

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2011

WENDY SEXTON, DEPUTY AUDITOR



Dave Yost • Auditor of State

Members of Council
City of Jackson
PO Box 1090
Jackson, Ohio 45640

We have reviewed the *Independent Accountants' Report* of the City of Jackson, Jackson County, prepared by Julian & Grube, Inc., for the audit period January 1, 2011 through December 31, 2011. 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.

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Dave Yost
Auditor of State

December 3, 2012

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**CITY OF JACKSON
JACKSON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Accountants' Report

City of Jackson
145 Broadway Street
Jackson, Ohio 45640

To the Members of Council and Mayor:

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, 2011, which collectively comprise the City of Jackson's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jackson's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2011, the City of Jackson adopted the provisions of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Members of Council and Mayor
City of Jackson
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
August 27, 2012

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. 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 2011 are as follows:

- The total net assets of the City decreased \$1,441,937. Net assets of governmental activities increased \$243,911 or 1.90% from 2010 and net assets of business-type activities decreased \$1,685,848 or 4.21% from 2010.
- General revenues accounted for \$2,127,984 or 39.13% of total governmental activities revenue. Program specific revenues accounted for \$3,309,964 or 60.87% of total governmental activities revenue.
- The City had \$5,133,441 in expenses related to governmental activities; \$3,309,964 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$1,823,477 were offset by general revenues (primarily property and other local taxes and unrestricted grants and entitlements) of \$2,127,984.
- The general fund had revenues of \$3,671,220 in 2011. The general fund had expenditures and other financing uses of \$3,598,248 in 2011. The net increase in fund balance for the general fund was \$72,972 or 3.04%.
- Net assets 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, decreased in 2011 by \$1,685,848. This decrease in net assets was due primarily to a contracts payable liability of \$3,009,416 owed to AMP Ohio in the City's electric fund.
- The water fund had operating revenues of \$2,248,037 and operating expenses of \$1,827,028 in 2011. The water fund also had non-operating expenses of \$85,035. The net increase in net assets for the water fund was \$335,974 or 6.16%.
- The sewer fund had operating revenues of \$2,287,651 and operating expenses of \$2,909,585 in 2011. The sewer fund also had non-operating expenses of \$70,888. The net decrease in net assets for the sewer fund was \$692,822 or 6.17%.
- The electric fund had operating revenues of \$16,940,124 and operating expenses of \$15,617,508 in 2011. The electric fund also had non-operating revenues of \$549, non-operating expenses of \$197,047 and a \$2,276,543 special item. The net decrease in net assets for the electric fund was \$1,150,425 or 6.72%.
- In the general fund, the actual revenues and other financing sources were \$107,158 less than they were in the final budget and actual expenditures and other financing uses were \$340,997 less than the amount in the final budget. Budgeted revenues increased \$196,168 from original to the final budget and budgeted expenditures increased \$495,074 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, 2011

The statement of net assets 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 Assets 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 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, 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 *assets* and changes in those assets. This change in net assets 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 assets 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 assets and statement of activities can be found on pages 15-17 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 28 - 60 of this report.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2011 compared to 2010:

	Net Assets					
	2011	2010	2011	2010	2011	2010
	<u>Governmental</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Business-type</u>	<u>2011</u>	<u>2010</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
<u>Assets</u>						
Current and other assets	\$ 7,674,207	\$ 7,241,541	\$ 20,700,444	\$ 20,078,751	\$ 28,374,651	\$ 27,320,292
Investment in Joint Venture	-	-	758,348	771,330	758,348	771,330
Capital assets, net	<u>7,219,611</u>	<u>7,474,880</u>	<u>35,474,540</u>	<u>34,974,500</u>	<u>42,694,151</u>	<u>42,449,380</u>
Total assets	<u>14,893,818</u>	<u>14,716,421</u>	<u>56,933,332</u>	<u>55,824,581</u>	<u>71,827,150</u>	<u>70,541,002</u>
<u>Liabilities</u>						
Long-term liabilities	990,650	1,062,946	17,841,875	15,100,129	18,832,525	16,163,075
Other liabilities	<u>852,453</u>	<u>846,671</u>	<u>696,426</u>	<u>643,573</u>	<u>1,548,879</u>	<u>1,490,244</u>
Total liabilities	<u>1,843,103</u>	<u>1,909,617</u>	<u>18,538,301</u>	<u>15,743,702</u>	<u>20,381,404</u>	<u>17,653,319</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	6,831,174	7,005,139	21,428,776	20,626,648	28,259,950	27,631,787
Restricted	2,947,390	3,533,144	-	-	2,947,390	3,533,144
Unrestricted	<u>3,272,151</u>	<u>2,268,521</u>	<u>16,966,255</u>	<u>19,454,231</u>	<u>20,238,406</u>	<u>21,722,752</u>
Total net assets	<u>\$ 13,050,715</u>	<u>\$ 12,806,804</u>	<u>\$ 38,395,031</u>	<u>\$ 40,080,879</u>	<u>\$ 51,445,746</u>	<u>\$ 52,887,683</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the City's assets exceeded liabilities by \$51,445,746. At year-end, net assets were \$13,050,715 and \$38,395,031 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 assets. At year-end, capital assets net represented 60.05% of total assets. Capital assets include land, construction in progress, land improvements, buildings, equipment, vehicles, and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$6,831,174 and \$21,428,776 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, 2011, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$2,947,390 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$3,272,151 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

The table below shows the changes in net assets for years 2011 and 2010. Certain expense items have been reclassified in 2010 to conform to the 2011 expense classification.

	Change in Net Assets					
	2011	Restated	2011	Restated	2011	2010
	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Total</u>
Revenues						
Program revenues:						
Charges for services	\$ 2,165,240	\$ 2,090,974	\$ 21,789,944	\$ 21,123,814	\$ 23,955,184	\$ 23,214,788
Operating grants and contributions	1,085,571	765,941	-	4,800,000	1,085,571	5,565,941
Capital grants and contributions	59,153	-	-	-	59,153	-
Total program revenues	<u>3,309,964</u>	<u>2,856,915</u>	<u>21,789,944</u>	<u>25,923,814</u>	<u>25,099,908</u>	<u>28,780,729</u>
General revenues:						
Property and other local taxes	1,422,043	1,527,549	-	-	1,422,043	1,527,549
Unrestricted grants and entitlements	463,109	432,070	-	-	463,109	432,070
Gain on sale of capital assets	-	-	-	-	-	-
Investment earnings	181,968	400,251	549	71,052	182,517	471,303
Miscellaneous	60,864	263,591	418,487	288,238	479,351	551,829
Total general revenues	<u>2,127,984</u>	<u>2,623,461</u>	<u>419,036</u>	<u>359,290</u>	<u>2,547,020</u>	<u>2,982,751</u>
Total revenues	<u>5,437,948</u>	<u>5,480,376</u>	<u>22,208,980</u>	<u>26,283,104</u>	<u>27,646,928</u>	<u>31,763,480</u>
Expenses:						
General government	1,348,633	1,396,380	-	-	1,348,633	1,396,380
Security of persons and property	2,043,145	2,059,970	-	-	2,043,145	2,059,970
Public health and welfare	329,669	341,517	-	-	329,669	341,517
Transportation	775,021	621,964	-	-	775,021	621,964
Leisure time activities	174,767	161,957	-	-	174,767	161,957
Community environment	445,388	358,154	-	-	445,388	358,154
Interest and fiscal charges	16,818	20,002	-	-	16,818	20,002
Water	-	-	1,930,811	2,083,608	1,930,811	2,083,608
Sewer	-	-	2,999,220	2,691,656	2,999,220	2,691,656
Electric	-	-	15,833,302	15,417,243	15,833,302	15,417,243
Nonmajor enterprise	-	-	915,548	887,462	915,548	887,462
Total expenses	<u>5,133,441</u>	<u>4,959,944</u>	<u>21,678,881</u>	<u>21,079,969</u>	<u>26,812,322</u>	<u>26,039,913</u>
Transfers	(60,596)	(40,778)	60,596	40,778	-	-
Special item	-	-	(2,276,543)	-	(2,276,543)	-
Change in net assets	<u>243,911</u>	<u>479,654</u>	<u>(1,685,848)</u>	<u>5,243,913</u>	<u>(1,441,937)</u>	<u>5,723,567</u>
Net assets at beginning of year	<u>12,806,804</u>	<u>12,327,150</u>	<u>40,080,879</u>	<u>34,836,966</u>	<u>52,887,683</u>	<u>47,164,116</u>
Net assets at end of year	<u>\$ 13,050,715</u>	<u>\$ 12,806,804</u>	<u>\$ 38,395,031</u>	<u>\$ 40,080,879</u>	<u>\$ 51,445,746</u>	<u>\$ 52,887,683</u>

CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Governmental Activities

Governmental activities net assets increased \$243,911 in 2011.

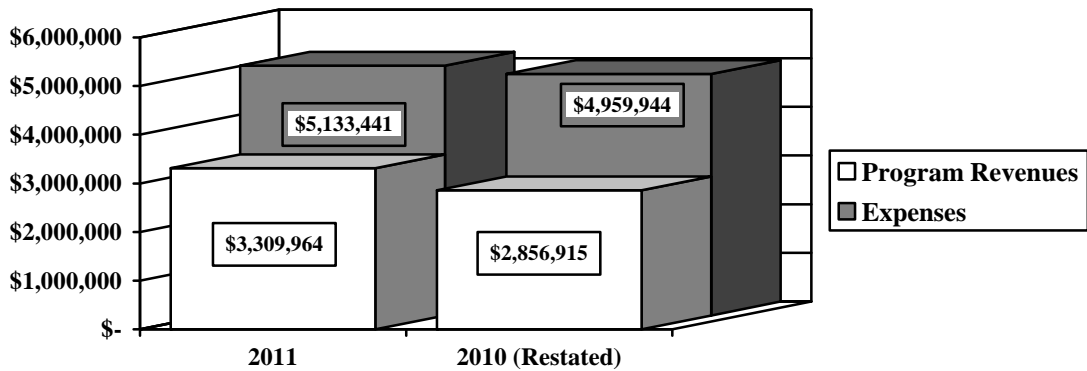
Security of persons and property, which primarily supports the operations of the police department accounted for \$2,043,145 of the total expenses of the City. These expenses were partially funded by \$62,824 in direct charges to users of the services, \$19,632 in operating grants and contributions and \$25,000 in capital grants and contributions. Transportation expenses totaled \$775,021. Transportation expenses were funded by \$839,268 in direct charges to users of the services, primarily related to right-of-ways, \$313,598 in operating grants and contributions and \$34,153 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,085,571 in operating grants and contributions. The City received \$59,153 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total capital grants and contributions, \$34,153 subsidized transportation programs, and \$25,000 subsidized security of persons and property programs.

General revenues totaled \$2,127,984, and amounted to 39.13% of total governmental revenues. These revenues primarily consist of property and other local tax revenue of \$1,422,043. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds, making up \$463,109.

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

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF JACKSON, OHIO

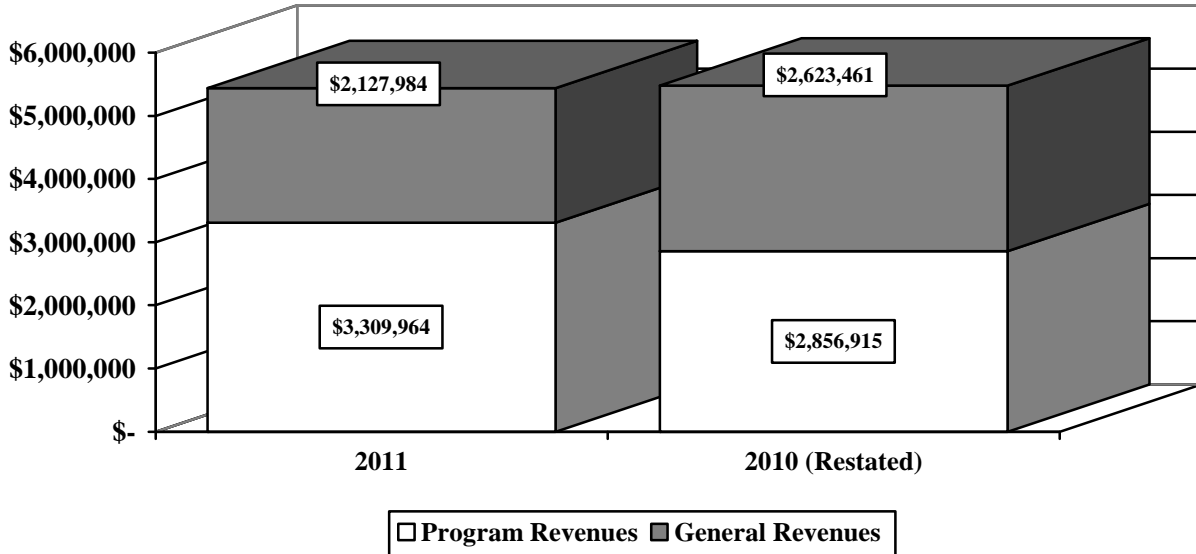
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Governmental Activities

	Total Cost of Services <u>2011</u>	Restated Total Cost of Services <u>2010</u>	Net Cost of Services <u>2011</u>	Restated Net Cost of Services <u>2010</u>
Program Expenses:				
General government	\$ 1,348,633	\$ 1,396,380	\$ 183,823	\$ 307,831
Security of persons and property	2,043,145	2,059,970	1,935,689	1,848,095
Public health and welfare	329,669	341,517	250,555	213,127
Transportation	775,021	621,964	(411,998)	(516,304)
Community environment	445,388	358,154	(254,585)	159,106
Leisure time activity	174,767	161,957	103,175	71,172
Interest and fiscal charges	<u>16,818</u>	<u>20,002</u>	<u>16,818</u>	<u>20,002</u>
Total Expenses	<u>\$ 5,133,441</u>	<u>\$ 4,959,944</u>	<u>\$ 1,823,477</u>	<u>\$ 2,103,029</u>

The dependence upon general revenues for governmental activities is apparent, with 35.52% of expenses supported through taxes and other general revenues.

Governmental Activities - General and Program Revenues

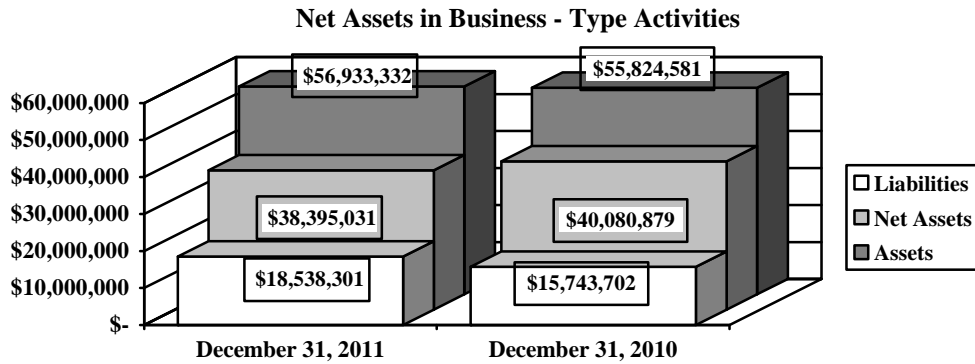


CITY OF JACKSON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 \$21,789,944, general revenues of \$419,036, and expenses of \$21,678,881 for 2011. The graph below shows the business-type activities assets, liabilities and net assets at year-end 2011 and 2010.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$5,638,026 which is \$136,761 above last year's total of \$5,501,265. Fund balances at December 31, 2010 have been restated for the fund reclassifications required by the implementation of GASB Statement No. 54. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2011 for all major and nonmajor governmental funds.

	Balances 12/31/11	Restated Balances 12/31/10	Increase
General	\$ 2,475,643	\$ 2,402,671	\$ 72,972
Other nonmajor governmental funds	3,162,383	3,098,594	63,789
Total	\$ 5,638,026	\$ 5,501,265	\$ 136,761

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

General Fund

The City's general fund balance remained fairly stable with an increase of \$72,972. The table that follows assists in illustrating the revenues of the general fund.

	2011	Restated 2010	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 1,054,456	\$ 1,095,047	(3.71) %
Charges for services	1,876,592	1,854,678	1.18 %
Licenses and permits	93,666	91,840	1.99 %
Fines and forfeitures	47,090	50,910	(7.50) %
Investment income	181,968	400,236	(54.53) %
Intergovernmental	356,584	404,607	(11.87) %
Other	<u>60,864</u>	<u>87,362</u>	(30.33) %
 Total	 <u>\$ 3,671,220</u>	 <u>\$ 3,984,680</u>	 (7.87) %

Tax revenue represents 28.72% of all general fund revenue. Tax revenue decreased by 3.71% from prior year. The decrease in investment income is a reflection of reduced interest rates on City investments.

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

	2011	Restated 2010	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,121,386	\$ 1,196,652	(6.29) %
Security of persons and property	1,826,403	1,763,813	3.55 %
Transportation	153,680	115,089	33.53 %
Community environment	37,255	15,295	143.58 %
Leisure time activity	648	-	100.00 %
Debt service	<u>2,294</u>	<u>2,296</u>	(0.09) %
 Total	 <u>\$ 3,141,666</u>	 <u>\$ 3,093,145</u>	 1.57 %

Total expenditures remained relatively unchanged with an increase of 1.57% from 2010. The largest expenditure line item, security of persons and property, increased 3.55%.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

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 of 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 \$9,346, excluding transfers and advances out. The City's general fund actual expenditures were \$305,997 less than appropriations, excluding transfers out, 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 \$2,248,037 and operating expenses of \$1,827,028 in 2011. The water fund also had non-operating expenses of \$85,035. The net increase in net assets for the water fund was \$335,974 or 6.16%.

The sewer fund had operating revenues of \$2,287,651 and operating expenses of \$2,909,585 in 2011. The sewer fund also had non-operating expenses of \$70,888. The net decrease in net assets for the sewer fund was \$692,822 or 6.17%.

The electric fund had operating revenues of \$16,940,124 and operating expenses of \$15,617,508 in 2011. The electric fund also had non-operating revenues of \$549, non-operating expenses of \$197,047 and a special item of \$2,276,543. The net decrease in net assets for the electric fund was \$1,150,425 or 6.72%. The decrease in net assets of the electric fund is primarily the result of a special item of \$2,276,543 due to AMP-Ohio for stranded costs.

Capital Assets and Debt Administration

Capital Assets

At the end of 2011, the City had \$42,694,151 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, equipment, vehicles, and infrastructure. Of this total, \$7,219,611 was reported in governmental activities and \$35,474,540 was reported in business-type activities.

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

The following table shows 2011 capital asset balances compared to 2010:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 1,171,968	\$ 1,171,968	\$ 3,122,332	\$ 3,122,332	\$ 4,294,300	\$ 4,294,300
Land improvements	218,172	228,708	21,784	22,708	239,956	251,416
Buildings	1,489,580	1,537,871	609,024	627,943	2,098,604	2,165,814
Equipment	408,849	394,724	797,216	861,687	1,206,065	1,256,411
Infrastructure	3,498,410	3,633,255	26,923,233	15,136,335	30,421,643	18,769,590
Vehicles	432,632	508,354	370,579	464,383	803,211	972,737
Construction in progress	-	-	3,630,372	14,739,112	3,630,372	14,739,112
Totals	<u>\$ 7,219,611</u>	<u>\$ 7,474,880</u>	<u>\$ 35,474,540</u>	<u>\$ 34,974,500</u>	<u>\$ 42,694,151</u>	<u>\$ 42,449,380</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 71.25% of the City's total capital assets. See Note 7 to the basic financial statements for additional capital asset detail.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2011 and 2010:

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Notes payable	\$ 388,437	\$ 469,741
Police and Fire Pension Liability	<u>33,856</u>	<u>34,685</u>
Total long-term obligations	<u>\$ 422,293</u>	<u>\$ 504,426</u>
	<u>Business-type Activities</u>	
	<u>2011</u>	<u>2010</u>
Bonds payable	\$ 5,687,140	\$ 6,162,743
Notes payable	550,725	631,228
OWDA loans	7,995,490	7,752,673
AMP-Ohio stranded costs payable	<u>3,009,416</u>	<u>-</u>
Total long-term obligations	<u>\$17,242,771</u>	<u>\$14,546,644</u>

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

CITY OF JACKSON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

Economic Conditions and Outlook

The City's administration considers the impact of various economic factors when establishing the 2012 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 2012 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 2011 was 10.8% compared to the 8.6% State of Ohio average. The City Auditor anticipates the 2011 rate to continue through 2012 with the potential for it to increase during the year. In order to meet these challenges, further cost containment and/or revenue enhancement actions will be essential. With the continuation of conservative budgeting practices and constantly looking for ways to generate additional revenue, the City's financial position is anticipated to remain stable in future years.

Contacting the City's Financial Management

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

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 5,348,605	\$ 17,222,540	\$ 22,571,145
Receivables:			
Real and other taxes	754,887	-	754,887
Accounts	113,058	1,984,390	2,097,448
Accrued interest	2,128	-	2,128
Due from other funds	-	-	-
Due from other governments.	881,879	268,885	1,150,764
Loans receivable.	4,354	-	4,354
AFEC Development cost credit	-	732,873	732,873
Materials and supplies inventory.	68,453	805,008	873,461
Unamortized bond issue costs	-	187,591	187,591
Internal balance	500,843	(500,843)	-
Investment in joint venture.	-	758,348	758,348
Capital assets:			
Land and construction in progress.	1,171,968	6,752,704	7,924,672
Depreciable capital assets, net.	6,047,643	28,721,836	34,769,479
Total capital assets, net.	<u>7,219,611</u>	<u>35,474,540</u>	<u>42,694,151</u>
Total assets	<u>14,893,818</u>	<u>56,933,332</u>	<u>71,827,150</u>
Liabilities:			
Accounts payable.	12,069	56,332	68,401
Contracts payable.	-	26,201	26,201
Accrued wages and benefits payable	96,747	110,611	207,358
Due to other governments	81,097	76,823	157,920
Accrued interest payable	7,803	-	7,803
Claims payable.	-	19,776	19,776
Customer deposits payable.	-	406,683	406,683
Unearned revenue	654,737	-	654,737
Long-term liabilities:			
Due within one year	214,956	1,154,291	1,369,247
Due in more than one year.	775,694	16,687,584	17,463,278
Total liabilities	<u>1,843,103</u>	<u>18,538,301</u>	<u>20,381,404</u>
Net assets:			
Invested in capital assets, net			
of related debt	6,831,174	21,428,776	28,259,950
Restricted for:			
Community development.	965,495	-	965,495
Cemetery.	543,153	-	543,153
Transportation projects	459,980	-	459,980
Public safety.	427,934	-	427,934
Cemetery endowment:			
Nonexpendable.	100,000	-	100,000
Expendable.	320,918	-	320,918
Other purposes.	129,910	-	129,910
Unrestricted.	<u>3,272,151</u>	<u>16,966,255</u>	<u>20,238,406</u>
Total net assets	<u>\$ 13,050,715</u>	<u>\$ 38,395,031</u>	<u>\$ 51,445,746</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government.	\$ 1,348,633	\$ 1,163,024	\$ 1,786	\$ -
Security of persons and property . . .	2,043,145	62,824	19,632	25,000
Public health and welfare	329,669	60,931	18,183	-
Transportation.	775,021	839,268	313,598	34,153
Community environment	445,388	3,577	696,396	-
Leisure time activity.	174,767	35,616	35,976	-
Interest and fiscal charges.	16,818	-	-	-
Total governmental activities	<u>5,133,441</u>	<u>2,165,240</u>	<u>1,085,571</u>	<u>59,153</u>
Business-type activities:				
Water.	1,930,811	2,230,466	-	-
Sewer.	2,999,220	2,285,454	-	-
Electric.	15,833,302	16,588,754	-	-
Other business-type activities:				
Garbage.	743,579	627,525	-	-
Railroad.	171,969	57,745	-	-
Total business-type activities	<u>21,678,881</u>	<u>21,789,944</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 26,812,322</u>	<u>\$ 23,955,184</u>	<u>\$ 1,085,571</u>	<u>\$ 59,153</u>

General revenues:

- Property and other local 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
Special item - AMP-Ohio stranded cost.

Total general revenues, special item and transfers

Change in net assets

Net assets at beginning of year.

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (183,823)	\$ -	\$ (183,823)
(1,935,689)	-	(1,935,689)
(250,555)	-	(250,555)
411,998	-	411,998
254,585	-	254,585
(103,175)	-	(103,175)
(16,818)	-	(16,818)
<u>(1,823,477)</u>	<u>-</u>	<u>(1,823,477)</u>
-	299,655	299,655
-	(713,766)	(713,766)
-	755,452	755,452
-	(116,054)	(116,054)
-	(114,224)	(114,224)
<u>-</u>	<u>111,063</u>	<u>111,063</u>
<u>(1,823,477)</u>	<u>111,063</u>	<u>(1,712,414)</u>
1,058,091	-	1,058,091
162,095	-	162,095
144,489	-	144,489
57,368	-	57,368
463,109	-	463,109
181,968	549	182,517
60,864	418,487	479,351
<u>2,127,984</u>	<u>419,036</u>	<u>2,547,020</u>
(60,596)	60,596	-
-	(2,276,543)	(2,276,543)
<u>2,067,388</u>	<u>(1,796,911)</u>	<u>270,477</u>
243,911	(1,685,848)	(1,441,937)
12,806,804	40,080,879	52,887,683
<u>\$ 13,050,715</u>	<u>\$ 38,395,031</u>	<u>\$ 51,445,746</u>

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 2,369,526	\$ 2,979,079	\$ 5,348,605
Receivables:			
Real and other taxes	404,601	350,286	754,887
Accounts	72,741	40,317	113,058
Interfund loans	155,000	-	155,000
Accrued interest	-	2,128	2,128
Due from other governments	79,838	802,041	881,879
Loans receivable	4,354	-	4,354
Materials and supplies inventory	2,276	66,177	68,453
Total assets	<u>\$ 3,088,336</u>	<u>\$ 4,240,028</u>	<u>\$ 7,328,364</u>
Liabilities:			
Accounts payable	\$ 12,069	\$ -	\$ 12,069
Accrued wages and benefits payable	79,272	17,475	96,747
Due to other governments	61,427	19,670	81,097
Deferred revenue	108,742	736,946	845,688
Unearned revenue	351,183	303,554	654,737
Total liabilities	<u>612,693</u>	<u>1,077,645</u>	<u>1,690,338</u>
Fund balances:			
Nonspendable	34,579	166,177	200,756
Restricted	-	2,157,061	2,157,061
Committed	-	839,145	839,145
Assigned	595,657	-	595,657
Unassigned	1,845,407	-	1,845,407
Total fund balances	<u>2,475,643</u>	<u>3,162,383</u>	<u>5,638,026</u>
Total liabilities and fund balances	<u>\$ 3,088,336</u>	<u>\$ 4,240,028</u>	<u>\$ 7,328,364</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011

Total governmental fund balances		\$	5,638,026
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			7,219,611
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	91,914	
Intergovernmental receivable		753,774	
Total		753,774	845,688
An internal service fund is used by management to charge the costs of insurance to individual funds. A portion of the assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			345,843
Accrued interest payable is not due and payable in the current period and therefore is not reported in the governmental funds.			(7,803)
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		(568,357)	
Police and fire pension liability		(33,856)	
Notes payable		(388,437)	
Total		(990,650)	(990,650)
Net assets of governmental activities		\$	13,050,715

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, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Real and other taxes.	\$ 1,054,456	\$ 360,774	\$ 1,415,230
Intergovernmental.	356,584	843,670	1,200,254
Charges for services.	1,876,592	144,667	2,021,259
Fines and forfeitures	47,090	3,225	50,315
Licenses and permits	93,666	-	93,666
Investment income.	181,968	14,915	196,883
Contributions and donations.	-	20,950	20,950
Other	60,864	24,462	85,326
Total revenues	3,671,220	1,412,663	5,083,883
Expenditures:			
Current:			
General government	1,121,386	-	1,121,386
Security of persons and property	1,826,403	130,584	1,956,987
Public health and welfare.	-	344,855	344,855
Transportation	153,680	596,074	749,754
Community environment	37,255	408,133	445,388
Leisure time activity	648	165,839	166,487
Debt service:			
Principal retirement.	829	81,304	82,133
Interest and fiscal charges	1,465	18,071	19,536
Total expenditures	3,141,666	1,744,860	4,886,526
Excess (deficiency) of revenues over (under) expenditures.	529,554	(332,197)	197,357
Other financing sources (uses):			
Transfers in	-	422,476	422,476
Transfers (out).	(456,582)	(26,490)	(483,072)
Total other financing sources (uses)	(456,582)	395,986	(60,596)
Net change in fund balances	72,972	63,789	136,761
Fund balances at beginning of year (restated).	2,402,671	3,098,594	5,501,265
Fund balances at end of year	\$ 2,475,643	\$ 3,162,383	\$ 5,638,026

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, 2011

Net change in fund balances - total governmental funds \$ 136,761

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

Governmental funds report capital outlays as expenditures.

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

Capital asset additions	\$	56,445	
Current year depreciation		(336,714)	
Total			(280,269)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to increase net assets.

25,000

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		6,813	
Intergovernmental revenues		322,252	
Total			329,065

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

82,133

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

2,718

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.

(9,837)

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. The change for governmental funds is reported for the year.

(41,660)

Change in net assets of governmental activities \$ 243,911

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Real and other taxes.	\$ 1,068,631	\$ 1,122,719	\$ 1,056,888	\$ (65,831)
Intergovernmental.	339,895	357,099	357,099	-
Charges for services.	1,786,185	1,876,592	1,876,592	-
Fines and forfeitures	47,260	49,652	49,667	15
Licenses and permits	88,811	93,306	93,666	360
Investment earnings.	219,961	231,094	188,916	(42,178)
Miscellaneous.	47,407	49,807	50,283	476
Total revenues	<u>3,598,150</u>	<u>3,780,269</u>	<u>3,673,111</u>	<u>(107,158)</u>
Expenditures:				
Current:				
General government	1,301,859	1,311,205	1,137,590	173,615
Security of persons and property	1,933,463	1,933,463	1,822,706	110,757
Transportation	172,481	172,481	151,062	21,419
Debt service:				
Principal retirement.	900	900	829	71
Interest and fiscal charges	1,600	1,600	1,465	135
Total expenditures	<u>3,410,303</u>	<u>3,419,649</u>	<u>3,113,652</u>	<u>305,997</u>
Excess of revenues over expenditures.	<u>187,847</u>	<u>360,620</u>	<u>559,459</u>	<u>198,839</u>
Other financing sources (uses):				
Advances in.	277,567	291,616	291,616	-
Advances out	-	(155,000)	(155,000)	-
Transfers out.	(175,000)	(505,728)	(470,728)	35,000
Total other financing sources (uses)	<u>102,567</u>	<u>(369,112)</u>	<u>(334,112)</u>	<u>35,000</u>
Net change in fund balances	290,414	(8,492)	225,347	233,839
Fund balances at beginning of year	1,971,401	1,971,401	1,971,401	-
Prior year encumbrances appropriated	13,719	13,719	13,719	-
Fund balance at end of year	<u>\$ 2,275,534</u>	<u>\$ 1,976,628</u>	<u>\$ 2,210,467</u>	<u>\$ 233,839</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSON
JACKSON COUNTY, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Water	Sewer	Electric	Nonmajor Enterprise Funds		
Assets:						
Current assets:						
Equity in pooled cash and cash equivalents . . .	\$ 2,226,827	\$ 2,203,776	\$ 10,737,753	\$ 384,817	\$ 15,553,173	\$ 751,341
Receivables:						
Accounts	194,442	202,096	1,525,028	62,824	1,984,390	-
Due from other governments	-	-	-	268,885	268,885	-
AFEC Development cost credit	-	-	732,873	-	732,873	-
Materials and supplies inventory	101,103	32,184	671,469	252	805,008	-
Restricted assets:						
Cash and cash equivalents with fiscal agent . . .	-	-	511,343	-	511,343	-
Customer deposits	63,428	59,382	264,748	19,125	406,683	-
Total current assets	<u>2,585,800</u>	<u>2,497,438</u>	<u>14,443,214</u>	<u>735,903</u>	<u>20,262,355</u>	<u>751,341</u>
Noncurrent assets:						
Investment in joint venture	-	-	758,348	-	758,348	-
Unamortized bond issue costs	70,117	-	117,474	-	187,591	-
Capital assets:						
Land and construction in progress	2,917,671	40,950	394,153	3,399,930	6,752,704	-
Depreciable capital assets, net	3,606,695	15,448,889	7,766,520	1,899,732	28,721,836	-
Total capital assets, net	<u>6,524,366</u>	<u>15,489,839</u>	<u>8,160,673</u>	<u>5,299,662</u>	<u>35,474,540</u>	<u>-</u>
Total noncurrent assets	<u>6,594,483</u>	<u>15,489,839</u>	<u>9,036,495</u>	<u>5,299,662</u>	<u>36,420,479</u>	<u>-</u>
Total assets	<u>9,180,283</u>	<u>17,987,277</u>	<u>23,479,709</u>	<u>6,035,565</u>	<u>56,682,834</u>	<u>751,341</u>
Liabilities:						
Current liabilities:						
Accounts payable	-	56,332	-	-	56,332	-
Contracts payable	-	-	-	26,201	26,201	-
Accrued wages and benefits payable	28,170	34,198	36,564	11,679	110,611	-
Due to other governments	19,742	25,552	23,702	7,827	76,823	-
Interfund loans payable	-	-	-	155,000	155,000	-
Compensated absences payable - current	35,083	61,801	64,997	5,049	166,930	-
Revenue bonds payable	175,000	-	-	-	175,000	-
OWDA loans payable	74,702	337,156	-	-	411,858	-
Notes payable	19,054	33,399	-	28,050	80,503	-
Claims payable	-	-	-	-	-	19,776
Payables from restricted assets:						
Revenue bonds payable	-	-	320,000	-	320,000	-
Customer deposits payable	63,428	59,382	264,748	19,125	406,683	-
Total current liabilities	<u>415,179</u>	<u>607,820</u>	<u>710,011</u>	<u>252,931</u>	<u>1,985,941</u>	<u>19,776</u>
Long-term liabilities:						
Compensated absences payable	74,370	156,889	195,404	5,511	432,174	-
Revenue bonds payable	1,584,140	-	3,608,000	-	5,192,140	-
OWDA loans payable	1,164,861	6,418,771	-	-	7,583,632	-
Notes payable	149,958	264,164	-	56,100	470,222	-
AMP-Ohio stranded cost payable	-	-	3,009,416	-	3,009,416	-
Total long-term liabilities	<u>2,973,329</u>	<u>6,839,824</u>	<u>6,812,820</u>	<u>61,611</u>	<u>16,687,584</u>	<u>-</u>
Total liabilities	<u>3,388,508</u>	<u>7,447,644</u>	<u>7,522,831</u>	<u>314,542</u>	<u>18,673,525</u>	<u>19,776</u>
Net assets:						
Invested in capital assets, net of related debt . .	3,426,768	8,436,349	4,350,147	5,215,512	21,428,776	-
Unrestricted	<u>2,365,007</u>	<u>2,103,284</u>	<u>11,606,731</u>	<u>505,511</u>	<u>16,580,533</u>	<u>731,565</u>
Total net assets	<u>\$ 5,791,775</u>	<u>\$ 10,539,633</u>	<u>\$ 15,956,878</u>	<u>\$ 5,721,023</u>	<u>38,009,309</u>	<u>\$ 731,565</u>

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

Net assets of the internal service fund	731,565
Amount owed to governmental activities	(345,843)
Net assets of business-type activities	<u>\$ 38,395,031</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF JACKSON
JACKSON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Water	Sewer	Electric	Nonmajor Enterprise Funds		
Operating revenues:						
Charges for services	\$ 2,230,466	\$ 2,285,454	\$ 16,588,754	\$ 685,270	\$ 21,789,944	\$ 170,224
Other operating revenues	17,571	2,197	351,370	47,349	418,487	-
Total operating revenues.	<u>2,248,037</u>	<u>2,287,651</u>	<u>16,940,124</u>	<u>732,619</u>	<u>22,208,431</u>	<u>170,224</u>
Operating expenses:						
Personal services	617,804	818,577	894,618	265,285	2,596,284	-
Fringe benefits.	243,207	351,468	365,784	147,017	1,107,476	274,375
Contract services.	219,151	426,276	12,769,313	253,117	13,667,857	-
Materials and supplies.	170,094	200,793	219,467	126,740	717,094	-
Utilities	104,539	399,456	11,550	4,128	519,673	-
Depreciation.	241,550	477,673	265,885	108,777	1,093,885	-
Other	230,683	235,342	1,090,891	-	1,556,916	-
Total operating expenses.	<u>1,827,028</u>	<u>2,909,585</u>	<u>15,617,508</u>	<u>905,064</u>	<u>21,259,185</u>	<u>274,375</u>
Operating income (loss)	<u>421,009</u>	<u>(621,934)</u>	<u>1,322,616</u>	<u>(172,445)</u>	<u>949,246</u>	<u>(104,151)</u>
Nonoperating revenues (expenses):						
Interest and fiscal charges	(85,035)	(70,888)	(184,065)	(4,235)	(344,223)	-
Interest income.	-	-	549	-	549	-
Investment in joint venture.	-	-	(12,982)	-	(12,982)	-
Total nonoperating revenues (expenses).	<u>(85,035)</u>	<u>(70,888)</u>	<u>(196,498)</u>	<u>(4,235)</u>	<u>(356,656)</u>	<u>-</u>
Income (loss) before special items and transfers.	335,974	(692,822)	1,126,118	(176,680)	592,590	(104,151)
Transfer in	-	-	-	60,596	60,596	-
Special item - AMP-Ohio stranded costs	-	-	(2,276,543)	-	(2,276,543)	-
Change in net assets	335,974	(692,822)	(1,150,425)	(116,084)	(1,623,357)	(104,151)
Net assets at beginning of year.	<u>5,455,801</u>	<u>11,232,455</u>	<u>17,107,303</u>	<u>5,837,107</u>		<u>835,716</u>
Net assets at end of year	<u>\$ 5,791,775</u>	<u>\$ 10,539,633</u>	<u>\$ 15,956,878</u>	<u>\$ 5,721,023</u>		<u>\$ 731,565</u>
Some amounts reported for business-type activities in the statement of net assets are different because the net expense of the internal service fund is reported with business-type activities.					<u>(62,491)</u>	
Change in net assets of business-type activities.					<u>\$ (1,685,848)</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, 2011

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Water	Sewer	Electric	Nonmajor Enterprise Funds		
Cash flows from operating activities:						
Cash received from customers.	\$ 2,263,542	\$ 2,312,889	\$ 16,725,639	\$ 700,846	\$ 22,002,916	\$ 170,224
Cash received from other operations	17,571	1,024	338,583	34,343	391,521	-
Cash payments for employee services and benefits.	(882,071)	(1,151,788)	(1,240,910)	(413,663)	(3,688,432)	-
Cash payments for goods and services.	(519,243)	(1,043,361)	(12,808,437)	(357,706)	(14,728,747)	-
Cash payments for claims	-	-	-	-	-	(278,509)
Cash payments for other expenses	(230,683)	(235,342)	(1,090,891)	-	(1,556,916)	-
Net cash provided by (used in) operating activities	649,116	(116,578)	1,923,984	(36,180)	2,420,342	(108,285)
Cash flows from noncapital financing activities:						
Cash received from transfers in	-	-	-	60,596	60,596	-
Cash received from interfund loans	-	-	-	155,000	155,000	-
Cash used in repayment of interfund loans.	-	(111,058)	-	(160,238)	(271,296)	-
Net cash provided by (used in) noncapital financing activities.	-	(111,058)	-	55,358	(55,700)	-
Cash flows from capital and related financing activities:						
Capital contributions.	-	888,959	-	448,715	1,337,674	-
Acquisition of capital assets	(464,762)	(7,999)	(617,680)	(449,584)	(1,540,025)	-
Proceeds from OWDA loans.	641,673	-	-	-	641,673	-
Principal retirement on OWDA loans	(37,351)	(361,505)	-	-	(398,856)	-
Principal retirement on notes	(19,054)	(33,399)	-	(28,050)	(80,503)	-
Principal retirement on general obligation bonds.	(175,000)	-	-	-	(175,000)	-
Principal retirement on revenue bonds.	-	-	(305,000)	-	(305,000)	-
Interest and fiscal charges	(78,963)	(70,888)	(174,539)	(4,235)	(328,625)	-
Net cash provided by (used in) capital and related financing activities.	(133,457)	415,168	(1,097,219)	(33,154)	(848,662)	-
Cash flows from investing activities:						
Interest received	-	-	549	-	549	-
Net cash provided by investing activities	-	-	549	-	549	-
Net increase (decrease) in cash and cash equivalents	515,659	187,532	827,314	(13,976)	1,516,529	(108,285)
Cash and cash equivalents at beginning of year	1,774,596	2,075,626	10,686,530	417,918	14,954,670	859,626
Cash and cash equivalents at end of year	\$ 2,290,255	\$ 2,263,158	\$ 11,513,844	\$ 403,942	\$ 16,471,199	\$ 751,341

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**CITY OF JACKSON
JACKSON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>					<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 421,009	\$ (621,934)	\$ 1,322,616	\$ (172,445)	\$ 949,246	\$ (104,151)
Adjustments:						
Depreciation.	241,550	477,673	265,885	108,777	1,093,885	-
Changes in assets and liabilities:						
Decrease (increase) in materials and supplies inventory	(21,182)	(16,999)	192,393	78	154,290	-
Decrease in accounts receivable.	31,447	24,517	116,198	2,053	174,215	-
Increase (decrease) in accounts payable.	(2,536)	163	(500)	-	(2,873)	-
Increase (decrease) in accrued wages and benefits . . .	588	386	(2,352)	(272)	(1,650)	-
Decrease in intergovernmental payable.	(5,410)	(6,877)	(12,972)	(3,382)	(28,641)	-
Increase (decrease) in compensated absences payable.	(16,238)	24,748	34,816	2,293	45,619	-
Increase in customer deposits payable.	1,629	1,745	7,900	517	11,791	-
Increase (decrease) in contracts payable.	(1,741)	-	-	26,201	24,460	-
Decrease in claims payable.	-	-	-	-	-	(4,134)
Net cash provided by (used in) operating activities . . .	<u>\$ 649,116</u>	<u>\$ (116,578)</u>	<u>\$ 1,923,984</u>	<u>\$ (36,180)</u>	<u>\$ 2,420,342</u>	<u>\$ (108,285)</u>

Non-cash transactions:

During 2011, the Sewer fund purchased \$53,900 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, 2011

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, 2011

NOTE 1 - REPORTING ENTITY

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

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

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

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

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

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

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

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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 City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited expectations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 and liabilities 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 assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City reports the following proprietary funds:

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

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

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

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

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, 2011

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

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance fiscal year 2012 operations have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue on the governmental fund financial statements. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

E. Budgetary Process

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

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

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

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 2011, investments were limited to non-negotiable certificates of deposit.

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

Provisions of the Ohio Revised Code restrict investment procedures. During 2011, interest was distributed to the general fund, certain special revenue funds, capital projects funds, and enterprise funds. Interest revenue credited to the general fund during 2011 amounted to \$181,968, of which \$160,404 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.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, 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, 2011.

J. Restricted Assets

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

Certain resources set aside for the repayment of enterprise fund mortgage revenue bonds are classified as restricted assets on the statement of fund net assets - proprietary funds because their use is limited by applicable bond covenants. Restricted assets of the City also include cash held for customer deposits.

K. Capital Assets and Depreciation

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

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

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

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

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

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

L. Interfund Balances

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

M. Compensated Absences

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

O. Bond Issuance Costs, Bond Premium/Discount and Accounting Loss

On the government-wide financial statements and in the enterprise funds, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Issuance costs are recorded as deferred charges on the statement of net assets.

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.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

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 an addition to or reduction from the face amount of the new debt.

On the proprietary fund financial statements, issuance costs and bond premiums are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 12.

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.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the constitutional provisions or through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations or other governments. The amount restricted for other purposes includes the amounts restricted for the Lillian Jones Museum 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 assets are 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, 2011**

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. During 2011, AMP-Ohio notified the City that it would be required to pay its portion of stranded costs associated with the termination of the American Municipal Power Generating Station (AMPGS) project. This resulted in a long-term obligation and an offsetting receivable for AFEC Development Cost Credit for which the net of \$2,276,543 has been recognized as a special item in the electric fund. No extraordinary item transactions occurred during 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the City.

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CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the City's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 2,270,105	\$ 3,231,160	\$ 5,501,265
Fund reclassifications:			
Police Task Force	2,309	(2,309)	-
Catch Program	1,743	(1,743)	-
Community Development	1,649	(1,649)	-
Program Income Fund	37,628	(37,628)	-
Program Income Home	82,276	(82,276)	-
PARK Fund	648	(648)	-
LEPC Fund	394	(394)	-
Police Equipment	122	(122)	-
Jim McKitterick Park	3,049	(3,049)	-
Manpower Park Brick	2,748	(2,748)	-
Total fund reclassifications	<u>132,566</u>	<u>(132,566)</u>	<u>-</u>
Restated fund balance at January 1, 2011	<u>\$ 2,402,671</u>	<u>\$ 3,098,594</u>	<u>\$ 5,501,265</u>

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The City has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at December 31, 2011 is as follows:

Budgetary Basis

	<u>General Fund</u>
Balance at December 31, 2010	\$ 1,995,954
Funds budgeted elsewhere	<u>(24,553)</u>
Restated balance at January 1, 2011	<u>\$ 1,971,401</u>

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

A. Cash on Hand

At year end, the City had \$2,750 in undeposited cash on hand which is included on the financial statements of the City as part of "cash and cash equivalents".

B. Cash and Cash Equivalents with Fiscal Agents

The City utilizes a fiscal agent to hold monies set aside for current and future debt service payments under provisions of the bond indentures in the electric fund. These monies are invested in U.S. Government money market funds.

C. 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 \$22,071,757 and the bank balance was \$22,357,591. Of the bank balance \$842,922 was covered by Federal depository insurance and \$21,514,669 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net assets as of December 31, 2011:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 22,071,757
Cash and cash equivalents with fiscal agent	511,343
Cash on hand	2,750
Total	<u>\$ 22,585,850</u>
 <u>Cash per statement of net assets</u>	
Governmental activities	\$ 5,348,605
Business type activities	17,222,540
Agency funds	14,705
Total	<u>\$ 22,585,850</u>

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 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, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes has been offset by deferred revenue 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.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2011 was \$6.70 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2011 property tax receipts were based are as follows:

Real property	\$ 113,634,970
Public utility real and personal property	<u>2,578,370</u>
Total assessed value	<u><u>\$ 116,213,340</u></u>

NOTE 6 - RECEIVABLES

Receivables at December 31, 2011, consisted primarily of taxes, intergovernmental receivables arising from grants, loans, entitlements and shared revenues, interest on investments, and utility accounts. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables are expected to be collected within one year, with the exception of delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$91,914. The financial statements reflect loans receivable of \$4,354. 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>	
Community Housing Improvement Projects	\$ 609,150
Local Government Funds	61,188
Gasoline Tax	106,656
Motor Vehicle License Tax	32,409
Homestead and Rollback	33,560
Permissive Tax	4,457
Miscellaneous	<u>34,459</u>
Total Governmental Activities	<u>881,879</u>
 <u>Business-type Activities:</u>	
Railroad Grant	<u>268,885</u>
Total Business-type Activities	<u>268,885</u>
Total Intergovernmental Receivable	<u><u>\$ 1,150,764</u></u>

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011
<u>Governmental Activities:</u>				
Non-Depreciable Capital Assets:				
Land	\$ 1,171,968	\$ -	\$ -	\$ 1,171,968
Total Non-Depreciable Capital Assets	1,171,968	-	-	1,171,968
Depreciable Capital Assets:				
Land Improvements	363,025	-	-	363,025
Buildings	2,308,466	-	-	2,308,466
Equipment	1,244,494	81,445	(1,558)	1,324,381
Infrastructure	8,038,447	-	-	8,038,447
Vehicles	1,777,909	-	-	1,777,909
Total Depreciable Capital Assets	13,732,341	81,445	(1,558)	13,812,228
Accumulated Depreciation:				
Land Improvements	(134,317)	(10,536)	-	(144,853)
Buildings	(770,595)	(48,291)	-	(818,886)
Equipment	(849,770)	(67,320)	1,558	(915,532)
Infrastructure	(4,405,192)	(134,845)	-	(4,540,037)
Vehicles	(1,269,555)	(75,722)	-	(1,345,277)
Total Accumulated Depreciation	(7,429,429)	(336,714) *	1,558	(7,764,585)
Total Depreciable Capital Assets, Net	6,302,912	(255,269)	-	6,047,643
Governmental Capital Assets, Net	\$ 7,474,880	\$ (255,269)	\$ -	\$ 7,219,611

*Depreciation expense was charged to governmental activities as follows:

<u>Governmental Activities:</u>	
General Government	\$ 184,162
Security of Persons and Property	98,146
Public Health Services	8,067
Transportation	27,559
Leisure Time Activities	18,780
Total Depreciation Expense	\$ 336,714

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 7 - CAPITAL ASSETS - (Continued)

	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011
<u>Business-Type Activities:</u>				
Non-Depreciable Capital Assets:				
Land	\$ 3,122,332	\$ -	\$ -	\$ 3,122,332
Construction in Progress	<u>14,739,112</u>	<u>1,060,514</u>	<u>(12,169,254)</u>	<u>3,630,372</u>
Total Non-Depreciable Capital Assets	<u>17,861,444</u>	<u>1,060,514</u>	<u>(12,169,254)</u>	<u>6,752,704</u>
Depreciable Capital Assets:				
Land Improvements	34,348	-	-	34,348
Buildings	1,108,127	-	-	1,108,127
Equipment	2,395,061	111,827	-	2,506,888
Infrastructure	21,801,973	12,564,124	-	34,366,097
Vehicles	<u>1,902,119</u>	<u>26,714</u>	-	<u>1,928,833</u>
Total Depreciable Capital Assets	<u>27,241,628</u>	<u>12,702,665</u>	-	<u>39,944,293</u>
Accumulated Depreciation:				
Land Improvements	(11,640)	(924)	-	(12,564)
Buildings	(480,184)	(18,919)	-	(499,103)
Equipment	(1,533,374)	(176,298)	-	(1,709,672)
Infrastructure	(6,665,638)	(777,226)	-	(7,442,864)
Vehicles	<u>(1,437,736)</u>	<u>(120,518)</u>	-	<u>(1,558,254)</u>
Total Accumulated Depreciation	<u>(10,128,572)</u>	<u>(1,093,885)</u>	-	<u>(11,222,457)</u>
Total Depreciable Capital Assets, Net	<u>17,113,056</u>	<u>11,608,780</u>	-	<u>28,721,836</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 34,974,500</u>	<u>\$ 12,669,294</u>	<u>\$(12,169,254)</u>	<u>\$ 35,474,540</u>

Depreciation expense was charged to the enterprise funds as follows:

<u>Business-type activities:</u>	
Water	\$ 241,550
Sewer	477,673
Electric	265,885
Garbage	51,994
Railroad	<u>56,783</u>
Total Depreciation Expense	<u>\$ 1,093,885</u>

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 8 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. The 2011 member contribution rates were 10.00% for members. The City's contribution rate for 2011 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$367,676, \$304,917, and \$291,588, respectively; 92.31% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$588 made by the City and \$420 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 8 - PENSION PLANS - (Continued)

Funding Policy - The City has no firefighters. Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2011, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers were \$93,383 for the year ended December 31, 2011, \$88,651 for the year ended December 31, 2010 and \$89,719 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 91.65% has been contributed for police for 2011.

NOTE 9 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

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, 2011, 2010, and 2009 were \$148,123, \$197,299, and \$210,841 respectively; 92.31% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

B. Ohio Police and Fire Pension Fund

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

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

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

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% 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.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers were \$49,438 for the year ended December 31, 2011, \$46,933 for the year ended December 31, 2010, and \$47,498 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 91.65% has been contributed for police officers for 2011.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Additional Insurance

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

The City provides comprehensive major medical insurance through Medical Mutual. The City pays 94 percent of the total monthly premiums of \$1,705.00 for family coverage and \$600.00 for single coverage.

C. Compensated Absences

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

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

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2011, the City contracted with Jones-Stephenson for property and general liability, automobile liability, boiler and machinery liability, law enforcement liability, and public officials' liability.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 11 - RISK MANAGEMENT - (Continued)

Under the Jones-Stephenson program for general liability, law enforcement liability, and public officials' liability, the City has \$1,000,000 of total liability coverage for each occurrence, and a \$1,000,000 aggregate limit. The City carries a \$20,000 deductible for law enforcement and \$15,000 for public officials' liability insurance. Property insurance is covered to a limit of \$46,903,223 with a \$5,000 deductible. Under automobile liability the City has \$1,000,000 of total liability coverage for each occurrence. Automobile insurance carries a \$500 per vehicle deductible for comprehensive coverage and a \$1,000 per vehicle collision coverage. Boiler and machinery insurance is covered to a limit of \$7,000,000 with various sublimits. The City carries a \$10,000 deductible for boiler and machinery liability. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

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

Beginning in 2004, the City manages the deductible portion of employee health benefits on a self-insured basis. The employee health benefit plan provides this coverage through Patrick and Associates, the third party administrator of the program, which reviews and pays the claims. Patrick and Associates charges the City an annual fee of \$519.75, with a monthly administration fee of \$6.75 per employee. The claims liability of \$19,776 reported in the self-insurance fund at December 31, 2011, is estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the internal services fund's claims liability amounts in the past year follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2010	\$4,590	\$325,157	\$305,837	\$23,910
2011	23,910	274,375	278,509	19,776

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in the City's long-term obligations during 2011 consist of the following:

	Outstanding 12/31/2010	Additions	Reductions	Outstanding 12/31/2011	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>Notes</u>					
Building Acquisition Note 4.0%	\$ 100,953	\$ -	\$ (5,141)	\$ 95,812	\$ 5,342
Building Improvement Note 4.0%	80,588	-	(4,113)	76,475	4,274
Fire Truck Note 3.7%	288,200	-	(72,050)	216,150	72,050
Total Notes	<u>469,741</u>	<u>-</u>	<u>(81,304)</u>	<u>388,437</u>	<u>81,666</u>
Police and Fire Pension Liability	34,685	-	(829)	33,856	865
Compensated Absences	558,520	128,451	(118,614)	568,357	132,425
Total Governmental Activities	<u>\$ 1,062,946</u>	<u>\$ 128,451</u>	<u>\$ (200,747)</u>	<u>\$ 990,650</u>	<u>\$ 214,956</u>
<u>Business-Type Activities:</u>					
<u>Bonds</u>					
2007 Water System General Obligation Bonds 4%	\$ 1,955,000	\$ -	\$ (175,000)	\$ 1,780,000	\$ 175,000
Deferred Amount on Refunding	(41,324)	-	2,595	(38,729)	-
Unamortized Bond Premium	19,067	-	(1,198)	17,869	-
2006 Electric System Revenue Bonds 4.2-6.4%	4,290,000	-	(305,000)	3,985,000	320,000
Unamortized Bond Discount	(60,000)	-	3,000	(57,000)	-
Total Bonds Payable	<u>6,162,743</u>	<u>-</u>	<u>(475,603)</u>	<u>5,687,140</u>	<u>495,000</u>
<u>Notes Payable</u>					
2001 Holzer Hospital Water Lines 0%	188,066	-	(19,054)	169,012	19,054
2002 Holzer Hospital Lift Station 0%	330,962	-	(33,399)	297,563	33,399
Garbage Truck Note 3.7%	112,200	-	(28,050)	84,150	28,050
Total Notes Payable	<u>631,228</u>	<u>-</u>	<u>(80,503)</u>	<u>550,725</u>	<u>80,503</u>
2007 OWDA Loan 1%	7,117,432	-	(361,505)	6,755,927	337,156
2009 OWDA Loan 0%	635,241	641,673	(37,351)	1,239,563	74,702
Total OWDA Loans	<u>7,752,673</u>	<u>641,673</u>	<u>(398,856)</u>	<u>7,995,490</u>	<u>411,858</u>
<u>Other Long-Term Obligations</u>					
AMP-Ohio Stranded Lost Payable	-	3,009,416	-	3,009,416	-
Compensated Absences Payable	553,485	211,215	(165,596)	599,104	166,930
Total Business-Type Activities	<u>\$ 15,100,129</u>	<u>\$ 3,862,304</u>	<u>\$ (1,120,558)</u>	<u>\$ 17,841,875</u>	<u>\$ 1,154,291</u>

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Governmental Activities:

Notes Payable

The City will pay the Building Acquisition and Improvement Notes from the Community Improvement Special Revenue Fund and the Fire Truck Note from the Fire Levy Special Revenue Fund. Principal and interest requirements to retire these outstanding notes at December 31, 2011, are:

Year	Principal	Interest	Total
2012	\$ 81,666	\$ 14,938	\$ 96,604
2013	82,083	11,833	93,916
2014	82,497	8,700	91,197
2015	142,191	3,754	145,945
Total	\$ 388,437	\$ 39,225	\$ 427,662

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, 2011, are:

Year	Principal	Interest	Total
2012	\$ 865	\$ 1,430	\$ 2,295
2013	902	1,393	2,295
2014	940	1,355	2,295
2015	981	1,314	2,295
2016	1,023	1,272	2,295
2017 - 2021	5,814	5,661	11,475
2022 - 2026	7,175	4,300	11,475
2027 - 2031	8,852	2,623	11,475
2032 - 2035	7,304	629	7,933
Total	\$ 33,856	\$ 19,977	\$ 53,833

Compensated Absences Payable

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

As of December 31, 2011, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$11,729,814, with an unvoted debt margin of \$6,391,734.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Business-Type Activities:

Bonds

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

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

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

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 175,000	\$ 71,962	\$ 246,962
2013	175,000	64,962	239,962
2014	200,000	57,962	257,962
2015	200,000	49,962	249,962
2016	200,000	41,962	241,962
2017 - 2021	570,000	104,210	674,210
2022 - 2026	260,000	33,788	293,788
Total	<u>\$ 1,780,000</u>	<u>\$ 424,808</u>	<u>\$ 2,204,808</u>

In 2006, the City issued \$6,495,000 in Electric System Revenue Bonds for the purpose of (1) permanent financing of the City's \$2,765,000 bond anticipation note issued to pay part of the costs of electric system upgrades, and (2) paying for additional electric system improvements, and (3) paying certain costs related to the issuance of the Series 1993 Bonds, together with other permissible costs under the Uniform Public Securities Law.

The City has pledged future electric customer revenues, net of specified operating expenses, to repay \$6,495,000 in electric system revenue bonds issued in 2006. Proceeds from these bonds provided financing for various electric utility projects. The bonds are payable solely from electric customer net revenues and are payable through 2030. Annual principal and interest payments on the bonds are expected to require 100.00 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$5,529,231. Principal and interest paid for the current year and total customer net revenues were \$479,539 and \$(1,391,632), respectively.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements for revenue bonds are as follows:

Year	Principal	Interest	Total
2012	\$ 320,000	\$ 163,356	\$ 483,356
2013	325,000	150,556	475,556
2014	340,000	137,556	477,556
2015	355,000	123,956	478,956
2016	130,000	109,756	239,756
2017 - 2021	740,000	462,780	1,202,780
2022 - 2026	905,000	302,133	1,207,133
2027 - 2030	870,000	94,138	964,138
Total	<u>\$ 3,985,000</u>	<u>\$ 1,544,231</u>	<u>\$ 5,529,231</u>

Notes Payable

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

The City issued a Garbage Truck Note on January 16, 2009, for \$140,000 at 3.7% for the purchase of a garbage truck. Payment for this debt will come from the Garbage Enterprise Fund.

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

Year	Principal	Interest	Total
2012	\$ 28,050	\$ 3,157	\$ 31,207
2013	28,050	2,110	30,160
2014	28,050	1,052	29,102
Total	<u>\$ 84,150</u>	<u>\$ 6,319</u>	<u>\$ 90,469</u>

During 2007, the City was approved for an \$8,219,736 one percent loan for a sewer project. As of December 31, 2011, the City has received \$8,019,302 in loan proceeds for this ongoing project. Based on the current status of the OWDA loan, there is a tentative repayment schedule in place, but a final loan repayment schedule will be provided at the point the project is complete.

During 2009, the City was approved for a \$1,494,023 zero percent loan for a water project. Based on the current status of the OWDA loan, there is a tentative repayment schedule in place, but a final loan repayment schedule will be provided at the point the project is complete.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

AMP-Ohio Stranded Cost Payable

The City is required to pay a portion of stranded costs incurred by AMP-Ohio in relation to the termination of the American Municipal Power Generating Station (AMPGS) project from which the City was supposed to receive electrical distribution benefits. The City's portion of the overall liability totals \$3,009,416 and is currently scheduled to be repaid over a five year period, beginning in 2012. The City retains the option to repay the balance of the liability at any point over the next fifteen years. A specific payment schedule has not been established by the City as of December 31, 2011. Principal and interest payments will be made from the electric fund.

The City has recorded a receivable of \$732,873 for the AMP Frequency Energy Center "AFEC" Development fee paid by AFEC participants to the AMDGS project. The City is a participant in the AFEC project and has received a credit to reduce its share of the AMPGS potential stranded costs.

Compensated Absences Payable

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

NOTE 13 - INTERFUND ACTIVITY

A. Transfers

<u>Transfer from</u>	<u>Transfer to Other Governmental Funds</u>	<u>Transfer to Business Type Funds</u>
Major Fund:		
General Fund	\$ 395,986	\$ 60,596
Other Governmental Funds	26,490	-
Total	<u>\$ 422,476</u>	<u>\$ 60,596</u>

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

B. Interfund Balances

Interfund balances at December 31, 2011, arise from the provision of cash flows from the General Fund until the receipt of grant monies by Enterprise Funds. These advances will be repaid in 2012.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 155,000	\$ -
Railroad Fund	-	155,000
Total All Funds	<u>\$ 155,000</u>	<u>\$ 155,000</u>

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 225,347
Net adjustment for revenue accruals	(10,439)
Net adjustment for expenditure accruals	811
Net adjustment for other sources/uses	(136,616)
Funds budgeted elsewhere	(15,331)
Adjustment for encumbrances	<u>9,200</u>
GAAP basis	<u>\$ 72,972</u>

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

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 15 - JOINT VENTURE

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

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

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, 2011 Jackson has met their debt coverage obligation.

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

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

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$758,348 at December 31, 2011. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

CITY OF JACKSON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 16 - CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

For the period January 1, 2011, to December 31, 2011, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 17 - CONDUIT DEBT OBLIGATIONS

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

As of December 31, 2010 (the latest information available), there was one series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$670,319 and one series of hospital facilities revenue bonds outstanding with an aggregate principal amount payable of \$25 million.

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 18 - FUND BALANCE

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

<u>Fund balance</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Materials and supplies inventory	\$ 2,276	\$ 66,177	\$ 68,453
Perpetual care	-	100,000	100,000
Unclaimed monies	<u>32,303</u>	<u>-</u>	<u>32,303</u>
Total nonspendable	<u>34,579</u>	<u>166,177</u>	<u>200,756</u>
Restricted:			
Community development	-	382,345	382,345
Cemetery	-	533,454	533,454
Transportation	-	397,942	397,942
Public safety	-	392,492	392,492
Lillian Jones museum	-	320,918	320,918
Other purposes	<u>-</u>	<u>129,910</u>	<u>129,910</u>
Total restricted	<u>-</u>	<u>2,157,061</u>	<u>2,157,061</u>
Committed:			
Capital projects	-	11,081	11,081
Recreation	-	704,509	704,509
Other purposes	<u>-</u>	<u>123,555</u>	<u>123,555</u>
Total committed	<u>-</u>	<u>839,145</u>	<u>839,145</u>
Assigned:			
Recreation	5,797	-	5,797
Community development	99,242	-	99,242
Other purposes	11,337	-	11,337
Public safety	2,309	-	2,309
Subsequent year appropriations	<u>476,972</u>	<u>-</u>	<u>476,972</u>
Total assigned	<u>595,657</u>	<u>-</u>	<u>595,657</u>
Unassigned	<u>1,845,407</u>	<u>-</u>	<u>1,845,407</u>
Total fund balances	<u>\$ 2,475,643</u>	<u>\$ 3,162,383</u>	<u>\$ 5,638,026</u>

CITY OF JACKSON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 19 - COMMITMENTS

A. Contractual Commitments

At December 31, 2011, the City had the following contractual commitments:

Project	Fund	Purchase Commitments	Amount Paid as of 12/31/2011	Amount Remaining on Contracts
Railroad Rehabilitation Project	Railroad	\$ 2,000,000	\$ 1,756,048	\$ 243,952
Water Plant Backwash Project	Water	1,715,192	-	1,715,192
SCADA Project	Electric	239,953	194,153	45,800
Transformer Storage Docks	Electric	88,267	-	88,267
2012 Ford F250 Pickup Truck	Nonmajor governmental	64,248	-	64,248
2012 Ford F250 Service Truck	Sewer	81,044	-	81,044
Sewer Camera	Sewer	53,900	-	53,900
15 kv Conductor	Electric	66,886	-	66,886
Total		<u>\$ 4,309,490</u>	<u>\$ 1,950,201</u>	<u>\$ 2,359,289</u>

B. Other Commitments

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

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 9,200
Nonmajor governmental	<u>64,248</u>
Total	<u>\$ 73,448</u>



Julian & Grube, Inc.

Serving Ohio Local Governments

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

City of Jackson
145 Broadway Street
Jackson, Ohio 45640

To the Members of Council and Mayor:

We have audited 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, 2011, which collectively comprise the City of Jackson's basic financial statements and have issued our report thereon dated August 27, 2012. We noted the City of Jackson adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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, providing an opinion 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*.

We did note certain matters not requiring inclusion in this report that we reported to the City of Jackson's management in a separate letter dated August 27, 2012.

We intend this report solely for the information and use of the management, Members of Council, Mayor and others within the City of Jackson. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
August 27, 2012



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
DECEMBER 13, 2012