

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

***CASH BASIS BASIC
FINANCIAL STATEMENTS
(Audited)***

***FOR THE YEAR ENDED
DECEMBER 31, 2005***

BEVERLY WREN, FISCAL OFFICER



Mary Taylor, CPA
Auditor of State

Village Council
Village of Jackson Center
122 E. Pike Street
Jackson Center, Ohio 45334

We have reviewed the *Independent Auditor's Report* of the Village of Jackson Center, Shelby County, prepared by Julian & Grube, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 Village of Jackson Center is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 5, 2007

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**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Members of Council and Mayor
Village of Jackson Center
122 E. Pike Street
Jackson Center, Ohio 45334

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 Village of Jackson Center, Shelby County, as of and for the year ended December 31, 2005, which collectively comprise the Village's financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Jackson Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the Village of Jackson Center prepares its financial statements and notes on the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Jackson Center, Shelby County, Ohio, as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund and Special Revenue funds: Street Construction, Maintenance and Repair and Income Tax, thereof and for the year then ended in conformity with the basis of accounting as described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2007, on our consideration of the Village of Jackson Center'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.

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Julian & Grube, Inc.
April 6, 2007

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

The management's discussion and analysis of the Village of Jackson Center's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The total net cash assets of the Village decreased \$177,998. Net cash assets of governmental activities decreased \$41,081, which represents a 4.09% decrease from fiscal year 2004. Net cash assets of business-type activities decreased \$136,917 or 9.18% from fiscal year 2004.
- General cash receipts accounted for \$1,522,028 or 75.86% of total governmental activities cash receipts. Program specific cash receipts accounted for \$484,272 or 24.14% of total governmental activities cash receipts.
- The Village had \$2,046,393 in cash disbursements and \$988 in transfers out related to governmental activities; \$484,272 of these cash disbursements was offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$1,522,028 were not adequate to provide for these programs.
- One of the Village's major governmental funds is the general fund. The general fund had cash receipts and other financing receipts of \$379,829 in 2005. The cash disbursements and other financing disbursements of the general fund, totaled \$336,896 in 2005. The general fund's cash balance increased \$42,933 from 2004 to 2005.
- Another Village major governmental fund is the street construction, maintenance and repair fund. The street construction, maintenance and repair fund had cash receipts and other financing receipts of \$104,296 in 2005. The cash disbursements and other financing disbursements of the street construction, maintenance and repair fund, totaled \$72,996 in 2005. The street construction, maintenance and repair fund's cash balance increased \$31,300 from 2004 to 2005.
- Another Village major governmental fund is the income tax fund. The income tax fund had cash receipts and other financing receipts of \$789,859 in 2005. The cash disbursements and other financing disbursements of the income tax fund, totaled \$763,522 in 2005. The income tax fund's cash balance decreased \$11,346 from 2004 to 2005.
- Another Village major governmental fund is the note retirement fund. The note retirement fund had cash receipts and other financing receipts of \$689,110 in 2005. The cash disbursements and other financing disbursements of the note retirement fund, totaled \$736,676 in 2005. The note retirement fund's cash balance decreased \$47,566 from 2004 to 2005.
- Another Village major governmental fund is the capital improvement fund. The capital improvement fund had cash receipts and other financing receipts of \$505,975 in 2005. The cash disbursements and other financing disbursements of the capital improvement fund, totaled \$582,360 in 2005. The capital improvement fund's cash balance decreased \$79,385 from 2004 to 2005.
- The Villages major business-type activities fund is the electric fund. Net cash assets for the electric enterprise fund decreased in 2005 by \$110,721 or 8.71%.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Using this Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Village's cash basis of accounting.

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Village, presenting both an aggregate view of the Village's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Village's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Village, the general fund, street construction, maintenance and repair, income tax, note retirement and capital improvement funds are the Village's major governmental funds.

Reporting the Village as a Whole

Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer the question, "How did we do financially during 2005?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, the Village is divided into two distinct kinds of activities. Governmental Activities - Most of the Village's programs and services are reported here including security of person and property, public health services, leisure time activities, transportation and general government. Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The Village's electric, water, sewer, swimming pool, refuse and utility deposits enterprise funds are reported as business activities

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis can be found on pages 13-15 of this report.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Reporting the Village's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the Village's major funds. The Village uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Village's most significant funds. The Village's major governmental funds are the general fund, street construction, maintenance and repair, income tax, note retirement and capital improvement funds. The analysis of the Village's major governmental funds begins on page 9.

Governmental Funds

Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Village programs. Since the Village is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities – Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities – Cash Basis. The governmental fund statements can be found on pages 16-17 of this report.

The Village's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund, street construction, maintenance and repair and income tax special revenue funds are presented to demonstrate the Village's compliance with annually adopted budgets. The budgetary statements can be found on page 18-20 of this report.

Proprietary Funds

The Village maintains one type of proprietary fund. Enterprise funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Village as a whole. The Village uses enterprise funds to account for its electric, water, sewer, swimming pool, refuse and utility deposits. The enterprise fund statements can be found on pages 21-22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The Village had no fiduciary funds at December 31, 2005.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Notes to the Basic Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-40 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the Village as a whole. Since 2005 was the Village's first year preparing cash basis financial statements on a format consistent with GASB Statement No. 34, comparisons to 2004 are not available. In future years, when prior year information is available, a comparative analysis will be presented.

The table below provides a summary of the Village's assets and net cash assets for 2005.

	Governmental Activities	Business-type Activities	Total
	2005	2005	2005
<u>Assets</u>			
Equity in pooled cash and cash equivalents	\$ 963,877	\$ 1,354,975	\$ 2,318,852
Total assets	963,877	1,354,975	2,318,852
<u>Net cash assets</u>			
Restricted	859,906	-	859,906
Unrestricted	103,971	1,354,975	1,458,946
Total net cash assets	\$ 963,877	\$ 1,354,975	\$ 2,318,852

The total net cash assets of the Village decreased \$177,998. Net cash assets of governmental activities decreased \$41,081, which represents a 4.09% decrease from fiscal year 2004. Net cash assets of business-type activities decreased \$136,917 or 9.18% from fiscal year 2004.

The balance of government-wide unrestricted net cash assets of \$1,458,946 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal year 2005. Since this is the first year the Village has prepared cash basis financial statements on a format consistent with GASB Statement No. 34, cash receipt and cash disbursement comparisons to fiscal year 2004 are not available. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Change in Net Cash Assets		
	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	<u>2005</u>
	<u>2005</u>	<u>2005</u>	<u>2005</u>
Cash Receipts:			
Program cash receipts:			
Charges for services and sales	\$ 174,268	\$ 1,972,327	\$ 2,146,595
Operating grants and contributions	102,437	-	102,437
Capital grants and contributions	<u>207,567</u>	<u>-</u>	<u>207,567</u>
Total program cash receipts	<u>484,272</u>	<u>1,972,327</u>	<u>2,456,599</u>
General cash receipts:			
Property and other taxes	90,275	-	90,275
Income tax	789,859	-	789,859
Other local taxes	6,860	898	7,758
Unrestricted grants	89,245	-	89,245
Miscellaneous	16,822	16,127	32,949
Proceeds from sale of bonds	450,000	1,231	451,231
Investment earnings	73,556	-	73,556
Other	<u>5,411</u>	<u>-</u>	<u>5,411</u>
Total general cash receipts	<u>1,522,028</u>	<u>18,256</u>	<u>1,540,284</u>
Total cash receipts	<u>2,006,300</u>	<u>1,990,583</u>	<u>3,996,883</u>
Cash Disbursements:			
Current:			
General government	95,636	-	95,636
Security of persons and property	196,820	-	196,820
Community environment	2,105	-	2,105
Public health services	48	-	48
Leisure time activities	8,764	-	8,764
Transportation	74,087	-	74,087
Capital outlay	932,257	-	932,257
Debt service:			
Principal retirement	693,074	-	693,074
Interest and fiscal charges	43,602	-	43,602
Electric	-	1,765,365	1,765,365
Other enterprise funds:			
Water	-	126,582	126,582
Sewer	-	142,956	142,956
Swimming pool	-	20,853	20,853
Refuse	-	63,946	63,946
Utility	<u>-</u>	<u>8,786</u>	<u>8,786</u>
Total cash disbursements	<u>2,046,393</u>	<u>2,128,488</u>	<u>4,174,881</u>
Change in net assets before transfers	(40,093)	(137,905)	(177,998)
Transfers	<u>(988)</u>	<u>988</u>	<u>-</u>
Change in net cash assets	(41,081)	(136,917)	(177,998)
Net cash assets at beginning of year	<u>1,004,958</u>	<u>1,491,892</u>	<u>2,496,850</u>
Net cash assets at end of year	<u>\$ 963,877</u>	<u>\$ 1,354,975</u>	<u>\$ 2,318,852</u>

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Governmental Activities

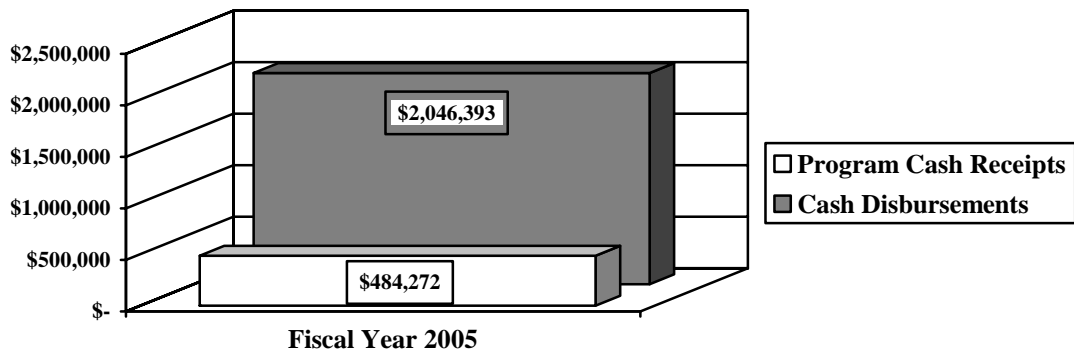
Governmental cash assets decreased by \$41,081 in 2005 from 2004.

General government represents activities related to the governing body as well as activities that directly support Village programs. In 2005, general government cash disbursements totaled \$95,636, or 4.67% of total governmental cash disbursements. General government programs were supported by \$11,844 in direct charges to users for services and operating grants and contributions.

The Village program, security of person and property, accounted for \$196,820 or 9.62% of total governmental cash disbursements. These service programs are supported by user fees. The Village program, transportation, accounted for \$74,087 or 3.62% of total governmental cash disbursements. The transportation service programs are primarily supported by user fees, and state and federal grants.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following graph shows, for governmental activities, the total cash disbursements and the portion of those cash disbursements that were offset with specific program receipts. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements. In future years, as prior year information is available, a comparative analysis versus the prior year will be presented.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

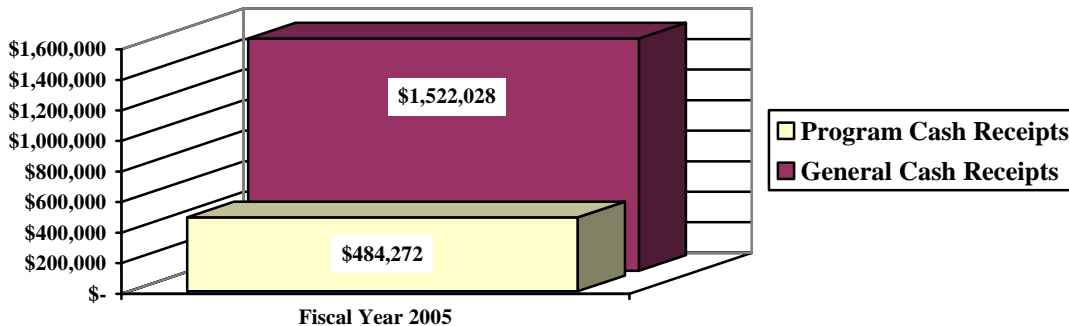
The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005. In future years, as prior year information is available, a comparative analysis versus the prior year will be presented.

Governmental Activities

	2005	
	Total Cost of Services	Net Cost of Services
Cash disbursements:		
Current:		
General government	\$ 95,636	\$ (83,792)
Security of persons and property	196,820	(142,258)
Public health services	48	(48)
Community environment	2,105	(1,055)
Basic utility services	-	107,800
Leisure time activities	8,764	(8,764)
Transportation	74,087	27,362
Capital outlay	932,257	(724,690)
Debt service:		
Principal retirement	693,074	(693,074)
Interest and fiscal charges	43,602	(43,602)
Total	\$ 2,046,393	\$ (1,562,121)

The dependence upon general cash receipts for governmental activities is apparent; with 76.34% of cash disbursements supported through taxes and other general cash receipts during 2005. The graph below shows the governmental activities program cash receipts versus general cash receipts for 2005. In future years, as prior year information is available, a comparative analysis versus the prior year will be presented.

Governmental Activities - General and Program Cash Receipts



**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Business-type Activities

The electric fund is the Village's major enterprise fund. This program had cash receipts of \$1,653,816, cash disbursements of \$1,765,365, transfers out of \$82,750 and transfers in of \$83,578 for fiscal year 2005. The net cash assets of the programs decreased \$110,721 or 8.71% from 2004.

Financial Analysis of the Government's Funds

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

Governmental Funds

The Village's governmental funds are accounted for using the cash basis of accounting. The Village's governmental funds reported a combined fund cash balance of \$963,877, which is \$41,081 below last year's total of \$1,004,958 (as restated). The governmental fund cash fund balances have been restated at December 31, 2004 to conform to the reporting requirements of GASB Statement No. 34 format (see Note 3.B. to the basic financial statements). The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2005 and December 31, 2004, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>December 31, 2005</u>	Retated Fund Cash Balance <u>December 31, 2004</u>	Increase <u>(Decrease)</u>
Major Funds:			
General	\$ 103,971	\$ 61,038	\$ 42,933
Street Construction, Maintenance and Repair	153,660	122,360	31,300
Income Tax	40,858	52,204	(11,346)
Note Retirement	26,415	73,981	(47,566)
Capital Improvement	426,171	505,556	(79,385)
Other Nonmajor Governmental Funds	<u>212,802</u>	<u>189,819</u>	<u>22,983</u>
Total	<u>\$ 963,877</u>	<u>\$ 1,004,958</u>	<u>\$ (41,081)</u>

General Fund

The general fund, one of the Village's major funds, had cash receipts and other financing receipts of \$379,829 in 2005. The cash disbursements and other financing disbursements of the general fund, totaled \$336,896 in 2005. The general fund's cash balance increased \$42,933 from 2004 to 2005.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Local taxes	\$ 90,275	\$ 81,131	11.27 %
Intergovernmental	89,246	91,851	(2.84) %
Charges for services	37,441	36,620	2.24 %
Fines, licenses and permits	17,377	15,207	14.27 %
Investment income	47,956	18,611	157.68 %
Other	<u>11,773</u>	<u>2,632</u>	347.30 %
Total	<u>\$ 294,068</u>	<u>\$ 246,052</u>	19.51 %

Investment income cash receipts increased due to higher interest rates on investments. All other variances were consistent with the prior year except for local tax revenue which increased 11.27%.

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

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
General government	\$ 51,619	\$ 47,301	9.13 %
Security of persons and property	190,813	163,330	16.83 %
Public health service	48	-	100.00 %
Leisure time activity	8,764	7,472	17.29 %
Transportation	797	6,075	(86.88) %
Community environment	<u>2,105</u>	<u>1,191</u>	76.74 %
Total	<u>\$ 254,146</u>	<u>\$ 225,369</u>	12.77 %

Expenditures remained relatively consistent with the prior year with the exception of security of persons and property which increased 16.83%. Overall, cash disbursements increased \$28,777 from 2004.

Income Tax Fund

The income tax fund, a Village major fund, had cash receipts of \$789,859 in 2005. The income tax fund had cash disbursements and other financing uses of \$801,205 in 2005. The income tax fund cash balance decreased \$11,346 from 2004 to 2005.

Street Construction, Maintenance and Repair Fund

The street construction, maintenance and repair fund, a Village major fund, had cash receipts and other financing sources of \$104,296 in 2005. The street construction, maintenance and repair fund had cash disbursements and other financing uses of \$72,996 in 2005. The street construction, maintenance and repair fund cash balance increased \$31,300 from 2004 to 2005.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Note Retirement Fund

The note retirement fund, a Village major fund, had cash receipts of \$689,110 in 2005. The note retirement fund had cash disbursements and other financing uses of \$736,676 in 2005. The note retirement fund cash balance decreased \$47,566 from 2004 to 2005.

Capital Improvement Fund

The capital improvement fund, a Village major fund, had cash receipts of \$502,975 in 2005. The capital improvement fund had cash disbursements and other financing uses of \$582,360 in 2005. The capital improvement fund cash balance decreased \$79,385 from 2004 to 2005.

Budgeting Highlights - General Fund

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, final budget basis receipts and other financing receipts were greater than the original budget estimates of \$323,716 by \$10,829. Actual cash receipts and other financing receipts of \$379,829 were more than final budget estimates by \$45,284. The final budgetary basis disbursements and other financing disbursements of \$392,243 were greater than original budget estimates of \$388,618. The actual budgetary basis disbursements and other financing disbursements of \$341,615 were \$50,628 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The Village does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The Village had capital outlay disbursements of \$932,257 during fiscal year 2005.

Debt Administration

The Village had the following long-term obligations outstanding at December 31, 2005 and 2004:

	Governmental Activities <u>2005</u>	Restated Governmental Activities <u>2004</u>
OPWC North Main Sewer Storm	\$ 7,276	\$ 12,127
OPWC Water Well Construction Project	45,894	49,059
OWDA Water Treatment Plant Improvement	750,316	785,374
Bond Anticipation Note	<u>450,000</u>	<u>650,000</u>
Total long-term obligations	<u>\$ 1,253,486</u>	<u>\$ 1,496,560</u>

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for fiscal year 2005:

State funding is uncertain due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Revenue Assistance Funds may be cut by 10% in the next biennial State budget. Municipal Income Tax and property tax revenues are expected to remain consistent as well as expenditures for fiscal year 2006.

Despite the uncertainty of our Local Government Revenue and Local Government Revenue Assistance Funds, our income tax seems to be consistent. The Village Council intends to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding.

Our Village's financial position is anticipated to remain stable as we continue our conservative financial management.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Beverly Wren, Fiscal Officer, Village of Jackson Center, 122 East Pike Street, Jackson Center, Ohio 45334 or W. Michael Dodds, Village Administrator.

**CASH BASIS
FINANCIAL STATEMENTS**

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 963,877	\$ 1,354,975	\$ 2,318,852
Total assets.	<u>963,877</u>	<u>1,354,975</u>	<u>2,318,852</u>
Net assets:			
Restricted for:			
Special revenue	275,154	-	275,154
Debt service.	26,415	-	26,415
Capital projects	558,337	-	558,337
Unrestricted	<u>103,971</u>	<u>1,354,975</u>	<u>1,458,946</u>
Total net assets	<u>\$ 963,877</u>	<u>\$ 1,354,975</u>	<u>\$ 2,318,852</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Security of persons and property	\$ 196,820	\$ 54,562	\$ -	\$ -
Public health services	48	-	-	-
Leisure time activities	8,764	-	-	-
Community environment	2,105	1,050	-	-
Basic utility services	-	107,800	-	-
Transportation.	74,087	-	101,449	-
General government.	95,636	10,856	988	-
Capital outlay	932,257	-	-	207,567
Debt service:				
Principal retirement.	693,074	-	-	-
Interest and fiscal charges	43,602	-	-	-
Total governmental activities	<u>2,046,393</u>	<u>174,268</u>	<u>102,437</u>	<u>207,567</u>
Business-Type activities:				
Electric	1,765,365	1,639,742	-	-
Water	126,582	111,225	-	-
Sewer	142,956	136,733	-	-
Swimming Pool	20,853	20,547	-	-
Refuse	63,946	53,130	-	-
Enterprise Deposit	8,786	10,950	-	-
Total business-type activities	<u>2,128,488</u>	<u>1,972,327</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 4,174,881</u>	<u>\$ 2,146,595</u>	<u>\$ 102,437</u>	<u>\$ 207,567</u>

General Cash Receipts and Transfers:

Property and other taxes levied for:	
General purposes	
Income taxes	
Other taxes	
Grants and entitlements not restricted to specific programs.	
Miscellaneous	
Earnings on investments	
Proceeds from sale of bonds	
Sale of assets	
Total general cash receipts	
Transfers	
Total general cash receipts and transfers	
Change in net cash assets	
Net cash assets at beginning of year	
Net cash assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets

Governmental Activities	Business-type Activities	Total
\$ (142,258)	\$ -	\$ (142,258)
(48)	-	(48)
(8,764)	-	(8,764)
(1,055)	-	(1,055)
107,800	-	107,800
27,362	-	27,362
(83,792)	-	(83,792)
(724,690)	-	(724,690)
(693,074)	-	(693,074)
(43,602)	-	(43,602)
<u>(1,562,121)</u>	<u>-</u>	<u>(1,562,121)</u>
-	(125,623)	(125,623)
-	(15,357)	(15,357)
-	(6,223)	(6,223)
-	(306)	(306)
-	(10,816)	(10,816)
-	2,164	2,164
<u>-</u>	<u>(156,161)</u>	<u>(156,161)</u>
<u>(1,562,121)</u>	<u>(156,161)</u>	<u>(1,718,282)</u>
90,275	-	90,275
789,859	-	789,859
6,860	898	7,758
89,245	-	89,245
16,822	16,127	32,949
73,556	1,231	74,787
450,000	-	450,000
5,411	-	5,411
<u>1,522,028</u>	<u>18,256</u>	<u>1,540,284</u>
<u>(988)</u>	<u>988</u>	<u>-</u>
<u>1,521,040</u>	<u>19,244</u>	<u>1,540,284</u>
(41,081)	(136,917)	(177,998)
<u>1,004,958</u>	<u>1,491,892</u>	<u>2,496,850</u>
<u>\$ 963,877</u>	<u>\$ 1,354,975</u>	<u>\$ 2,318,852</u>

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

STATEMENT OF CASH ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

<u>Assets and Other Debits</u>	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Income Tax</u>	<u>Note Retirement</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash assets:							
Equity in pooled cash and cash equivalents	\$ 103,971	\$ 153,660	\$ 40,858	\$ 26,415	\$ 426,171	\$ 212,802	\$ 963,877
Total assets	<u>\$ 103,971</u>	<u>\$ 153,660</u>	<u>\$ 40,858</u>	<u>\$ 26,415</u>	<u>\$ 426,171</u>	<u>\$ 212,802</u>	<u>\$ 963,877</u>
Fund cash balances:							
Reserved for encumbrances.	\$ 4,719	\$ 1,297	\$ 67	\$ -	\$ 100,197	\$ 238,635	\$ 344,915
Unreserved, undesignated, reported in:							
General fund.	99,252	-	-	-	-	-	99,252
Special revenue funds	-	152,363	40,791	-	-	80,636	273,790
Debt service funds	-	-	-	26,415	-	-	26,415
Capital projects funds	-	-	-	-	325,974	(106,469)	219,505
Total fund cash balances	<u>\$ 103,971</u>	<u>\$ 153,660</u>	<u>\$ 40,858</u>	<u>\$ 26,415</u>	<u>\$ 426,171</u>	<u>\$ 212,802</u>	<u>\$ 963,877</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Street Construction, Maintenance and Repair	Income Tax	Note Retirement	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Cash receipts:							
Property taxes and other local taxes	\$ 90,275	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,275
Municipal income taxes	-	-	789,859	-	-	-	789,859
Intergovernmental	89,246	77,513	-	-	-	232,490	399,249
Charges for services	37,441	-	-	107,800	-	17,550	162,791
Fines, licenses and permits	17,377	-	-	-	-	960	18,337
Earnings on Investments	47,956	4,085	-	3,802	13,148	4,565	73,556
Miscellaneous	11,773	5,048	-	-	1,997	404	19,222
Total cash receipts	<u>294,068</u>	<u>86,646</u>	<u>789,859</u>	<u>111,602</u>	<u>15,145</u>	<u>255,969</u>	<u>1,553,289</u>
Cash disbursements:							
Current:							
Security of persons and property	190,813	-	-	-	-	6,007	196,820
Public health services	48	-	-	-	-	-	48
Leisure time activities	8,764	-	-	-	-	-	8,764
Community environment	2,105	-	-	-	-	-	2,105
Transportation	797	72,996	-	-	-	294	74,087
General government	51,619	-	37,683	-	-	6,334	95,636
Capital outlay	-	-	-	-	582,360	349,897	932,257
Debt Service							
Principal Retirement	-	-	-	693,074	-	-	693,074
Interest and Fiscal Charges	-	-	-	43,602	-	-	43,602
Total cash disbursements	<u>254,146</u>	<u>72,996</u>	<u>37,683</u>	<u>736,676</u>	<u>582,360</u>	<u>362,532</u>	<u>2,046,393</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>39,922</u>	<u>13,650</u>	<u>752,176</u>	<u>(625,074)</u>	<u>(567,215)</u>	<u>(106,563)</u>	<u>(493,104)</u>
Other financing sources (uses):							
Sale of bonds	-	-	-	450,000	-	-	450,000
Sale of assets	3,011	-	-	-	-	-	3,011
Transfers in	82,750	17,650	-	127,508	487,830	152,704	868,442
Transfers out	(82,750)	-	(763,522)	-	-	(23,158)	(869,430)
Total other financing sources (uses)	<u>3,011</u>	<u>17,650</u>	<u>(763,522)</u>	<u>577,508</u>	<u>487,830</u>	<u>129,546</u>	<u>452,023</u>
Net change in fund cash balances	42,933	31,300	(11,346)	(47,566)	(79,385)	22,983	(41,081)
Cash basis balances							
at beginning of year (restated)	61,038	122,360	52,204	73,981	505,556	189,819	1,004,958
Cash basis balances at end of year	<u>\$ 103,971</u>	<u>\$ 153,660</u>	<u>\$ 40,858</u>	<u>\$ 26,415</u>	<u>\$ 426,171</u>	<u>\$ 212,802</u>	<u>\$ 963,877</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Property taxes	\$ 81,105	\$ 81,105	\$ 90,275	\$ 9,170
Intergovernmental	84,092	84,342	89,246	4,904
Charges for services	36,982	36,982	37,441	459
Fines, licenses and permits	15,339	15,339	17,377	2,038
Interest	18,727	18,727	47,956	29,229
Miscellaneous	3,462	14,041	11,773	(2,268)
Total budgetary basis receipts	<u>239,707</u>	<u>250,536</u>	<u>294,068</u>	<u>43,532</u>
Budgetary basis disbursements:				
Current:				
Security of persons and property	207,398	214,268	194,308	19,960
Public health services.	500	200	48	152
Leisure time activities	10,583	10,583	8,771	1,812
Community environment.	2,828	2,809	2,128	681
Transportation	3,500	3,500	797	2,703
General government	68,809	69,908	52,813	17,095
Total budgetary basis disbursements.	<u>293,618</u>	<u>301,268</u>	<u>258,865</u>	<u>42,403</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(53,911)</u>	<u>(50,732)</u>	<u>35,203</u>	<u>85,935</u>
Other financing uses:				
Sale of assets	-	-	3,011	3,011
Transfers in.	84,009	84,009	82,750	(1,259)
Transfers out	(85,000)	(85,000)	(82,750)	2,250
Other financing uses	(10,000)	(5,975)	-	5,975
Total other financing uses	<u>(10,991)</u>	<u>(6,966)</u>	<u>3,011</u>	<u>9,977</u>
Net change in fund cash balance	(64,902)	(57,698)	38,214	95,912
Cash fund basis balance at beginning of year	59,104	59,104	59,104	-
Prior year encumbrances appropriated	1,935	1,934	1,934	-
Cash basis balance at end of year.	<u>\$ (3,863)</u>	<u>\$ 3,340</u>	<u>\$ 99,252</u>	<u>\$ 95,912</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
STREET CONSTRUCTION, MAINTENANCE & REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Intergovernmental	\$ 74,721	\$ 74,721	\$ 77,513	\$ 2,792
Interest	1,319	1,319	4,085	2,766
Miscellaneous	224	747	5,048	4,301
Total budgetary basis receipts	<u>76,264</u>	<u>76,787</u>	<u>86,646</u>	<u>9,859</u>
Budgetary basis disbursements:				
Current:				
Transportation	199,778	216,260	74,293	141,967
Total budgetary basis disbursements	<u>199,778</u>	<u>216,260</u>	<u>74,293</u>	<u>141,967</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(123,514)</u>	<u>(139,473)</u>	<u>12,353</u>	<u>151,826</u>
Other financing sources:				
Transfers in	-	17,650	17,650	-
Total other financing sources	<u>-</u>	<u>17,650</u>	<u>17,650</u>	<u>-</u>
Net change in fund cash balance	(123,514)	(121,823)	30,003	151,826
Cash basis balance at beginning of year	121,742	121,742	121,742	-
Prior year encumbrances appropriated	<u>618</u>	<u>618</u>	<u>618</u>	<u>-</u>
Cash fund basis balance at end of year	<u>\$ (1,154)</u>	<u>\$ 537</u>	<u>\$ 152,363</u>	<u>\$ 151,826</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
INCOME TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Income taxes	\$ 763,523	\$ 763,523	\$ 789,859	\$ 26,336
Total budgetary basis receipts	<u>763,523</u>	<u>763,523</u>	<u>789,859</u>	<u>26,336</u>
Budgetary basis disbursements:				
Current:				
General government	53,070	52,940	37,750	15,190
Total budgetary basis disbursements.	<u>53,070</u>	<u>52,940</u>	<u>37,750</u>	<u>15,190</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>710,453</u>	<u>710,583</u>	<u>752,109</u>	<u>41,526</u>
Other financing sources:				
Transfers out	(763,522)	(763,522)	(763,522)	-
Total other financing sources	<u>(763,522)</u>	<u>(763,522)</u>	<u>(763,522)</u>	<u>-</u>
Net change in fund cash balance	(53,069)	(52,939)	(11,413)	41,526
Cash basis balance at beginning of year	52,077	52,077	52,077	-
Prior year encumbrances appropriated	<u>127</u>	<u>127</u>	<u>127</u>	<u>-</u>
Cash fund basis balance at end of year.	<u>\$ (865)</u>	<u>\$ (735)</u>	<u>\$ 40,791</u>	<u>\$ 41,526</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS
ENTERPRISE FUNDS
December 31, 2005

	Business-type Activities - Enterprise Funds		
	Electric	Nonmajor Enterprise	Total
Cash assets:			
Current assets:			
Equity in pooled cash and cash equivalents.	\$ 1,160,440	\$ 194,535	\$ 1,354,975
Total assets	\$ 1,160,440	\$ 194,535	\$ 1,354,975
Net cash assets:			
Unrestricted.	1,160,440	194,535	1,354,975
Total net cash assets.	\$ 1,160,440	\$ 194,535	\$ 1,354,975

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET CASH ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds		
	Electric Operating	Other Enterprise	Total
Operating cash receipts:			
Charges for services	\$ 1,639,742	\$ 332,585	\$ 1,972,327
Other operating receipts	13,176	2,951	16,127
Total operating cash receipts	1,652,918	335,536	1,988,454
Operating cash disbursements:			
Personal services	139,376	141,037	280,413
Employee fringe benefits	45,278	46,997	92,275
Contractual services	1,261,699	121,309	1,383,008
Materials and supplies	59,240	36,123	95,363
Other	-	8,786	8,786
Total operating cash disbursements	1,505,593	354,252	1,859,845
Operating cash receipts over/(under) operating cash disbursements	147,325	(18,716)	128,609
Nonoperating cash receipts (disbursements):			
Property and other local taxes	898	-	898
Earnings on investments	-	1,231	1,231
Capital outlay	(259,772)	(8,871)	(268,643)
Transfers in	83,578	160	83,738
Transfers out	(82,750)	-	(82,750)
Total nonoperating cash receipts (disbursements).	(258,046)	(7,480)	(265,526)
Changes in net cash assets.	(110,721)	(26,196)	(136,917)
Net cash assets at beginning of year	1,271,161	220,731	1,491,892
Net cash assets at end of year	\$ 1,160,440	\$ 194,535	\$ 1,354,975

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Jackson Center (the "Village") 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 Village operates under a council-mayor form of government and provides the following services: police protection, water, sewer and electric utility services, street maintenance and repair, as well as other services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials have direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided. The Village has the option to apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, provided they do not conflict with or contradict GASB pronouncements. The Village has elected not to apply these FASB Statements and Interpretations. Following are the more significant of the Village's accounting policies:

A. Basis of Presentation

For fiscal year ended 2005, the Village has implemented the GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for the State and Local Governments" format.

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

Government-wide Statement of Activities – Cash Basis - This statement displays information about the Village as a whole, except for fiduciary funds. The statement distinguishes between those activities of the Village that are governmental and those that are considered business-type activities.

The government-wide statement of activities - cash basis compares disbursements with program receipts for each segment of the business-type activities of the Village and for each function or program of the Village's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Village. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the Village.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Fund Financial Statements - Fund financial statements report detailed information about the Village. 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. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating transactions from nonoperating transactions. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating transactions of the Village's proprietary funds are charges for sales and services, and include personnel and other disbursements related to the operations of the enterprise activity. All other receipts and disbursements not meeting these definitions are reported as nonoperating transactions.

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The Village classifies each fund as either governmental, proprietary or fiduciary.

Governmental Funds - The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

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

Street Construction Maintenance & Repair Fund - This fund is used to account for motor vehicle taxes. The street construction & maintenance fund balance is available to the Village for the purpose of repairing and resurfacing streets within the Village as well as a portion of the wages paid to the Village's street department.

Income Tax Revenue Fund - This fund is used to account for the one and a half percent local income tax that is collected. The income tax revenue fund balance is available to the Village for the purpose of all administrative costs pertaining to the administration of the Village income tax and tax refunds. Per Village Ordinance 96-27 and after refunds and administrative cost have been deducted, the remainder of the revenues are transferred to the capital Improvement, general Improvement and note retirement funds. The transferred funds are then used to finance capital projects and debt retirement.

Note Retirement Fund - This fund is used to pay Village debt incurred. The primary sources of revenue for the note retirement fund are from 16.7% of the sewer operating revenues and income tax revenues. The note retirement fund is also supplemented by an annual payment from Plastipak Packaging as a result of a Utility Service Agreement dated November 12, 2001 by and between the Village of Jackson Center and Plastipak Holdings, Inc. for the purpose of extending water and sanitary sewer lines to the company which is located outside of the Village corporation limits. The note retirement fund balance is available to the Village for the purpose of paying down debt incurred by the Village.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Capital Improvement Fund - This fund is used to fund capital improvements of the Village. The capital improvement fund receives funds primarily from the income tax fund. The capital improvement fund balance is available for the purpose of financing capital improvements of the Village such as streets, curbs and gutters and supplementing other capital projects that the Village has received loan monies and grants for.

Proprietary Funds - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The following is the Village's major enterprise fund:

Electric Fund - This fund accounts for the user charges and expense of providing electricity.

The Village has five nonmajor enterprise funds that are used to account for water, sewer, refuse, utility deposits and swimming pool.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village does not have any fiduciary funds.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimate resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year.

Further amendments may be made during the year if the Village determined that receipts collected will be greater than or less than the prior estimate, and the Budget Commission finds the revised estimate to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. The amounts reported within the budgetary statements reflect the original and final estimated resources as certified by the County Budget Commission.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted appropriation amendments during 2005. The budgetary statement reflects the original and final appropriations as approved by Council.

Encumbrances:

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2005.

E. Cash and Cash Equivalents

The Village has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal 2005. 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, 2005.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During 2005, interest revenue credited to the general fund amounted to \$47,956 which includes \$26,831 assigned from other Village funds.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

For purpose of presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Village are considered to be cash equivalents.

An analysis of the Village's investment account at year-end is provided in Note 4.

F. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village (See Note 2.C.).

H. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

I. Net Assets

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The Village first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Interfund Activity

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 3 - ACCOUNTABILITY & COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the Village has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits. The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Village, however additional note disclosure can be found in Note 4.

B. Restatement of Cash Fund Balance

In 2005, the Village elected to present the cash basis financial statements in a GASB 34 look-a-like format. As a result, there was a fund reclassification to properly report the intended purpose of the fund in accordance with GASB Statement No. 34. The reclassification had an impact on the fund cash balance as previously reported at December 31, 2004.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Village 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 moneys 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. STAR Ohio;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer 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.

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

A. Deposits with Financial Institutions

At December 31, 2005, the carrying amount of all Village deposits was \$194,140. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$52,394 of the Village's bank balance of \$252,394 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Village's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

B. Investments

As of December 31, 2005, the Village had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 2,124,712	\$ 2,124,712
Total	<u>\$ 2,124,712</u>	<u>\$ 2,124,712</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Village's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Concentration of Credit Risk: The Village places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Village at December 31, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,124,712	100.00
Total	<u>\$ 2,124,712</u>	<u>100.00</u>

C. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 194,140
Investments	<u>2,124,712</u>
Total	<u>\$ 2,318,852</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 963,877
Business-type activities	<u>1,354,975</u>
Total	<u>\$ 2,318,852</u>

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 5 - DEBT OBLIGATIONS

A summary of the note transactions for the year ended December 31, 2005, follows:

	Restated Balance <u>12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2005</u>
OPWC North Main Sewer Storm	\$ 12,127	\$ -	\$ (4,851)	\$ 7,276
OPWC Water Well Construction Project	49,059	-	(3,165)	45,894
OWDA Water Treatment Plant Improvement	785,374	-	(35,058)	750,316
Bond Anticipation Note	<u>650,000</u>	<u>450,000</u>	<u>(650,000)</u>	<u>450,000</u>
 Total Business Type Activities	 <u>\$ 1,496,560</u>	 <u>\$ 450,000</u>	 <u>\$ (693,074)</u>	 <u>\$ 1,253,486</u>

On December 8, 2005 the Bond Anticipation Notes were combined into one issue of \$450,000 with an interest rate of 3.65% set to mature on December 7, 2006.

The loans are supported by the full faith and credit of the Village and are payable from 16.7% of the Village income tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The OPWC loans are interest free.

The following is a summary of the Village's future annual debt service requirements:

<u>Year Ending December 31,</u>	<u>Bond Anticipation Note Principal</u>	<u>1998 OPWC Principal</u>	<u>2001 OPWC Principal</u>
2006	\$ 450,000	\$ 4,851	\$ 3,165
2007	-	2,425	3,165
2008	-	-	3,165
2009	-	-	3,165
2010	-	-	3,165
2011-2015	-	-	15,826
2016-2020	<u>-</u>	<u>-</u>	<u>14,243</u>
 Totals	 <u>\$ 450,000</u>	 <u>\$ 7,276</u>	 <u>\$ 45,894</u>

The OWDA construction note was not yet fully disbursed as of December 31, 2005. Upon final disbursement, OWDA will finalize financing terms and repayment requirements. Until the finalization of the financing terms, the Village is required to make payments annually.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 6 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

	<u>2005</u>
Real Estate:	
Residential	\$ 13,235,050
Agriculture	164,290
Commercial/Industrial/Mineral	4,417,520
Public Utility Property	236,730
Real	13,399,340
Personal	4,422,950
Tangible personal property	<u>5,124,307</u>
Total assessed valuation	<u>\$ 41,000,187</u>

NOTE 7 - LOCAL INCOME TAX

The Village levies a 1.50 percent income tax whose proceeds are placed into the Income Tax Revenue Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 8 - CONTRACTUAL COMMITMENTS

The Village has entered into various contracts for the construction and acquisition of capital improvements. At December 31, 2005, the significant outstanding contractual commitments are:

<u>Contractor</u>	<u>Purpose</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at December 31, 2005</u>
Shinn Brothers, Inc.	WWTP Sludge Handling Facility	\$ 387,977	\$ (198,547)	\$ 189,430
Shinn Brothers, Inc.	Village Pool - Sprayground	257,632	(227,999)	29,633
Tom's Construction	Industrial Park Phase I	<u>223,086</u>	<u>(222,192)</u>	<u>894</u>
Totals		<u>\$ 868,695</u>	<u>\$ (648,738)</u>	<u>\$ 219,957</u>

NOTE 9 - PENSION PLANS

A. Ohio Public Employees Retirement System

The Village 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.

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.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The Village's contribution rate for pension benefits for 2005 was 13.55%, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 16.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 9 - PENSION PLANS - (Continued)

The Village's contributions to OPERS for the years ended December 31, 2005, 2004, and 2003 were \$96,544, \$94,618, and \$92,161, respectively; these contributions were sufficient to fulfill the requirements.

B. Ohio Police and Fire Pension Fund

Full-time uniformed employees of the Village participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. The 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 Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the Village is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The Village's contributions to OP&F for the years ended December 31, 2005, 2004, and 2003 were \$25,656, \$25,035, and \$23,273, respectively; these contributions were sufficient to fulfill the requirements.

NOTE 10 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". 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 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus and an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

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

**VILLAGE OF JACKSON CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The number of active contributing participants in the traditional and combined plans was 379,109 as of December 31, 2005. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$31,715. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 were \$11.1 billion. At December 31, 2005, the actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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 care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. Ohio Police and Fire Pension Fund

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly 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, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll.

The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses.

The Board defined allocation was 7.75% of covered payroll in 2004 and 2005. 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.

The number of participants eligible to receive health care benefits as of December 31, 2005, is 13,922 for police officers and 10,537 for firefighters. The amount of employer contributions used to pay postemployment benefits was \$19,947. OP&F's total health care expense for the year ending December 31, 2005, was \$108.039 million, which was net of member contributions of \$55.272 million.

**VILLAGE OF JACKSON CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 11 - INTERFUND TRANSFERS

The transfers of \$82,750 represent Kilowatt-Hour Usage Tax collected with the Village from Village electric customers. Ohio legislation and Auditor of State Bulletin 2001-11, requires that municipal electric utilities collect a kilowatt hour tax and that those monies be allocated to the general fund. The Village Council has passed Ordinance 00-23 dated November 13, 2000 which authorizes the Fiscal Officer of the Village to transfer funds collected under the Kilowatt-Hour Usage Tax from the general fund back into the Electric Operating fund as allowed under the Ohio Revised Code Section 5705.14, 5705.15 and 5705.16. Village Council authorizes the Fiscal Officer to perform this transfer for the purpose of maintaining current rates for its customer.

The transfer totaling \$23,158 represents the Village receiving a FEMA grant from the federal government for winter storm damage. The grant is a reimbursement based grant of which the transfers represent the reimbursement of each fund where expenses incurred for cleanup once the Village received the federal monies.

Interfund transfers for the year ended December 31, 2005, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	Transfers from				<u>Total</u>
	<u>General</u>	<u>Income Tax</u>	<u>Nonmajor Governmental</u>	<u>Electric</u>	
General Fund	\$ -	\$ -	\$ -	\$ 82,750	\$ 82,750
Street Const, Maint & Repair	-	-	17,650	-	17,650
Note Retirement	-	127,508	-	-	127,508
Capital Improvement	-	483,310	4,520	-	487,830
Nonmajor					
Governmental	-	152,704	-	-	152,704
Electric	82,750	-	828	-	83,578
Nonmajor					
Enterprise	-	-	160	-	160
 Total	 <u>\$ 82,750</u>	 <u>\$ 763,522</u>	 <u>\$ 23,158</u>	 <u>\$ 82,750</u>	 <u>\$ 952,180</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**VILLAGE OF JACKSON CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 12 - RISK MANAGEMENT

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excessive liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgements, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 or property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005:

	<u>2005</u>
Assets	\$8,219,430
Liabilities	\$(2,748,639)
Members' Equity	\$5,470,791

Settled claims have not exceeded commercial coverage in the current year.

NOTE 13 - CONTINGENT LIABILITY

LITIGATION

The Village is not currently involved in litigation for which the Village's legal counsel anticipates a loss.

NOTE 14 - JOINT VENTURE WITH EQUITY INTEREST

A. Ohio Municipal Electric Generation Agency JV5

The Village of Jackson Center is a Financing Participant with an ownership percentage of .69%, 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.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 14 - JOINT VENTURE WITH EQUITY INTEREST - (Continued)

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 sell 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, 2005 Jackson Center 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 Village's net investment to date in OMEGA JV5 was \$64,046 at December 31, 2005. 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.

B. Ohio Municipal Electric Generation Agency JV2

The Village of Jackson Center is a Financing Participant and an Owner Participant with percentages of liability and ownership of .29% and .22% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 14 - JOINT VENTURE WITH EQUITY INTEREST - (Continued)

(OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expense (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.

Under the terms of the Agreement each Financing 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 JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005 the Village of Jackson Center has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081 MW is the participants entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2.

The Village's net obligation for these bonds at December 31, 2005 was \$103,560 (Including amounts withheld for Debt Service Reserve, amounts held in the Bond Fund, previous billings to members, interest payable and debt service paid and collected). The Village's net investment in OMEGA JV2 was \$97,619 at December 31, 2005. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance - Budget and Actual (Budgetary Basis) presented for the general fund, and major special revenue funds: street construction, maintenance and repair and income tax are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). At December 31, 2005, the encumbrances outstanding at year end (budgetary basis) amounted to \$4,719, \$1,297, \$67 for the general fund, street construction, maintenance and repair and income tax funds, respectively.



Julian & Grube, Inc.

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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*

Members of Council and Mayor
Village of Jackson Center, Shelby County
122 E. Pike Street
Jackson Center, Ohio 45334

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 Village of Jackson Center, Shelby County, as of and for the year ended December 31, 2005, which collectively comprise the Village's financial statements and have issued our report thereon dated April 6, 2007, wherein we noted the Village of Jackson Center prepared its financial statements on the cash basis of accounting, a comprehensive basis of accounting rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Jackson Center's internal control over financial reporting in order to determine our auditing procedures to express our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 we audited may occur and not be timely detected by employees when 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 Village of Jackson Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain other immaterial instances of noncompliance that we have reported to the management of the Village of Jackson Center in a separate letter dated April 6, 2007.

This report is intended solely for the information of the Council and management of the Village of Jackson Center and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.
April 6, 2007

**VILLAGE OF JACKSON CENTER
SHELBY COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid; Explain:</u>
2004-VOJC-001	Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated resources.	No	Finding now located in Management Letter.
2004-VOJC-002	Ohio Revised Code 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	Yes	N/A



Mary Taylor, CPA
Auditor of State

VILLAGE OF JACKSON CENTER

SHELBY 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
SEPTEMBER 18, 2007**