

City of Jackson

Jackson County

Single Audit

January 1, 2004 through December 31, 2004

Fiscal Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
City of Jackson
145 Broadway Street
Jackson, Ohio 45640

We have reviewed the *Independent Auditor's Report* of the City of Jackson, Jackson County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Jackson is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 7, 2006

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City of Jackosn
Basic Financial Statements
For the Fiscal Year Ended December 31, 2004

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Member American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

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, Ohio, (the "City"), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of Jackson
Jackson County
Independent Auditor's Report
Page 2

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 3 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers".



Balestra, Harr & Scherer CPAs, Inc.

November 4, 2005

City of Jackson, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The discussion and analysis of the City of Jackson's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, 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 2004 are as follows:

- The City's total net assets increased by 8.2 percent, or \$2,589,690, from the total net assets at the beginning of the year 2004.
- At the end of the current year, the City's governmental activities reported total net assets of \$9,237,052, an increase of \$2,559,430 from the prior year.
- At the end of the current year, unreserved fund balance for the General Fund was \$15,348, which represents a \$2,653,293 increase from the prior year, mostly due to a court approved \$2,817,000 transfer from the Electric Fund.
- Capital assets increased \$22,209. Capital assets from governmental activities increased \$49,353 or three-tenths of one percent. Capital assets of business-type activities decreased \$27,144 or two-tenths of one percent.

Using this Annual Financial Report

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

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

City of Jackson, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Reporting the City of Jackson as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City of Jackson's Most Significant Funds

Fund Financial Statements

Fund financial statements begin on page 14. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Jackson, our major funds are the General, Water, Sewer, Garbage, Electric, and Railroad Funds.

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

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

The City of Jackson as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. Table I provides a summary of the City's net assets for 2004 compared to 2003.

Table I
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$3,310,895	\$3,583,521	\$17,172,283	\$17,435,151	\$20,483,178	\$21,018,672
Restricted Assets	5,080	5,420	644,583	1,480,171	649,663	1,485,591
Investment in Joint Venture	0	0	617,261	563,601	617,261	563,601
Capital Assets, Net	8,103,374	8,054,021	14,449,442	14,476,584	22,552,816	22,530,605
<i>Total Assets</i>	<u>11,419,349</u>	<u>11,642,962</u>	<u>32,883,569</u>	<u>33,955,507</u>	<u>44,302,918</u>	<u>45,598,469</u>
Liabilities						
Current and Other Liabilities	1,066,772	4,485,412	4,237,662	1,788,976	5,304,434	6,274,388
Noncurrent Liabilities	1,115,525	479,928	3,518,796	7,069,684	4,634,321	7,549,612
<i>Total Liabilities</i>	<u>2,182,297</u>	<u>4,965,340</u>	<u>7,756,458</u>	<u>8,858,660</u>	<u>9,938,755</u>	<u>13,824,000</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	7,613,391	7,675,597	8,317,224	7,631,540	15,930,615	15,307,137
Restricted	1,973,250	1,382,228	291,502	0	2,264,752	1,382,228
Unrestricted	(349,589)	(2,380,203)	16,518,385	17,465,307	16,168,796	15,085,104
<i>Total Net Assets</i>	<u>\$9,237,052</u>	<u>\$6,677,622</u>	<u>\$25,127,111</u>	<u>\$25,096,847</u>	<u>\$34,364,163</u>	<u>\$31,774,469</u>

Total assets decreased \$1,295,551. Governmental activities' capital assets increased \$49,353. The increase in capital assets for governmental activities is due primarily to the purchase of land, offset by depreciation. The decrease in capital assets for business-type activities in the amount of \$27,144 is due primarily to accounting losses incurred when selling some assets.

Net assets of the City's governmental activities increased \$2,559,430, primarily due to a court approved transfer from the Electric Fund in the amount of \$2,718,000. This eliminated the need for interfund borrowing from the Electric Fund by the General Fund to cover a significant cash balance deficit, thereby reducing liabilities in the governmental activities by a similar amount.

There was a shift between long-term and current liabilities in business-type activities due to the advance refunding of revenue bonds with bond anticipation notes.

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

Table 2 shows the changes in net assets for the fiscal year ended December 31, 2004, and comparisons to fiscal year 2003.

Table 2
Changes in Net Assets

	Governmental	Business-	Total	Governmental	Business-	Total
	Activities	Type		Activities	Type	
	2004	2004	2004	2003	2003	2003
Revenues						
Program Revenues:						
Charges for Services	\$1,245,226	\$16,524,562	\$17,769,788	\$339,118	\$15,432,916	\$15,772,034
Operating Grants and Contributions	593,640	380,967	974,607	567,794	0	567,794
Capital Grants and Contributions	935,108	0	935,108	0	0	0
<i>Total Program Revenues</i>	<i>2,773,974</i>	<i>16,905,529</i>	<i>19,679,503</i>	<i>906,912</i>	<i>15,432,916</i>	<i>16,339,828</i>
General Revenues:						
Property Taxes	1,426,691	0	1,426,691	1,531,548	0	1,531,548
Gain on Sale of Capital Assets	11,658	0	11,658	0	0	0
Grants and Entitlements	641,507	1,950	643,457	498,319	0	498,319
Investment Earnings	236,335	16,016	252,351	221,348	15,974	237,322
Other	32,279	1,038,951	1,071,230	531	(76,885)	(76,354)
Total General Revenues	2,348,470	1,056,917	3,405,387	2,251,746	(60,911)	2,190,835
<i>Total Revenues</i>	<i>5,122,444</i>	<i>17,962,446</i>	<i>23,084,890</i>	<i>3,158,658</i>	<i>15,372,005</i>	<i>18,530,663</i>
Program Expenses						
General Government	1,821,698	0	1,821,698	146,991	0	146,991
Security of Persons and Property	1,795,572	0	1,795,572	1,778,303	0	1,778,303
Transportation	712,750	0	712,750	742,066	0	742,066
Leisure Time Activities	125,970	0	125,970	135,854	0	135,854
Public Health Services	389,111	0	389,111	272,626	0	272,626
Community Environment	497,056	0	497,056	608,736	0	608,736
Interest and Fiscal Charges	37,857	0	37,857	17,180	0	17,180
Water	0	1,787,754	1,787,754	0	1,864,059	1,864,059
Sewer	0	2,134,951	2,134,951	0	1,382,439	1,382,439
Garbage	0	553,721	553,721	0	492,478	492,478
Electric	0	10,582,570	10,582,570	0	8,465,191	8,465,191
Railroad	0	56,186	56,186	0	56,327	56,327
<i>Total Program Expenses</i>	<i>5,380,014</i>	<i>15,115,182</i>	<i>20,495,196</i>	<i>3,701,756</i>	<i>12,260,494</i>	<i>15,962,250</i>
Increase (Decrease) in Net Assets						
before transfers	(\$257,570)	\$2,847,264	\$2,589,694	(\$543,098)	\$3,111,511	\$2,568,413
Transfers	2,817,000	(2,817,000)	0	0	0	0
Increase (Decrease) in Net Assets	<u>\$2,559,430</u>	<u>\$30,264</u>	<u>\$2,589,694</u>	<u>(\$543,098)</u>	<u>\$3,111,511</u>	<u>\$2,568,413</u>

Governmental Activities

Grants and contributions accounted for 42 percent of total governmental revenues. These grants were operating and capital grants and contributions as well as unrestricted grants and entitlements. Tax revenue provided 28 percent of total governmental revenues, all generated from property taxes. These revenue sources comprise the largest components of City governmental revenues, property taxes, and grants and contributions combined together, provided 70 percent of the City's total governmental revenues.

City of Jackson, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The City received \$1,245,226, or 24 percent, of total governmental revenues, in charges for services. These direct charges to citizens include recreation fees, court fines and forfeitures, police security services, and licenses and permits, as well as cost allocations charged to funds of the City.

The City's security of persons and property activities accounted for \$1,795,572, or 33 percent, of total expenses. General government activities utilized \$1,821,698, or 34 percent, of total expenses.

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

Table 3
Program Expenses and Net Costs of Governmental Activities, by Program
For the Year Ended December 31, 2004

	Program Activity Expenses	Net Cost of Program Activity	Program Activity Expenses	Net Cost (Gain) of Program Activity
	2004	2004	2003	2003
General Government	\$1,821,698	\$103,903	\$146,991	(\$27,886)
Security of Persons and Property	1,795,572	1,571,840	1,778,303	1,700,599
Transportation	712,750	386,252	742,066	441,014
Leisure Time Activities	125,970	41,982	135,854	80,780
Public Health Services	389,111	323,331	272,626	217,876
Community Environment	497,056	140,875	608,736	365,281
Interest and Fiscal Charges	37,857	37,857	17,180	17,180
Totals	\$5,380,014	\$2,606,040	\$3,701,756	\$2,794,844

Business-Type Activities

The City's business-type activities are for water, sewer, electric, railroad, and garbage services. During 2004, program revenues exceeded expenses by \$1,790,347.

The minimum water rate is \$7.10 per thousand gallons of water for customers within the City limits and \$8.53 per thousand gallons of water for those living outside the City limits. Sewer fees are calculated on the amount of water used. The minimum sewer rate is \$6.51 per month. Garbage fees are assessed at a flat rate of \$7.50 per month for senior citizens and \$10.50 per month for others. Fees for electrical service are also based on usage. The minimum rate is \$3.01 for customers within the City limits and \$3.61 for those living outside the City limits for 0-20 kwh.

City of Jackson, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The City's Funds

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

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

General Fund

The General Fund is the primary operating fund of the City. At the end of 2004, fund balance was \$15,348. Fund balance represents six-tenths of one percent to total General Fund expenditures.

The fund balance of the General Fund increased by \$2,653,293 during the current fiscal year. The key factor in this increase is a \$2,817,000 court approved transfer from the Electric Fund.

Enterprise Funds

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

The City's major enterprise funds are the Water Fund, the Sewer Fund, the Electric Fund, the Railroad Fund, and the Garbage Fund. The Water Fund's net assets increased \$533,779, the Sewer Fund's net assets increased \$380,395, the Garbage Fund's net assets increased \$27,845, the Electric Fund's net assets decreased \$1,010,203, and the Railroad Fund's net assets increased \$11,553.

General Fund Budgetary Highlights

The City made few revisions to the original appropriations approved by City Council. Overall, these changes resulted in an increase from the original budget of \$427,136. Debt service was not appropriated at the beginning of the year, which accounts for \$73,524 of the increase in appropriations.

The General Fund budgeted revenue increased \$266,982 and was primarily the result of conservative estimates.

City of Jackson, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the City had \$22,552,816 invested in capital assets, net of accumulated depreciation. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4
Capital Assets at December 31, 2004 with comparative as of December 31, 2003
(Net of Depreciation)

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	2004	2003	2004	2003	2004	2003
Land	\$1,183,754	\$870,906	\$2,926,722	\$2,926,722	\$4,110,476	\$3,797,628
Construction in Progress	3,436	0	269,300	246,580	272,736	246,580
Land Improvements	82,014	74,101	28,256	29,181	110,270	103,282
Buildings	1,470,934	1,510,431	578,190	663,358	2,049,124	2,173,789
Equipment	357,053	370,890	788,507	588,120	1,145,560	959,010
Infrastructure	4,400,623	4,550,372	9,185,077	9,337,736	13,585,700	13,888,108
Vehicles	605,560	677,321	673,390	684,889	1,278,950	1,362,210
Totals	\$8,103,374	\$8,054,021	\$14,449,442	\$14,476,586	\$22,552,816	\$22,530,607

For additional information on capital assets, see Note 9 to the basic financial statements.

The total increase in the City's capital assets, net of accumulated depreciation, for the current year was \$22,209 or one-tenth of one percent

Debt

As of December 31, 2004 and December 31, 2003, the City had total long-term debt of \$3,397,201 and \$8,096,822, respectively, as follows:

Table 5
Outstanding Debt
As of December 31, 2004, with comparative for December 31, 2003

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	2004	2003	2004	2003	2004	2003
Mortgage Revenue Bonds	\$0	\$0	\$2,055,000	\$6,345,000	\$2,055,000	\$6,345,000
Notes Payable	414,983	378,224	927,218	1,373,598	1,342,201	1,751,822
Totals	\$414,983	\$378,224	\$2,982,218	\$7,718,598	\$3,397,201	\$8,096,822

The City's overall legal debt margin was \$11,597,997. For additional information on debt, see Note 15 to the basic financial statements.

City of Jackson, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Economic Factors

- One of the City's largest employers has embarked on a major expansion of its facilities within the City. The company is also installing a pretreatment facility for its wastewater, which will decrease the cost of treatment by the City.

Requests for Information

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

City of Jackson, Ohio
Statement of Net Assets
December 31, 2004

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,837,684	\$14,246,681	\$16,084,365
Materials and Supplies Inventory	18,308	503,340	521,648
Accrued Interest Receivable	23,895	44	23,939
Accounts Receivable	9,515	2,084,725	2,094,240
Intergovernmental Receivable	394,416	300,000	694,416
Prepaid Items	27,799	59,941	87,740
Property and Other Taxes Receivable	905,799	0	905,799
Loans Receivable	11,697	0	11,697
Internal Balances	81,782	(81,782)	0
Deferred Charges	0	59,334	59,334
Restricted Assets:			
Cash and Cash Equivalents with Fiscal and Escrow Agents	5,080	391,502	396,582
Customer Deposits	0	253,081	253,081
Investment in Joint Venture	0	617,261	617,261
Non-Depreciable Capital Assets	1,187,190	3,196,022	4,383,212
Depreciable Capital Assets, Net	6,916,184	11,253,420	18,169,604
<i>Total Assets</i>	<u>11,419,349</u>	<u>32,883,569</u>	<u>44,302,918</u>
Liabilities			
Accounts Payable	36,656	697,633	734,289
Accrued Wages and Benefits Payable	51,241	54,057	105,298
Intergovernmental Payable	64,276	54,104	118,380
Accrued Interest Payable	20,262	19,324	39,586
Claims Payable	0	9,463	9,463
Deferred Revenue	819,337	0	819,337
Notes Payable	75,000	3,150,000	3,225,000
Customer Deposits Payable	0	253,081	253,081
Long-Term Liabilities:			
Due Within One Year	304,063	413,507	717,570
Due In More Than One Year	811,462	3,105,289	3,916,751
<i>Total Liabilities</i>	<u>2,182,297</u>	<u>7,756,458</u>	<u>9,938,755</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	7,613,391	8,317,224	15,930,615
Restricted for:			
Capital Projects	262,016	0	262,016
Debt Service	5,080	291,502	296,582
Cemetery Endowment:			
Expendable Portion	49	0	49
Nonexpendable Portion	438,207	0	438,207
Other Purposes	1,272,978	0	1,272,978
Unrestricted (Deficit)	(354,669)	16,518,385	16,163,716
<i>Total Net Assets</i>	<u>\$9,237,052</u>	<u>\$25,127,111</u>	<u>\$34,364,163</u>

See accompanying notes to the basic financial statements

City of Jackson, Ohio
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$1,821,698	\$766,937	\$15,750	\$935,108
Security of Persons and Property	1,795,572	183,865	39,867	0
Transportation	712,750	6,373	320,125	0
Leisure Time Activities	125,970	76,431	7,557	0
Public Health Services	389,111	65,780	0	0
Community Environment	497,056	145,840	210,341	0
Interest and Fiscal Charges	37,857	0	0	0
<i>Total Governmental Activities</i>	5,380,014	1,245,226	593,640	935,108
Business-Type Activities				
Water	1,787,754	2,032,015	300,000	0
Sewer	2,134,951	2,458,405	80,967	0
Garbage	553,721	588,244	0	0
Electric	10,582,570	11,389,157	0	0
Railroad	56,186	56,741	0	0
<i>Total Business-Type Activities</i>	15,115,182	16,524,562	380,967	0
<i>Total</i>	\$20,495,196	\$17,769,788	\$974,607	\$935,108

General Revenues

Property and Other Taxes Levied for:

 General Purposes

 Other Purposes

Gain on Sale of Capital Assets

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

Net (Expense) Revenue and
Change in Net Assets

Governmental Activities	Business - Type Activities	Total
(\$103,903)	\$0	(\$103,903)
(1,571,840)	0	(1,571,840)
(386,252)	0	(386,252)
(41,982)	0	(41,982)
(323,331)	0	(323,331)
(140,875)	0	(140,875)
(37,857)	0	(37,857)
(2,606,040)	0	(2,606,040)
0	544,261	544,261
0	404,421	404,421
0	34,523	34,523
0	806,587	806,587
0	555	555
0	1,790,347	1,790,347
(2,606,040)	1,790,347	(815,693)
1,053,009	0	1,053,009
373,682	0	373,682
11,658	0	11,658
641,507	1,950	643,457
236,335	16,016	252,351
32,279	1,038,951	1,071,230
2,348,470	1,056,917	3,405,387
2,817,000	(2,817,000)	0
5,165,470	(1,760,083)	3,405,387
2,559,430	30,264	2,589,694
6,677,622	25,096,847	31,774,469
\$9,237,052	\$25,127,111	\$34,364,163

City of Jackson, Ohio

Balance Sheet
Governmental Funds
December 31, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$0	\$1,837,684	\$1,837,684
Receivables:			
Intergovernmental	61,188	333,228	394,416
Property and Other Taxes	468,431	437,368	905,799
Accounts	5,131	4,384	9,515
Accrued Interest	19,528	4,367	23,895
Loans	0	11,697	11,697
Materials and Supplies Inventory	4,471	13,837	18,308
Prepaid Items	17,509	10,290	27,799
Restricted Assets:			
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	5,080	5,080
Due from Other Funds	48,355	0	48,355
<i>Total Assets</i>	<u>\$624,613</u>	<u>\$2,657,935</u>	<u>\$3,282,548</u>
Liabilities and Fund Balances			
Liabilities			
Accrued Wages and Benefits Payable	\$42,195	\$9,046	\$51,241
Intergovernmental Payable	44,867	19,409	64,276
Accounts Payable	3,629	33,027	36,656
Deferred Revenue	472,991	670,588	1,143,579
Accrued Interest Payable	6,894	9,541	16,435
Notes Payable	0	75,000	75,000
Interfund Payable	38,689	0	38,689
<i>Total Liabilities</i>	<u>609,265</u>	<u>816,611</u>	<u>1,425,876</u>
Fund Balances			
Reserved for Encumbrances	40,948	167,352	208,300
Reserved for Endowments		438,207	438,207
Reserved for Unclaimed Monies	8,699	0	8,699
Reserved for Loans Receivable	0	11,697	11,697
Unreserved, Undesignated, Reported in:			
Undesignated, Reported in:			
General Fund (Deficit)	(34,299)	0	(34,299)
Special Revenue Funds	0	956,923	956,923
Capital Projects Funds	0	262,016	262,016
Debt Service	0	5,080	
Permanent Funds	0	49	49
<i>Total Fund Balance</i>	<u>15,348</u>	<u>1,841,324</u>	<u>1,851,592</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$624,613</u>	<u>\$2,657,935</u>	<u>\$3,277,468</u>

See accompanying notes to the basic financial statements

City of Jackson, Ohio
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2004

Total Governmental Fund Balances \$1,856,672

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

Capital Assets used in governmental activities are not
 financial resources and therefore are not reported in the funds. 8,103,374

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

Taxes	56,612	
Intergovernmental	267,630	
Total	<u>324,242</u>	324,242

Internal service funds are used by management to charge the cost
 of insurance to individual funds. The assets and liabilities of the
 internal service fund is included in governmental activities in the
 statement of net assets. 72,116

Long-term liabilities and accrued interest are not due and payable
 in the current period and therefore are not reported in the funds:

Compensated Absences	(368,125)	
Accrued Interest Payable	(3,827)	
Early Retirement Incentive	(39,536)	
Police and Fire Pension	(292,881)	
Long-Term Notes Payable	<u>(414,983)</u>	
Total	<u>(1,119,352)</u>	(1,119,352)

Net Assets of Governmental Activities \$9,237,052

See accompanying notes to the basic financial statements

City of Jackson, Ohio
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2004

	General Fund	All Other Governmental Funds	Totals Governmental Funds
<u>Revenues:</u>			
Property and Other Taxes	\$967,618	\$402,461	\$1,370,079
Intergovernmental	1,258,915	785,201	2,044,116
Charges for Services	734,821	82,676	817,497
Fines, Licenses, and Permits	187,475	5,173	192,648
Interest	210,852	25,483	236,335
Contributions and Donations	0	16,833	16,833
Other	63,198	203,112	266,310
Total Revenues	<u>3,422,879</u>	<u>1,520,939</u>	<u>4,943,818</u>
<u>Expenditures:</u>			
Current:			
General Government	2,075,238	72,063	2,147,301
Security of Persons and Property	1,441,831	236,536	1,678,367
Public Health Services	0	288,385	288,385
Leisure Time Activities	0	126,890	126,890
Transportation	104,246	454,543	558,789
Community Environment	0	497,056	497,056
Debt Service:			
Principal Retirement	71,240	307,600	378,840
Interest and Fiscal Charges	4,447	16,431	20,878
Total Expenditures	<u>3,697,002</u>	<u>1,999,504</u>	<u>5,696,506</u>
Excess of Revenues Under Expenditures	<u>(274,123)</u>	<u>(478,565)</u>	<u>(752,688)</u>
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Capital Assets	2,500	10,075	12,575
Proceeds of Notes	359,916	55,067	414,983
Operating Transfers In	2,817,000	265,776	3,082,776
Operating Transfers Out	<u>(252,000)</u>	<u>(13,776)</u>	<u>(265,776)</u>
Total Other Financing Sources (Uses)	<u>2,927,416</u>	<u>317,142</u>	<u>3,244,558</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,653,293	(161,423)	2,491,870
Fund Balances (Deficits) at Beginning of Year	<u>(2,637,945)</u>	<u>2,002,747</u>	<u>(635,198)</u>
Fund Balances (Deficits) at End of Year	<u>\$15,348</u>	<u>\$1,841,324</u>	<u>\$1,856,672</u>

See accompanying notes to the general purpose financial statements

City of Jackson, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds \$2,491,870

***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 capital outlays exceeded depreciation in the current period:

Capital Asset Additions	417,990	
Depreciation Expense	(335,197)	82,793

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal (33,440)

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

Grants	110,351	
Delinquent Taxes	56,612	166,963

The internal service fund used by management to charge the cost of insurance deductible reimbursements to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net expenses of the internal service fund is allocated among governmental activities. 72,116

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 378,840

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. (2,522)

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

Long-Term Loan		(414,983)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Vacation Benefits Payable	(159,303)	
Sick Leave Benefits Payable	(22,904)	(182,207)

Change in Net Assets of Governmental Activities \$2,559,430

See accompanying notes to the basic financial statements

City of Jackson, Ohio
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property and Other Taxes	\$1,041,434	\$1,010,016	\$1,010,016	\$0
Charges for Services	693,032	854,246	854,246	0
Fines and Forfeitures	195,968	190,171	190,181	10
Intergovernmental	239,000	302,219	302,219	0
Investment Earnings	155,651	200,294	202,431	2,137
Other	22,000	57,121	59,097	1,976
<i>Total Revenues</i>	<u>2,347,085</u>	<u>2,614,067</u>	<u>2,618,190</u>	<u>4,123</u>
Expenditures				
Current:				
General Government	841,035	1,200,732	1,177,549	23,183
Security of Persons and Property	1,531,274	1,515,347	1,486,591	28,756
Transportation	94,640	104,482	104,073	409
Debt Service:				
Principal Retirement	0	71,240	71,240	0
Interest and Fiscal Charges	0	2,284	2,284	0
<i>Total Expenditures</i>	<u>2,466,949</u>	<u>2,894,085</u>	<u>2,841,737</u>	<u>52,348</u>
<i>Excess of Revenues Under Expenditures</i>	(119,864)	(280,018)	(223,547)	56,471
Other Financing Sources (Uses)				
Notes Issued	0	359,916	359,916	0
Proceeds from the Sale of Capital Assets	0	2,500	2,500	0
Transfers In	0	2,817,000	2,817,000	0
Transfers Out	(252,125)	(252,125)	(252,000)	125
<i>Total Other Financing Sources (Uses)</i>	<u>(252,125)</u>	<u>2,927,291</u>	<u>2,927,416</u>	<u>125</u>
<i>Net Change in Fund Balance</i>	(371,989)	2,647,273	2,703,869	56,596
<i>Fund Balance Beginning of Year - Restated (See Note 3)</i>	(2,828,312)	(2,828,312)	(2,828,312)	0
Prior Year Encumbrances Appropriated	44,806	44,806	44,806	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$3,155,495)</u>	<u>(\$136,233)</u>	<u>(\$79,637)</u>	<u>\$56,596</u>

See accompanying notes to the basic financial statements

City of Jackson, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2004

	Water	Sewer	Garbage	Electric	Railroad	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Assets							
Current:							
Equity in Pooled Cash and Cash Equivalents	\$3,706,901	\$5,863,671	\$181,854	\$4,289,923	\$35,857	\$14,078,206	\$168,475
Accounts Receivable	247,320	328,316	79,353	1,429,736	0	2,084,725	0
Accrued Interest Receivable	0	0	0	44	0	44	0
Materials and Supplies Inventory	124,829	15,105	209	363,197	0	503,340	0
Prepaid Items	19,992	16,690	5,529	17,689	41	59,941	0
Intergovernmental Receivable	300,000	0	0	0	0	300,000	0
Interfund Receivable	0	0	0	38,689	0	38,689	0
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	237,562	145,529	0	8,411	0	391,502	0
Customer Deposits	40,258	36,367	9,456	167,000	0	253,081	0
Total Current Assets	4,676,862	6,405,678	276,401	6,314,689	35,898	17,709,528	168,475
Noncurrent:							
Deferred Charges	59,334	0	0	0	0	59,334	0
Non-Depreciable Capital Assets	1,259,029	288,721	0	4,390	1,643,882	3,196,022	0
Depreciable Capital Assets, Net	2,986,287	3,275,971	307,805	3,067,794	1,615,563	11,253,420	0
Investment in Joint Venture	0	0	0	617,261	0	617,261	0
Total Noncurrent Assets	4,304,650	3,564,692	307,805	3,689,445	3,259,445	15,126,037	0
Total Assets	8,981,512	9,970,370	584,206	10,004,134	3,295,343	32,835,565	168,475
Liabilities							
Current:							
Accrued Wages and Benefits Payable	16,010	14,482	6,025	17,540	0	54,057	0
Intergovernmental Payable	16,085	15,304	5,043	17,672	0	54,104	0
Accounts Payable	11,958	134,863	2,006	548,806	0	697,633	0
Interfund Payable	0	0	0	48,355	0	48,355	0
Accrued Interest Payable	9,888	164	0	8,896	376	19,324	0
Notes Payable	15,447	22,588	0	3,150,000	59,929	3,247,964	0
Customer Deposits Payable	40,258	36,367	9,456	167,000	0	253,081	0
Early Retirement Incentive Payable	37,271	4,238	0	34,568	0	76,077	0
Compensated Absences Payable	34,455	39,091	8,831	57,089	0	139,466	0
Payables from Restricted Assets:							
Revenue Bonds Payable	100,000	0	0	0	0	100,000	0
Total Current Liabilities	281,372	267,097	31,361	4,049,926	60,305	4,690,061	0
Long-Term:							
Notes Payable	264,531	504,800	0	0	59,923	829,254	0
Revenue Bonds Payable	1,955,000	0	0	0	0	1,955,000	0
Early Retirement Incentive Payable	82,210	0	0	0	0	82,210	0
Compensated Absences Payable	86,614	85,027	36,327	30,857	0	238,825	0
Total Long-Term Liabilities	2,388,355	589,827	36,327	30,857	59,923	3,105,289	0
Total Liabilities	2,669,727	856,924	67,688	4,080,783	120,228	7,795,350	0
Net Assets							
Invested in Capital Assets, Net of Related Debt	1,910,338	3,037,304	307,805	(77,816)	3,139,593	8,317,224	0
Restricted for Debt Service	137,562	145,529	0	8,411	0	291,502	0
Unrestricted	4,263,885	5,930,613	208,713	5,992,756	35,522	16,431,489	159,012
Total Net Assets	\$6,311,785	\$9,113,446	\$516,518	\$5,923,351	\$3,175,115	25,040,215	\$159,012

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.

86,896
\$25,127,111

See accompanying notes to the basic financial statements

City of Jackson, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2004

	Water	Sewer	Garbage	Electric	Railroad	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Operating Revenues							
Charges for Services	\$2,032,015	\$2,458,405	\$588,244	\$11,335,497	\$56,741	\$16,470,902	\$194,037
Other	12,329	144	62	1,015,419	10,999	1,038,953	0
<i>Total Operating Revenues</i>	<u>2,044,344</u>	<u>2,458,549</u>	<u>588,306</u>	<u>12,350,916</u>	<u>67,740</u>	<u>17,509,855</u>	<u>194,037</u>
Operating Expenses							
Personal Services	582,942	554,669	221,405	644,192	0	2,003,208	0
Fringe Benefits	339,103	252,182	31,565	262,340	0	885,190	35,025
Contractual Services	217,881	435,909	137,924	7,424,149	11,606	8,227,469	0
Materials and Supplies	43,742	100,573	28,965	360,373	0	533,653	0
Utilities	91,650	321,231	4,944	13,041	0	430,866	0
Depreciation	178,679	182,297	41,883	163,201	40,979	607,039	0
Other	222,436	286,776	94,336	467,102	127	1,070,777	0
<i>Total Operating Expenses</i>	<u>1,676,433</u>	<u>2,133,637</u>	<u>561,022</u>	<u>9,334,398</u>	<u>52,712</u>	<u>13,758,202</u>	<u>35,025</u>
<i>Operating Income</i>	<u>367,911</u>	<u>324,912</u>	<u>27,284</u>	<u>3,016,518</u>	<u>15,028</u>	<u>3,751,653</u>	<u>159,012</u>
Non-Operating Revenues (Expenses)							
Investment in Joint Venture	0	0	0	53,660	0	53,660	0
Gain on Disposal of Capital Assets	0	0	1,950	0	0	1,950	0
Loss on Disposal of Capital Assets	(2,637)	(2,603)	0	(31,217)	0	(36,457)	0
Grants	300,000	80,967	0	0	0	380,967	0
Interest	3,257	1,898	0	10,861	0	16,016	0
Interest and Fiscal Charges	(134,752)	(24,779)	(1,389)	(1,243,025)	(3,475)	(1,407,420)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>165,868</u>	<u>55,483</u>	<u>561</u>	<u>(1,209,721)</u>	<u>(3,475)</u>	<u>(991,284)</u>	<u>0</u>
<i>Income Before Transfers</i>	<u>533,779</u>	<u>380,395</u>	<u>27,845</u>	<u>1,806,797</u>	<u>11,553</u>	<u>2,760,369</u>	<u>159,012</u>
Transfers Out	0	0	0	(2,817,000)	0	(2,817,000)	0
<i>Change in Net Assets</i>	<u>533,779</u>	<u>380,395</u>	<u>27,845</u>	<u>(1,010,203)</u>	<u>11,553</u>	<u>(56,631)</u>	<u>159,012</u>
<i>Net Assets Beginning of Year</i>	<u>5,778,006</u>	<u>8,733,051</u>	<u>488,673</u>	<u>6,933,554</u>	<u>3,163,562</u>	<u>25,096,846</u>	<u>0</u>
<i>Net Assets End of Year</i>	<u><u>\$6,311,785</u></u>	<u><u>\$9,113,446</u></u>	<u><u>\$516,518</u></u>	<u><u>\$5,923,351</u></u>	<u><u>\$3,175,115</u></u>	<u><u>25,040,215</u></u>	<u><u>\$159,012</u></u>

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

Change in net assets of
business-type activities

86,896

\$25,127,111

See accompanying notes to the basic financial statements

City of Jackson
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2004

	Water	Sewer	Garbage	Electric	Railroad	Total Enterprise Funds	Governmental Activities - Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents							
Cash Flows from Operating Activities							
Cash Received from Customers	\$2,028,670	\$2,388,594	\$584,810	\$11,301,781	\$81,056	\$16,384,911	\$194,037
Other Cash Receipts	12,329	144	62	1,014,928	10,998	1,038,461	0
Cash Payments for Employee Services and Benefits	(844,570)	(835,276)	(249,771)	(943,517)	0	(2,873,134)	(25,562)
Cash Payments for Goods and Services	(366,748)	(889,825)	(175,144)	(7,503,875)	(11,647)	(8,947,239)	0
Utility Deposits Received	31,201	29,019	11,060	127,062	0	198,342	0
Utility Deposits Returned	(17,690)	(16,440)	(4,818)	(75,587)	0	(114,535)	0
Other Operating Expenses	(323,657)	(303,216)	(106,967)	(544,689)	(127)	(1,278,656)	0
<i>Net Cash Provided by Operating Activities</i>	<u>519,535</u>	<u>373,000</u>	<u>59,232</u>	<u>3,376,103</u>	<u>80,280</u>	<u>4,408,150</u>	<u>168,475</u>
Cash Flows from Noncapital Financing Activities							
Operating Grants Received	0	80,967	0	0	0	80,967	0
Interest Paid on Early Retirement Incentives	(4,309)	(1,845)	0	(4,187)	0	(10,341)	0
Transfers Out	0	0	0	(2,817,000)	0	(2,817,000)	0
Advances In	0	0	0	2,748,043	0	2,748,043	0
Advances Out	0	(46,926)	0	(38,689)	0	(85,615)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>(4,309)</u>	<u>32,196</u>	<u>0</u>	<u>(111,833)</u>	<u>0</u>	<u>(83,946)</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities							
Proceeds from the Sale of Capital Assets	9,750	3,500	1,950	1,800	0	17,000	0
Proceeds from the Sale of Notes	0	0	0	3,150,000	0	3,150,000	0
Payments for Capital Acquisitions	(165,375)	(20,942)	(147,746)	(78,082)	0	(412,145)	0
Payments to Escrow Agents	0	0	0	(3,966,384)	0	(3,966,384)	0
Principal Paid on Revenue Bonds Payable	(95,000)	(135,000)	0	(105,000)	0	(335,000)	0
Principal Paid on Notes Payable	(79,318)	(66,459)	(85,164)	(3,870)	(58,817)	(293,628)	0
Principal Paid on OWDA Loans Payable	0	(152,752)	0	0	0	(152,752)	0
Interest Paid on Revenue Bonds Payable	(121,094)	(20,576)	0	(360,782)	0	(502,452)	0
Interest Paid on Notes Payable	(1,890)	(1,188)	(1,389)	(868,544)	(7,060)	(880,071)	0
Interest Paid on OWDA Loans Payable	0	(2,525)	0	0	0	(2,525)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(452,927)</u>	<u>(395,942)</u>	<u>(232,349)</u>	<u>(2,230,862)</u>	<u>(65,877)</u>	<u>(3,377,957)</u>	<u>0</u>
Cash Flows from Investing Activities							
Interest Income	3,257	1,898	0	10,840	0	15,995	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>65,556</u>	<u>11,152</u>	<u>(173,117)</u>	<u>1,044,248</u>	<u>14,403</u>	<u>962,242</u>	<u>168,475</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>3,919,165</u>	<u>6,034,415</u>	<u>364,427</u>	<u>3,421,086</u>	<u>21,454</u>	<u>13,760,547</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$3,984,721</u></u>	<u><u>\$6,045,567</u></u>	<u><u>\$191,310</u></u>	<u><u>\$4,465,334</u></u>	<u><u>\$35,857</u></u>	<u><u>\$14,722,789</u></u>	<u><u>\$168,475</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities							
Operating Income	\$367,911	\$324,912	\$27,284	\$3,016,518	\$15,027	\$3,751,652	\$159,012
Adjustments:							
Depreciation	178,679	182,297	41,883	163,201	40,979	607,039	0
Changes in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	(3,345)	(38,121)	(7,247)	(221,694)	24,315	(246,092)	0
Decrease in Loans Receivable	0	0	0	111,900	0	111,900	0
Increase in Prepaid Items	(8,552)	(8,293)	(3,756)	(7,175)	(41)	(27,817)	0
(Increase) Decrease in Materials and Supplies Inventory	(104,236)	24,356	(209)	(216,758)	0	(296,847)	0
Increase (Decrease) in Accounts Payable	(14,281)	(109,627)	(11,928)	512,422	0	376,586	0
Increase (Decrease) in Accrued Wages and Benefits Payable	(58)	503	41	1,558	0	2,044	0
Decrease in Contracts Payable	(900)	0	0	0	0	(900)	0
Increase in Claims Payable	0	0	0	0	0	0	9,463
Increase in Compensated Absences Payable	22,922	9,224	6,080	1,784	0	40,010	0
Decrease in Due to Other Funds	0	0	0	(14,111)	0	(14,111)	0
Increase in Customer Deposits Payable	13,511	12,579	6,242	51,475	0	83,807	0
Increase (Decrease) in Early Retirement Incentives	65,283	(28,205)	0	(26,140)	0	10,938	0
Increase in Intergovernmental Payable	2,601	3,375	842	3,123	0	9,941	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>519,535</u>	<u>373,000</u>	<u>59,232</u>	<u>\$3,376,103</u>	<u>\$80,280</u>	<u>\$4,408,150</u>	<u>\$168,475</u>

Non-Cash Transactions:

The Water and Sewer Funds each recorded a receivable of \$150,000 for capital grants, for a total of \$300,000.
The Sewer Fund recorded a payable for the purchase of capital assets in the amount of \$131,586.

See accompanying notes to the basic financial statements

City of Jackson
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2004

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$35,705</u></u>
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Liabilities

Due to Others	<u><u>\$35,705</u></u>
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See accompanying notes to the basic financial statements

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 1 - REPORTING ENTITY

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

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

Reporting Entity

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

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

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 with 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 (MW) 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 18.

The City is also associated with an insurance purchasing pool, the Ohio Municipal League Workers' Compensation Group Rating Program. This organization is discussed in Note 19.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

B. Fund Accounting

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

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

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

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

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

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

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

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

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

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

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

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (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.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Process

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process (continued)

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

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

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

F. Cash and Cash Equivalents

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

During 2004, investments were limited to certificates of deposit, money market mutual funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

The City has invested funds in STAR Ohio during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004.

Provisions of the Ohio Revised Code restrict investment procedures. During 2004, interest was distributed to the general fund, certain special revenue funds, capital projects funds, debt service funds, enterprise funds and the internal service fund. Interest revenue credited to the general fund during 2004 amounted to \$210,852 and interest of \$41,499 was credited to other City funds.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents (continued)

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

G. Receivables and Payables

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

H. Inventory of Supplies

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expenses when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004 are recorded as prepaid items using the consumption method recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

J. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent customer deposits and funds restricted as part of the bond indenture for debt service. Restricted assets in the governmental funds are restricted as part of the bond indenture for debt service.

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.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Capital Assets and Depreciation (continued)

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 does not have a capitalization threshold.

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
Building	25-50 years	25-50 years
Improvements to Land Other than Buildings	25-50 years	25-50 years
Equipment	5-20 years	5-20 years
Vehicles	5-12 years	5-12 years
Infrastructure	25-60 years	25-60 years

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

L. 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.

For governmental and proprietary funds, 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.

M. Accrued Liabilities and Long-Term Obligations

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Accrued Liabilities and Long-Term Obligations (continued)

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

N. Unamortized Issuance Costs/Bond Premiums

Bond issuance costs and bond premiums are deferred and amortized over the term of the bonds. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

On the governmental fund financial statements, issuance costs and bonds premiums are reported in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, endowments, unclaimed monies and loans. By law, the City may not appropriate unclaimed monies until the money has remained unclaimed for five years.

P. Net Assets

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

Net assets restricted for other purposes primarily include activities related to the City's parks, law enforcement, fire protection, cemeteries, and street and state highway maintenance and repairs.

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

Q. Interfund Transactions

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Interfund Transactions (continued)

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

S. Estimates

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

T. Operating Revenues and Expenses

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

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City that are either unusual in nature or infrequent in occurrence. The City had no extraordinary items or special items in 2004.

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

Changes in Accounting Principles

For the year ended December 31, 2004, the City has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers.

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

Changes in Accounting Principles (continued)

The implementation of these statements and technical bulletin had no material effect on the financial statements.

Restatement of Fund Balances

Due to an accounting error, The General Fund's budget-basis fund balance at December 31, 2003 was understated by \$355,557. This increased the beginning fund balance from (\$3,183,869) to (\$2,828,312).

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

The City's General Fund original appropriations exceeded estimated resources in the amount of \$3,155,495. Also, the General Fund had final appropriations in excess of estimated resources in the amount of \$136,233, contract to Section 5705.39, Ohio Revised Code.

Throughout the fiscal year, the City had negative fund cash balances as follows, which is contrary to Section 5705.10, Ohio Revised Code:

<u>April 30, 2004:</u>	<u>August 31, 2004:</u>	<u>December 31, 2004:</u>
General Fund: \$2,948,616	General Fund: \$3,520,559	General Fund: \$47,387
Street CM & R Fund: \$45,713	Cemetery Tax Levy Fund: \$58,770	
Cemetery Tax Levy Fund: \$13,599		
CHIP Fund: \$2,192		

The City's actual revenue exceeded estimated revenue by \$935,108 in the Jackson Salt Lick Nature Preserve Fund, which is contrary to Section 5705.36 and 5705.41(B), Ohio Revised Code.

The City's Auditor's Office did not always certify funds prior to the obligation being incurred. Monies being spent out of the General Fund were not certified at all due to the negative fund balance, which is contrary to Section 5705.41(D)(1), Ohio Revised Code.

The City will more closely monitor budgetary and cash expenditure procedures pertaining to violations of this nature in the future.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

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

Net Change in Fund Balance General Fund	
GAAP Basis	\$2,653,293
Net Adjustment for Revenue Accruals	130,419
Net Adjustment for Expenditure Accruals	(46,348)
Beginning of Year Prepaid Items	24,962
End of Year Prepaid Items	(17,509)
Encumbrances	<u>(40,948)</u>
Budget Basis	<u><u>\$2,703,869</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the City are classified by State Statute into three categories.

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

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

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the city auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any obligation guaranteed as to principal and interest by the United States; or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above;
4. Bonds and obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposits or savings or deposit accounts, including, but not limited to passbook accounts;
6. No-load money market mutual funds;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the City lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the City.

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

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits

At year end, the carrying amount of the City's deposits was \$8,652,760 and the bank balance was \$8,865,902. Of the bank balance, \$400,000 was covered by federal deposit insurance and \$8,465,902 was considered uninsured and uncollateralized. Although collateral was held by the pledging financial institution's trust department or agent in the City's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements", requires that local governments disclose the carrying amounts and market value of investments, classified by risk. The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name, or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio which is an investment fund operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	Fair Value
STAR Ohio	\$7,720,391
Money Market Mutual Funds	396,582
Total	\$8,116,973

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less, and the City's cash management pool.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$16,769,733	\$0
STAR Ohio	(7,720,391)	7,720,391
Money Market Mutual Funds	(396,582)	396,582
GASB Statement 3	\$8,652,760	\$8,116,973

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on assessed value as of January 1, 2004, the lien date. Assessed values are established by State law 35 percent of the appraised value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

NOTE 7 - PROPERTY TAXES (continued)

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments for machinery and equipment are 25 percent of true value and 23 percent of true value of inventory.

The full tax rate for all City operations for the year ended December 31, 2004, was \$7.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

	<u>2004</u>
Real Property	\$88,469,660
Public Utility Real and Tangible Personal Property	3,204,890
Tangible Personal Property	<u>22,734,781</u>
Total Assessed Value	<u><u>\$114,409,331</u></u>

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

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

The County Treasurer collects property taxes on behalf of Jackson County, including the City of Jackson. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004 and for which there is an enforceable legal claim. In the General Fund and the Cemetery and Fire Special Revenue Funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 8 - RECEIVABLES

Receivables at December 31, 2004 consisted primarily of taxes, intergovernmental receivables arising from grants, loans, entitlements and shared revenues, interest on investments, and utility accounts. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

<u>Governmental Activities</u>	
CHIP	\$165,609
Local Government Subsidies	61,188
Gasoline Tax	83,428
Motor Vehicle License Tax	42,872
Miscellaneous Grants	<u>41,319</u>
Total Governmental Activities	<u><u>\$394,416</u></u>
<u>Business-type Activities</u>	
Community Development Block Grant	\$150,000
OHCP Grant	<u>150,000</u>
Total Business-type Activities	<u><u>\$300,000</u></u>

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance 12/31/2003	Additions	Reductions	Balance 12/31/2004
<u>Governmental Activities:</u>				
Non Depreciable Capital Assets:				
Land	\$870,906	\$312,848	\$0	\$1,183,754
Construction in Progress	0	3,436	0	3,436
Total Non Depreciable Capital Assets	<u>870,906</u>	<u>316,284</u>	<u>0</u>	<u>1,187,190</u>
Depreciable Capital Assets:				
Land Improvements	156,640	12,050	0	168,690
Buildings	1,973,134	0	0	1,973,134
Equipment	1,029,247	65,553	(60,512)	1,034,288
Infrastructure	8,001,132	0	0	8,001,132
Vehicles	1,607,932	24,103	(92,060)	1,539,975
Total Depreciable Capital Assets	<u>12,768,085</u>	<u>101,706</u>	<u>(152,572)</u>	<u>12,717,219</u>
Accumulated Depreciation:				
Land Improvements	(82,539)	(4,137)	0	(86,676)
Buildings	(462,703)	(39,497)	0	(502,200)
Equipment	(658,357)	(52,074)	33,196	(677,235)
Infrastructure	(3,450,760)	(149,749)	0	(3,600,509)
Vehicles	(930,611)	(89,740)	85,936	(934,415)
Total Accumulated Depreciation	<u>(5,584,970)</u>	<u>(335,197)</u>	<u>119,132</u>	<u>(5,801,035)</u>
Total Depreciable Capital Assets, Net	<u>7,183,115</u>	<u>(233,491)</u>	<u>(33,440)</u>	<u>6,916,184</u>
Governmental Capital Assets, Net	<u>\$8,054,021</u>	<u>\$82,793</u>	<u>(\$33,440)</u>	<u>\$8,103,374</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental Activities:</u>	
General Government	\$38,620
Security of Persons and Property	124,209
Transportation	151,858
Leisure Time Activities	14,214
Public Health Services	6,296
Total Depreciation Expense	<u>\$335,197</u>

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 9 – CAPITAL ASSETS (continued)

	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
Business - Type Activities:				
Non Depreciable Capital Assets:				
Land	\$2,926,722	\$0	\$0	\$2,926,722
Construction in Progress	246,580	136,926	(114,206)	269,300
Total Non Depreciable Capital Assets	<u>3,173,302</u>	<u>136,926</u>	<u>(114,206)</u>	<u>3,196,022</u>
Depreciable Capital Assets:				
Land Improvements	34,348	0	0	34,348
Buildings	959,153	0	0	959,153
Equipment	1,294,658	322,025	(110,905)	1,505,778
Infrastructure	13,427,474	152,688	0	13,580,162
Vehicles	1,542,955	133,968	(100,910)	1,576,013
Total Depreciable Capital Assets	<u>17,258,588</u>	<u>608,681</u>	<u>(211,815)</u>	<u>17,655,454</u>
Accumulated Depreciation:				
Land Improvements	(5,167)	(925)	0	(6,092)
Buildings	(295,795)	(85,168)	0	(380,963)
Equipment	(706,538)	(86,945)	76,212	(717,271)
Infrastructure	(4,089,738)	(305,347)	0	(4,395,085)
Vehicles	(858,066)	(128,653)	84,096	(902,623)
Total Accumulated Depreciation	<u>(5,955,304)</u>	<u>(607,038)</u>	<u>160,308</u>	<u>(6,402,034)</u>
Total Depreciable Capital Assets, Net	<u>11,303,284</u>	<u>1,643</u>	<u>(51,507)</u>	<u>11,253,420</u>
Business - Type Activities Capital Assets, Net	<u>\$14,476,586</u>	<u>\$138,569</u>	<u>(\$165,713)</u>	<u>\$14,449,442</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% 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.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

A. Ohio Public Employees Retirement System (continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The City's contribution rate for pension benefits for 2004 was 9.55 percent. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$283,607, \$416,669 and \$472,149 respectively; 100 percent has been contributed for all years. Contributions to the member-directed plan for 2004 were \$180 made by the City and \$113 made by the plan members.

B. Police and Firemen's Disability and Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2004, 2003, and 2002 were \$79,873, \$141,780 and \$132,284 respectively, equal to the required contributions for each year. The full amount has been contributed for 2003 and 2002. 92.52 percent has been contributed for 2004 with the remainder being reported as a liability.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2003, the unfunded police liability of the City was \$39,607 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll, 4.0 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.0 and 6.0 percent annually for the next eight years and 4.0 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$110,518. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Police and Firemen's Disability and Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

B. Police and Firemen's Disability and Pension Fund (continued)

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$97,514 for police. The OP&F's total health care expense for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Additional Insurance

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

The City provides comprehensive major medical insurance through Anthem Blue Cross and Blue Shield. The City pays 94 percent of the total monthly premiums of \$1,028 for family coverage and \$373.98 for single coverage.

C. Compensated Absences

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

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

NOTE 13 - 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 2004, 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, 2004

NOTE 13 - RISK MANAGEMENT (continued)

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

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

Beginning in 2004, the City manages the deductible portion of employee health benefits on a self-insured basis. The employee health benefit plan provides this coverage through Oak Hill Financial Administrators, the third party administrator of the program, which reviews and pays the claims. Oak Hill Financial Administrators charges the City an annual fee of \$300, with a monthly administration fee of \$8 per employee. The claims liability of \$9,463 reported in the self-insurance fund at December 31, 2004, 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
2004	\$0	\$35,025	\$25,562	\$9,463

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 14 - INTERFUND ACTIVITY

<u>Transfer from</u>	Transfer to		
	Major Funds		Totals
	General	Other Nonmajor Governmental	
Major Fund:			
Electric Fund	\$2,817,000	\$0	\$2,817,000
General Fund	0	252,000	252,000
Other Nonmajor			
Governmental	0	13,776	13,776
Total	\$2,817,000	\$265,776	\$3,082,776

The transfer from the Electric Fund to the General Fund was approved by court order to move excess funds from the Electric Fund to the General Fund. The remaining above transfers were to use unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The Electric Fund advanced the General Fund \$2,748,043 to cover a negative cash balance at December 31, 2003. The advance was repaid in 2004. The Electric Fund advanced the General Fund \$38,689 to cover a negative cash balance at December 31, 2004. The advance was repaid in 2005.

NOTE 15 – SHORT TERM OBLIGATIONS

Governmental Activities:

The Various Purpose Bond Anticipation Note was issued on October 27, 2004 for \$75,000 at 6.0% which will be paid from the Fire Levy Special Revenue Fund. The note will mature on October 27, 2005.

Business-Type Activities:

The electric system bond anticipation note was issued on December 14, 2004 for \$3,150,000 at 3% which will mature on December 15, 2005. This note was issued to defease the City’s Electrical System Revenue Bonds.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in the City's long-term obligations during 2004 consist of the following:

	Outstanding 12/31/2003	Additions	Reductions	Outstanding 12/31/2004	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>Notes Payable</u>					
Real Estate Improvement Bond					
Anticipation Note 6.0%	\$153,224	\$0	\$153,224	\$0	\$0
Real Estate Improvement Bond					
Anticipation Note 6.0%	0	102,135	0	102,135	102,135
Various Purposes Bond					
Anticipation Note 6.0%	225,000	0	225,000	0	0
Land Note	0	312,848	0	312,848	0
Total Notes	<u>378,224</u>	<u>414,983</u>	<u>378,224</u>	<u>414,983</u>	<u>102,135</u>
Police and Fire Pension Liability	40,152	0	616	39,536	644
Special Termination Benefits	133,573	268,676	109,368	292,881	108,095
Compensated Absences	363,325	103,783	98,983	368,125	93,189
Total Governmental Activities	<u>915,274</u>	<u>787,442</u>	<u>587,191</u>	<u>1,115,525</u>	<u>304,063</u>
<u>Business-Type Activities:</u>					
<u>Mortgage Revenue Bonds</u>					
1992 Sewer System 3.0-6.4%	135,000	0	135,000	0	0
1993 Electric System 2.7-5.5%	1,040,000	0	1,040,000	0	0
1993 Water System 2.8-5.6%	2,150,000	0	95,000	2,055,000	100,000
1995 Electric System 4.2-6.4%	3,020,000	0	3,020,000	0	0
Total Bonds Payable	<u>6,345,000</u>	<u>0</u>	<u>4,290,000</u>	<u>2,055,000</u>	<u>100,000</u>
<u>Notes Payable</u>					
2001 Railroad Rehabilitation 4.0%	92,270	0	30,269	62,001	30,269
2002 Railroad Industrial Park 1.5%	86,399	0	28,548	57,851	29,660
2001 Holzer Hospital Water Tower 0%	19,072	0	5,698	13,374	5,698
2001 Holzer Hospital Water Lines 0%	276,353	0	9,749	266,604	9,749
2001 Holzer Hospital Sewer Lift Station 0%	549,976	0	22,588	527,388	22,588
Real Estate Improvement 1.6-6.0%	96,776	0	96,776	0	0
Various Purposes 2.8-4.3%	100,000	0	100,000	0	0
1993 OWDA 2.2%	152,752	0	152,752	0	0
Total Notes Payable	<u>1,373,598</u>	<u>0</u>	<u>446,380</u>	<u>927,218</u>	<u>97,964</u>
Special Termination Benefits	147,351	135,921	124,985	158,287	76,077
Compensated Absences Payable	337,446	94,811	53,966	378,291	139,466
Total Business-Type Activities	<u>8,203,395</u>	<u>230,732</u>	<u>4,915,331</u>	<u>3,518,796</u>	<u>413,507</u>
Total All Types	<u>\$9,118,669</u>	<u>\$1,018,174</u>	<u>\$5,502,522</u>	<u>\$4,634,321</u>	<u>\$717,570</u>

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Governmental Activities:

Notes Payable

The \$312,848 2004 Land Note was for the purchase of land as part of a grant to improve local wetlands. Payments are not due until 2010.

The 6% Real Estate Improvement Bond Anticipation Note was issued on June 10, 2004 and was renewed on June 10, 2005. The note will be paid from the General Fund and the Street Construction, Maintenance, and Repair Special Revenue Fund.

Police and Fire Pension Liability

The City will pay Police and Fire Pension Liability from the General Fund. Principal and interest requirements to retire the City's police and fire pension liability outstanding at December 31, 2004 were:

	Principal	Interest	Total
2005	\$645	\$1,651	\$2,296
2006	671	1,623	2,294
2007	701	1,594	2,295
2008	731	1,564	2,295
2009	762	1,516	2,278
2010-2014	4,331	7,141	11,472
2015-2020	6,555	7,248	13,803
2021-2025	6,880	4,594	11,474
2026-2030	8,488	2,983	11,471
2031-2035	9,772	1,000	10,772
	\$39,536	\$30,914	\$70,450

Compensated Absences Payable

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

Debt Margin

As of December 31, 2004, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$11,597,997.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Business-Type Activities:

Mortgage Revenue Bonds

The 1993 Water System Mortgage Revenue Bonds were issued for the purpose of (1) current refunding and permanent financing of the \$2,540,000 of the City's bond anticipation notes issued to pay part of the costs of the project, (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.

Year	Mortgage Revenue Bonds		
	Principal	Interest	Total
2005	\$100,000	\$114,593	\$214,593
2006	105,000	109,043	214,043
2007	110,000	103,215	213,215
2008	120,000	97,110	217,110
2009	125,000	90,450	215,450
2010-2014	735,000	340,618	1,075,618
2015-2019	760,000	109,200	869,200
Total	\$2,055,000	\$964,229	\$3,019,229

1993 and 1995 Electric System Facilities Bonds

On December 12, 2004, the remaining balance of the Electric System Facilities Bonds, in the amount of \$3,955,000, was defeased by the issuance of \$3,150,000 of one year bond anticipation notes. The proceeds from the notes, along with required cash, were deposited in an irrevocable trust with an escrow agent until February 15, 2005, at which time the outstanding debt was fully extinguished.

The advance refunding of the Electric System Facilities Bonds resulted in an economic gain of \$390,563 and a cash flow gain of \$1,757,465.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Notes Payable

The Railroad Rehabilitation Note was issued on December 6, 2001 for \$123,501 at 4%. The Railroad Industrial Park Note was issued on December 6, 2001 for \$143,599. Both notes were issued for the purpose of developing a rail spur in conjunction with Jackson's industrial park. Principal and interest requirements to retire the City's Railroad Fund notes payable outstanding at December 31, 2004 were:

	Principal	Interest	Total
2005	\$59,929	\$3,529	\$63,458
2006	59,923	1,137	61,060
	\$119,852	\$4,666	\$124,518

The Holzer Hospital notes 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, and is not included in the amortization schedule.

Compensated Absences Payable

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

NOTE 17 – SPECIAL TERMINATION BENEFITS PAYABLE

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

Principal and interest requirements to retire the City's special termination benefits for business-type activities at December 31, 2004 were:

	Principal	Interest	Total
2005	\$76,077	\$8,326	\$84,403
2006	29,178	4,441	33,619
2007	28,511	3,009	31,520
2008	24,512	1,542	26,054
	\$158,278	\$17,318	\$175,596

Principal and interest requirements to retire the City's special termination benefits for governmental activities at December 31, 2004 were:

	Principal	Interest	Total
2005	\$108,095	\$15,002	\$123,097
2006	95,654	10,358	106,012
2007	67,488	5,479	72,967
2008	21,644	1,918	23,562
	\$292,881	\$32,757	\$325,638

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 18 – JOINT VENTURE

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004 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-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$617,261 at December 31, 2004. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

City of Jackson, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 19 – INSURANCE PURCHASING POOL

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

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

NOTE 20 - CONTINGENT LIABILITIES

A. Litigation

The City is a defendant in several lawsuits, the outcome of which cannot be determined. The City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Federal and State Grants

For the period January 1, 2004 to December 31, 2004 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 21 – 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, 2004, there was one series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$931,993 and one series of hospital facilities revenue bonds outstanding with an aggregate principal amount payable of \$25 million.

NOTE 22 – SUBSEQUENT EVENT

The City paid off its various purpose bond anticipation note for \$75,000 on October 27, 2005. The City also paid off its real estate improvement bond anticipation note for \$102,135 on June 10, 2005. A new real estate bond anticipation note in the amount of \$51,068 was issued on June 10, 2005, with an interest rate of 4.5%.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

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 (“the City”), as of and for the year ended December 31, 2004, which collectively comprise the City’s basic financial statements and have issued our report thereon dated November 4, 2005, wherein we noted the City adopted Governmental Accounting Standards Board Statements 39 and 46 and GASB Technical Bulletin No. 2004-2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2004-001 through 2004-004.

We also noted certain additional matters that we reported to the management of the City in a separate letter dated November 4, 2005.

City of Jackson

Jackson County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

November 4, 2005

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources for that fund.

The City's General Fund original appropriations exceeded estimated resources in the amount of \$3,155,495. Also, the General Fund had final appropriations in excess of estimated resources in the amount of \$136,233, contract to Section 5705.39, Revised Code.

We recommend the City establish procedures to monitor appropriations so that they are less than estimated receipts. This will allow the City to reduce or at least maintain the negative general fund balance.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no contract or expenditure of money is to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract had been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate - If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district. If the amount involved is less than \$1,000 dollars (which was increased to \$3,000 on April 7, 2003), the City Auditor may authorize payment through a Then and Now Certificate without affirmation of the City Council, if such expenditure is otherwise valid. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004

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

FINDING NUMBER 2004-002 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

3. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The City Auditor’s Office did not always certify funds prior to the obligation being incurred. Monies being spent out of the General Fund were not certified at all due to the negative fund balance.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City’s funds exceeding budgetary spending limitations, we recommend that the City Auditor certify that the funds are or will be available prior to obligation by the City. When prior certification is not possible, “then and now” certification should be used.

We recommend the City certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the City incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states, in part, that money paid into any fund shall be used only for the purpose for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another Fund. There were various funds with negative balances at various points in time during the audit period.

Throughout the fiscal year, the City had negative fund cash balances as follows:

April 30, 2004:	August 31, 2004:	December 31, 2004:
General Fund: \$2,948,616	General Fund: \$3,520,559	General Fund: \$47,387
Street CM & R Fund: \$45,713	Cemetery Tax Levy Fund: \$58,770	
Cemetery Tax Levy Fund: \$13,599		
CHIP Fund: \$2,192		

We recommend the City establish procedures to monitor fund balances to assure expenditures do not exceed available resources. Also, we recommend the City budget grants in such a manner that there will be sufficient available revenue to cover the expenditures.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Revised Code Section 5705.36 and 5705.41(B) allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue collected will be greater or less than the amount in the official certificate of estimated resources and no subdivision or taxing unit is to expend money unless it has been appropriated.

An increased certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Actual revenue exceeded estimated revenue by \$935,108 (Ohio Public Works Grant) in Fund 431 (Jackson Salt Lick Nature Preserve).

We recommend the City monitor budgeted versus actual closely and ensure amending budgetary amounts in timely manner.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-01	Finding for Recovery against Robin Bissell in the amount of \$1,982.06 for payroll overpayment in 2003.	No	Finding for recovery is still outstanding.
2003-02	Finding for Recovery against Mayor John T Evens in the amount of \$115.98 for overpayment of mileage reimbursement	No	Finding for recovery is still outstanding.
2003-03	Finding for Recovery against Great Miami & Scioto Railway in the amount of \$14,335.00 for noncompliance with lease terms and obligations	No	Finding for recovery is still outstanding.
2003-04	The Mayor did not obtain proper authorization from Council for the sale of the Rural Industrial Park Speculative Building.	Yes	Sales of property in 2004 had proper authorization prior to being sold.
2003-05	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.10 for negative fund balances	No	Reissued as Finding 2004-003
2003-06	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources.	No	Reissued as Finding 2004-001
2003-07	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for not properly certifying the availability of funds	No	Reissued as Finding 2004-002

**CITY OF JACKSON
JACKSON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
FOR THE YEAR ENDED DECEMBER 31, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person(s)
2004-001	The Auditor will review the appropriations more closely to ensure that they are within estimated resources.	December 31, 2005	City Auditor
2004-002	This condition was resolved during the fiscal year mainly from the transfer from the Electric Fund into the General Fund.	December 31, 2005	City Auditor
2004-003	The Auditor will more closely monitor cash balances throughout the year.	December 31, 2005	City Auditor
2004-004	This condition was brought about from the receipt of a state grant during the year.	December 31, 2005	City Auditor



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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
MAY 4, 2006**