	-	1,060,725
Total fund balances . . . . .	1,527,490	3,651,505	5,178,995
Total liabilities, deferred inflows of resources and fund balances . . . . .	\$ 2,078,480	\$ 4,913,942	\$ 6,992,422

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2014

<b>Total governmental fund balances</b>		\$	5,178,995
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			7,343,699
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Real and other taxes receivable	\$	91,281	
Intergovernmental receivable		879,968	
Total		971,249	971,249
An internal service fund is used by management to charge the costs of insurance to individual funds. A portion of the internal service fund is owed to governmental activities on the statement of net position.			526,820
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(83)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(809,604)	
Police and fire pension liability		(31,149)	
Notes payable		(141,214)	
Total		(981,967)	(981,967)
<b>Net position of governmental activities</b>		\$	13,038,713

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Real and other taxes . . . . .	\$ 1,051,346	\$ 379,529	\$ 1,430,875
Intergovernmental . . . . .	187,840	1,106,200	1,294,040
Charges for services . . . . .	2,265,584	107,655	2,373,239
Fines and forfeitures . . . . .	42,395	1,894	44,289
Licenses and permits . . . . .	94,769	-	94,769
Investment income . . . . .	154,089	21,605	175,694
Rental income . . . . .	2,170	-	2,170
Contributions and donations . . . . .	-	28,308	28,308
Other . . . . .	106,455	19,221	125,676
Total revenues . . . . .	3,904,648	1,664,412	5,569,060
<b>Expenditures:</b>			
Current:			
General government . . . . .	1,316,904	-	1,316,904
Security of persons and property . . . . .	2,129,745	137,037	2,266,782
Public health and welfare . . . . .	-	52,237	52,237
Transportation . . . . .	157,995	920,790	1,078,785
Community environment . . . . .	16,172	510,985	527,157
Leisure time activity . . . . .	-	176,399	176,399
Capital outlay . . . . .	-	241,118	241,118
Debt service:			
Principal retirement . . . . .	940	10,920	11,860
Interest and fiscal charges . . . . .	1,355	5,141	6,496
Total expenditures . . . . .	3,623,111	2,054,627	5,677,738
Excess (deficiency) of revenues over (under) expenditures . . . . .	281,537	(390,215)	(108,678)
<b>Other financing sources (uses):</b>			
Sale of capital assets . . . . .	-	17,809	17,809
Transfers in . . . . .	-	481,933	481,933
Transfers (out) . . . . .	(502,590)	(4,343)	(506,933)
Total other financing sources (uses) . . . . .	(502,590)	495,399	(7,191)
Net change in fund balances . . . . .	(221,053)	105,184	(115,869)
<b>Fund balances at beginning of year . . . . .</b>	1,748,543	3,546,321	5,294,864
<b>Fund balances at end of year . . . . .</b>	<b>\$ 1,527,490</b>	<b>\$ 3,651,505</b>	<b>\$ 5,178,995</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF JACKSON  
JACKSON COUNTY, 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 DECEMBER 31, 2014

**Net change in fund balances - total governmental funds** \$ (115,869)

*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 expense exceeds capital outlays in the current period.

Capital asset additions	\$	353,178	
Current year depreciation		(389,696)	
Total			(36,518)

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

Real and other taxes		(25,223)	
Intergovernmental revenues		51,757	
Total			26,534

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 11,860

In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due. 40

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (173,041)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. A portion of the net revenue (expense) of the internal service fund is allocated among the governmental activities. 104,214

**Change in net position of governmental activities** \$ (182,780)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Real and other taxes . . . . .	\$ 980,600	\$ 1,001,126	\$ 1,049,232	\$ 48,106
Intergovernmental . . . . .	167,500	178,838	187,840	9,002
Charges for services . . . . .	1,882,128	1,880,448	2,265,584	385,136
Fines and forfeitures . . . . .	35,100	35,285	42,395	7,110
Licenses and permits . . . . .	89,000	91,489	94,769	3,280
Investment earnings . . . . .	120,000	150,917	154,596	3,679
Other . . . . .	104,575	99,488	107,296	7,808
Total revenues . . . . .	<u>3,378,903</u>	<u>3,437,591</u>	<u>3,901,712</u>	<u>464,121</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,541,599	1,627,055	1,384,852	242,203
Security of persons and property . . . . .	2,248,600	2,293,600	2,176,336	117,264
Transportation . . . . .	197,693	197,693	166,765	30,928
Debt service:				
Principal retirement . . . . .	950	950	941	9
Interest and fiscal charges . . . . .	1,500	1,500	1,354	146
Total expenditures . . . . .	<u>3,990,342</u>	<u>4,120,798</u>	<u>3,730,248</u>	<u>390,550</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(611,439)</u>	<u>(683,207)</u>	<u>171,464</u>	<u>854,671</u>
<b>Other financing sources (uses):</b>				
Advances in . . . . .	-	500,821	500,821	-
Advances out . . . . .	-	(669,276)	(669,276)	-
Transfers out . . . . .	(479,383)	(516,736)	(516,736)	-
Total other financing sources (uses) . . . . .	<u>(479,383)</u>	<u>(685,191)</u>	<u>(685,191)</u>	<u>-</u>
Net change in fund balances . . . . .	(1,090,822)	(1,368,398)	(513,727)	854,671
<b>Fund balances at beginning of year . . . . .</b>	1,656,372	1,656,372	1,656,372	-
<b>Prior year encumbrances appropriated . . . . .</b>	53,518	53,518	53,518	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 619,068</u>	<u>\$ 341,492</u>	<u>\$ 1,196,163</u>	<u>\$ 854,671</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2014

	<b>Business-type Activities - Enterprise Funds</b>					<b>Internal Service Fund</b>
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>Assets:</b>						
Current assets:						
Equity in pooled cash and cash equivalents . . .	\$ 2,515,655	\$ 2,470,970	\$ 11,615,426	\$ 251,893	\$ 16,853,944	\$ 1,207,138
Receivables:						
Accounts . . . . .	346,784	448,691	1,683,482	71,615	2,550,572	-
Due from other governments . . . . .	-	1,025,000	-	-	1,025,000	-
Materials and supplies inventory . . . . .	104,429	22,052	645,228	2,787	774,496	-
Restricted assets:						
Customer deposits . . . . .	71,237	67,908	295,219	21,206	455,570	-
Total current assets . . . . .	<u>3,038,105</u>	<u>4,034,621</u>	<u>14,239,355</u>	<u>347,501</u>	<u>21,659,582</u>	<u>1,207,138</u>
Noncurrent assets:						
Investment in joint venture . . . . .	-	-	213,335	-	213,335	-
Capital assets:						
Land and construction in progress . . . . .	1,274,688	414,299	1,513,062	1,643,882	4,845,931	-
Depreciable capital assets, net . . . . .	4,702,377	13,460,238	9,875,573	3,360,679	31,398,867	-
Total capital assets, net . . . . .	<u>5,977,065</u>	<u>13,874,537</u>	<u>11,388,635</u>	<u>5,004,561</u>	<u>36,244,798</u>	<u>-</u>
Total noncurrent assets . . . . .	<u>5,977,065</u>	<u>13,874,537</u>	<u>11,601,970</u>	<u>5,004,561</u>	<u>36,458,133</u>	<u>-</u>
Total assets . . . . .	<u>9,015,170</u>	<u>17,909,158</u>	<u>25,841,325</u>	<u>5,352,062</u>	<u>58,117,715</u>	<u>1,207,138</u>
<b>Deferred outflows of resources:</b>						
Unamortized deferred charges on debt refunding . . . . .	30,944	-	99,761	-	130,705	-
Total deferred outflows of resources . . . . .	<u>30,944</u>	<u>-</u>	<u>99,761</u>	<u>-</u>	<u>130,705</u>	<u>-</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable . . . . .	21,234	50,479	1,126,614	14,000	1,212,327	-
Contracts payable . . . . .	-	35,196	416,888	-	452,084	-
Accrued wages and benefits payable . . . . .	17,880	22,375	23,315	9,218	72,788	-
Due to other governments . . . . .	15,427	20,672	18,345	6,308	60,752	-
Interfund loans payable . . . . .	-	100,000	-	-	100,000	-
Accrued interest payable . . . . .	4,164	-	5,268	-	9,432	-
Compensated absences payable - current . . . . .	23,061	73,699	56,952	4,092	157,804	-
OWDA loans payable . . . . .	69,014	390,063	-	-	459,077	-
Notes payable . . . . .	19,686	44,222	-	-	63,908	-
AMP-Ohio stranded cost payable - current . . . . .	-	-	500,000	-	500,000	-
Claims payable . . . . .	-	-	-	-	-	23,128
Payables from restricted assets:						
Revenue bonds payable . . . . .	200,000	-	415,000	-	615,000	-
Customer deposits payable . . . . .	71,237	67,908	295,219	21,206	455,570	-
Total current liabilities . . . . .	<u>441,703</u>	<u>804,614</u>	<u>2,857,601</u>	<u>54,824</u>	<u>4,158,742</u>	<u>23,128</u>
Long-term liabilities:						
Compensated absences payable . . . . .	80,550	172,320	232,845	13,660	499,375	-
Revenue bonds payable . . . . .	1,044,275	-	2,165,000	-	3,209,275	-
OWDA loans payable . . . . .	1,000,715	5,218,750	-	-	6,219,465	-
Notes payable . . . . .	87,549	128,550	-	-	216,099	-
AMP-Ohio stranded cost payable . . . . .	-	-	1,110,889	-	1,110,889	-
Total long-term liabilities . . . . .	<u>2,213,089</u>	<u>5,519,620</u>	<u>3,508,734</u>	<u>13,660</u>	<u>11,255,103</u>	<u>-</u>
Total liabilities . . . . .	<u>2,654,792</u>	<u>6,324,234</u>	<u>6,366,335</u>	<u>68,484</u>	<u>15,413,845</u>	<u>23,128</u>
<b>Net position:</b>						
Net investment in capital assets . . . . .	3,586,770	8,092,952	8,908,396	5,004,561	25,592,679	-
Unrestricted . . . . .	2,804,552	3,491,972	10,666,355	279,017	17,241,896	1,184,010
Total net position . . . . .	<u>\$ 6,391,322</u>	<u>\$ 11,584,924</u>	<u>\$ 19,574,751</u>	<u>\$ 5,283,578</u>	<u>42,834,575</u>	<u>\$ 1,184,010</u>

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

Net position of the internal service amount	1,184,010
Amount owed to governmental activities	(526,820)
Net position of business-type activities	<u>\$ 43,491,765</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>Business-type Activities - Enterprise Funds</b>					
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>Operating revenues:</b>						
Charges for services . . . . .	\$ 2,601,417	\$ 3,685,196	\$ 18,561,606	\$ 776,796	\$ 25,625,015	\$ -
Other operating revenues . . . . .	17,861	3,545	268,546	26,108	316,060	373,414
Total operating revenues. . . . .	<u>2,619,278</u>	<u>3,688,741</u>	<u>18,830,152</u>	<u>802,904</u>	<u>25,941,075</u>	<u>373,414</u>
<b>Operating expenses:</b>						
Personal services . . . . .	606,349	781,717	793,332	302,746	2,484,144	-
Fringe benefits. . . . .	339,516	461,129	514,091	216,074	1,530,810	112,878
Contract services. . . . .	599,003	439,160	14,876,525	170,883	16,085,571	-
Materials and supplies. . . . .	189,760	261,318	12,777	45,114	508,969	-
Utilities . . . . .	116,364	400,738	13,162	6,338	536,602	-
Depreciation. . . . .	307,663	730,114	346,121	182,021	1,565,919	-
Other . . . . .	434,648	405,199	481,386	70,007	1,391,240	-
Total operating expenses. . . . .	<u>2,593,303</u>	<u>3,479,375</u>	<u>17,037,394</u>	<u>993,183</u>	<u>24,103,255</u>	<u>112,878</u>
Operating income (loss) . . . . .	<u>25,975</u>	<u>209,366</u>	<u>1,792,758</u>	<u>(190,279)</u>	<u>1,837,820</u>	<u>260,536</u>
<b>Nonoperating revenues (expenses):</b>						
Interest and fiscal charges . . . . .	(58,694)	(58,988)	(102,009)	(1,049)	(220,740)	-
Gain (loss) on sale of capital assets. . . . .	-	(700)	4,805	-	4,105	-
Bond issuance costs . . . . .	-	-	(49,800)	-	(49,800)	-
Interest income. . . . .	-	3	-	-	3	-
Investment in joint venture. . . . .	-	-	(484,383)	-	(484,383)	-
Total nonoperating revenues (expenses). . . . .	<u>(58,694)</u>	<u>(59,685)</u>	<u>(631,387)</u>	<u>(1,049)</u>	<u>(750,815)</u>	<u>-</u>
Income (loss) before transfers and contributions. . . . .	<u>(32,719)</u>	<u>149,681</u>	<u>1,161,371</u>	<u>(191,328)</u>	<u>1,087,005</u>	<u>260,536</u>
Transfer in . . . . .	-	25,000	-	-	25,000	-
Capital contributions. . . . .	-	1,045,000	-	-	1,045,000	-
Change in net position . . . . .	<u>(32,719)</u>	<u>1,219,681</u>	<u>1,161,371</u>	<u>(191,328)</u>	<u>2,157,005</u>	<u>260,536</u>
<b>Net position at beginning of year . . . . .</b>	<u>6,424,041</u>	<u>10,365,243</u>	<u>18,413,380</u>	<u>5,474,906</u>		<u>923,474</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 6,391,322</u>	<u>\$ 11,584,924</u>	<u>\$ 19,574,751</u>	<u>\$ 5,283,578</u>		<u>\$ 1,184,010</u>
Some amounts reported for business-type activities in the statement of net position are different because the net revenue of the internal service fund is reported with business-type activities. . . . .					<u>156,322</u>	
Change in net position of business-type activities. . . . .					<u>\$ 2,313,327</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>Business-type Activities - Enterprise Funds</b>					<b>Internal Service Fund</b>
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>Cash flows from operating activities:</b>						
Cash received from customers. . . . .	\$ 2,510,579	\$ 3,670,297	\$ 18,827,338	\$ 785,905	\$ 25,794,119	\$ -
Cash received from other operations . . . . .	17,861	3,545	321,143	19,558	362,107	374,354
Cash payments for employee services and benefits. . . . .	(991,655)	(1,284,598)	(1,345,104)	(523,556)	(4,144,913)	-
Cash payments for goods and services. . . . .	(901,917)	(1,059,298)	(15,026,022)	(223,097)	(17,210,334)	-
Cash payments for claims . . . . .	-	-	-	-	-	(108,930)
Cash payments for other expenses . . . . .	(434,648)	(405,199)	(430,907)	(69,069)	(1,339,823)	-
Net cash provided by (used in) operating activities . . . . .	200,220	924,747	2,346,448	(10,259)	3,461,156	265,424
<b>Cash flows from noncapital financing activities:</b>						
Cash received from transfers in . . . . .	-	25,000	-	-	25,000	-
Cash received from interfund loans . . . . .	-	100,000	-	-	100,000	-
Net cash provided by (used in) noncapital financing activities. . . . .	-	125,000	-	-	125,000	-
<b>Cash flows from capital and related financing activities:</b>						
Capital contributions. . . . .	-	20,000	-	-	20,000	-
Sale of capital assets. . . . .	-	-	4,805	-	4,805	-
Acquisition of capital assets . . . . .	(252,800)	(365,349)	(1,707,408)	-	(2,325,557)	-
Proceeds from refunding bonds. . . . .	-	-	2,680,000	-	2,680,000	-
Principal retirement on OWDA loans . . . . .	(69,015)	(386,191)	-	-	(455,206)	-
Principal retirement on notes . . . . .	(19,686)	(44,222)	-	(28,050)	(91,958)	-
Principal retirement on general obligation bonds. . . . .	(200,000)	-	-	-	(200,000)	-
Principal retirement on revenue bonds. . . . .	-	-	(100,000)	-	(100,000)	-
Interest and fiscal charges . . . . .	(57,963)	(58,988)	(106,111)	(1,049)	(224,111)	-
Bond issuance costs. . . . .	-	-	(49,800)	-	(49,800)	-
Payment to refunded bond escrow agent. . . . .	-	-	(3,390,437)	-	(3,390,437)	-
Net cash used in capital and related financing activities. . . . .	(599,464)	(834,750)	(2,668,951)	(29,099)	(4,132,264)	-
<b>Cash flows from investing activities:</b>						
Interest received . . . . .	-	3	-	-	3	-
Net cash provided by investing activities . . . . .	-	3	-	-	3	-
Net increase (decrease) in cash and cash equivalents . . . . .	(399,244)	215,000	(322,503)	(39,358)	(546,105)	265,424
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>2,986,136</b>	<b>2,323,878</b>	<b>12,233,148</b>	<b>312,457</b>	<b>17,855,619</b>	<b>941,714</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 2,586,892</b>	<b>\$ 2,538,878</b>	<b>\$ 11,910,645</b>	<b>\$ 273,099</b>	<b>\$ 17,309,514</b>	<b>\$ 1,207,138</b>

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**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>Business-type Activities - Enterprise Funds</b>					
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>						
Operating income (loss) . . . . .	\$ 25,975	\$ 209,366	\$ 1,792,758	\$ (190,279)	\$ 1,837,820	\$ 260,536
Adjustments:						
Depreciation. . . . .	307,663	730,114	346,121	182,021	1,565,919	-
Changes in assets and liabilities:						
Increase in materials and supplies inventory. . . . .	(2,622)	(2,144)	(13,148)	(2,306)	(20,220)	-
Decrease (increase) in accounts receivable. . . . .	(92,881)	(18,154)	297,230	2,884	189,079	940
Increase in contracts payable. . . . .	-	35,196	-	-	35,196	-
Increase (decrease) in accounts payable. . . . .	4,780	8,866	(57,813)	1,544	(42,623)	-
Decrease in accrued wages and benefits. . . . .	(20,394)	(25,342)	(26,154)	(8,193)	(80,083)	-
Decrease in intergovernmental payable. . . . .	(3,991)	(4,905)	(7,204)	(1,683)	(17,783)	-
Increase (decrease) in compensated absences payable. . . . .	(21,405)	(11,505)	(4,323)	5,140	(32,093)	-
Increase in customer deposits payable. . . . .	3,095	3,255	18,981	613	25,944	-
Increase in claims payable. . . . .	-	-	-	-	-	3,948
Net cash provided by (used in) operating activities . . . . .	<u>\$ 200,220</u>	<u>\$ 924,747</u>	<u>\$ 2,346,448</u>	<u>\$ (10,259)</u>	<u>\$ 3,461,156</u>	<u>\$ 265,424</u>

**Non-cash transactions**

During 2014, the Electric funds purchased \$416,888 in capital assets on account.

During 2013, the Water, Sewer and Electric funds purchased \$6,000, \$9,661 and \$211,303, respectively in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF JACKSON  
JACKSON COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
DECEMBER 31, 2014

	<u>Agency</u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 14,705
Total assets . . . . .	<u>\$ 14,705</u>
<b>Liabilities:</b>	
Due to others. . . . .	\$ 14,705
Total liabilities . . . . .	<u>\$ 14,705</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## CITY OF JACKSON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### 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.

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 a 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, 2014

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

The financial statements of the City of Jackson have been prepared in conformity with accounting principles generally accepted in the United States of America (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 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 position 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 position 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 position 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.

## CITY OF JACKSON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### **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.

**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, deferred outflows and liabilities and deferred inflows is reported as fund balance. The City reports the following major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than capital projects.

**Proprietary Funds** - Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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.

The other enterprise funds of the City account for other fee-based services provided by the City and grants, including garbage pickup and railroad activities.

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.

## CITY OF JACKSON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net position and changes in net position. 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.

#### C. Measurement Focus

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

***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, deferred outflows of resources and current liabilities and deferred inflows of resources 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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 inflows of resources, and in the presentation of expenses versus expenditures.

**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

***Deferred Inflows of Resources and Deferred Outflows of Resources*** - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations, have been recorded as deferred inflows on both the government-wide and fund financial statements. Special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

***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.

**CITY OF JACKSON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**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."

During 2014, investments were limited to non-negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on current share price. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

Provisions of the Ohio Revised Code restrict investment procedures. During 2014, interest was distributed to the general fund, certain special revenue funds, capital projects funds, and the permanent fund. Interest revenue credited to the general fund during 2014 amounted to \$154,089, of which \$142,164 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.



**CITY OF JACKSON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**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, 2014, 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. The City had no prepaid items at December 31, 2014.

**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.

Restricted assets of the City include cash held for customer deposits.

**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 position, 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 position and in the fund.

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

**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All reported capital assets are depreciated except for land, artwork and historical treasures 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 position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**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.

**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 long-term notes as a liability in the governmental fund financial statements when due.

**O. Bond Premium/Discount and Accounting Loss**

Bond premiums/discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resource or a deferred inflow of resources.

**P. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**CITY OF JACKSON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Q. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets 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 position are reported as restricted when there are limitations imposed on their use either through the constitutional provisions or through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations or other governments. The amount restricted for other purposes includes the amounts restricted for the Lillian Jones Museum, continuing professional development, FEMA grants, flood mitigation and the visitor's center.

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

**R. 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.

## CITY OF JACKSON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

#### S. Estimates

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

#### T. Operating Revenues and Expenses

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

#### U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014.

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### Change in Accounting Principles

For 2014, the City has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

## CITY OF JACKSON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

**CITY OF JACKSON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year end, the City had \$1,750 in undeposited cash on hand which is included on the financial statements of the City as part of "cash and cash equivalents".

**B. Deposits with Financial Institutions**

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 \$23,422,420 and the bank balance was \$23,583,332. Of the bank balance \$5,181,976 was covered by Federal depository insurance and \$18,401,356 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.

**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Reconciliation of Cash to the Statement of Net Position**

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of December 31, 2014:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 23,422,420
Cash on hand	1,750
Total	<u>\$ 23,424,170</u>
 <u>Cash per statement of net position</u>	
Governmental activities	\$ 4,892,813
Business type activities	18,516,652
Agency funds	14,705
Total	<u>\$ 23,424,170</u>

**NOTE 5 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or 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 real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Auditor collects property taxes on behalf of all taxing districts in the County, including the City of Jackson. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2014 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflow of resources since the current taxes were not levied to finance 2014 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred inflow of resources.



**CITY OF JACKSON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 5 - PROPERTY TAXES - (Continued)**

The full tax rate for all City operations for the year ended December 31, 2014 was \$6.70 per \$1,000 of assessed value. The assessed values of real and public utility property for tax year 2014 are as follows:

Real property	\$ 112,541,160
Public utility real and personal property	2,756,870
Total assessed value	<u>\$ 115,298,030</u>

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2014, consisted primarily of taxes, intergovernmental receivables arising from grants, loans, entitlements and shared revenues, interest on investments, and utility accounts. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements.

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 \$91,281. The financial statements reflect loans receivable of \$4,354. This amount is 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.

A summary of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Children's Health Insurance Program	\$ 115,000
Community Housing Improvement Projects	38,202
FEMA	12,380
Local Government Funds	61,187
Gasoline Tax	121,970
Motor Vehicle License Tax	9,889
Homestead and Rollback	31,500
Permissive Tax	4,363
Bridge Replacement Projects	595,800
Total Governmental Activities	<u>\$ 990,291</u>

**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
<b><u>Governmental Activities:</u></b>				
Non-Depreciable Capital Assets:				
Art work and historical treasures	\$ 291,000	\$ -	\$ -	\$ 291,000
Construction in progress	115,322	63,959	(41,759)	137,522
Land	1,171,968	237,682	-	1,409,650
Total Non-Depreciable Capital Assets	1,578,290	301,641	(41,759)	1,838,172
Depreciable Capital Assets:				
Land Improvements	363,025	-	-	363,025
Buildings	2,414,901	-	-	2,414,901
Equipment	1,456,170	61,255	(2,047)	1,515,378
Infrastructure	8,046,444	-	-	8,046,444
Vehicles	1,909,023	32,041	(146,792)	1,794,272
Total Depreciable Capital Assets	14,189,563	93,296	(148,839)	14,134,020
Accumulated Depreciation:				
Land Improvements	(165,925)	(10,536)	-	(176,461)
Buildings	(918,405)	(52,426)	-	(970,831)
Equipment	(1,050,675)	(82,424)	2,047	(1,131,052)
Infrastructure	(4,809,887)	(135,165)	-	(4,945,052)
Vehicles	(1,442,744)	(109,145)	146,792	(1,405,097)
Total Accumulated Depreciation	(8,387,636)	(389,696)	148,839	(8,628,493)
Total Depreciable Capital Assets, Net	5,801,927	(296,400)	-	5,505,527
Governmental Capital Assets, Net	\$ 7,380,217	\$ 5,241	\$ (41,759)	\$ 7,343,699

Depreciation expense was charged to governmental activities as follows:

<b><u>Governmental Activities:</u></b>	
General Government	\$ 190,607
Security of Persons and Property	122,666
Public Health Services	10,852
Transportation	42,449
Leisure Time Activities	23,122
Total Depreciation Expense	\$ 389,696

**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 7 - CAPITAL ASSETS - (Continued)**

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
<b><u>Business-Type Activities:</u></b>				
Non-Depreciable Capital Assets:				
Land	\$ 3,122,332	\$ -	\$ -	\$ 3,122,332
Construction in Progress	<u>1,576,152</u>	<u>2,038,824</u>	<u>(1,891,377)</u>	<u>1,723,599</u>
Total Non-Depreciable Capital Assets	<u>4,698,484</u>	<u>2,038,824</u>	<u>(1,891,377)</u>	<u>4,845,931</u>
Depreciable Capital Assets:				
Land Improvements	34,348	-	-	34,348
Buildings	1,108,127	-	-	1,108,127
Equipment	2,939,652	177,127	(9,392)	3,107,387
Infrastructure	38,430,673	2,166,449	-	40,597,122
Vehicles	<u>2,045,450</u>	<u>24,458</u>	<u>-</u>	<u>2,069,908</u>
Total Depreciable Capital Assets	<u>44,558,250</u>	<u>2,368,034</u>	<u>(9,392)</u>	<u>46,916,892</u>
Accumulated Depreciation:				
Land Improvements	(14,414)	(1,304)	-	(15,718)
Buildings	(536,941)	(19,718)	-	(556,659)
Equipment	(2,092,277)	(198,531)	8,692	(2,282,116)
Infrastructure	(9,713,527)	(1,221,166)	-	(10,934,693)
Vehicles	<u>(1,603,639)</u>	<u>(125,200)</u>	<u>-</u>	<u>(1,728,839)</u>
Total Accumulated Depreciation	<u>(13,960,798)</u>	<u>(1,565,919)</u>	<u>8,692</u>	<u>(15,518,025)</u>
Total Depreciable Capital Assets, Net	<u>30,597,452</u>	<u>802,115</u>	<u>(700)</u>	<u>31,398,867</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 35,295,936</u>	<u>\$ 2,840,939</u>	<u>\$ (1,892,077)</u>	<u>\$ 36,244,798</u>

Depreciation expense was charged to the enterprise funds as follows:

<b><u>Business-type activities:</u></b>	
Water	\$ 307,663
Sewer	730,114
Electric	346,121
Garbage	53,999
Railroad	<u>128,022</u>
Total Depreciation Expense	<u>\$ 1,565,919</u>

## CITY OF JACKSON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### NOTE 8 - PENSION PLANS

##### A. Ohio Public Employees 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% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the 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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2014 was 12.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$464,934, \$498,001, and \$369,664, respectively; 97.24% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the member-directed plan for 2014 were \$588 made by the City and \$420 made by the 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 statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

**CITY OF JACKSON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 8 - PENSION PLANS - (Continued)**

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014, the City was required to contribute 19.50% for police officers. Contribution rates are established by State statute.

For 2014, the portion of the City's contributions to fund pension obligations was 19% for police officers. The City's required contributions for pension obligations to OP&F for police officers was \$146,229 for the year ended December 31, 2014, \$132,403 for the year ended December 31, 2013, and \$96,149 for the year ended December 31, 2012. The full amount has been contributed for 2013 and 2012. 97.28% has been contributed for police for 2014. The remaining 2014 pension liability has been reported as due to other governments on the basic financial statements.

**NOTE 9 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to 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.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB 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 healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

## CITY OF JACKSON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### **NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2014 was 2.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2014 was 2.00%.

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 healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$77,516, \$38,291, and \$149,387, respectively; 97.24% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2013, with a transition plan commencing January 1, 2015. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

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 statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

## CITY OF JACKSON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### **NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% 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 account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 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 into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the portion of employer contributions allocated to health care was 0.50% 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 the 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 healthcare benefits for police officers was \$3,848 for the year ended December 31, 2014, \$29,644 for the year ended December 31, 2013, and \$50,903 for the year ended December 31, 2012. The full amount has been contributed for 2013 and 2012. 97.28% has been contributed for police for 2014. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

#### **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.

**CITY OF JACKSON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 10 - OTHER EMPLOYEE BENEFITS - (Continued)**

**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 Guardian Life Insurance Company and \$40,000 in coverage for police department employees.

The City provides comprehensive major medical insurance through United Healthcare. The City pays 94 percent of the total monthly premiums of \$1,983.66 for family coverage and \$663.22 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 four and six 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 2014, 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 \$1,000,000 aggregate limit. The City carries a \$20,000 deductible for law enforcement and \$15,000 for public officials' liability insurance. Property insurance is covered to a limit of \$46,903,223 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.



**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 11 - RISK MANAGEMENT - (Continued)**

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.

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 a monthly administration fee of \$6.75 per employee. The claims liability of \$23,128 reported in the self-insurance fund at December 31, 2014, 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 two years follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2014	\$19,180	\$112,878	(\$108,930)	\$ 23,128
2013	32,776	191,597	(205,193)	19,180

**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 12 - LONG-TERM OBLIGATIONS**

Changes in the City's long-term obligations during 2014 consist of the following:

	Outstanding 12/31/2013	Additions	Reductions	Outstanding 12/31/2014	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
<u>Notes</u>					
Building Acquisition Note 4.0%	\$ 84,887	\$ -	\$ (6,063)	\$ 78,824	\$ 6,369
Building Improvement Note 4.0%	67,247	-	(4,857)	62,390	4,513
Total Notes	<u>152,134</u>	-	<u>(10,920)</u>	<u>141,214</u>	<u>10,882</u>
Police and Fire Pension Liability	32,089	-	(940)	31,149	981
Compensated Absences	636,563	226,514	(53,473)	809,604	170,161
Total Governmental Activities	<u>\$ 820,786</u>	<u>\$ 226,514</u>	<u>\$ (65,333)</u>	<u>\$ 981,967</u>	<u>\$ 182,024</u>
<b><u>Business-Type Activities:</u></b>					
<u>Bonds</u>					
2007 Water System General Obligation Bonds 4%	\$ 1,430,000	\$ -	\$ (200,000)	\$ 1,230,000	\$ 200,000
Unamortized Bond Premium	15,473	-	(1,198)	14,275	-
2006 Electric System Revenue Bonds 4.2-6.4%	3,339,583	-	(3,339,583)	-	-
2014 Refunded Electric System Revenue Bonds	-	2,680,000	(100,000)	2,580,000	415,000
Unamortized Bond Discount	(51,000)	-	51,000	-	-
Total Bonds Payable	<u>4,734,056</u>	<u>2,680,000</u>	<u>(3,589,781)</u>	<u>3,824,275</u>	<u>615,000</u>
<u>Notes Payable</u>					
2001 Holzer Hospital Water Lines 0%	126,921	-	(19,686)	107,235	19,686
2002 Holzer Hospital Lift Station 0%	216,994	-	(44,222)	172,772	44,222
Garbage Truck Note 3.7%	28,050	-	(28,050)	-	-
Total Notes Payable	<u>371,965</u>	-	<u>(91,958)</u>	<u>280,007</u>	<u>63,908</u>
2007 OWDA Loan 1%	5,995,004	-	(386,191)	5,608,813	390,063
2009 OWDA Loan 0%	1,138,744	-	(69,015)	1,069,729	69,014
Total OWDA Loans	<u>7,133,748</u>	-	<u>(455,206)</u>	<u>6,678,542</u>	<u>459,077</u>
<u>Other Long-Term Obligations</u>					
AMP-Ohio Stranded Costs Payable	1,610,889	-	-	1,610,889	500,000
Compensated Absences Payable	689,272	88,724	(120,817)	657,179	157,804
Total Business-Type Activities	<u>\$ 14,539,930</u>	<u>\$ 2,768,724</u>	<u>\$ (4,257,762)</u>	<u>\$ 13,050,892</u>	<u>\$ 1,795,789</u>

**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

**Governmental Activities:**

***Notes Payable***

The City will pay the Building Acquisition and Improvement Notes from the Community Improvement Nonmajor Special Revenue Fund. Principal and interest requirements to retire these outstanding notes at December 31, 2014, are:

Year	Principal	Interest	Total
2015	\$ 10,882	\$ 4,294	\$ 15,176
2016	11,700	4,326	16,026
2017	12,122	3,905	16,027
2018	12,547	3,480	16,027
2019	12,986	3,040	16,026
2020 - 2024	72,067	8,066	80,133
2025	8,910	103	9,013
Total	\$ 141,214	\$ 27,214	\$ 168,428

***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, 2014, are:

Year	Principal	Interest	Total
2015	\$ 981	\$ 1,314	\$ 2,295
2016	1,023	1,272	2,295
2017	1,067	1,228	2,295
2018	1,113	1,182	2,295
2019	1,160	1,135	2,295
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
Total	\$ 31,149	\$ 15,799	\$ 46,948

***Compensated Absences Payable***

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

As of December 31, 2014, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$11,965,079, with an unvoted debt margin of \$6,341,392.

**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

**Business-Type Activities:**

***Bonds***

In 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.

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 unamortized deferred charges on debt refunding, is being charged to interest through 2026.

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

Principal and interest requirements for the Water System General Obligation Bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 200,000	\$ 49,962	\$ 249,962
2016	200,000	41,962	241,962
2017	215,000	33,962	248,962
2018	220,000	25,962	245,962
2019	45,000	16,562	61,562
2020 - 2024	240,000	54,499	294,499
2025 - 2026	110,000	7,013	117,013
Total	<u>\$ 1,230,000</u>	<u>\$ 229,922</u>	<u>\$ 1,459,922</u>

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 Series 1993 Bonds, together with other permissible costs under the Uniform Public Securities Law.

On September 12, 2014, the City issued electric system revenue refunding bonds (Series 2014), par value \$2,680,000. The proceeds was used to advance refund the Series 2006 revenue bonds. The issuance proceeds were deposited into a escrow trust fund, which consists of cash and direct or guaranteed non-callable government obligations. The principal of this escrow trust, when due, will be sufficient to pay on the redemption date the principal of, redemption premium and interest on the Series 2006 bonds. This refunded debt is considered defeased (in substance) and accordingly, has been removed from the statement of net position.

**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

The reacquisition price exceeded the net carrying amount of the old debt by \$101,854. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 17 years by \$1,142,770 and resulted in an economic gain of \$341,442.

The City has pledged future electric customer revenues, net of specified operating expenses, to repay \$2,680,000 in electric system revenue bonds issued in 2014. Proceeds from the original bonds provided financing for various electric utility projects. The bonds are payable solely from electric customer net revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require 5.35 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,954,972. Principal and interest paid for the current year and total customer net revenues were \$114,409 and \$2,138,879, respectively.

Principal and interest requirements for revenue bonds are as follows:

Year	Principal	Interest	Total
2015	\$ 415,000	\$ 63,210	\$ 478,210
2016	185,000	53,042	238,042
2017	200,000	48,510	248,510
2018	210,000	43,610	253,610
2019	200,000	38,465	238,465
2020 - 2024	1,050,000	118,212	1,168,212
2025 - 2026	<u>320,000</u>	<u>9,923</u>	<u>329,923</u>
Total	<u>\$ 2,580,000</u>	<u>\$ 374,972</u>	<u>\$ 2,954,972</u>

***Notes Payable***

The Holzer Hospital loans were 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 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 was paid from the Garbage Enterprise Fund. This note was paid in full during 2014.

***OWDA Loans***

The City received an \$8,051,554 loan from the Ohio Water Development Authority (“OWDA”) for a sewer project and a \$1,380,295 loan from OWDA for a water project. The sewer loan has a 1.00 percent interest rate and matures July 1, 2028. The water loan has a zero percent interest rate and matures July 1, 2030.

The City has entered into debt financing arrangements through the OWDA to fund construction projects. The amounts due to the OWDA are payable solely from sewer and water revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2014, the City has outstanding borrowings of \$6,678,542. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

The City has pledged future sewer revenues to repay the 2007 OWDA loan. This loan is payable solely from sewer fund revenues and are payable through 2028. Annual principal and interest payments on the loan exceed net revenues and are 47.39 percent of net customer revenues. The total principal and interest remaining to be paid on the loan is \$6,009,912. Principal and interest paid for the current year were \$445,178 and total net revenues were \$939,483.

The City has pledged future water revenues to repay the 2009 OWDA loan. This loan is payable solely from water fund revenues and are payable through 2030. Annual principal and interest payments on the loan exceed net revenues and are 20.69 percent of net customer revenues. The total principal and interest remaining to be paid on the loan is \$1,069,729. Principal and interest paid for the current year were \$69,014 and total net revenues were \$333,638.

Principal and interest requirements are as follows:

<u>OWDA Sewer Loan</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 390,063	\$ 55,115	\$ 445,178
2016	393,974	51,205	445,179
2017	397,923	47,256	445,179
2018	401,912	43,266	445,178
2019	405,942	39,237	445,179
2020 - 2024	2,091,573	134,320	2,225,893
2025 - 2028	1,527,426	30,700	1,558,126
Total	<u>\$ 5,608,813</u>	<u>\$ 401,099</u>	<u>\$ 6,009,912</u>

<u>OWDA Water Loan</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 69,014	\$ -	\$ 69,014
2016	69,015	-	69,015
2017	69,015	-	69,015
2018	69,015	-	69,015
2019	69,015	-	69,015
2020 - 2024	345,074	-	345,074
2025 - 2029	345,074	-	345,074
2030	34,507	-	34,507
Total	<u>\$ 1,069,729</u>	<u>\$ -</u>	<u>\$ 1,069,729</u>

**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

*AMP-Ohio Stranded Cost Payable*

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City’s share was 18,400 kilowatts of a total 771,281 kilowatts, giving the City a 2.39 percent share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP’s pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City’s estimated share at March 31, 2014 of the impaired costs is \$3,195,260. The City received a credit of \$752,234 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$832,137 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$1,610,889. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City’s liability. These amounts will be recorded as they become estimable. The City retains the option to repay the balance of the liability at any point over the next fifteen years. The City plans to pay \$500,000 per year to retire this loan, beginning in fiscal year 2015. Principal and interest payments will be made from the electric fund.

*Compensated Absences Payable*

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

**NOTE 13 - INTERFUND ACTIVITY**

**Transfers**

<u>Transfer from</u>	<u>Transfer to Other Governmental Funds</u>	<u>Transfer to Business Type Funds</u>
General	\$ 477,590	\$ 25,000
Nonmajor governmental funds	<u>4,343</u>	<u>-</u>
Total	<u>\$ 481,933</u>	<u>\$ 25,000</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.

All transfers made were in accordance with Ohio Revised Code Section 5705.14, 5705.15 and 5705.16.

**CITY OF JACKSON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented 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:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (513,727)
Net adjustment for revenue accruals	2,935
Net adjustment for expenditure accruals	74,411
Net adjustment for other sources/uses	182,601
Funds budgeted elsewhere	(2,273)
Adjustment for encumbrances	<u>35,000</u>
GAAP basis	<u>\$ (221,053)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis.



## CITY OF JACKSON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### 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.

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.

Also 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, 2014, the City 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. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2014 to \$57,679,473. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

**CITY OF JACKSON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 15 - JOINT VENTURE - (Continued)**

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 \$213,335 at December 31, 2014. 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, 2014 to December 31, 2014, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**NOTE 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, 2010 (the latest information available), 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 18 - FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund balance</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Materials and supplies inventory	\$ 6,773	\$ 97,513	\$ 104,286
Perpetual care	-	100,000	100,000
Unclaimed monies	<u>35,847</u>	<u>-</u>	<u>35,847</u>
Total nonspendable	<u>42,620</u>	<u>197,513</u>	<u>240,133</u>
Restricted:			
Community development	-	396,052	396,052
Cemetery	-	558,100	558,100
Transportation	-	487,085	487,085
Public safety	-	325,478	325,478
Lillian Jones museum	-	306,932	306,932
Youth art program	-	502,025	502,025
Other purposes	<u>-</u>	<u>114,619</u>	<u>114,619</u>
Total restricted	<u>-</u>	<u>2,690,291</u>	<u>2,690,291</u>
Committed:			
Capital projects	-	7,645	7,645
Recreation	-	632,507	632,507
Other purposes	<u>-</u>	<u>123,549</u>	<u>123,549</u>
Total committed	<u>-</u>	<u>763,701</u>	<u>763,701</u>
Assigned:			
Recreation	5,798	-	5,798
Community development	80,227	-	80,227
Other purposes	2,137	-	2,137
General government	35,000	-	35,000
Subsequent year appropriations	<u>300,983</u>	<u>-</u>	<u>300,983</u>
Total assigned	<u>424,145</u>	<u>-</u>	<u>424,145</u>
Unassigned	<u>1,060,725</u>	<u>-</u>	<u>1,060,725</u>
Total fund balances	<u>\$ 1,527,490</u>	<u>\$ 3,651,505</u>	<u>\$ 5,178,995</u>

**CITY OF JACKSON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 19 - COMMITMENTS**

**A. Contractual Commitments**

At December 31, 2014, the City had the following contractual commitments:

Project	Fund	Purchase Commitments	Amount Paid as of 12/31/2014	Amount Remaining on Contracts
Harding Avenue Bridge Replacement	Nonmajor governmental funds	\$ 813,000	\$ (111,517)	\$ 701,483
Electric Circuit #3 & #3A Conversion	Electric	4,299,000	(1,046,016)	3,252,984
Water Booster Station Project	Water	86,863	-	86,863
McCarty Lane Sewer Improvement Project	Sewer	1,975,000	-	1,975,000
WWTP Improvements Phase 1	Sewer	5,160,000	-	5,160,000
HVAC in Memorial Building	General fund	35,000	-	35,000
Recycling Garbage Packer Truck	Nonmajor governmental funds	158,581	-	158,581
Total		<u>\$ 12,527,444</u>	<u>\$ (1,157,533)</u>	<u>\$ 11,369,911</u>

**B. Other Commitments**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 35,000
Nonmajor governmental funds	<u>46,228</u>
Total	<u>\$ 81,228</u>



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

City of Jackson  
Jackson County  
145 Broadway Street  
Jackson, Ohio 45640

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Jackson County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Jackson's basic financial statements and have issued our report thereon dated June 18, 2015.

#### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City of Jackson's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City of Jackson's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City of Jackson's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of Council and Mayor  
City of Jackson

***Compliance and Other Matters***

As part of reasonably assuring whether the City of Jackson's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City of Jackson's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City of Jackson's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
June 18, 2015



# Dave Yost • 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  
NOVEMBER 5, 2015**