

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2015

BRETT REED, CITY AUDITOR



Dave Yost • Auditor of State

Council Members
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, 2015 through December 31, 2015. 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

July 20, 2016

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**CITY OF JACKSON
JACKSON COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City of Jackson adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No 68*. We did not modify our opinion regarding this matter.

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* and schedules of net pension liabilities/net pension asset and pension contributions, 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 28, 2016, 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 28, 2016

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. 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 2015 are as follows:

- The total net position of the City increased \$3,966,688 from the 2014 total net position. Net position of governmental activities increased \$616,409 or 6.02% from the 2014 restated net position and net position of business-type activities increased \$3,350,279 or 8.10% from the 2014 restated net position.
- General revenues accounted for \$1,938,304 or 34.30% of total governmental activities revenue. Program specific revenues accounted for \$3,712,064 or 65.70% of total governmental activities revenue.
- The City had \$4,869,260 in expenses related to governmental activities; \$3,712,064 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$1,157,196 were offset by general revenues (primarily property and other local taxes and unrestricted grants and entitlements) of \$1,938,304.
- The general fund had revenues of \$3,740,884 in 2015. The general fund had expenditures and other financing uses of \$3,830,293 in 2015. The net decrease in fund balance for the general fund was \$89,409 or 5.85%.
- 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 2015 by \$3,350,279. This increase in net position was due primarily to charges for service revenues being greater than expenses.
- The water fund had operating revenues of \$2,455,305 and operating expenses of \$2,557,953 in 2015. The water fund also had non-operating expenses of \$50,693 and capital contributions of \$6,350. The net decrease in net position for the water fund was \$146,991 or 2.51%.
- The sewer fund had operating revenues of \$3,887,889 and operating expenses of \$3,630,096 in 2015. The sewer fund also had net non-operating expenses of \$58,157, non-operating revenue of \$10, and capital contributions of \$1,236,550. The net increase in net position for the sewer fund was \$1,436,196 or 13.17%.
- The electric fund had operating revenues of \$18,984,357 and operating expenses of \$16,907,397 in 2015. The electric fund also had non-operating revenues of \$900 and non-operating expenses of \$88,411. The net increase in net position for the electric fund was \$1,989,449 or 10.54%.
- In the general fund, the actual revenues and other financing sources were \$95,674 more than they were in the final budget and actual expenditures and other financing uses were \$363,659 less than the amount in the final budget. Budgeted revenues and other financing sources increased \$21,811 from original to the final budget and budgeted expenditures and other financing uses increased \$89,456 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, 2015

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 2015?" 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 18-20 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 13.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

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 the major fund 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 21-25 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 26-29 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 30 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 31-77 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability/asset. The required supplementary information can be found on pages 78 - 84 of this report.

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The net position at December 31, 2014 has been restated as described in Note 3. The table below provides a summary of the City's net position for 2015 compared to 2014:

	2015		Restated 2014		2014	
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
Assets						
Current and other assets	\$ 7,225,543	\$ 7,451,233	\$ 21,542,457	\$ 22,240,729	\$ 28,768,000	\$ 29,691,962
Investment in Joint Venture	-	-	213,335	213,335	213,335	213,335
Capital assets, net	<u>8,549,232</u>	<u>7,343,699</u>	<u>39,155,191</u>	<u>36,244,798</u>	<u>47,704,423</u>	<u>43,588,497</u>
Total assets	<u>15,774,775</u>	<u>14,794,932</u>	<u>60,910,983</u>	<u>58,698,862</u>	<u>76,685,758</u>	<u>73,493,794</u>
Deferred outflows	<u>495,917</u>	<u>301,580</u>	<u>574,104</u>	<u>419,738</u>	<u>1,070,021</u>	<u>721,318</u>
Liabilities						
Long-term liabilities	4,587,099	4,081,227	14,471,300	15,458,253	19,058,399	19,539,480
Other liabilities	<u>161,497</u>	<u>144,806</u>	<u>2,234,831</u>	<u>2,286,081</u>	<u>2,396,328</u>	<u>2,430,887</u>
Total liabilities	<u>4,748,596</u>	<u>4,226,033</u>	<u>16,706,131</u>	<u>17,744,334</u>	<u>21,454,727</u>	<u>21,970,367</u>
Deferred inflows	<u>664,208</u>	<u>629,000</u>	<u>54,411</u>	<u>-</u>	<u>718,619</u>	<u>629,000</u>
Net Position						
Net investment						
in capital assets	7,892,500	7,202,485	29,163,386	25,592,679	37,055,886	32,795,164
Restricted	3,113,147	3,603,342	-	-	3,113,147	3,603,342
Unrestricted (deficit)	<u>(147,759)</u>	<u>(564,348)</u>	<u>15,561,159</u>	<u>15,781,587</u>	<u>15,413,400</u>	<u>15,217,239</u>
Total net position	<u>\$ 10,857,888</u>	<u>\$ 10,241,479</u>	<u>\$ 44,724,545</u>	<u>\$ 41,374,266</u>	<u>\$ 55,582,433</u>	<u>\$ 51,615,745</u>

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$13,038,713 to \$10,241,479 and business-type activities from \$43,491,765 to \$41,374,266.

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$55,582,433. At year-end, net position was \$10,857,888 and \$44,724,545 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 62.20% 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, 2015, was \$7,892,500 and \$29,163,386 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.

As of December 31, 2015, the City's governmental activities unrestricted net position was a deficit balance of \$147,759. This deficit is due to the implementation of GASB 68. A portion of the City's net position, \$3,113,147 represents resources that are subject to external restriction on how they may be used.

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CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The table below shows the changes in net position for years 2015 and 2014.

Change in Net Position

	2015 Governmental Activities	2014 Governmental Activities	2015 Business-Type Activities	2014 Business-Type Activities	2015 Total	2014 Total
Revenues						
Program revenues:						
Charges for services	\$ 2,397,392	\$ 2,533,688	\$ 25,834,476	\$ 25,625,015	\$ 28,231,868	\$ 28,158,703
Operating grants and contributions	686,444	563,529	-	-	686,444	563,529
Capital grants and contributions	628,228	595,800	1,236,550	1,045,000	1,864,778	1,640,800
Total program revenues	<u>3,712,064</u>	<u>3,693,017</u>	<u>27,071,026</u>	<u>26,670,015</u>	<u>30,783,090</u>	<u>30,363,032</u>
General revenues:						
Property and other local taxes	1,462,603	1,404,114	-	-	1,462,603	1,404,114
Unrestricted grants and entitlements	249,479	237,919	-	-	249,479	237,919
Investment earnings	164,199	154,089	10	3	164,209	154,092
Miscellaneous	62,023	124,264	286,978	320,865	349,001	445,129
Total general revenues	<u>1,938,304</u>	<u>1,920,386</u>	<u>286,988</u>	<u>320,868</u>	<u>2,225,292</u>	<u>2,241,254</u>
Total revenues	<u>5,650,368</u>	<u>5,613,403</u>	<u>27,358,014</u>	<u>26,990,883</u>	<u>33,008,382</u>	<u>32,604,286</u>
Expenses:						
General government	1,299,983	1,314,951	-	-	1,299,983	1,314,951
Security of persons and property	2,205,901	2,387,147	-	-	2,205,901	2,387,147
Public health and welfare	297,184	95,045	-	-	297,184	95,045
Transportation	584,293	1,240,906	-	-	584,293	1,240,906
Community environment	269,385	527,157	-	-	269,385	527,157
Leisure time activities	200,912	199,521	-	-	200,912	199,521
Interest and fiscal charges	11,602	6,456	-	-	11,602	6,456
Water	-	-	2,599,602	2,605,101	2,599,602	2,605,101
Sewer	-	-	3,679,209	3,492,167	3,679,209	3,492,167
Electric	-	-	16,986,764	17,626,688	16,986,764	17,626,688
Other enterprise	-	-	906,859	978,600	906,859	978,600
Total expenses	<u>4,869,260</u>	<u>5,771,183</u>	<u>24,172,434</u>	<u>24,702,556</u>	<u>29,041,694</u>	<u>30,473,739</u>
Transfers	<u>(164,699)</u>	<u>(25,000)</u>	<u>164,699</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Change in net position	616,409	(182,780)	3,350,279	2,313,327	3,966,688	2,130,547
Net position at beginning of year (restated)	<u>10,241,479</u>	N/A	<u>41,374,266</u>	N/A	<u>51,615,745</u>	N/A
Net position at end of year	<u>\$ 10,857,888</u>	<u>\$ 10,241,479</u>	<u>\$ 44,724,545</u>	<u>\$ 41,374,266</u>	<u>\$ 55,582,433</u>	<u>\$ 51,615,745</u>

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$590,613 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$597,166. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2015 program expenses under GASB 68	\$ 4,869,260	\$ 24,172,434
Pension expense under GASB 68	(331,909)	(265,257)
2015 contractually required contributions	342,412	322,763
Adjusted 2015 program expenses	4,879,763	24,229,940
Total 2014 program expenses under GASB 27	5,771,183	24,702,556
Increase (decrease) in program expenses not related to pension	\$ (891,420)	\$ (472,616)

Governmental activities net position increased \$616,409 in 2015.

Security of persons and property, which primarily supports the operations of the police department accounted for \$2,205,901 of the total expenses of the City. These expenses were partially funded by \$79,340 in direct charges to users of the services and \$1,920 in operating grants and contributions. Transportation expenses totaled \$584,293. Transportation expenses were funded by \$1,266,890 in direct charges to users of the services, primarily related to right-of-ways, \$331,076 in operating grants and contributions and \$628,228 in capital grants and contributions.

The state and federal government contributed to the City a total of \$686,444 in operating grants and contributions.

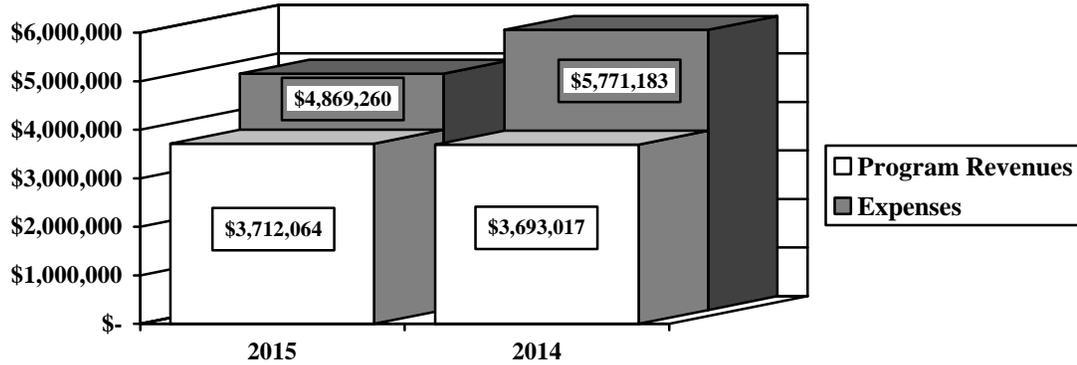
General revenues totaled \$1,938,304 and amounted to 34.30% of total governmental revenues. These revenues primarily consist of property and other local tax revenue of \$1,462,603. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds, making up \$249,479.

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.

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Governmental Activities - Program Revenues vs. Total Expenses



Governmental Activities

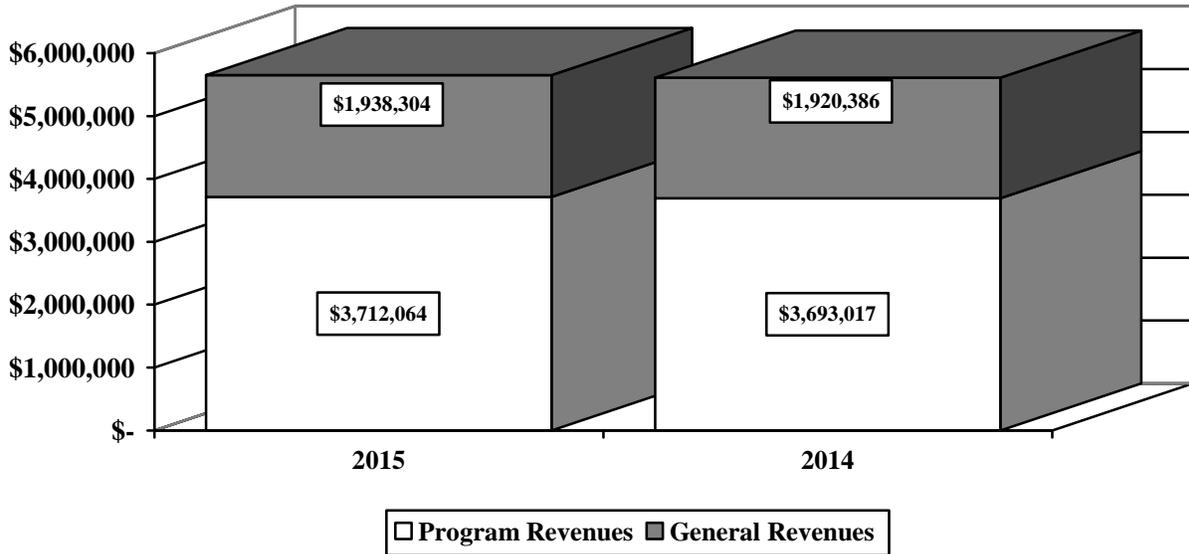
	Total Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2015</u>	Net Cost of Services <u>2014</u>
Program Expenses:				
General government	\$ 1,299,983	\$ 1,314,951	\$ 373,570	\$ 107,650
Security of persons and property	2,205,901	2,387,147	2,124,641	2,314,879
Public health and welfare	297,184	95,045	209,043	84,434
Transportation	584,293	1,240,906	(1,641,901)	(945,703)
Community environment	269,385	527,157	(47,377)	372,532
Leisure time activity	200,912	199,521	127,618	137,918
Interest and fiscal charges	<u>11,602</u>	<u>6,456</u>	<u>11,602</u>	<u>6,456</u>
Total Expenses	<u>\$ 4,869,260</u>	<u>\$ 5,771,183</u>	<u>\$ 1,157,196</u>	<u>\$ 2,078,166</u>

The dependence upon general revenues for governmental activities is apparent, with 24.05% of expenses supported through taxes and other general revenues.

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

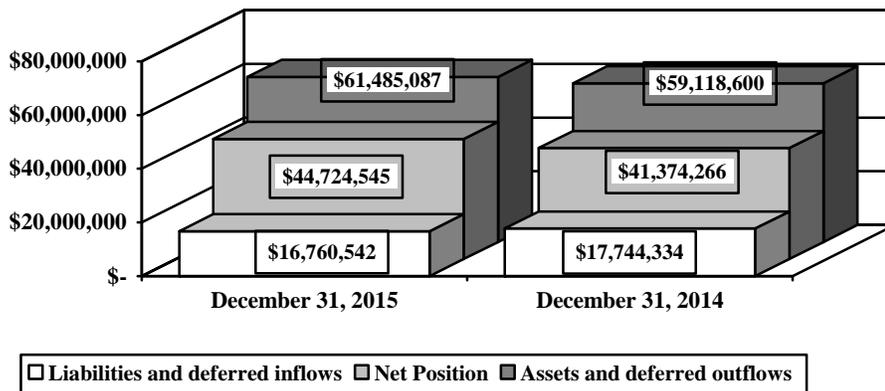
Governmental Activities - General and Program Revenues



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 \$27,071,026, general revenues of \$286,988 and expenses of \$24,172,434 for 2015. The graph below shows the business-type activities assets and deferred outflows, liabilities and deferred inflows and net position at year-end 2015 and 2014.

Net Position in Business - Type Activities



CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 21) reported a combined fund balance of \$5,068,164 which is \$110,831 below last year's total of \$5,178,995. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2015 for all major and nonmajor governmental funds.

	Balances 12/31/15	Balances 12/31/14	(Decrease)
General	\$ 1,438,081	\$ 1,527,490	\$ (89,409)
Other nonmajor governmental funds	3,630,083	3,651,505	(21,422)
Total	\$ 5,068,164	\$ 5,178,995	\$ (110,831)

General Fund

The City's general fund balance declined 4.20%, primarily as a result of transfers out of \$225,000. The table that follows assists in illustrating the revenues of the general fund.

	2015 Amount	2014 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$ 1,080,606	\$ 1,051,346	2.78 %
Charges for services	2,087,887	2,265,584	(7.84) %
Licenses and permits	90,445	94,769	(4.56) %
Fines and forfeitures	51,830	42,395	22.25 %
Investment income	164,199	154,089	6.56 %
Intergovernmental	202,204	187,840	7.65 %
Other	63,438	108,625	(41.60) %
Total	\$ 3,740,609	\$ 3,904,648	(4.20) %

Tax revenue represents 28.89% of all general fund revenue. Tax revenue increased by 2.78% from prior year. The increase in intergovernmental revenue is related to an increase in estate tax revenue during the year. The decrease in other revenues is due to a decrease in miscellaneous receipts.

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,228,531	\$ 1,316,904	(6.71) %
Security of persons and property	2,192,946	2,129,745	2.97 %
Transportation	169,826	157,995	7.49 %
Community environment	11,696	16,172	(27.68) %
Debt service	<u>2,294</u>	<u>2,295</u>	(0.04) %
 Total	 <u>\$ 3,605,293</u>	 <u>\$ 3,623,111</u>	 (0.49) %

Total expenditures decreased 0.49% from 2014. The largest expenditure line item, security of persons and property increased 2.97%.

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 \$89,456 excluding advances and transfers. The City's general fund actual revenues and other financing sources were \$95,674 greater than the final budgeted revenues and expenditures were \$353,659 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 \$2,455,305 and operating expenses of \$2,557,953 in 2015. The water fund also had non-operating expenses of \$50,693. The net decrease in net position for the water fund was \$146,991 or 2.51%.

The sewer fund had operating revenues of \$3,887,889 and operating expenses of \$3,630,096 in 2015. The sewer fund also had net non-operating expenses of \$58,157, non-operating revenue of \$10, and capital contributions of \$1,236,550. The net increase in net position for the sewer fund was \$1,436,196 or 13.17%.

The electric fund had operating revenues of \$18,984,357 and operating expenses of \$16,907,397 in 2015. The electric fund also had non-operating revenues of \$900 and non-operating expenses of \$88,411. The net increase in net position for the electric fund was \$1,989,449 or 10.54%.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Capital Assets and Debt Administration

Capital Assets

At the end of 2015, the City had \$47,704,423 (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, \$8,549,232 was reported in governmental activities and \$39,155,191 was reported in business-type activities.

The following table shows 2015 capital asset balances compared to 2014:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 1,409,650	\$ 1,409,650	\$ 3,122,332	\$ 3,122,332	\$ 4,531,982	\$ 4,531,982
Art work and historical treasures	291,000	291,000	-	-	291,000	291,000
Land improvements	176,028	186,564	17,779	18,630	193,807	205,194
Buildings	1,415,858	1,444,070	543,995	551,468	1,959,853	1,995,538
Equipment	314,485	384,326	691,605	825,271	1,006,090	1,209,597
Infrastructure	3,035,113	3,101,392	33,228,993	29,662,429	36,264,106	32,763,821
Vehicles	726,799	389,175	421,655	341,069	1,148,454	730,244
Construction in progress	<u>1,180,299</u>	<u>137,522</u>	<u>1,128,832</u>	<u>1,723,599</u>	<u>2,309,131</u>	<u>1,861,121</u>
Totals	<u>\$ 8,549,232</u>	<u>\$ 7,343,699</u>	<u>\$ 39,155,191</u>	<u>\$ 36,244,798</u>	<u>\$ 47,704,423</u>	<u>\$ 43,588,497</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 76.02% of the City's total capital assets. See Note 7 to the basic financial statements for additional capital asset detail.

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2015 and 2014:

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Notes payable	\$ 130,332	\$ 141,214
Lease purchase agreements	526,400	-
Police and Fire Pension Liability	<u>30,168</u>	<u>31,149</u>
Total long-term obligations	<u>\$ 686,900</u>	<u>\$ 172,363</u>

	<u>Business-type Activities</u>	
	<u>2015</u>	<u>2014</u>
Bonds payable	\$ 3,208,527	\$ 3,824,275
Notes payable	233,001	280,007
AMP-Ohio stranded costs	1,136,996	1,610,889
OWDA loans	<u>6,670,465</u>	<u>6,678,542</u>
Total long-term obligations	<u>\$ 11,248,989</u>	<u>\$ 12,393,713</u>

See Note 13 to the basic financial statements for detail on the City's long-term obligations.

Economic Conditions and Outlook

The City's administration considers the impact of various economic factors when establishing the 2016 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 2016 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 2015 was 7.70% compared to the 4.80% State of Ohio average. The City Auditor anticipates the 2015 rate to continue through 2016 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.

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 4,894,529	\$ 17,048,157	\$ 21,942,686
Receivables:			
Real and other taxes	739,805	-	739,805
Accounts	118,492	2,299,632	2,418,124
Accrued interest	1,527	-	1,527
Due from other governments	835,177	1,434,889	2,270,066
Loans receivable	4,354	-	4,354
Materials and supplies inventory	83,106	846,411	929,517
Internal balance	546,916	(546,916)	-
Net pension asset	1,637	3,045	4,682
Restricted assets:			
Customer deposits	-	457,239	457,239
Investment in joint venture	-	213,335	213,335
Capital assets:			
Land, artwork and construction in progress	2,880,949	4,251,164	7,132,113
Depreciable capital assets, net	5,668,283	34,904,027	40,572,310
Total capital assets, net	<u>8,549,232</u>	<u>39,155,191</u>	<u>47,704,423</u>
Total assets	<u>15,774,775</u>	<u>60,910,983</u>	<u>76,685,758</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	-	119,738	119,738
Pension - OPERS	244,374	454,366	698,740
Pension - OP&F	251,543	-	251,543
Total deferred outflows of resources	<u>495,917</u>	<u>574,104</u>	<u>1,070,021</u>
Liabilities:			
Accounts payable	39,990	1,162,582	1,202,572
Contracts payable	-	464,112	464,112
Accrued wages and benefits payable	58,416	67,433	125,849
Due to other governments	57,863	46,701	104,564
Accrued interest payable	5,228	7,917	13,145
Claims payable	-	28,847	28,847
Customer deposits payable	-	457,239	457,239
Long-term liabilities:			
Due within one year	232,708	1,564,793	1,797,501
Net pension liability	3,244,077	2,462,993	5,707,070
Due in more than one year	1,110,314	10,443,514	11,553,828
Total liabilities	<u>4,748,596</u>	<u>16,706,131</u>	<u>21,454,727</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	624,000	-	624,000
Pension - OPERS	29,263	54,411	83,674
Pension - OP&F	10,945	-	10,945
Total deferred inflows of resources	<u>664,208</u>	<u>54,411</u>	<u>718,619</u>
Net position:			
Net investment in capital assets	7,892,500	29,163,386	37,055,886
Restricted for:			
Community development	548,354	-	548,354
Youth arts program	503,429	-	503,429
Cemetery	479,014	-	479,014
Transportation projects	335,848	-	335,848
Public safety	207,534	-	207,534
Capital projects	512,475	-	512,475
Cemetery endowment:			
Nonexpendable	100,000	-	100,000
Expendable	292,875	-	292,875
Other purposes	133,618	-	133,618
Unrestricted (deficit)	(147,759)	15,561,159	15,413,400
Total net position	<u>\$ 10,857,888</u>	<u>\$ 44,724,545</u>	<u>\$ 55,582,433</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government.	\$ 1,299,983	\$ 922,434	\$ 3,979	\$ -
Security of persons and property	2,205,901	79,340	1,920	-
Public health and welfare	297,184	73,071	15,070	-
Transportation.	584,293	1,266,890	331,076	628,228
Community environment	269,385	10,614	306,148	-
Leisure time activity.	200,912	45,043	28,251	-
Interest and fiscal charges.	11,602	-	-	-
Total governmental activities	<u>4,869,260</u>	<u>2,397,392</u>	<u>686,444</u>	<u>628,228</u>
Business-type activities:				
Water.	2,599,602	2,439,204	-	-
Sewer.	3,679,209	3,887,623	-	1,236,550
Electric.	16,986,764	18,734,175	-	-
Other business-type activities:				
Garbage.	774,837	773,474	-	-
Railroad.	132,022	-	-	-
Total business-type activities	<u>24,172,434</u>	<u>25,834,476</u>	<u>-</u>	<u>1,236,550</u>
Total primary government	<u>\$ 29,041,694</u>	<u>\$ 28,231,868</u>	<u>\$ 686,444</u>	<u>\$ 1,864,778</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 (restated).

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (373,570)	\$ -	\$ (373,570)
(2,124,641)	-	(2,124,641)
(209,043)	-	(209,043)
1,641,901	-	1,641,901
47,377	-	47,377
(127,618)	-	(127,618)
(11,602)	-	(11,602)
<u>(1,157,196)</u>	<u>-</u>	<u>(1,157,196)</u>
-	(160,398)	(160,398)
-	1,444,964	1,444,964
-	1,747,411	1,747,411
-	(1,363)	(1,363)
-	(132,022)	(132,022)
-	<u>2,898,592</u>	<u>2,898,592</u>
<u>(1,157,196)</u>	<u>2,898,592</u>	<u>1,741,396</u>
1,086,382	-	1,086,382
158,228	-	158,228
147,747	-	147,747
70,246	-	70,246
249,479	-	249,479
164,199	10	164,209
62,023	286,978	349,001
<u>1,938,304</u>	<u>286,988</u>	<u>2,225,292</u>
<u>(164,699)</u>	<u>164,699</u>	<u>-</u>
<u>1,773,605</u>	<u>451,687</u>	<u>2,225,292</u>
616,409	3,350,279	3,966,688
10,241,479	41,374,266	51,615,745
<u>\$ 10,857,888</u>	<u>\$ 44,724,545</u>	<u>\$ 55,582,433</u>

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 1,451,267	\$ 3,443,262	\$ 4,894,529
Receivables:			
Real and other taxes	389,098	350,707	739,805
Accounts	78,613	39,879	118,492
Accrued interest	1,263	264	1,527
Due from other governments	78,688	756,489	835,177
Loans receivable	4,354	-	4,354
Materials and supplies inventory	6,314	76,792	83,106
Total assets	\$ 2,009,597	\$ 4,667,393	\$ 6,676,990
Liabilities:			
Accounts payable	\$ 36,977	\$ 3,013	\$ 39,990
Accrued wages and benefits payable	48,690	9,726	58,416
Due to other governments	45,391	12,472	57,863
Total liabilities	131,058	25,211	156,269
Deferred inflows of resources:			
Property taxes levied for the next fiscal year . . .	328,500	295,500	624,000
Delinquent property tax revenue not available . . .	53,666	48,275	101,941
Intergovernmental revenue not available	58,292	668,324	726,616
Total deferred inflows of resources	440,458	1,012,099	1,452,557
Fund balances:			
Nonspendable	42,161	176,792	218,953
Restricted	-	2,718,484	2,718,484
Committed	-	734,807	734,807
Assigned	862,679	-	862,679
Unassigned	533,241	-	533,241
Total fund balances	1,438,081	3,630,083	5,068,164
Total liabilities, deferred inflows of resources and fund balances	\$ 2,009,597	\$ 4,667,393	\$ 6,676,990

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, 2015

Total governmental fund balances		\$	5,068,164
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds.			1,637
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			8,549,232
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	\$	101,941	
Intergovernmental receivable		726,616	
Total		828,557	828,557
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.			546,916
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(5,228)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows		495,917	
Deferred inflows		(40,208)	
Net Pension Liability		(3,244,077)	
Total		(2,788,368)	(2,788,368)
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		(656,122)	
Police and fire pension liability		(30,168)	
Notes payable		(656,732)	
Total		(1,343,022)	(1,343,022)
Net position of governmental activities		\$	10,857,888

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, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Real and other taxes	\$ 1,080,606	\$ 371,337	\$ 1,451,943
Intergovernmental	202,204	1,463,991	1,666,195
Charges for services	2,087,887	124,058	2,211,945
Fines and forfeitures	51,830	8,701	60,531
Licenses and permits	90,445	-	90,445
Investment income	164,199	27,437	191,636
Rental income	1,850	-	1,850
Contributions and donations	-	25,495	25,495
Other	61,588	30,997	92,585
Total revenues	3,740,609	2,052,016	5,792,625
Expenditures:			
Current:			
General government	1,228,531	-	1,228,531
Security of persons and property	2,192,946	833,377	3,026,323
Public health and welfare	-	319,786	319,786
Transportation	169,826	506,910	676,736
Community environment	11,696	257,689	269,385
Leisure time activity	-	179,657	179,657
Capital outlay	-	711,553	711,553
Debt service:			
Principal retirement	981	10,882	11,863
Interest and fiscal charges	1,313	5,144	6,457
Total expenditures	3,605,293	2,824,998	6,430,291
Excess (deficiency) of revenues over (under) expenditures	135,316	(772,982)	(637,666)
Other financing sources (uses):			
Sale of capital assets	275	160	435
Lease purchase transaction	-	526,400	526,400
Transfers in	-	243,036	243,036
Transfers (out)	(225,000)	(18,036)	(243,036)
Total other financing sources (uses)	(224,725)	751,560	526,835
Net change in fund balances	(89,409)	(21,422)	(110,831)
Fund balances at beginning of year	1,527,490	3,651,505	5,178,995
Fund balances at end of year	\$ 1,438,081	\$ 3,630,083	\$ 5,068,164

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, 2015

Net change in fund balances - total governmental funds	\$	(110,831)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.		
Capital asset additions	\$ 1,616,398	
Current year depreciation	<u>(410,865)</u>	
Total		1,205,533
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	10,660	
Intergovernmental revenues	<u>(153,352)</u>	
Total		(142,692)
Proceeds of lease purchase agreements are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(526,400)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		11,863
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.		
		(5,145)
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.		
		153,482
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		342,412
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(331,909)
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 of the internal service fund is allocated among the governmental activities.		
		<u>20,096</u>
Change in net position of governmental activities	\$	<u>616,409</u>

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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Real and other taxes	\$ 1,015,125	\$ 1,024,457	\$ 1,081,082	\$ 56,625
Intergovernmental	183,000	190,698	202,204	11,506
Charges for services	2,265,585	2,094,557	2,087,887	(6,670)
Fines and forfeitures	35,250	44,630	51,830	7,200
Licenses and permits	88,900	89,729	90,445	716
Investment earnings	150,000	150,000	164,852	14,852
Rental income	1,500	1,500	1,850	350
Other	49,000	46,145	56,965	10,820
Total revenues	<u>3,788,360</u>	<u>3,641,716</u>	<u>3,737,115</u>	<u>95,399</u>
Expenditures:				
Current:				
General government	1,370,323	1,459,779	1,218,625	241,154
Security of persons and property	2,285,220	2,285,220	2,200,192	85,028
Transportation	196,450	196,450	169,029	27,421
Debt service:				
Principal retirement	950	981	981	-
Interest and fiscal charges	1,400	1,369	1,313	56
Total expenditures	<u>3,854,343</u>	<u>3,943,799</u>	<u>3,590,140</u>	<u>353,659</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(65,983)</u>	<u>(302,083)</u>	<u>146,975</u>	<u>449,058</u>
Other financing sources (uses):				
Sale of capital assets	-	-	275	275
Advances in	-	168,455	168,455	-
Transfers out	(235,000)	(235,000)	(225,000)	10,000
Total other financing sources (uses)	<u>(235,000)</u>	<u>(66,545)</u>	<u>(56,270)</u>	<u>10,275</u>
Net change in fund balances	(300,983)	(368,628)	90,705	459,333
Fund balances at beginning of year	1,196,163	1,196,163	1,196,163	-
Prior year encumbrances appropriated	35,000	35,000	35,000	-
Fund balance at end of year	<u>\$ 930,180</u>	<u>\$ 862,535</u>	<u>\$ 1,321,868</u>	<u>\$ 459,333</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds					Internal Service Fund
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total	
Assets:						
Current assets:						
Equity in pooled cash and cash equivalents . . .	\$ 1,957,743	\$ 3,302,838	\$ 10,208,431	\$ 316,045	\$ 15,785,057	\$ 1,263,100
Receivables:						
Accounts	323,265	440,334	1,475,055	60,978	2,299,632	-
Due from other governments	-	1,434,889	-	-	1,434,889	-
Materials and supplies inventory	31,366	61,379	749,987	3,679	846,411	-
Restricted assets:						
Customer deposits	72,305	68,903	294,957	21,074	457,239	-
Total current assets	<u>2,384,679</u>	<u>5,308,343</u>	<u>12,728,430</u>	<u>401,776</u>	<u>20,823,228</u>	<u>1,263,100</u>
Noncurrent assets:						
Investment in joint venture	-	-	213,335	-	213,335	-
Net pension asset	756	974	1,007	308	3,045	-
Capital assets:						
Land and construction in progress	1,238,827	1,061,586	306,116	1,644,635	4,251,164	-
Depreciable capital assets, net	4,959,225	13,073,627	13,529,371	3,341,804	34,904,027	-
Total capital assets, net	<u>6,198,052</u>	<u>14,135,213</u>	<u>13,835,487</u>	<u>4,986,439</u>	<u>39,155,191</u>	<u>-</u>
Total noncurrent assets	<u>6,198,808</u>	<u>14,136,187</u>	<u>14,049,829</u>	<u>4,986,747</u>	<u>39,371,571</u>	<u>-</u>
Total assets	<u>8,583,487</u>	<u>19,444,530</u>	<u>26,778,259</u>	<u>5,388,523</u>	<u>60,194,799</u>	<u>1,263,100</u>
Deferred outflows of resources:						
Unamortized deferred charges on debt refunding	28,349	-	91,389	-	119,738	-
Pension - OPERS	112,818	145,351	150,249	45,948	454,366	-
Total deferred outflows of resources	<u>141,167</u>	<u>145,351</u>	<u>241,638</u>	<u>45,948</u>	<u>574,104</u>	<u>-</u>
Total assets and deferred outflows of resources .	<u>8,724,654</u>	<u>19,589,881</u>	<u>27,019,897</u>	<u>5,434,471</u>	<u>60,768,903</u>	<u>1,263,100</u>
Liabilities:						
Current liabilities:						
Accounts payable	11,847	78,181	1,058,292	14,262	1,162,582	-
Contracts payable	8,069	198,915	257,128	-	464,112	-
Accrued wages and benefits payable	20,056	21,523	19,274	6,580	67,433	-
Due to other governments	11,238	15,414	15,502	4,547	46,701	-
Accrued interest payable	3,497	-	4,420	-	7,917	-
Compensated absences payable - current	25,535	63,157	72,651	4,996	166,339	-
OWDA loans payable	69,014	397,434	-	-	466,448	-
Notes payable	14,676	32,330	-	-	47,006	-
AMP-Ohio stranded cost payable - current	-	-	500,000	-	500,000	-
Claims payable	-	-	-	-	-	28,847
Payables from restricted assets:						
Revenue bonds payable	200,000	-	185,000	-	385,000	-
Customer deposits payable	72,305	68,903	294,957	21,074	457,239	-
Total current liabilities	<u>436,237</u>	<u>875,857</u>	<u>2,407,224</u>	<u>51,459</u>	<u>3,770,777</u>	<u>28,847</u>
Long-term liabilities:						
Compensated absences payable	92,131	184,546	299,237	17,515	593,429	-
Revenue bonds payable	843,077	-	1,980,000	-	2,823,077	-
OWDA loans payable	931,700	5,272,317	-	-	6,204,017	-
Notes payable	77,883	108,112	-	-	185,995	-
AMP-Ohio stranded cost payable	-	-	636,996	-	636,996	-
Net pension liability	611,558	787,906	814,461	249,068	2,462,993	-
Total long-term liabilities	<u>2,556,349</u>	<u>6,352,881</u>	<u>3,730,694</u>	<u>266,583</u>	<u>12,906,507</u>	<u>-</u>
Total liabilities	<u>2,992,586</u>	<u>7,228,738</u>	<u>6,137,918</u>	<u>318,042</u>	<u>16,677,284</u>	<u>28,847</u>
Deferred inflows of resources:						
Pension - OPERS	13,509	17,406	17,993	5,503	54,411	-
Total deferred inflows of resources	<u>13,509</u>	<u>17,406</u>	<u>17,993</u>	<u>5,503</u>	<u>54,411</u>	<u>-</u>
Total liabilities and deferred inflows of resources.	<u>3,006,095</u>	<u>7,246,144</u>	<u>6,155,911</u>	<u>323,545</u>	<u>16,731,695</u>	<u>28,847</u>
Net position:						
Net investment in capital assets	4,090,051	8,325,020	11,761,876	4,986,439	29,163,386	-
Unrestricted	1,628,508	4,018,717	9,102,110	124,487	14,873,822	1,234,253
Total net position	<u>\$ 5,718,559</u>	<u>\$ 12,343,737</u>	<u>\$ 20,863,986</u>	<u>\$ 5,110,926</u>	<u>44,037,208</u>	<u>\$ 1,234,253</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	1,234,253
Amount owed to governmental activities	(546,916)
Net position of business-type activities	<u>\$ 44,724,545</u>

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Business-type Activities - Enterprise Funds						
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total	Internal Service Fund
Operating revenues:						
Charges for services	\$ 2,439,204	\$ 3,887,623	\$ 18,734,175	\$ 773,474	\$ 25,834,476	\$ -
Other operating revenues	16,101	266	250,182	19,529	286,078	404,553
Total operating revenues.	<u>2,455,305</u>	<u>3,887,889</u>	<u>18,984,357</u>	<u>793,003</u>	<u>26,120,554</u>	<u>404,553</u>
Operating expenses:						
Personal services	668,756	854,256	963,943	271,363	2,758,318	-
Fringe benefits.	309,702	443,524	488,229	175,924	1,417,379	354,310
Contract services.	951,957	616,093	13,516,793	169,616	15,254,459	-
Materials and supplies.	219,122	265,491	264,392	41,980	790,985	-
Utilities	98,819	306,436	10,739	4,234	420,228	-
Depreciation.	287,414	730,311	372,766	177,456	1,567,947	-
Other	22,183	413,985	1,290,535	69,301	1,796,004	-
Total operating expenses.	<u>2,557,953</u>	<u>3,630,096</u>	<u>16,907,397</u>	<u>909,874</u>	<u>24,005,320</u>	<u>354,310</u>
Operating income (loss)	<u>(102,648)</u>	<u>257,793</u>	<u>2,076,960</u>	<u>(116,871)</u>	<u>2,115,234</u>	<u>50,243</u>
Nonoperating revenues (expenses):						
Interest and fiscal charges	(50,693)	(58,157)	(88,411)	-	(197,261)	-
Gain on sale of capital assets.	-	-	900	-	900	-
Interest income.	-	10	-	-	10	-
Total nonoperating expenses.	<u>(50,693)</u>	<u>(58,147)</u>	<u>(87,511)</u>	<u>-</u>	<u>(196,351)</u>	<u>-</u>
Income (loss) before transfers and contributions.	(153,341)	199,646	1,989,449	(116,871)	1,918,883	50,243
Capital contributions.	6,350	1,236,550	-	158,349	1,401,249	-
Change in net position	(146,991)	1,436,196	1,989,449	41,478	3,320,132	50,243
Net position at beginning of year (restated)	<u>5,865,550</u>	<u>10,907,541</u>	<u>18,874,537</u>	<u>5,069,448</u>		<u>1,184,010</u>
Net position at end of year	<u>\$ 5,718,559</u>	<u>\$ 12,343,737</u>	<u>\$ 20,863,986</u>	<u>\$ 5,110,926</u>		<u>\$ 1,234,253</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>30,147</u>	
Change in net position of business-type activities.					<u>\$ 3,350,279</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, 2015

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total	Internal Service Fund
Cash flows from operating activities:						
Cash received from customers.	\$ 2,463,791	\$ 3,896,975	\$ 18,942,340	\$ 790,010	\$ 26,093,116	\$ -
Cash received from other operations	16,101	266	234,445	13,498	264,310	404,553
Cash payments for employee services and benefits.	(980,695)	(1,320,602)	(1,395,981)	(452,742)	(4,150,020)	-
Cash payments for goods and services.	(1,206,222)	(1,290,359)	(13,901,082)	(216,460)	(16,614,123)	-
Cash payments for claims	-	-	-	-	-	(348,591)
Cash payments for other expenses	(22,183)	(413,985)	(1,290,535)	(69,301)	(1,796,004)	-
Net cash provided by operating activities	270,792	872,295	2,589,187	65,005	3,797,279	55,962
Cash flows from noncapital financing activities:						
Cash received from interfund loans	-	450,000	-	-	450,000	-
Cash used in repayment of interfund loans.	-	(550,000)	-	-	(550,000)	-
Net cash used in noncapital financing activities.	-	(100,000)	-	-	(100,000)	-
Cash flows from capital and related financing activities:						
Capital contributions.	-	1,279,392	-	-	1,279,392	-
Sale of capital assets.	-	-	900	-	900	-
Acquisition of capital assets	(493,982)	(736,554)	(3,003,102)	(985)	(4,234,623)	-
Payment for stranded costs.	-	-	(516,032)	-	(516,032)	-
Principal retirement on OWDA loans	(69,015)	(391,793)	-	-	(460,808)	-
Principal retirement on notes	(14,676)	(32,330)	-	-	(47,006)	-
Principal retirement on general obligation bonds.	(200,000)	-	-	-	(200,000)	-
Principal retirement on revenue bonds.	-	-	(415,000)	-	(415,000)	-
Interest and fiscal charges	(49,963)	(58,157)	(63,210)	-	(171,330)	-
Net cash provided by (used in) capital and related financing activities.	(827,636)	60,558	(3,996,444)	(985)	(4,764,507)	-
Cash flows from investing activities:						
Interest received	-	10	-	-	10	-
Net cash provided by investing activities	-	10	-	-	10	-
Net increase (decrease) in cash and cash equivalents	(556,844)	832,863	(1,407,257)	64,020	(1,067,218)	55,962
Cash and cash equivalents at beginning of year	2,586,892	2,538,878	11,910,645	273,099	17,309,514	1,207,138
Cash and cash equivalents at end of year	\$ 2,030,048	\$ 3,371,741	\$ 10,503,388	\$ 337,119	\$ 16,242,296	\$ 1,263,100

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**CITY OF JACKSON
JACKSON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ (102,648)	\$ 257,793	\$ 2,076,960	\$ (116,871)	\$ 2,115,234	\$ 50,243
Adjustments:						
Depreciation.	287,414	730,311	372,766	177,456	1,567,947	-
Changes in assets and liabilities:						
Decrease (increase) in materials and supplies inventory.	73,063	(39,327)	(104,759)	(892)	(71,915)	-
Decrease in accounts receivable.	23,519	8,357	208,427	10,637	250,940	-
Increase in net pension asset.	(550)	(709)	(733)	(224)	(2,216)	-
Increase in deferred outflows - pension	(41,051)	(52,890)	(54,672)	(16,720)	(165,333)	-
Decrease in contracts payable.	-	(90,714)	23,724	-	(66,990)	-
Increase (decrease) in accounts payable.	(9,387)	27,702	(68,322)	262	(49,745)	-
Increase (decrease) in accrued wages and benefits.	2,176	(852)	(4,041)	(2,638)	(5,355)	-
Decrease in intergovernmental payable.	(4,189)	(5,258)	(2,843)	(1,761)	(14,051)	-
Increase in compensated absences payable.	14,055	1,684	82,091	4,759	102,589	-
Increase (decrease) in customer deposits payable.	1,068	995	(262)	(132)	1,669	-
Increase deferred inflows - pension	13,509	17,406	17,993	5,503	54,411	-
Increase in net pension liability.	13,813	17,797	18,396	5,626	55,632	-
Increase in stranded cost payable.	-	-	24,462	-	24,462	-
Increase in claims payable.	-	-	-	-	-	5,719
Net cash provided by operating activities	<u>\$ 270,792</u>	<u>\$ 872,295</u>	<u>\$ 2,589,187</u>	<u>\$ 65,005</u>	<u>\$ 3,797,279</u>	<u>\$ 55,962</u>

Non-cash transactions

During 2015, the Water, Sewer and Electric funds purchased \$8,069, \$254,433, and \$233,404, respectively in capital assets on account. During 2015, the Water and nonmajor enterprise funds received \$6,350 and \$158,349 in capital contributions, respectively. During 2014, the Electric fund purchased \$416,888 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, 2015

	<u>Agency</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	<u>\$ 14,705</u>
Total assets	<u><u>\$ 14,705</u></u>
Liabilities:	
Due to others.	<u>\$ 14,705</u>
Total liabilities	<u><u>\$ 14,705</u></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, 2015

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 16.

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, 2015

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, 2015

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, 2015

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, 2015

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 Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

The City also reports deferred inflow of resources for the following items related to the City's net pension liability: (1) differences between expected and actual experience and (2) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

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

E. Budgetary Process

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

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

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

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

F. Cash and Cash Equivalents

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

During 2015, investments were limited to non-negotiable certificates of deposit.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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 2015, 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 2015 amounted to \$164,199, of which \$152,846 was assigned from other City funds.

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

G. Receivables and Payables

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

H. Inventory of Supplies

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, 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, 2015.

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.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

All reported capital assets are depreciated except for land, 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.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

M. Compensated Absences

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

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

N. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, net pension liability, 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.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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.

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.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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 2015.

V. Pensions

For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the City's pension plan disclosures, as presented in Note 8 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

	<u>Governmental Activities</u>
Net position as previously reported	\$ 13,038,713
Net pension asset	446
Deferred outflows - payments subsequent to measurement date	301,580
Net pension liability	<u>(3,099,260)</u>
 Restated net position at January 1, 2015	 <u>\$ 10,241,479</u>

	<u>Business-Type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Nonmajor Enterprise Funds</u>
Net position as previously reported	\$ 43,491,765	\$ 6,391,322	\$ 11,584,924	\$ 19,574,751	\$ 5,283,578
Net pension asset	829	206	265	274	84
Deferred outflows - payments subsequent to measurement date	289,033	71,767	92,461	95,577	29,228
Net pension liability	<u>(2,407,361)</u>	<u>(597,745)</u>	<u>(770,109)</u>	<u>(796,065)</u>	<u>(243,442)</u>
 Restated net position at January 1, 2015	 <u>\$ 41,374,266</u>	 <u>\$ 5,865,550</u>	 <u>\$ 10,907,541</u>	 <u>\$ 18,874,537</u>	 <u>\$ 5,069,448</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

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.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$22,412,880 and the bank balance was \$22,640,273. Of the bank balance \$5,518,826 was covered by Federal depository insurance and \$17,121,447 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.

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, 2015:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 22,412,880
Cash on hand	1,750
Total	<u>\$ 22,414,630</u>
 <u>Cash per statement of net position</u>	
Governmental activities	\$ 4,894,529
Business type activities	17,505,396
Agency funds	14,705
Total	<u>\$ 22,414,630</u>

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 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, 2015 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 2015 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.

The full tax rate for all City operations for the year ended December 31, 2015 was \$6.70 per \$1,000 of assessed value. The assessed values of real and public utility property for tax year 2015 are as follows:

Real property	\$ 113,467,040
Public utility real and personal property	3,363,860
Total assessed value	<u>\$ 116,830,900</u>

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6 - RECEIVABLES

Receivables at December 31, 2015, 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 \$101,941. 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	\$ 55,000
Community Housing Improvement Projects	39,348
FEMA	465
Local Government Funds	61,188
Gasoline Tax	121,498
Motor Vehicle License Tax	9,851
Homestead and Rollback	31,750
Permissive Tax	4,658
Bridge Replacement Projects	<u>511,419</u>
Total Governmental Activities	<u>\$ 835,177</u>

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015
<u>Governmental Activities:</u>				
Non-Depreciable Capital Assets:				
Art work and historical treasures	\$ 291,000	\$ -	\$ -	\$ 291,000
Construction in progress	137,522	1,042,777	-	1,180,299
Land	1,409,650	-	-	1,409,650
Total Non-Depreciable Capital Assets	<u>1,838,172</u>	<u>1,042,777</u>	<u>-</u>	<u>2,880,949</u>
Depreciable Capital Assets:				
Land Improvements	363,025	-	-	363,025
Buildings	2,414,901	24,708	-	2,439,609
Equipment	1,515,378	13,788	-	1,529,166
Infrastructure	8,046,444	70,292	-	8,116,736
Vehicles	1,794,272	464,833	(21,737)	2,237,368
Total Depreciable Capital Assets	<u>14,134,020</u>	<u>573,621</u>	<u>(21,737)</u>	<u>14,685,904</u>
Accumulated Depreciation:				
Land Improvements	(176,461)	(10,536)	-	(186,997)
Buildings	(970,831)	(52,920)	-	(1,023,751)
Equipment	(1,131,052)	(83,629)	-	(1,214,681)
Infrastructure	(4,945,052)	(136,571)	-	(5,081,623)
Vehicles	(1,405,097)	(127,209)	21,737	(1,510,569)
Total Accumulated Depreciation	<u>(8,628,493)</u>	<u>(410,865)</u>	<u>21,737</u>	<u>(9,017,621)</u>
Total Depreciable Capital Assets, Net	<u>5,505,527</u>	<u>162,756</u>	<u>-</u>	<u>5,668,283</u>
Governmental Capital Assets, Net	<u>\$ 7,343,699</u>	<u>\$ 1,205,533</u>	<u>\$ -</u>	<u>\$ 8,549,232</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental Activities:</u>	
General Government	\$ 193,924
Security of Persons and Property	142,051
Public Health Services	10,657
Transportation	42,282
Leisure Time Activities	21,951
Total Depreciation Expense	<u>\$ 410,865</u>

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 7 - CAPITAL ASSETS - (Continued)

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015
<u>Business-Type Activities:</u>				
Non-Depreciable Capital Assets:				
Land	\$ 3,122,332	\$ -	\$ -	\$ 3,122,332
Construction in Progress	<u>1,723,599</u>	<u>4,243,752</u>	<u>(4,838,519)</u>	<u>1,128,832</u>
Total Non-Depreciable Capital Assets	<u>4,845,931</u>	<u>4,243,752</u>	<u>(4,838,519)</u>	<u>4,251,164</u>
Depreciable Capital Assets:				
Land Improvements	34,348	-	-	34,348
Buildings	1,108,127	11,745	-	1,119,872
Equipment	3,107,387	35,000	-	3,142,387
Infrastructure	40,597,122	4,838,519	-	45,435,641
Vehicles	<u>2,069,908</u>	<u>187,843</u>	<u>(20,238)</u>	<u>2,237,513</u>
Total Depreciable Capital Assets	<u>46,916,892</u>	<u>5,073,107</u>	<u>(20,238)</u>	<u>51,969,761</u>
Accumulated Depreciation:				
Land Improvements	(15,718)	(851)	-	(16,569)
Buildings	(556,659)	(19,218)	-	(575,877)
Equipment	(2,282,116)	(168,666)	-	(2,450,782)
Infrastructure	(10,934,693)	(1,271,955)	-	(12,206,648)
Vehicles	<u>(1,728,839)</u>	<u>(107,257)</u>	<u>20,238</u>	<u>(1,815,858)</u>
Total Accumulated Depreciation	<u>(15,518,025)</u>	<u>(1,567,947)</u>	<u>20,238</u>	<u>(17,065,734)</u>
Total Depreciable Capital Assets, Net	<u>31,398,867</u>	<u>3,505,160</u>	<u>-</u>	<u>34,904,027</u>
Business-Type Activities Capital Assets, Net	<u>\$ 36,244,798</u>	<u>\$ 7,748,912</u>	<u>\$ (4,838,519)</u>	<u>\$ 39,155,191</u>

Depreciation expense was charged to the enterprise funds as follows:

<u>Business-type activities:</u>	
Water	\$ 287,414
Sewer	730,311
Electric	372,766
Garbage	49,434
Railroad	<u>128,022</u>
Total Depreciation Expense	<u>\$ 1,567,947</u>

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments/pension obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate 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 and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$496,356 for 2015. Of this amount, \$42,805 is reported as due to other governments.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police officers participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police
2015 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %
 2015 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50 %
 Total Employer	 19.50 %
 Employee:	
January 1, 2015 through July 1, 2015	11.50 %
July 2, 2015 through December 31, 2015	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$168,819 for 2015. Of this amount \$13,362 is reported as due to other governments.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2015, the specific liability of the City was \$30,168 payable in semi-annual payments through the year 2035.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 3,787,674	\$ 1,919,396	\$ 5,707,070
Proportionate share of the net pension asset	4,682	-	4,682
Proportion of the net pension liability	0.03140400%	0.03705100%	-
Proportion of the net pension asset	0.01215700%	-	-
Pension expense	\$ 407,921	\$ 189,245	\$ 597,166

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 202,385	\$ 82,724	\$ 285,109
City contributions subsequent to the measurement date	496,355	168,819	665,174
Total deferred outflows of resources	<u>\$ 698,740</u>	<u>\$ 251,543</u>	<u>\$ 950,283</u>
Deferred inflows of resources			
Differences between expected and actual experience	67,970	-	67,970
Difference between employer contributions and proportionate share of contributions	-	10,945	10,945
Change in Prorated Share	15,704	-	15,704
Total deferred inflows of resources	<u>\$ 83,674</u>	<u>\$ 10,945</u>	<u>\$ 94,619</u>

\$665,175 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2016	\$ 12,478	\$ 17,945	\$ 30,423
2017	12,478	17,945	30,423
2018	44,080	17,945	62,025
2019	50,425	17,944	68,369
2020	(170)	-	(170)
Thereafter	(578)	-	(578)
Total	<u>\$ 118,713</u>	<u>\$ 71,779</u>	<u>\$ 190,492</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 6,968,234	\$ 3,787,674	\$ 1,108,875
Combined Plan	\$ 608	\$ (4,682)	\$ (8,875)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 2,654,815	\$ 1,919,396	\$ 1,296,720

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 Plan and the Combined Plan. 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/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (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.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015, 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 and Combined Plan for 2015 was 2.00%.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 9 - POSTRETIREMENT BENEFIT PLANS (Continued)

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, 2015, 2014, and 2013 were \$82,725, \$77,516, and \$38,291 respectively; 92.61% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 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, 2012, with a transition plan commencing January 1, 2014. 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 4.00% 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 OPF, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

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.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 9 - POSTRETIREMENT BENEFIT PLANS (Continued)

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 2015, 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 were \$4,563 for the year ended December 31, 2015, \$3,848 for the year ended December 31, 2014, and \$29,644, for the year ended December 31, 2013. 100% has been contributed for 2014 and 2013. 92.29% has been contributed for police for 2015. The remaining 2015 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.

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 \$2,131.47 for family coverage and \$712.64 for single coverage.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 10 - OTHER EMPLOYEE BENEFITS - (Continued)

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 2015, 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 \$48,468,223 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.

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

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 - RISK MANAGEMENT - (Continued)

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 \$28,847 reported in the self-insurance fund at December 31, 2015, 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
2015	\$23,128	\$354,310	(\$348,591)	\$ 28,847
2014	19,180	112,878	(108,930)	23,128

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CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 12 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

During 2015, the City entered into two lease purchase agreements to assist in the purchase of a new aerial platform truck and a new pumper fire truck.

General capital assets acquired by the agreement have been capitalized in the amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide financial statements.

Capital assets consisting of vehicles have been capitalized in the amount of \$526,400. This amount represents the present value of the minimum lease payments at the time of acquisition.

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2015:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2016	\$ 56,857
2017	56,857
2018	56,857
2019	56,858
2020	56,857
2021-2025	284,288
2026-2027	<u>37,804</u>
Total minimum lease payments	606,378
Less: amount representing interest	<u>(79,978)</u>
Present value of future minimum lease payments	<u>\$ 526,400</u>

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS

The City's long-term obligations have been restated in as described in Note 3. Changes in the City's long-term obligations during 2015 consist of the following:

	Restated Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>Notes</u>					
Building Acquisition Note 4.0%	\$ 78,824	\$ -	\$ (6,369)	\$ 72,455	\$ 6,496
Building Improvement Note 4.0%	62,390	-	(4,513)	57,877	5,041
WesBanco Aerial Truck Lease Purchase	-	326,400	-	326,400	28,664
Milton Pumper Truck Lease Purchase	-	200,000	-	200,000	14,911
Total Notes	<u>141,214</u>	<u>526,400</u>	<u>(10,882)</u>	<u>656,732</u>	<u>55,112</u>
Police and Fire Pension Liability	31,149	-	(981)	30,168	1,023
Compensated Absences	809,604	16,679	(170,161)	656,122	176,573
Net Pension Liability	<u>3,099,260</u>	<u>144,817</u>	<u>-</u>	<u>3,244,077</u>	<u>-</u>
Total Governmental Activities	<u>\$ 4,081,227</u>	<u>\$ 687,896</u>	<u>\$ (182,024)</u>	<u>\$ 4,587,099</u>	<u>\$ 232,708</u>
<u>Business-Type Activities:</u>					
<u>Bonds</u>					
2007 Water System General Obligation Bonds 4%	\$ 1,230,000	\$ -	\$ (200,000)	\$ 1,030,000	\$ 200,000
Unamortized Bond Premium	14,275	-	(1,198)	13,077	-
2014 Refunded Electric System Revenue Bonds	<u>2,580,000</u>	<u>-</u>	<u>(415,000)</u>	<u>2,165,000</u>	<u>185,000</u>
Total Bonds Payable	<u>3,824,275</u>	<u>-</u>	<u>(616,198)</u>	<u>3,208,077</u>	<u>385,000</u>
<u>Notes Payable</u>					
2001 Holzer Hospital Water Lines 0%	107,235	-	(14,676)	92,559	14,676
2002 Holzer Hospital Lift Station 0%	<u>172,772</u>	<u>-</u>	<u>(32,330)</u>	<u>140,442</u>	<u>32,330</u>
Total Notes Payable	<u>280,007</u>	<u>-</u>	<u>(47,006)</u>	<u>233,001</u>	<u>47,006</u>
2007 OWDA Loan 1%	5,608,813	-	(390,063)	5,218,750	393,974
2009 OWDA Loan 0%	1,069,729	-	(69,015)	1,000,714	69,014
2015 OWDA Loan 3.41% (#7011)	-	55,321	(1,730)	53,591	3,460
2015 OWDA Loan 1% (#7047)	<u>-</u>	<u>397,410</u>	<u>-</u>	<u>397,410</u>	<u>-</u>
Total OWDA Loans	<u>6,678,542</u>	<u>452,731</u>	<u>(460,808)</u>	<u>6,670,465</u>	<u>466,448</u>
<u>Other Long-Term Obligations</u>					
AMP-Ohio Stranded Costs Payable	1,610,889	42,139	(516,032)	1,136,996	500,000
Compensated Absences Payable	657,179	260,393	(157,804)	759,768	166,339
Net Pension Liability	<u>2,407,361</u>	<u>55,632</u>	<u>-</u>	<u>2,462,993</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 15,458,253</u>	<u>\$ 810,895</u>	<u>\$ (1,797,848)</u>	<u>\$ 14,471,300</u>	<u>\$ 1,564,793</u>

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - 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, 2015, are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 11,537	\$ 4,326	\$ 15,863
2017	12,122	3,905	16,027
2018	12,547	3,480	16,027
2019	12,986	3,040	16,026
2020	13,433	2,593	16,026
2021 - 2025	<u>67,707</u>	<u>5,576</u>	<u>73,283</u>
Total	<u>\$ 130,332</u>	<u>\$ 22,920</u>	<u>\$ 153,252</u>

Lease Purchase Agreement

See Note 12 for detail the lease purchase agreements.

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, 2015, are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,211	1,084	2,295
2021 - 2025	6,880	4,595	11,475
2026 - 2030	8,488	2,987	11,475
2031 - 2035	<u>9,226</u>	<u>1,002</u>	<u>10,228</u>
Total	<u>\$ 30,168</u>	<u>\$ 14,485</u>	<u>\$ 44,653</u>

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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, 2015, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$11,610,513, with an unvoted debt margin of \$6,425,700.

Net Pension Liability

See Note 8 for detail on the net pension liability.

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:

Year	Principal	Interest	Total
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	45,000	14,762	59,762
2021 - 2025	250,000	44,412	294,412
2026	55,000	2,338	57,338
Total	\$ 1,030,000	\$ 179,960	\$ 1,209,960

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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 an 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.

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.

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 19.52 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,476,762. Principal and interest paid for the current year and total customer net revenues were \$478,210 and \$2,449,726, respectively.

Principal and interest requirements for revenue bonds are as follows:

Year	Principal	Interest	Total
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	205,000	33,565	238,565
2021 - 2025	1,080,000	92,487	1,172,487
2026	85,000	2,083	87,083
Total	<u>\$ 2,165,000</u>	<u>\$ 311,762</u>	<u>\$ 2,476,762</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.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

OWDA Loans

In 2015, the City received loans in the amount of \$55,321 and \$397,410 from the Ohio Water Development Authority (“OWDA”) for sewer projects. The sewer loans have interest rates of 3.41 percent and 1.00 percent and mature July 1, 2045 and July 1, 2036, respectively. Along with these loans, the City has loans in the amounts \$8,051,554 for a sewer project and a \$1,380,295 for a water project from OWDA. 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, 2015, the City has outstanding borrowings of \$6,670,465. 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.

The City has pledged future sewer revenues to repay the 2007 and 2015 OWDA loans. These loans are payable solely from sewer fund revenues and are payable through 2028. Annual principal and interest payments on the loan exceed net revenues and are 45.54 percent of net customer revenues. The total principal and interest remaining to be paid on the loans is \$5,564,734. Principal and interest paid for the current year were \$449,950 and total net revenues were \$988,114.

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 37.35 percent of net customer revenues. The total principal and interest remaining to be paid on the loan is \$1,000,714. Principal and interest paid for the current year were \$69,015 and total net revenues were \$184,766.

The 2015 OWDA loans were not fully disbursed, therefore no amortization schedule was available.

Principal and interest requirements are as follows:

Year	OWDA Sewer Loan			Year	OWDA Water Loan		
	Principal	Interest	Total		Principal	Interest	Total
2016	\$ 393,974	\$ 51,205	\$ 445,179	2016	\$ 69,014	\$ -	\$ 69,014
2017	397,923	47,256	445,179	2017	69,015	-	69,015
2018	401,912	43,266	445,178	2018	69,015	-	69,015
2019	405,942	39,237	445,179	2019	69,015	-	69,015
2020	410,011	35,168	445,179	2020	69,014	-	69,014
2021 - 2025	2,112,542	113,351	2,225,893	2021 - 2025	345,075	-	345,075
2026 - 2028	1,096,446	16,501	1,112,947	2026 - 2030	310,566	-	310,566
Total	<u>\$ 5,218,750</u>	<u>\$ 345,984</u>	<u>\$ 5,564,734</u>	Total	<u>\$ 1,000,714</u>	<u>\$ -</u>	<u>\$ 1,000,714</u>

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 13 - 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. Since March 31, 2014 the City has made payments of \$516,032 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the City's share of additional costs incurred by the project is \$24,462 and interest expense incurred on AMP's line-of-credit of \$17,677, resulting in a net impaired cost estimate at December 31, 2015 of \$1,136,996. The City has made a payment arrangement with AMP with a valuable interest rate and an estimated time of completion of payments of February, 2019. Principal and interest payments are made from the electric fund.

Compensated Absences Payable

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

Net Pension Liability

See Note 8 for detail on the net pension liability.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - INTERFUND ACTIVITY

<u>Transfer from</u>	<u>Transfer to Other Governmental Funds</u>
General Fund	\$ 225,000
Nonmajor Governmental Funds	<u>18,036</u>
Total	<u>\$ 243,036</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. In addition to these cash basis transfers, the City transferred \$164,699 in capital assets from the governmental activities to the business-type activities.

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

NOTE 15 - 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).

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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	\$ 90,705
Net adjustment for revenue accruals	1,230
Net adjustment for expenditure accruals	(16,708)
Net adjustment for other sources/uses	(168,455)
Funds budgeted elsewhere	(9,432)
Adjustment for encumbrances	<u>13,251</u>
GAAP basis	<u>\$ (89,409)</u>

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

NOTE 16 - 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, 2015, the City has met their debt coverage obligation.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - JOINT VENTURE (Continued)

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, 2015 to \$49,803,187. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

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, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 17 - 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, 2015 to December 31, 2015, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 18 - 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.

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CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 19 - 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:

Fund balance	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Materials and supplies inventory	\$ 6,314	\$ 76,792	\$ 83,106
Perpetual care	-	100,000	100,000
Unclaimed monies	35,847	-	35,847
Total nonspendable	<u>42,161</u>	<u>176,792</u>	<u>218,953</u>
Restricted:			
Community development	-	493,354	493,354
Cemetery	-	629,592	629,592
Transportation	-	467,397	467,397
Public safety	-	197,628	197,628
Lillian Jones museum	-	292,875	292,875
Youth art program	-	503,429	503,429
Capital Projects	-	1,056	1,056
Other purposes	-	133,153	133,153
Total restricted	<u>-</u>	<u>2,718,484</u>	<u>2,718,484</u>
Committed:			
Capital projects	-	7,330	7,330
Recreation	-	603,928	603,928
Other purposes	-	123,549	123,549
Total committed	<u>-</u>	<u>734,807</u>	<u>734,807</u>
Assigned:			
Recreation	5,798	-	5,798
Community development	80,227	-	80,227
Other purposes	2,137	-	2,137
General government	13,251	-	13,251
Subsequent year appropriations	761,266	-	761,266
Total assigned	<u>862,679</u>	<u>-</u>	<u>862,679</u>
Unassigned	<u>533,241</u>	<u>-</u>	<u>533,241</u>
Total fund balances	<u>\$ 1,438,081</u>	<u>\$ 3,630,083</u>	<u>\$ 5,068,164</u>

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 20 - COMMITMENTS

A. Contractual Commitments

At December 31, 2015, the City had the following contractual commitments:

Project	Fund	Purchase Commitments	Amount Paid as of 12/31/2015	Amount Remaining on Contracts
Harding Avenue Bridge Replacement	Comm Improvement	\$ 813,000	\$ (801,968)	\$ 11,032
Huron Street Bridge Replacement	Electric	469,000	-	469,000
Timekeeping Software	Various	11,219	(7,223)	3,996
McCarty Lane Sewer Improvement Project	Wastewater Plant	1,152,980	(866,588)	286,392
WWTP Improvements Phase 1	Wastewater Plant	4,395,200	(152,852)	4,242,348
13.2 KV Circuit #2, 2A, 5 Conversion	Electric	2,574,372	(79,336)	2,495,036
13.2 KV Circuit #4 Conversion	Electric	945,984	(25,630)	920,354
Total		<u>\$ 10,361,755</u>	<u>\$ (1,933,597)</u>	<u>\$ 8,428,158</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:

Fund	Year-End Encumbrances
General fund	\$ 13,251
Nonmajor governmental funds	<u>206,161</u>
Total	<u>\$ 219,412</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	2014	2013
<i>Traditional Plan:</i>		
City's proportion of the net pension liability	0.031404%	0.031404%
City's proportionate share of the net pension liability	\$ 3,787,674	\$ 3,702,121
City's covered-employee payroll	\$ 3,659,608	\$ 3,779,815
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.50%	97.94%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%
<i>Combined Plan:</i>		
City's proportion of the net pension asset	0.012157%	0.012157%
City's proportionate share of the net pension asset	\$ 4,682	\$ 1,275
City's covered-employee payroll	\$ 44,433	\$ 50,962
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	10.54%	2.50%
Plan fiduciary net position as a percentage of the total pension asset	114.83%	104.56%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TWO YEARS

	2014	2013
City's proportion of the net pension liability	0.03705100%	0.03705100%
City's proportionate share of the net pension liability	\$ 1,919,396	\$ 1,804,500
City's covered-employee payroll	\$ 769,095	\$ 833,772
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	249.57%	216.43%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	73.00%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 491,237	\$ 439,153	\$ 491,376	\$ 365,450
Contributions in relation to the contractually required contribution	<u>(491,237)</u>	<u>(439,153)</u>	<u>(491,376)</u>	<u>(365,450)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,093,642	\$ 3,659,608	\$ 3,779,815	\$ 3,654,500
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 5,119	\$ 5,332	\$ 6,625	\$ 4,214
Contributions in relation to the contractually required contribution	<u>(5,119)</u>	<u>(5,332)</u>	<u>(6,625)</u>	<u>(4,214)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 42,658	\$ 44,433	\$ 50,962	\$ 53,006
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 364,759	\$ 304,917	\$ 291,588	\$ 249,992	\$ 266,980	\$ 308,175
<u>(364,759)</u>	<u>(304,917)</u>	<u>(291,588)</u>	<u>(249,992)</u>	<u>(266,980)</u>	<u>(308,175)</u>
<u>\$ -</u>					
\$ 3,647,590	\$ 3,419,630	\$ 3,588,775	\$ 3,571,314	\$ 3,197,365	\$ 3,349,728
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%
\$ 2,917	\$ -	\$ -	\$ -	\$ -	\$ -
<u>(2,917)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>					
\$ 36,692	\$ -	\$ -	\$ -	\$ -	\$ -
7.95%	9.69%	8.13%	7.00%	8.35%	9.20%

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Police:</i>				
Contractually required contribution	\$ 168,819	\$ 146,128	\$ 132,403	\$ 96,149
Contributions in relation to the contractually required contribution	<u>(168,819)</u>	<u>(146,128)</u>	<u>(132,403)</u>	<u>(96,149)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 888,521	\$ 769,095	\$ 833,772	\$ 754,110
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	15.88%	12.75%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 93,383	\$ 88,651	\$ 89,719	\$ 95,434	\$ 88,231	\$ 87,640
<u>(93,383)</u>	<u>(88,651)</u>	<u>(89,719)</u>	<u>(95,434)</u>	<u>(88,231)</u>	<u>(87,640)</u>
<u>\$ -</u>					
\$ 732,416	\$ 695,302	\$ 703,678	\$ 748,502	\$ 692,008	\$ 745,872
12.75%	12.75%	12.75%	12.75%	12.75%	11.75%

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**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, 2015, 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 28, 2016, wherein we noted as discussed in Note 3, the City of Jackson adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

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 28, 2016

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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
AUGUST 2, 2016**