



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

88 East Broad Street
P. O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**CITY OF JACKSON
JACKSON COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-444-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the City Council:

We were engaged to audit the accompanying general purpose financial statements of the City of Jackson, Jackson County, Ohio (the City), as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

The City's January 1, 2001 fund balances were adjusted as described in Note 17.

Generally accepted auditing standards require us to obtain written representations from management confirming representations explicitly or implicitly provided to us during our engagement. The Mayor has declined to provide these written representations to us.

The Independent Auditor's Report, dated October 17, 2001, completed by J.L. Uhrig & Associates, Inc., disclaimed an opinion on the December 31, 2000 general purpose financial statements. Certain account balances as of December 31, 2000 affect the determination of the results of operations and cash flows for the year ended December 31, 2001.

As disclosed in Note 15, the City and Auditor of State Jim Petro are defendants in a lawsuit seeking a declaratory judgment action to avoid a Special Audit Finding against the City. Plaintiffs in this action are the City's Mayor and Safety/Service Director. Because we are defendants in this suit, we are not independent with respect to this engagement.

Because of the matters described in paragraphs three through five above, we are unable to express and we do not express, an opinion on the City's general purpose financial statements for the year ended December 31, 2001.

As discussed in Note 18 to the financial statements, the City has forecasted a December 31, 2002 general fund cash deficit of approximately \$2,675,393. Management's actions are also described in Note 18.

As disclosed in Note 15, the City is the defendant in a class action lawsuit requesting injunctive relief and damages due to the alleged overcharging of the City's Utilities for its services. Although the out come of these lawsuits are not presently determinable, in our opinion, an adverse outcome could have a material adverse effect on the financial condition of the City.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the City, taken as a whole. The combining financial statement and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the general purpose financial statements. Due to the matters discussed in paragraphs three through five above, we were unable to express, and we do not express, an opinion on this information.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 31, 2002

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CITY OF JACKSON, OHIO
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001

GOVERNMENTAL FUND TYPES

	General	Special Revenue	Capital Projects
<u>Assets and Other Debits</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$ -	\$ 211,911	\$ 2,241
Cash with Fiscal and Escrow Agents	-	-	-
<i>Receivables:</i>			
Taxes	482,503	407,170	-
Accounts	14,678	22,225	-
Loans	-	32,133	-
Due from Other Funds	0	-	-
Due from Other Government	110,290	221,331	-
Materials and Supplies Inventory	482	10,782	-
Notes Receivable	-	-	-
Prepaid Items	24,391	531	-
Deferred Charges	-	-	-
<i>Restricted Assets:</i>			
Cash and Cash Equivalents	-	-	-
Customer Deposits	-	-	-
Investments	-	-	-
Equity in Joint Ventures	-	-	-
Fixed Assets, (Net where applicable of Accumulated Depreciation)	-	-	-
<i>Other Debits</i>			
Amount to be Provided from General Government Resources	-	-	-
<i>Total Assets and Other Debits</i>	<u>632,344</u>	<u>906,083</u>	<u>2,241</u>

See accompanying notes to the general purpose financial statement:

CITY OF JACKSON, OHIO
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS			Totals (Memorandum Only)
		Enterprise	Trust & Agency	General Fixed Assets	
\$ 9,307,319	\$ 902,791	\$ -	\$ -	\$ 10,424,262	
-	186,387	-	-	186,387	
-	-	-	-	889,673	
1,476,315	-	-	-	1,513,218	
-	-	-	-	32,133	
5,698,070	-	-	-	5,698,070	
-	-	-	-	331,621	
414,416	-	-	-	425,680	
448,463	-	-	-	448,463	
37,192	-	-	-	62,114	
91,945	-	-	-	91,945	
1,357,213	-	-	-	1,357,213	
156,164	-	-	-	156,164	
-	-	-	-	-	
461,815	-	-	-	461,815	
13,999,745	-	5,862,771	-	19,862,516	
-	-	-	743,217	743,217	
33,448,657	1,089,178	5,862,771	743,217	42,684,491	

(Continued)

CITY OF JACKSON, OHIO
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001

GOVERNMENTAL FUND TYPES

	General	Special Revenue	Capital Projects
<u>Liabilities</u>			
Accounts Payable	6,175	4,617	-
Contracts Payable	9,563	1,277	-
Accrued Wages and Benefits	72,741	19,039	-
Compensated Absences Payable	57,182	-	-
Due to Other Funds	5,327,463	-	370,607
Due to Other Governments	16,323	-	-
Deferred Revenue	381,923	366,369	-
Deposits Held and Due to Others	-	-	-
Matured Bonds and Interest Payable	-	-	-
Accrued Interest Payable	2,489	4,216	-
Notes Payable	24,080	102,535	-
Claims & Judgements Payable	-	-	-
Current Retirement Benefits Payable	-	-	-
Current OWDA Loans Payable	-	-	-
Current Revenue Bonds Payable	-	-	-
Police & Fire Pension Liability	-	-	-
Certificates of Participation Obligations	-	-	-
Non-current Retirement Benefits Payable	-	-	-
Non-current OWDA Loans Payable	-	-	-
Non-current Revenue Bonds Payable	-	-	-
Total Liabilities	5,897,939	498,053	370,607
<u>Fund Equity and Other Credits</u>			
Investment in General Fixed Assets	-	-	-
Contributed Capital	-	-	-
Retained Earnings:			
Unreserved	-	-	-
Fund Balance:			
Reserved for Endowments	-	-	-
Reserved for Encumbrances	19,931	152,841	15,000
Reserved for Inventory	482	10,782	-
Reserved for Loans Receivable	-	26,871	-
Unreserved:			
Undesignated	(5,286,008)	217,536	(383,366)
Total Fund Equity and Other Credits	(5,265,595)	408,030	(368,366)
Total Liabilities, Fund Equity and Other Credits	\$ 632,344	\$ 906,083	\$ 2,241

See accompanying notes to the general purpose financial statement:

CITY OF JACKSON, OHIO
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS			Totals (Memorandum Only)
		Enterprise	Trust & Agency	General Fixed Assets	
21,870	-	-	-	32,662	
430,571	-	-	-	441,411	
123,710	-	-	-	215,490	
488,683	-	-	273,160	819,025	
-	-	-	-	5,698,070	
21,523	-	-	-	37,846	
-	-	-	-	748,292	
156,165	33,325	-	-	189,490	
-	-	-	-	0	
183,869	-	-	-	190,574	
1,498,209	-	-	429,290	2,054,114	
-	-	-	-	0	
45,540	-	-	-	45,540	
146,212	-	-	-	146,212	
485,000	-	-	-	485,000	
-	-	-	40,767	40,767	
-	-	-	-	0	
136,623	-	-	-	136,623	
302,198	-	-	-	302,198	
6,960,000	-	-	-	6,960,000	
<u>11,000,173</u>	<u>33,325</u>	<u>-</u>	<u>743,217</u>	<u>18,543,314</u>	
-	-	5,862,771	-	5,862,771	
3,294,856	-	-	-	3,294,856	
19,153,628	-	-	-	19,153,628	
-	930,454	-	-	930,454	
-	-	-	-	187,772	
-	-	-	-	11,264	
-	-	-	-	26,871	
-	125,399	-	-	(5,326,439)	
<u>22,448,484</u>	<u>1,055,853</u>	<u>5,862,771</u>	<u>-</u>	<u>24,141,177</u>	
<u>\$ 33,448,657</u>	<u>\$ 1,089,178</u>	<u>\$ 5,862,771</u>	<u>\$ 743,217</u>	<u>\$ 42,684,491</u>	

CITY OF JACKSON, OHIO
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types & Expendable Trust Funds
For the Year Ended December 31, 2001

GOVERNMENTAL FUND TYPES

	General	Special Revenue	Capital Projects
Revenues:			
Taxes	\$ 765,069	\$ 477,696	\$ -
Charges for Services	135,388	47,758	-
Fines, Licenses and Permits	213,804	23,091	-
Intergovernmental	447,676	756,741	25,476
Interest Earnings	380,052	33,615	-
Other Revenue	56,629	120,340	-
<i>Total Revenues</i>	<u>1,998,618</u>	<u>1,459,241</u>	<u>25,476</u>
Expenditures:			
<i>Current:</i>			
General Government	706,583	4,280	-
Security of Persons and Property	1,433,261	443,836	-
Public Health and Welfare	-	216,667	-
Transportation	-	397,629	-
Community Environment	-	354,899	-
Leisure Time Activities	-	93,924	-
Capital Outlay	-	123,666	541,897
<i>Debt Service:</i>			
Principal Retirement	24,080	205,070	-
Interest and Fiscal Charges	11,858	27,790	-
<i>Total Expenditures</i>	<u>2,175,782</u>	<u>1,867,761</u>	<u>541,897</u>
Excess of Revenues Over (Under) Expenditures	(177,164)	(408,520)	(516,421)
Other Financing Sources (Uses):			
Sale of Fixed Assets	-	540	-
Operating Transfers - In	-	112,299	-
Operating Transfers - Out	(137,894)	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(137,894)</u>	<u>112,839</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(315,058)	(295,681)	(516,421)
Fund Balances (Deficit) at Beginning of Year	(4,949,648)	694,029	148,055
Increase (Decrease) in Reserve for Inventory	(889)	9,682	-
Fund Balances (Deficit) at End of Year	<u>(5,265,595)</u>	<u>408,030</u>	<u>(368,366)</u>

See accompanying notes to the general purpose financial statements.

***FIDUCIARY
FUND TYPES***

<u>Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
\$ -	\$ 1,242,765
-	183,146
-	236,895
-	1,229,893
6,469	420,136
-	176,969
6,469	3,489,804
-	710,863
-	1,877,097
-	216,667
-	397,629
-	354,899
-	93,924
-	665,563
-	229,150
-	39,648
-	4,585,440
6,469	(1,095,636)
-	540
-	112,299
(7,157)	(145,051)
(7,157)	(32,212)
(688)	(1,127,848)
126,087	(3,981,477)
-	8,793
125,399	(5,100,532)

CITY OF JACKSON, OHIO
Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 2001

GOVERNMENTAL FUND TYPES

General Fund

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	712,425	694,017	(18,408)
Charges for Services	135,088	135,388	300
Fines, Licenses and Permits	157,619	194,973	37,354
Intergovernmental	433,853	447,093	13,240
Interest Earnings	464,073	455,502	(8,571)
Other Revenue	21,350	84,150	62,800
<i>Total Revenues</i>	<u>1,924,408</u>	<u>2,011,123</u>	<u>86,715</u>
Expenditures:			
<i>Current:</i>			
General Government	740,073	641,551	98,522
Security of Persons and Property	1,509,501	1,429,413	80,088
Public Health and Welfare	-	-	-
Transportation	-	-	-
Community Environment	-	-	-
Leisure Time Activities	-	-	-
Other	-	-	-
Capital Outlay	-	-	-
<i>Debt Service:</i>			
Principal Retirement	24,081	24,081	-
Interest and Fiscal Charges	9,438	9,369	69
<i>Total Expenditures</i>	<u>2,283,093</u>	<u>2,104,414</u>	<u>178,679</u>
Excess of Revenues Over (Under) Expenditure	(358,685)	(93,291)	265,394
Other Financing Sources (Uses):			
Proceeds of Notes	-	-	-
Proceeds from Sale of Fixed Asset:	-	-	-
Advances - In	224,207	5,551,670	5,327,463
Advances - Out	(225,000)	-	225,000
Operating Transfers - In	59,541	-	(59,541)
Operating Transfers - Out	(119,362)	(119,362)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(60,614)</u>	<u>5,432,308</u>	<u>5,492,922</u>
Excess of Revenues and Other Source: Over (Under) Expenditures and Other Use:	(419,299)	5,339,017	5,758,316
Fund Balances (Deficit) at Beginning of Year	(5,339,390)	(5,339,390)	-
Prior Year Encumbrances Appropriated	373	373	-
Fund Balances (Deficit) at End of Year	<u>(5,758,316)</u>	<u>-</u>	<u>5,758,316</u>

See accompanying notes to the general purpose financial statement

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
434,846	460,051	25,205	-	-	-
48,621	48,103	(518)	-	-	-
23,179	22,959	(220)	-	-	-
673,308	656,768	(16,540)	89,011	25,476	(63,535)
131,990	36,345	(95,645)	-	-	-
113,553	127,792	14,239	-	-	-
<u>1,425,497</u>	<u>1,352,018</u>	<u>(73,479)</u>	<u>89,011</u>	<u>25,476</u>	<u>(63,535)</u>
4,280	4,280	-	-	-	-
524,111	449,073	75,038	-	-	-
279,332	215,540	63,792	-	-	-
455,124	395,398	59,726	-	-	-
421,227	374,038	47,189	-	-	-
143,140	91,876	51,264	-	-	-
-	-	-	-	-	-
204,484	123,665	80,819	559,138	541,897	17,241
177,535	177,535	-	-	-	-
26,526	26,526	-	-	-	-
<u>2,235,759</u>	<u>1,857,931</u>	<u>377,828</u>	<u>559,138</u>	<u>541,897</u>	<u>17,241</u>
(810,262)	(505,913)	304,349	(470,127)	(516,421)	(46,294)
-	-	-	322,072	-	(322,072)
-	540	540	-	-	-
-	-	-	-	370,607	370,607
-	-	-	-	(74,011)	(74,011)
108,711	112,299	3,588	-	-	-
-	-	-	-	-	-
<u>108,711</u>	<u>112,839</u>	<u>4,128</u>	<u>322,072</u>	<u>296,596</u>	<u>(25,476)</u>
(701,551)	(393,074)	308,477	(148,055)	(219,825)	(71,770)
219,426	219,426	-	(44,824)	(44,824)	-
385,559	385,559	-	266,890	266,890	-
<u>(96,566)</u>	<u>211,911</u>	<u>308,477</u>	<u>74,011</u>	<u>2,241</u>	<u>(71,770)</u>

(Continued)

CITY OF JACKSON, OHIO
Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 2001

	Expendable Trust Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	-	-	-
Charges for Services	-	-	-
Fines, Licenses and Permits	-	-	-
Intergovernmental	-	-	-
Interest Earnings	7,157	7,157	-
Other Revenue	-	1,652	1,652
<i>Total Revenues</i>	<u>7,157</u>	<u>8,809</u>	<u>1,652</u>
Expenditures:			
<i>Current:</i>			
General Government	-	-	-
Security of Persons and Property	-	-	-
Public Health and Welfare	-	-	-
Transportation	-	-	-
Community Environment	1,933	-	1,933
Leisure Time Activities	-	-	-
Other	8,916	-	8,916
Capital Outlay	-	-	-
<i>Debt Service:</i>			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
<i>Total Expenditures</i>	<u>10,849</u>	<u>-</u>	<u>10,849</u>
Excess of Revenues Over (Under) Expenditure	(3,692)	8,809	(9,197)
Other Financing Sources (Uses):			
Proceeds of Notes	-	-	-
Proceeds from Sale of Fixed Asset:	-	-	-
Advances - In	-	-	-
Advances - Out	-	-	-
Operating Transfers - In	-	-	-
Operating Transfers - Out	(7,157)	(7,157)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(7,157)</u>	<u>(7,157)</u>	<u>-</u>
Excess of Revenues and Other Source: Over (Under) Expenditures and Other Use:	(10,849)	1,652	(9,197)
Fund Balances (Deficit) at Beginning of Year	134,316	134,316	
Prior Year Encumbrances Appropriated	-	-	-
Fund Balances (Deficit) at End of Year	<u><u>123,467</u></u>	<u><u>135,968</u></u>	<u><u>(9,197)</u></u>

See accompanying notes to the general purpose financial statement

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
1,147,271	1,154,068	6,797
183,709	183,491	(218)
180,798	217,932	37,134
1,196,172	1,129,337	(66,835)
603,220	499,004	(104,216)
134,903	213,594	78,691
3,446,073	3,397,426	(48,647)
744,353	645,831	98,522
2,033,612	1,878,486	155,126
279,332	215,540	63,792
455,124	395,398	59,726
423,160	374,038	49,122
143,140	91,876	51,264
8,916	-	8,916
763,622	665,562	98,060
201,616	201,616	-
35,964	35,895	69
5,088,839	4,504,242	584,597
(1,642,766)	(1,106,816)	(633,244)
322,072	-	(322,072)
-	540	540
224,207	5,922,277	5,698,070
(225,000)	(74,011)	150,989
168,252	112,299	(55,953)
(126,519)	(126,519)	-
363,012	5,834,586	5,471,574
(1,279,754)	4,727,770	5,985,826
(5,030,472)	(5,030,472)	-
652,822	652,822	-
(5,657,404)	350,120	5,985,826

CITY OF JACKSON, OHIO
Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type and Nonexpendable Trust Funds
For the Year Ended December 31, 2001

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>Totals (Memorandum Only)</u>
	Enterprise	Nonexpendable Trust	
Operating Revenues:			
Charges for Services	\$ 13,677,975	\$ 7,300	\$ 13,685,275
Interest Income (Nonexpendable Trust Only)	-	9,544	9,544
Other Operating Revenue	327,135	-	327,135
<i>Total Operating Revenues</i>	<u>14,005,110</u>	<u>16,844</u>	<u>14,021,954</u>
Operating Expenses:			
Personal Services	2,198,175	-	2,198,175
Fringe Benefits	649,570	-	649,570
Retirement Benefits	240,403	-	240,403
Contractual Services	5,971,238	-	5,971,238
Claims and Judgements	-	-	-
Materials and Supplies	659,637	-	659,637
Utilities	356,644	-	356,644
Depreciation and Amortization	512,607	-	512,607
Other Operating Expenses	329,427	-	329,427
<i>Total Operating Expenses</i>	<u>10,917,701</u>	<u>-</u>	<u>10,917,701</u>
Operating Income (Loss)	3,087,409	16,844	3,104,253
Nonoperating Revenues (Expenses):			
Interest Income	53,417	-	53,417
Investment In Joint Venture Revenue	150,097	-	150,097
Investment In Joint Venture Expense	(219,631)	-	(219,631)
Loss on Disposal of Fixed Assets	(44,240)	-	(44,240)
Proceeds of Notes	-	-	-
Sale of Fixed Assets	12,414	-	12,414
Intergovernmental Grants	713,407	-	713,407
Interest and Fiscal Charges	(1,107,882)	-	(1,107,882)
Other Nonoperating Revenues	-	-	-
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(442,418)</u>	<u>-</u>	<u>(442,418)</u>
Income (Loss) Before Operating Transfers	2,644,991	16,844	2,661,835
Operating Transfers - In	45,150	-	45,150
Operating Transfers - Out	-	(32,507)	(32,507)
Net Income (Loss)	2,690,141	(15,663)	2,674,478
Retained Earnings at Beginning of Year	16,463,487	946,117	17,409,604
Retained Earnings at End of Year	19,153,628	930,454	20,084,082
Contributed Capital at Beginning of Year	3,281,134	-	3,281,134
Contributions from Other Funds, Net	-	-	-
Other Contributions:			
Intergovernmental	-	-	-
Government	13,722	-	13,722
Contributed Capital at End of Year	<u>3,294,856</u>	<u>-</u>	<u>3,294,856</u>
Total Fund Equity at End of Year	<u>22,448,484</u>	<u>930,454</u>	<u>23,378,938</u>

See accompanying notes to the general purpose financial statements.

CITY OF JACKSON, OHIO
Combined Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Funds
For the Year Ended December 31, 2001

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Cash Flows from Operating Activities:			
Cash Received From Customers	\$ 14,338,327	\$ 7,300	\$ 14,345,627
Cash From Interest Earnings (Nonexpendable Trust Only)	-	9,544	9,544
Cash From Other Receipts	433,995	-	433,995
Customer Deposits Received	88,676	-	88,676
Customer Deposits Returned	(78,813)	-	(78,813)
Cash Payments to Employees	(2,821,131)	-	(2,821,131)
Cash Payments for Contractual Services	(7,218,868)	-	(7,218,868)
Cash Payments for Supplies & Materials	(713,514)	-	(713,514)
Cash Payments for Other Expenses	(471,449)	-	(471,449)
<i>Net Cash from Operating Activities</i>	<u>3,557,223</u>	<u>16,844</u>	<u>3,574,067</u>
Cash Flows from Non-Capital Financing Activities:			
Advances-Out to Other Funds	(5,848,266)	-	(5,848,266)
Transfers-In to Other Funds	45,150	-	45,150
Transfers-Out to Other Funds	-	(32,507)	(32,507)
Cash Received From Other Sources	-	-	-
<i>Net Cash from Non-Capital Financing Activities</i>	<u>(5,803,116)</u>	<u>(32,507)</u>	<u>(5,835,623)</u>
Cash Flows from Capital & Related Financing Activities:			
Proceeds Received from Bonds, Notes & Loans	267,100	-	267,100
Interest Paid on Bonds, Notes & Loans	(928,428)	-	(928,428)
Principal Paid on Bonds, Notes & Loans	(1,022,230)	-	(1,022,230)
Cash Paid to Acquire/Construct Capital Assets	(1,428,555)	-	(1,428,555)
Cash Received from Capital Grants	713,407	-	713,407
Proceeds Received from Sale of Assets	12,414	-	12,414
<i>Net Cash from Capital & Related Financing Activities</i>	<u>(2,386,292)</u>	<u>-</u>	<u>(2,386,292)</u>
Cash Flows from Investing Activities:			
Purchase of Investments	-	-	-
Interest Received on Investments	1,460	-	1,460
Sale of Investments	-	-	-
<i>Net Cash from Investing Activities</i>	<u>1,460</u>	<u>-</u>	<u>1,460</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(4,630,725)	(15,663)	(4,646,388)
Cash & Cash Equivalents at Beginning of Year	<u>14,094,208</u>	<u>946,117</u>	<u>15,040,325</u>
Cash & Cash Equivalents at End of Year	<u><u>9,463,483</u></u>	<u><u>930,454</u></u>	<u><u>10,393,937</u></u>

(Continued)

CITY OF JACKSON, OHIO
Combined Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Funds
For the Year Ended December 31, 2001

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Reconciliation of Operating Income (Loss) to Net			
Cash from Operating Activities:			
Operating Income (Loss)	3,087,409	16,844	3,104,253
Adjustments to Reconcile Operating Income (Loss) to Net			
Cash from Operating Activities:			
Depreciation Expense	512,607	-	512,607
Nonoperating Cash Receipts	-	-	-
Changes in Assets & Liabilities:			
(Increase) Decrease in Accounts Receivable	506,138	-	506,138
(Increase) Decrease in Due from Other Governments	47,377	-	47,377
(Increase) Decrease in Material & Supply Inventory	(115,978)	-	(115,978)
(Increase) Decrease in Prepaid Items	6,921	-	6,921
(Increase) Decrease in Deferred Charges	39,253	-	39,253
Increase (Decrease) in Deposits Due to Others	9,825	-	9,825
Increase (Decrease) in Accounts Payable	(22,963)	-	(22,963)
Increase (Decrease) in Contracts Payable	(389,787)	-	(389,787)
Increase (Decrease) in Accrued Wages & Benefits	23,564	-	23,564
Increase (Decrease) in Compensated Absences	58,983	-	58,983
Increase (Decrease) in Due to Other Funds	(150,196)	-	(150,196)
Increase (Decrease) in Due to Other Governments	(55,930)	-	(55,930)
Increase (Decrease) in Claims Payable	-	-	-
Net Cash from Operating Activities	<u>3,557,223</u>	<u>16,844</u>	<u>3,574,067</u>

See accompanying notes the general purpose financial statements

Reconciliation of Cash and Cash Equivalents - Fiduciary Fund Type:

Cash and Cash Equivalents - Reported on Balance Sheet	\$ 1,089,178
Cash and Cash Equivalents - Expendable Trust and Agency Funds	(158,724)
Cash and Cash Equivalents - Nonexpendable Trust Funds	<u>\$ 930,454</u>

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 1 - DESCRIPTION OF THE ENTITY

The City of Jackson (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is operated under a statutory form of government and is a municipal corporation under the laws of the State of Ohio. The City operates under a council-mayor form of government and provides the following services as authorized: police and fire protection, water, sewer, electric and garbage services, parks and recreation services, street maintenance, and other general governmental services.

Financial Reporting Entity

As required by generally accepted accounting principles, the general purpose financial statements present the City of Jackson (the primary government). The City considered potential component units for inclusion in the financial statements. In determining whether to include a governmental department, agency, commission or organization as a component unit, the City must evaluate each entity as to whether they are legally separate and financially accountable based on criteria set forth by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue or be sued and (3) the right to buy, sell, lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of a specific financial burden. Other factors to consider in this evaluation are whether an entity is fiscally dependent on the City or whether the financial statements would be misleading if data from the potential component unit were not included. The City has included no component units in the financial statements.

Joint Venture

Ohio Municipal Electric Generation Agency Joint Venture (OMEGA JV5) – The City's electric utility enterprise fund has entered into an ongoing joint venture agreement with 41 other Ohio municipalities for the construction, installation and operation of a 42 megawatt (MW) hydroelectric generator and related facilities at the Belleville locks and dam on the Ohio River. On dissolution of the joint venture, the net assets of JV5 will be shared by the participants on a percentage basis. The City's share of this joint venture is 7.14%. The participants are obligated by the joint venture agreement to remit, on a monthly basis, those costs incurred from using electricity generated by the joint venture and a portion of the \$141,700,000 Certificated of Beneficial Interest debt that was issued to construct the facility. In accordance with the joint venture, the City remitted \$1,011,667 to the joint venture for 2001. The City's net investment and its share of the operating results of JV5 are reported in the City's Electrical enterprise fund. The City's equity interest in JV5 was \$461,815 at December 31, 2001. Complete separate financial statements may be obtained from OMEGA JV5, c/o Robert Trippe, Vice President and CEO, AMP-Ohio, 2600 Airport Drive, Columbus, OH 43219.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Fund Accounting

The City maintains its accounting records in accordance with the principles of fund accounting. 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 operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The restrictions associated with each type of funds are as follows:

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

- ◆ **General Fund:** The General Fund is the general operating fund of the City of Jackson. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.
- ◆ **Special Revenue Funds:** These funds are established to account for proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.
- ◆ **Debt Service Fund:** This fund is used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal, interest and related costs.
- ◆ **Capital Project Funds:** These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and nonexpendable trust funds).

PROPRIETARY FUNDS

The proprietary funds are accounted for on a flow of economic resources measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (net assets) are segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (revenues) and decreases (expenses) in net total assets. The following are the City's proprietary fund types:

- ◆ **Enterprise Funds:** These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose. The measurement focus is upon determination of net income, financial position and changes in financial position.

FIDUCIARY FUNDS

- ◆ **Trust and Agency Funds:** These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains expendable trust funds, nonexpendable trust funds, and agency funds. Expendable trust funds are accounted for and reported similarly to governmental funds. Nonexpendable trust funds are accounted for and reported similarly to proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve any measurement of the results of operations.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

- ◆ **General Fixed Asset Account Group:** This account group accounts for and controls all general fixed assets of the City other than those accounted for in proprietary or nonexpendable trust funds.
- ◆ **General Long-Term Obligations Account Group:** This account group accounts for and controls all unmatured general long-term indebtedness of the City that is not a specific liability of the proprietary funds including special assessment debt for which the City is obligated in some manner.

Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the general purpose financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities. The modified accrual basis of accounting is utilized by the governmental funds, expendable trust funds and agency funds of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Revenue considered susceptible to accrual at year end includes interest on investments, local taxes (including hotel/motel tax and estate taxes), and state levied locally shared taxes (including motor vehicle license fees, gasoline tax, and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Current and delinquent property taxes measurable as of December 31, 2001 are not available to pay current liabilities and therefore, are recorded as deferred revenue.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and nonexpendable trust funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the City does not apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

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 estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds, other than the agency funds, are legally required to be budgeted and appropriated, however, only governmental funds are required to be reported. Of the governmental funds, the Debt Service Fund is not reported because there was no budgeted activity during the year. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Budget: In accordance with Section 5747.53 of the Ohio Revised Code, the County Budget Commission has provided for the apportionment of undivided local government funds under an alternative method which has been approved by governmental subdivisions within the County. Under this alternative method, the County Budget Commission has waived the requirement for the Taxing Authority of a subdivision to adopt a tax budget.

Estimated Resources: The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process, the City receives an official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any actual unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

Appropriations: A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures which appear in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances--Budget to Actual (Budget Basis)--All Governmental Fund Types and Expendable Trust Funds are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end, however, are reported as reservations of fund balances for subsequent year expenditures in the accompanying general purpose financial statements. 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 subsequent fiscal year and need not be reappropriated.

Budgetary Basis of Accounting: The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major difference between the budgetary basis and the GAAP basis is the timing differences for recognizing revenues and expenditures. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary cash basis statements for the governmental funds:

	Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Uses			
	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	(\$315,058)	(\$295,680)	(\$516,421)	(\$688)
Adjustments:				
Revenue Accruals	236,712	(107,223)	0	2,340
Expenditure Accruals	89,900	9,830	(74,011)	0
Advance In	5,327,463	0	370,607	0
Budget Basis	\$5,339,017	(\$393,074)	(\$219,825)	\$1,652

Cash and Investments

Cash balances of the City's funds, except cash held by a trustee or fiscal agent and in segregated accounts, are pooled and invested in interest bearing accounts and short-term certificates of deposit in order to provide improved cash management. Active City funds are invested in interest bearing demand accounts with commercial banks. Inactive funds are invested in the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2001. Investment income is distributed to various funds based upon their average daily balances.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating contracts such as certificates of deposit, U.S. Treasury obligations, and the Common Trust Fund are all reported at cost.

Receivables

Receivables at December 31, 2001 consist primarily of taxes in the governmental funds, and of consumer accounts (billings for user charged services, including unbilled amounts) in the proprietary funds.

Inventory

Inventories are stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary funds. The cost of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. The reservations for inventory in the balance sheet of governmental fund types indicate that a portion of the fund balance is not available for future expenditures.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Assets and Liabilities

The City pools its cash accounts of several funds and each fund has an interest in the pooled account. When one fund overdraws its share of the pooled account, that fund should report an interfund liability to the fund that the management of the governmental unit deems to have loaned the cash or investments to the overdrawn fund. The fund deemed to have loaned the cash or investments should report an interfund receivable from the borrowing fund. This treatment is unaffected by whether the loaning and borrowing funds are of the same or different fund types.

At December 31, 2001, the City's financial statements reflect advances from the Electric Fund to the General Fund and Capital Projects Fund as a result of negative cash balances of \$5,327,463 and \$368,366, respectively. The receivable was reported as Due from Other Funds for the Enterprise Fund and the corresponding payable was reported as Due to Other Funds for both the General Fund and Capital Projects Fund.

Fixed Assets and Depreciation

Property, Plant and Equipment - Governmental Funds

Fixed assets acquired or constructed for general governmental purposes are recorded either as capital outlay expenditures or functional expenditures in the governmental funds. These assets are capitalized at cost (or estimated historical costs for assets not purchased in recent years) in the General Fixed Asset Account Group. Contributed fixed assets are recorded at fair value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

The City has elected not to record depreciation in the General Fixed Asset Account Group.

Property, Plant and Equipment - Proprietary Funds

Proprietary fund type property, plant and equipment are recorded at historical cost or estimated historical cost, including interest capitalized during construction, and architectural and engineering fees where applicable within the appropriate funds. Contributed fixed assets are recorded at fair market value at the date received. Depreciation has been provided using the straight-line method using the following estimated useful lives:

Machinery, Equipment, Furniture and Fixtures	5 - 20 years
Buildings, Improvements Other than Buildings and Utility Plant in Service	25 - 50 years

Improvements other than buildings represent public domain property such as water and sewer lines, reservoirs and other similar enterprise fund assets that are not removable and are of value only to the governmental unit. Proprietary fund type infrastructure is capitalized and recorded in the accompanying general purpose financial statements. However, governmental fund type infrastructure is not capitalized.

Depreciation on proprietary fixed assets is charged to retained earnings.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The City records a liability for sick leave, vacation, and compensatory time when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "compensated absences payable."

The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. For proprietary funds, the entire amount of unpaid compensated absences is reflected as a liability within the respective funds. The City follows the provisions of GASB Statement No. 16, "Accounting for Compensated Absences".

Long-Term Obligations

In accordance with GAAP, long-term liabilities are not recognized within governmental funds. They are, instead, reported as liabilities in the General Long-Term Obligations Account Group. Long-term liabilities used to finance proprietary fund operations and directly payable from revenues of those funds are reported in the respective proprietary fund.

Reservations of Fund Balances

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for supplies inventory, endowments and encumbrances.

Bond Discounts/Issuance Costs

Bond discounts and issuance costs are recognized in the current period in governmental fund types and are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas, issuance costs are recorded as deferred charges.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- (1) Operating transfers are reported as "Operating transfers-in" by the recipient fund, and "Operating transfers-out" by the disbursing fund.
- (2) Residual equity transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City had no residual equity transfers during 2001.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are similarly treated when involving other funds of the City.

Contributed Capital

Contributions for (or of) capital assets to proprietary funds are credited directly to contributed capital. These amounts include donations by developers, other governments, and governmental funds of the City. The operating-type contributions or grants are recorded as revenue in the receiving funds. The City had several changes in contributed capital during 2001 that were due to Governmental funds transferring fixed assets to the Enterprise funds. The total of these contributions was \$13,722.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

Reclassification of Funds

In 2000 the Community Improvement Fund was classified as a Capital Projects Fund but in 2001 has been properly reclassified as a Special Revenue Fund. This reclassification has caused an increase in the beginning fund balance of the Special Revenue Funds and a decrease of the Capital Projects beginning fund balance on the Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual. The amount of the increase/decrease is \$37,002.

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Balance / Fund Equity Deficits

The following funds had deficit fund balances / retained earnings as of December 31, 2001:

General Fund	\$5,265,595
<u>Special Revenue Funds:</u>	
Street, Construction, Maintenance & Repair Fund	\$199,288
School Based Partnership Grant	\$899
Fire Tax Levy 1995	\$266,594
<u>Capital Project Funds:</u>	
Alternate Access Road Fund	\$48,535
Jackson Industrial Park Building	\$322,072

The City's December 31, 2000 audit report, dated October 17, 2001, completed by J.L. Uhrig & Associates, Inc. and a special audit report released by the Auditor of the State of Ohio on February 11, 2002 questioned certain costs and accounting practices involving how the City has historically recorded transactions associated with the City's Enterprise Funds reimbursement to the general fund for rent, right-of-way and administrative support costs. On September 23, 2002 the City made the adjustments to the beginning fund cash balances of the general, street construction maintenance and repair fund and the enterprise funds to, effectively, repay the Enterprise funds for reimbursements made to the General Fund since 1990. These adjustments resulted in a negative fund balance of \$5,265,595 in the general fund and a negative fund balance of \$199,288 in the street construction maintenance and repair fund.

The deficit balance in the School Based Partnership Grant Fund is due to intergovernmental revenues which had not been received at year end and were not available to finance current expenditures. The deficit will be eliminated through future intergovernmental revenues.

The deficit balance in the Fire Tax Levy 1995 Fund Special Revenue Fund is the result of applying generally accepted accounting principles and the requirement to report note indebtedness in the fund which receives the note proceeds. These deficits will be eliminated when the notes are paid off.

The deficit balance in the Alternate Access Road Capital Project Fund and Jackson Industrial Park Building Fund are due to intergovernmental revenues which had not yet been received at year end and were not available to finance current expenditures. These deficits will be eliminated with future intergovernmental revenues.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 4 - CASH, DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the two year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys 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.

Legislation permits inactive 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 or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above, provided that the fair 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 fair value 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; and
- (6) The State Treasurer's investment pool (STAROhio).

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 4 - CASH, DEPOSITS AND INVESTMENTS (Continued)

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

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

The amounts available for deposit and investment are as follows:

Cash and Cash Equivalents (Carrying Amounts)	
* Pooled	\$10,610,649
* Restricted.....	<u>1,513,377</u>
Total Available for Deposit and Investment (Bank Balance of Deposits/Carrying Amount of Investments)	<u>\$12,124,026</u>

Any depository that receives a City deposit or investment is required to pledge to the investing authority as collateral eligible securities of aggregate fair value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation, equals or exceeds the amount of City funds deposited.

A public depository may, at its option, pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 110% of all public monies on deposit with the depository including the amount covered by federal insurance.

GASB Statement No. 9 requires the City to report cash flows for its' proprietary funds. For purposes of the Statement of Cash Flows, proprietary fund participation in the State Treasurer's investment pool (STAR Ohio) is treated as a demand account and reported as a cash equivalent on the Combined Balance Sheet. In addition, all highly liquid investments held with a maturity of three months or less when purchased, are considered cash equivalents. Only separate investments with a maturity of greater than three months are reported as investments on the Combined Balance Sheet.

The Governmental Accounting Standards Board (GASB Statement No. 3) has established credit risk categories for deposits and investments as follows:

Category 1: Deposits that are insured or collateralized with securities held by the City or its agent in the City's name.

Investments that are insured or registered, or securities held by the City or its agent in the City's name.

Category 2: Deposits that are collateralized and unregistered, with securities held by the counter-party's trust department or agent in the City's name.

Investments that are uninsured or unregistered, with securities held by the Counter-party's trust department or agent in the City's name.

Category 3: Deposits that are uncollateralized or collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the City's name.

Investments that are uninsured and unregistered, with securities held by the Counter-party or its trust department or agent but not in the City's name.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 4 - CASH, DEPOSITS AND INVESTMENTS (Continued)

Based on the above criteria, the City deposits and investments at December 31, 2001 are classified as follows:

	Category 1	Category 2	Category 3	Bank Balance	Carrying Amount	Fair Value
<i>Deposits:</i>						
Demand Deposits	\$100,000	\$0	\$894,859	\$994,859	\$865,327	
Certificates of Deposit	0	0	2,310,000	2,310,000	2,310,000	
Total Deposits	<u>\$100,000</u>	<u>\$0</u>	<u>\$3,204,859</u>	<u>\$3,304,859</u>	<u>\$3,175,327</u>	
<i>Investments:</i>						
Common Trust Fund A	\$0	\$186,387	\$0		\$186,387	\$186,387
U.S. Treasury Notes	0	0	1,357,213	1,357,213	1,357,213	1,357,213
State Treasury Pool *	0	0	0		7,405,099	7,405,099
Total Investments	<u>\$0</u>	<u>\$186,387</u>	<u>\$1,357,213</u>	<u>\$1,357,213</u>	<u>\$8,948,699</u>	<u>\$8,948,699</u>

* The City's investment in the State Treasury Pool (STAROhio) is not categorized because it is not evidenced by securities that exist in physical or book form.

GASB 3 to GASB 9 Reconciliation

	<u>Cash & Cash Equivalents</u>	<u>Investments</u>
GASB 3 Balances	\$10,580,426	\$1,543,600
STAROhio	<u>(7,405,099)</u>	<u>7,405,099</u>
GASB 9 Balances	<u>\$3,175,327</u>	<u>\$8,948,699</u>

NOTE 5 - LOANS AND NOTES RECEIVABLE

Loans receivable in the Special Revenue Funds represent low interest loans made by the City for community development projects and small businesses under the Federal Community Development Block Grant (CDBG) program. The loans bear interest at an annual rate ranging from 0 to 6 percent. The loans are to be repaid over periods ranging from 3 to 15 years. The non-current portion of these loans is reported as fund balance - reserved for loans receivable.

Notes receivable in the Enterprise Funds represent an agreement made in 1995 between the City and Foremost Management, Inc. (Luigino's), whereby Foremost Management, Inc. has agreed to make payments to the City for the retirement of the \$448,463 OWDA loan. The agreement requires the note to be repaid over 10 years at 2.20 % interest.

NOTE 6 - NOTES, BONDS AND OTHER OBLIGATIONS PAYABLE

The Ohio Revised Code provides that notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds, may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes (the maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years). Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five year period.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 6 - NOTES, BONDS AND OTHER OBLIGATIONS PAYABLE (Continued)

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or available funds of the City, or a combination of these sources. The City is retiring its notes payable by the issuance of one year renewal notes with a portion of the principal being retired in accordance with the above provisions.

The City had the following general obligation bond anticipation notes outstanding in the governmental funds at December 31, 2001:

	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u> <u>Amount</u>
Fire Improvements	10/29/02	4.71%	\$300,000
Real Estate Improvements	6/13/02	5.41%	<u>255,345</u>
Total General Obligation Bond Anticipation Notes			<u>\$555,345</u>

The Fire Tax Levy (1995) Fund (Special Revenue) is responsible for paying off the \$300,000 improvements note. The Real Estate Improvements note in total is \$350,000 and is split between the general fund, street maintenance construction and repair fund and the enterprise funds (water, sewer, garbage and electric funds). The portion that is payable from the enterprise funds is \$94,640 which is not included in the above schedule. The portion that is payable from the general fund is \$117,675 and the portion payable from the special revenue funds (street construction maintenance and repair fund) is \$137,670.

A summary of General Long-Term Obligations Account Group transactions for the year ended December 31, 2001 follows:

<u>Description</u>	<u>Balance January 1,</u> <u>2001</u>	<u>Issued (Retired)</u>	<u>Balance December 31,</u> <u>2001</u>
<i>General Long Term Obligations:</i>			
Compensated Absences	\$316,380	(\$43,220)	\$273,160
Notes Payable	480,360	(51,070)	429,290
Police/Firemen's Pension Liability	<u>41,311</u>	<u>(544)</u>	<u>40,767</u>
<i>Total General Long Term Obligations</i>	\$838,051	(\$94,834)	\$743,217

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 6 - NOTES, BONDS AND OTHER OBLIGATIONS PAYABLE (Continued)

A summary of Enterprise Funds notes payable and other long-term obligations transactions for the year ended December 31, 2001 follows:

<i>Description</i>	<i>Interest Rate</i>	<i>Issue Date</i>	<i>Balance January 1, 2001</i>	<i>Issued (Retired)</i>	<i>Balance December 31, 2001</i>
Notes Payable:					
Real Estate Notes Payable	5.41%	2001	\$113,571	(\$18,931)	\$94,640
Total Real Estate Notes Payable			\$113,571	(\$18,931)	\$94,640
Various Purpose Notes Payable	4.26%	1999	\$200,000	(\$200,000)	\$0
Various Purpose Notes Payable	4.71%	2000	0	150,000	150,000
Total Various Purpose Notes Payable			\$200,000	(\$50,000)	\$150,000
Railroad Notes	9.0%	1987	\$28,552	(28,552)	\$0
Railroad Shippers Notes	5.0%	1988	43,750	(43,750)	0
Railroad Locomotive Shop Loan	4.75%	2001	0	80,000	80,000
Railroad Rehabilitation Loan	4.0%	2001	0	123,501	123,501
Railroad Rail Spur Industrial Park Loan	1.5%	2001	0	141,321	141,321
Total Railroad Notes Payable			\$72,302	\$272,520	\$344,822
Holzer Hospital Water Lines Loan	0%	2001	\$300,000	(\$6,828)	\$293,172
Holzer Hospital Water Lines Loan	0%	2001	0	29,991	29,991
			\$300,000	\$23,163	\$323,163
Holzer Hospital Sewer Lift Station Loan	0%	2001	\$599,433	(\$13,849)	\$585,584
Total Notes Payable			\$1,285,306	\$212,903	\$1,498,209
Ohio Water Development Authority Loan	2.2%	1993	\$591,459	(\$143,049)	\$448,410
Mortgage Revenue Bonds Payable:					
Sewer System	3.0 – 6.4%	1992	\$490,000	(\$110,000)	\$380,000
Electric System	2.7 – 5.5%	1993	1,535,000	(155,000)	1,380,000
Water System	2.8 – 5.6%	1993	2,410,000	(85,000)	2,325,000
Electric System	4.15 – 6.4%	1996	3,515,000	(155,000)	3,360,000
Total Mortgage Revenue Bonds Payable			\$7,950,000	(\$505,000)	\$7,445,000

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 6 - NOTES, BONDS AND OTHER OBLIGATIONS PAYABLE (Continued)

The principal and interest requirements to retire the following long-term obligations outstanding at December 31, 2001, are as follows:

<i>Year Ending December 31</i>	<i>Mortgage Revenue Bonds</i>	<i>Police & Firemen's Disability Pension</i>	<i>Real Estate Improvement Note</i>	<i>Railroad Notes</i>	<i>OWDA Loan</i>	<i>Retirement Incentive Plan (PERS)</i>	<i>Totals</i>
2002	\$937,136	\$2,295	\$19,328	\$118,819	\$117,210	\$59,613	\$1,254,401
2003	937,136	2,295	19,328	78,130	117,210	59,613	1,213,712
2004	937,136	2,295	19,329	66,603	117,210	59,613	1,202,136
2005	797,925	2,295	19,329	66,603	117,210	35,674	1,039,035
2006	797,925	2,295	19,329	66,602	0	0	866,151
2007-2011	3,268,304	11,475	0	0	0	0	3,279,779
2012-2016	2,433,737	11,475	0	0	0	0	2,445,212
2017-2021	611,390	11,475	0	0	0	0	622,865
2022-2026	0	11,475	0	0	0	0	11,475
2027-2039	0	19,389	0	0	0	0	19,389
	<u>\$10,720,689</u>	<u>\$76,764</u>	<u>\$96,643</u>	<u>\$396,757</u>	<u>\$468,840</u>	<u>\$214,513</u>	<u>\$11,974,206</u>
Less:							
Amount							
Representing	3,275,689	35,997	2,003	51,935	20,429	32,348	3,418,401
Interest							
Principal Due	<u>\$7,445,000</u>	<u>\$40,767</u>	<u>\$94,640</u>	<u>\$344,822</u>	<u>\$448,410</u>	<u>\$182,165</u>	<u>\$8,555,805</u>

OWDA Loan - (Enterprise Fund)

The City has obtained an OWDA loan to make improvements to the wastewater treatment plant. These improvements were necessary in order to improve and increase the wastewater treatment plants capacity so that the addition of the Luigino's plant would be feasible. These improvements included upgrading the two trickling filters, adding recycling pumps, adding other new pumps and reconditioning older pumps and the construction of a scum building. As a result of this loan, an agreement was made between the City and Foremost Management, Inc. (Luigino's), whereby Luigino's has agreed to make payments to the City over a period of 10 years for the repayment of this OWDA loan. In the event that Luigino's would be unable to make the payments to the City, Foremost Management, Inc. has agreed to pay the payments. As of December 31, 1997 the City has borrowed \$1,387,797 from OWDA of which \$448,410 remains as a liability in the accompanying general purpose financial statements. The total costs and related amortization schedule is included.

Retirement Incentive Plan (PERS) – (Enterprise Funds)

The City has approved a Retirement Incentive Plan that is available to five (5) percent of employees of the City of Jackson who are employed by the City and are members of P.E.R.S. on May 1, 2001. The plan is based on provisions of Section 145.297 of the Ohio Revised Code and Administrative Rule 145-15-04. Three (3) employees of the City's enterprise funds have elected to participate in the plan. Pursuant to the terms of the plan, service credit for each participant employee was purchased by the City in an amount equal to the lesser of the following:

- 1.) Five (5) years of service credit.
- 2.) An amount of service equal to 1/5 of the total service of record credited to the participating employee in the Public Employees Retirement System, exclusive of the service credit purchased under this plan.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 6 - NOTES, BONDS AND OTHER OBLIGATIONS PAYABLE (Continued)

The City made an initial payment of \$59,613, including interest, and financed the remaining amount (\$182,165) over five years at 7.75% interest.

Conduit Debt Obligations

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

As of December 31, 2001 there was one series of Industrial Revenue Bond outstanding with an aggregate principal amount payable of \$1.22 million and one series of Hospital Facilities Revenue Bond outstanding with an aggregate principal amount payable of \$25 million.

OMEGA JV5 - (Enterprise Fund)

The City is a participant in a joint venture that has issued Certificates of Beneficial Interest. The debt service payments are obligations of the joint ventures' participants, payable from each participants' municipal electric utility system, subject only to the prior payment of operation and maintenance expenses. In case of default by a participant, the remaining participants become liable for that participant's debt service payments. The Certificates of Beneficial Interest are fully insured in case of total default by all of the participants. No defaults have occurred to date on this joint venture. For financial reporting purposes, the City nets this debt with its equity in the joint venture.

The City's share of the debt associated with the Ohio Municipal Electric Generating Agency Joint Venture 5 (JV5) is 7.14% of \$141,700,000 or approximately \$10,117,380. Principal payments are made monthly. The total principal retirements and the portion that will be paid by the City are as follows:

Year	Certificates of Beneficial Interest	City of Jackson Percentage
2002	\$3,280,000	\$234,192
2003	3,445,000	245,973
2004	3,620,000	258,460
2005	3,800,000	271,320
2006	4,000,000	285,600
2007-2020	123,555,000	8,821,835
Total	<u>\$141,700,000</u>	<u>\$10,117,380</u>

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) are collected in one calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last reappraisal was completed for tax year 1996. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semi-annually, the first payment is due January 20, with the remainder payable by June 20. Under certain circumstances, state statute permits later payment dates to be established.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 7 - PROPERTY TAXES (Continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceeding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county including the City of Jackson. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate applied to real property for tax year ended December 31, 2001 was \$46.70 per \$1,000 of assessed value. The assessed value upon which the 1999 levy was based was \$105,753,319.00. This amount constitutes \$43,087,470 in residential/agricultural real property assessed value, \$34,742,500 in commercial/industrial real property assessed value, \$3,326,800 in public utility assessed value and \$24,592,649 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .5% (5.0 mills) of assessed value.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Public Employees Retirement System

All employees, other than non-administrative full-time police officers, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For 2001 employer pension contribution rate for the City was 13.55 percent of covered payroll. For 2000, PERS instituted a temporary employer rate rollback for state and local governments. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000 and 1999, were \$336,079, \$316,688, and \$352,605, respectively. The full amount has been contributed for 2000 and 1999. 94 percent has been contributed for 2001, with the remainder being presented as "due to other governments" within the funds.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Police and Firemen's Disability and Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to 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 City is required to contribute 19.5%. The City's contributions to OP&F for the years ending December 31, 2001, 2000, and 1999 were \$140,780, \$148,515 and \$108,200 respectively; 95% has been contributed for 2001 and 100% for years 2000 and 1999. Of the 2001 amount, \$7,421 was unpaid and is being presented as "due to other governments" within the funds.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2001, the un-funded police liability of the City was \$40,767 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

NOTE 9 – POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.3 percent was the portion used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.3 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

The number of active contributing participants was 411,076. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million respectively.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting are on a pay-as-you-go basis. The total employer contribution rate for police is 19.5 percent of covered payroll of which 7.5% was used to pay health care benefits for the year 2001 which amounted to \$54,200. 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.

As of December 31, 2000, the number of participants eligible to receive health care benefits was 12,853 for police and 10,037 for firefighters. OP&F's total health care expense for year ending December 31, 2000, the date of the last actuarial valuation available, was \$106,160,054, which was net of member contributions of \$5,657,431.

NOTE 10 - COMPENSATED ABSENCES

All full-time City employees earn vacation at varying rates based upon length of service. An employee may carry over a vacation balance equal to two years. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance, not to exceed the carryover of two years.

All full-time City employees earn sick leave at the rate of 4.6 hours for every 80 hours of active service. Upon separation from the City, an eligible employee shall receive one-half hour of monetary compensation for every hour of unused sick leave, if the length of service is between 5 and 10 years, and one hour of monetary compensation if the length of service is more than ten years; the monetary compensation shall be at the hourly rate of compensation of the employee at the time of retirement, if the employee is not given credit at his next place of employment.

City employees who work on holidays and in an occasional overtime status are primarily paid on a current basis. However, in some instances the employees are permitted to accrue compensatory time to be taken as time off or to be paid at a later date.

The City follows the provisions of GASB Statement No. 16 related to compensated absences. At December 31, 2001 the total liability for unpaid compensated absences was \$273,160 for all funds of the City except proprietary funds. For governmental funds, the entire amount was considered long-term since no payments were anticipated which would require the use of current available financial resources. The liability has been reported in the General Long-Term Obligations Account Group. The portion attributable to the proprietary funds has been recorded within the respective funds.

NOTE 11 - DEFERRED COMPENSATION PLANS

The City of Jackson employees and elected officials may participate in the Ohio Public Employees Deferred Compensation Program or a deferred compensation plan administered by Aetna (the plans). Both plans are created in accordance with Internal Revenue Service Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, death or in the case of an unforeseeable emergency.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 11 - DEFERRED COMPENSATION PLANS(Continued)

Under the Ohio Public Employees Deferred Compensation Program and Aetna, all plan assets are now being held in a trust arrangement for the exclusive benefit of participants and their beneficiaries, as required by the Small Business Protection Act of 1996. Under this Act, all existing deferred compensation plans were required to implement such a trust arrangement by January 1, 1999. As a result, the assets of these plans are no longer reflected in the combined financial statements of the City.

NOTE 12 – INTERFUND TRANSACTIONS

The following is a summary of operating transfers for all funds in 2001.

<u>Fund</u>	<u>Transfers In</u>	<u>Advances In</u>	<u>Transfers Out</u>	<u>Advances Out</u>
General Fund	\$0	\$5,327,463	\$119,362	
<i>Special Revenue Funds:</i>				
Cemetery Fund	\$3,082		0	
Street CM&R Fund	29,000		0	
State Highway Fund	14,510		0	
Edwin Jones Park Fund	7,157		0	
Community Improvement Fund	13,202		0	
Lillian Jones Museum Operating Fund	29,425		0	
FEMA Fire Truck Fund	13,400		0	
FEMA Fire Gear Fund	4,100		0	
	<u>113,876</u>		<u>0</u>	
<i>Capital Projects Funds:</i>				
Alternative Access Road Project Fund		48,535		\$0
Jackson Industrial Park Fund		322,072		0
		<u>370,607</u>		<u>0</u>
<i>Enterprise Funds:</i>				
Garbage	13,500	0	0	0
Electric	0	0	0	5,698,070
Municipal Swimming Pool	11,000	0	0	0
Park Enhancement	20,650	0	0	0
	<u>45,150</u>	<u>0</u>	<u>0</u>	<u>5,698,070</u>
<i>Expendable Trust Fund:</i>				
Edwin Jones Investment Fund	0		7,157	
<i>Nonexpendable Trust Fund:</i>				
Robert Jones Trust Fund	0		3,082	
Lillian Jones Museum Trust Fund	0		29,425	
	<u>0</u>		<u>32,507</u>	
<u>TOTAL ALL FUNDS</u>	<u>\$159,026</u>	<u>\$5,698,070</u>	<u>\$159,026</u>	<u>\$5,698,070</u>

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 13 - FIXED ASSETS

General Fixed Assets - Summary by category of changes in general fixed assets:

Category	January 1, 2001	Additions / Transfers	Deletions / Transfers	December 31, 2001
Land	\$717,647	\$281,144	\$0	\$998,791
Buildings / Improvements	1,873,676	690,332	0	2,564,008
Machinery / Equipment	1,896,617	493,977	90,621	2,299,973
Subtotal	\$4,487,940	\$1,465,453	\$90,621	\$5,862,771
Construction In Progress	453,855	0	453,855	0
Totals	\$4,941,795	\$1,465,453	\$544,476	\$5,862,771

Proprietary Fixed Assets - Summary by category at December 31, 2001:

Category	Cost	Accumulated Depreciation	Book Value
Land	\$2,973,145	\$0	\$2,973,145
Buildings	941,956	(326,525)	615,431
Improvements	12,012,948	(3,607,157)	8,405,791
Machinery & Equipment	2,577,477	(1,201,545)	1,375,932
Subtotal – Assets In Service	\$18,468,498	(\$5,135,227)	\$13,370,299
Construction In Progress	629,445	0	629,445
Total	\$19,134,971	(\$5,135,227)	\$13,999,745

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the City which are financed primarily by user charges are water treatment and distribution, wastewater collection and treatment, electric, garbage collection, railroad, swimming pool and recreation services. The key financial information for the year ended December 31, 2001 for these enterprise activities is as follows:

	Water Fund	Sewer Fund	Garbage Fund	Electric Fund
Operating Revenues	\$1,876,377	\$1,946,467	\$547,769	\$9,483,018
Depreciation/Amortization	178,779	139,057	25,502	128,499
Operating Income	242,244	695,347	(8,399)	2,125,823
Net Income	342,494	633,959	670	1,137,495
Total Assets	8,005,401	8,250,448	499,718	13,021,345
Net Working Capital	786,315	1,632,914	102,530	5,224,238
Fixed Assets:				
Additions	711,318	1,369,291	18,485	210,853
Deletions	(250,323)	(121,341)	(12,102)	(78,492)
Long-Term Liabilities	2,256,767	635,873	0	4,506,181
Total Equity	\$4,996,290	\$6,482,045	\$327,703	\$7,316,239
	Railroad Fund	Swimming Pool Fund	Recreation Fund	Totals
Operating Revenues	\$95,451	\$24,301	\$32,109	\$14,005,492
Depreciation/Amortization	32,481	3,329	4,960	512,607
Operating Income	39,996	(12,147)	4,545	3,087,409
Net Income	534,852	13,210	27,461	2,690,141
Total Assets	3,449,427	77,878	144,440	33,448,657
Net Working Capital	(279,932)	5,578	34,464	7,506,107
Fixed Assets:				
Additions	849,850	25,814	19,797	3,205,408
Deletions	0	0	(3,000)	(465,258)
Long-Term Liabilities	0	0	0	7,398,821
Total Equity	\$3,104,194	\$77,652	\$144,440	\$22,448,563

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 15 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City is the defendant in a class action lawsuit requesting injunctive relief and damages, due to the alleged overcharging of the City's Utilities for its services. The City cannot evaluate the likelihood of a favorable or unfavorable outcome on such demands, or the amount or range of any possible loss.

The City along with Auditor of State Jim Petro, are defendants in a lawsuit seeking a declaratory judgment action to void an audit finding against the City. Plaintiffs in this action are the City's Mayor and Service/Safety Director. On September 23, 2002 the City Auditor made adjustments to the January 1, 2001 beginning equity to reflect the adjustments contained in the special audit report. These adjustments relate to the City's practice of transferring Water, Electric and Sewer Fund cash to the General Fund. In the opinion of the Auditor of State, these payments to the General Fund are contrary to Ohio law. (See Note 17.) On September 27, 2002 the City's Mayor filed a motion for a restraining order and preliminary injunction to restrain the execution of the State Auditor's finding from the special audit report against the general fund. The City cannot evaluate the likelihood of a favorable or unfavorable outcome on such demands, or the amount of any potential gain or loss.

NOTE 16 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injury and natural disasters. The City has addressed these various types of risk by purchasing comprehensive insurance through commercial carriers.

The following types of coverage that the City has with commercial carriers are:

Type of Coverage	Limit of Coverage	Deductible
General Liability	\$1,000,000.00	None
Public Officials Liability	\$1,000,000.00 / Occurrence	\$3,500.00
Auto Liability	\$1,000,000.00 / Occurrence	\$500.00
Property Damage	\$32,529,454.00	\$1,000.00
Earthquake Damage	\$10,000,000.00	5% of Damage Not To Exceed \$500,000.00
Flood Insurance: Waste Water Treatment Building	\$55,000.00	\$500.00
Flood Insurance: Electric Works Building	\$3,300.00	\$500.00

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 16 - RISK MANAGEMENT (Continued)

Type of Coverage	Limit of Coverage	Deductible
Flood Insurance: City Garage Building	\$55,000.00	\$500.00
Flood Insurance: Waste Water Treatment Building Contents	\$26,300.00	\$500.00
Flood Insurance: Electric Works Building Contents	\$13,200.00	\$500.00
Flood Insurance: City Garage Building Contents	\$6,300.00	\$500.00
Law Enforcement Professional Liability	\$1,000,000.00 / Occurrence	\$7,500.00
Employee Dishonesty	\$125,000.00 / Occurrence	None

The City provides employee medical/surgical benefits, and prescription drugs through Anthem Blue Cross / Blue Shield of Columbus, Ohio.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Employee Benefit Self Insurance

The City sponsors a self-funded employee benefit program which provides dental and vision benefits for its full-time employees. The City's claims liability is limited through specific and aggregate stop-loss insurance issued by the Commercial Union Life Insurance Company to \$20,000 per person per year and an aggregate of all claims under \$20,000 of \$251,136.

Worker's Compensation

The City pays the state workers compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accidents, history and administrative costs. The participation in this state mandated insurance fund allows the City to transfer all risk associated with workers compensation.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 17-PRIOR PERIOD ADJUSTMENTS AND CHANGES IN ACCOUNTING PRINCIPLES

The following table summarizes all of the prior period adjusting entries that were made to the funds as of December 31, 2001:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Enterprise Funds</u>
Fund Equity previously reported at December 31, 2000	\$ 613,382	\$ 516,534	\$ (230,887)	\$ 11,094,503
Transfers between the General and Enterprise Funds	(5,563,030)	(249,501)		5,818,075
Other Special Audit Adjustments		427,907		(9,277)
Restatement of Equity in Omega JV-5 Joint Venture				(500,577)
Other		(911)	378,942	60,763
Fund Equity restated as of January 1, 2001	<u>\$ (4,949,648)</u>	<u>\$ 694,029</u>	<u>\$ 148,055</u>	<u>\$ 16,463,487</u>

A significant portion of the adjustments disclosed above relate to transfers made from the Enterprise Funds listed above to the General Fund since 1990. As described in the Special Audit Report, in the opinion of the Auditor of State, these adjustments are not permitted by Ohio law. The other Special Audit adjustments relate to disbursements of prior periods made from funds from which the expenditure was not permitted.

At December 31, 2000, the City Enterprise Fund reported \$10,953,831 as an asset titled Equity in Joint Venture and the related liability titled Certificates of Participation in the amount of \$10,141,536 for its share of OMEGA JV-5. For 2001, the City has netted the liability against its equity interest in the Joint Venture resulting in a decrease of \$812,295 in Enterprise Fund Retained Earnings. The City then adjusted the Retained Earnings by \$311,718 to reflect the actual equity in this joint venture.

Other Adjustments were made to certain funds' January 1, 2001 balances to correct minor accounting errors.

In prior periods, the City summarized the financial activity relating to their self-insurance program in an Internal Service Fund when the actual program costs were reported within the corresponding funds from which participating individual employees were paid. The Internal Service Fund only existed in the GAAP financial statements. In addition, the City did not reduce the activity already reflected in the various funds resulting in the overstatement of revenue and expenditures. Per Auditor of State of Ohio Audit Bulletin 2001-005, Ohio Law permits, but does not require, the City to establish a separate internal service fund to account for an Employee Benefit Self Insurance program. For 2001, the City eliminated the Internal Service Fund from financial statements to avoid the overstatement. Refer to Note 16 in the financial statements for additional information pertaining to the City's Employee Benefit Self Insurance program.

For 2001, the City has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." GASB Statements No. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or modified accrual basis of accounting is required. For revenue recognition to occur on the modified accrual basis, however, the criteria established for accrual basis revenue recognition must be met and the revenue must be available. The provisions of Statement No. 33 also require that capital contributions to proprietary funds be recognized as revenue and are reported as increases in retained earnings beginning in 2001. The implementation of GASB Statements 33 and 36 had no effect on the fund balance at December 31, 2000.

CITY OF JACKSON, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 18-SUBSEQUENT EVENTS

The general fund concluded 2001 with a deficit cash balance of \$5,327,463. On August 26, 2002 the Jackson City Council authorized the President of City Council to request the Auditor of the State of Ohio to place the City under a fiscal watch review. Pursuant to Section 118.021 of the Ohio Revised Code, the Auditor of State certified a forecasted deficit in the general fund of \$5,918,000 as of December 31, 2002. On the basis of this certified deficit, a fiscal watch was declared on November 18, 2002 by the Auditor of State. The City is analyzing its operations to determine appropriate steps to alleviate the deficit.

The City filed a request with the Tax Commissioner of the State of Ohio to transfer \$3,500,000 from the Electric Fund to the General Fund as per Ohio Revised Code Section 5705.15 and 5705.16. The Tax Commissioner approved the City's request on September 11, 2002. The City then filed a petition for the transfer of funds with the Common Pleas Court, pursuant to Revised Code Section 5705.15 and 5705.16. The petition was approved by the Common Pleas Court Judge Thomas Hodson on December 11, 2002. Ordinance number 155-02, dated December 23, 2002, authorized the City Auditor to transfer the \$3,500,000 from the Electric Fund to the General Fund. The City Auditor posted the transfer on December 27, 2002. As a result, the City lowered their unaudited December 31, 2002 deficit fund cash balance to \$2,675,393.

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CITY OF JACKSON, OHIO

Schedule of General Fixed Assets

By Category

December 31, 2001

	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total
General Government:						
Mayor / Service Director	\$ -	\$ -	\$ -	\$ 66,066	\$ -	\$ 66,066
Auditor	-	-	-	63,027	-	63,027
City Engineer	-	-	-	19,818	-	19,818
City Council	-	42,673	-	10,467	-	53,140
City Hall	42,131	1,047,450	-	46,687	-	1,136,268
Economic Development	281,144	680,272	-	-	-	961,416
Total General Government	<u>323,275</u>	<u>1,770,395</u>	<u>-</u>	<u>206,065</u>	<u>-</u>	<u>2,299,735</u>
Security of Persons and Property:						
Police	40,000	176,027	-	282,865	-	498,892
Fire	22,599	100,100	1,120	1,211,162	-	1,334,981
Total Security of Persons and Property	<u>62,599</u>	<u>276,127</u>	<u>1,120</u>	<u>1,494,027</u>	<u>-</u>	<u>1,833,873</u>
Public Health and Welfare:						
Cemetery	21,848	14,241	-	58,042	-	94,131
Transportation:						
Street	68,248	367,106	-	538,304	-	973,658
Community Environment:						
Community Development Block Grant Administration	-	-	-	-	-	-
Residential Acquisition	472,821	-	-	-	-	472,821
Total Community Environment	<u>472,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>472,821</u>
Leisure Time Activities:						
Cultural Facilities:Lillian Jones Museum	50,000	100,604	34,415	3,535	-	188,554
Total General Fixed Assets	<u><u>\$998,791</u></u>	<u><u>\$2,528,473</u></u>	<u><u>\$35,535</u></u>	<u><u>\$2,299,973</u></u>	<u><u>\$0</u></u>	<u><u>5,862,772</u></u>

CITY OF JACKSON, OHIO
Schedule of Changes in General Fixed Assets
By Function and Activity
Year Ended December 31, 2001

Function and Activity	January 1, 2001	Additions/ Transfers	Deletions/ Transfers	December 31, 2001
General Government:				
Mayor / Service Director	\$ 66,940	\$ 9,381	\$ (10,255)	\$ 66,066
Auditor / Treasurer	87,973	13,035	(37,982)	63,027
City Engineer	9,490	11,540	(1,213)	19,818
City Council	53,140	-	-	53,140
City Hall	1,092,575	43,693	-	1,136,268
Economic Development	419,375	961,416	-	1,380,791
Total General Government	1,729,493	1,039,065	(49,450)	2,719,110
Security of Persons and Property:				
Police	511,017	12,065	(24,191)	498,891
Fire	993,951	341,031	-	1,334,982
Total Security of Persons and Property	1,504,968	353,096	(24,191)	1,833,873
Public Health and Welfare:				
Cemetery	103,328	9,803	(18,999)	94,132
Transportation:				
Street	952,692	53,429	(32,462)	973,659
Community Environment:				
Community Development Block Grant Administration	-	-	-	-
Residential Acquisition	472,821	-	-	472,821
Total Community Environment	472,821	-	-	472,821
Leisure Time Activities:				
Cultural Facilities:Lillian Jones Museum	178,493	10,060	-	188,553
Total General Fixed Assets	\$ 4,941,795	\$ 1,465,453	\$ (125,102)	\$ 6,282,148

CITY OF JACKSON, OHIO
Schedule of General Fixed Assets
By Source
December 31, 2001

General Fixed Assets:

Land	\$998,791
Buildings	2,528,473
Improvements Other Than Buildings	35,535
Machinery and Equipment	2,299,972
Construction in Progress	0
<i>Total General Fixed Assets</i>	<u><u>\$5,862,771</u></u>

Investment in General Fixed Assets:

General Fund	\$1,828,310
Special Revenue Funds	1,564,976
Capital Projects Funds	1,758,013
Enterprise Funds	568,790
Donations/Contributions	142,682
<i>Total Investment in General Fixed Assets</i>	<u><u>\$5,862,771</u></u>

CITY OF JACKSON, OHIO
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended December 31, 2001

	Balance January 1, 2001	Additions	Reductions	Balance December 31, 2001
Fire Loss Fund				
<i>Assets:</i>				
Cash and Cash Equivalents	\$2,326	\$13,080	(\$4,500)	\$10,906
<i>Total Assets</i>	<u>\$2,326</u>	<u>\$13,080</u>	<u>(\$4,500)</u>	<u>\$10,906</u>
<i>Liabilities:</i>				
Due to Others	\$2,326	\$13,080	(\$4,500)	\$10,906
<i>Total Liabilities</i>	<u>\$2,326</u>	<u>\$13,080</u>	<u>(\$4,500)</u>	<u>\$10,906</u>
Street Excavation Fund				
<i>Assets:</i>				
Cash and Cash Equivalents	\$11,350	\$5,500	(\$5,000)	\$11,850
<i>Total Assets</i>	<u>\$11,350</u>	<u>\$5,500</u>	<u>(\$5,000)</u>	<u>\$11,850</u>
<i>Liabilities:</i>				
Due to Others	\$11,350	\$5,500	(\$5,000)	\$11,850
<i>Total Liabilities</i>	<u>\$11,350</u>	<u>\$5,500</u>	<u>(\$5,000)</u>	<u>\$11,850</u>
Totals - All Agency Funds				
<i>Assets:</i>				
Cash and Cash Equivalents	\$13,676	\$18,580	(\$9,500)	\$22,756
<i>Total Assets</i>	<u>\$13,676</u>	<u>\$18,580</u>	<u>(\$9,500)</u>	<u>\$22,756</u>
<i>Liabilities:</i>				
Due to Others	\$13,676	\$18,580	(\$9,500)	\$22,756
<i>Total Liabilities</i>	<u>\$13,676</u>	<u>\$18,580</u>	<u>(\$9,500)</u>	<u>\$22,756</u>

CITY OF JACKSON

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity or Program Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Pass through Ohio Department of Development:</i>			
Community Development Block Grants:			
Downtown Revitalization Program	14.228	A-T-98-135-1	\$1,800
Community Housing Improvement Program	14.228	A-C-99-135-1	240,801
Discretionary Program	14.228	A-D-99-135-1	13,000
Community Housing Improvement Program	14.228	A-C-01-135-1	7,719
Appalachian Regional Commission Program	14.228	A-P-00-135-1	<u>19,155</u>
Total United States Department of Housing and Urban Development			<u>282,475</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Pass through Ohio Department of Public Safety:</i>			
Public Assistance Grant - Hazard Mitigation	83.548	1164-79-37842	11,533
Public Assistance Grant - Disaster Assistance	83.544	DR-1164-OH	<u>18,768</u>
Total Federal Emergency Management Agency			<u>30,301</u>
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Direct from the Federal Government</i>			
Public Safety Partnership and Community Policing Grant ("COPS" Grants) - Schoc Based Partnership Program	16.710	98-SB-WX-0116	1,660
Public Safety Partnership and Community Policing Grant ("COPS" Grants) - Schoc Based Partnership Program	16.710	99-SB-WX-0013	<u>6,984</u>
Total United States Department of Justice			<u>8,644</u>
UNITED STATES DEPARTMENT OF COMMERCE - ECONOMIC DEVELOPMENT ADMINISTRATION			
<i>Direct from the Federal Government</i>			
Grants for Public Works and Economic Development Facilities - Alternate Access Road Grant	11.305	06-01-2921	<u>74,011</u>
Total United States Department of Commerce			<u>74,011</u>
Total Federal Awards Expenditures			<u>\$ 395,431</u>

The accompanying notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.

**CITY OF JACKSON
JACKSON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG) REVOLVING LOAN PROGRAM

The City has established a revolving loan program to provide low-interest loans to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the Government passed through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. During the year ended December 31, 2001, the City received loan principal payments of \$3,741 under this program and no new loans were issued. At December 31, 2001, the gross amount of loans outstanding under this program was \$32,133. Delinquent amounts due are \$5,559.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the City Council:

We were engaged to audit the accompanying general purpose financial statements of City of Jackson, Jackson County, Ohio (the City), as of and for the year ended December 31, 2001, and have issued our report thereon dated December 31, 2002, wherein we have disclaimed an opinion on the December 31, 2001 general purpose financial statements since the prior auditor disclaimed an opinion on the December 31, 2000 balance sheet, since management declined to sign the representation letter and since we are not independent. Our report also disclosed the City is the defendant in a class action lawsuit, for which the outcome is undeterminable. Our report also noted the City has forecast a \$5,918,000 general fund cash deficit for December 31, 2002.

Compliance

As part of our engagement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2001-20740-001 through 2001-20740-021, 2001-20740-025 through 2001-20740-29 and 2001-20740-031 through 2001-20740-036. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated December 31, 2002.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the City's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-20740-015, 2001-20740-019 through 2001-20740-024 and 2001-20740-030.

A material weakness is a 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 in amounts that would be material in relation to the general purpose financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe reportable conditions 2001-20740-015, 2001-20740-019 and 2001-20740-020 described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the City in a separate letter dated December 31, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

December 31, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-444-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Jackson
145 Broadway Street
Jackson, Ohio 45640

To the City Council:

Compliance

We have audited the compliance of the City of Jackson, Jackson County, Ohio (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2001. The City's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in Finding Numbers. 2001-20740-039 through 2001-20740-042 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding reporting that are applicable to its Community Development Block Grant major program. Compliance with reporting requirements are necessary, in our opinion, for the City to comply with requirements to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings as items 2001-20740-037, 2001-20740-038 and 2001-20740-043. Also, we noted three other immaterial instance of noncompliance that does not require inclusion in this report, that we have reported to the management of the City in a separate letter dated December 31, 2002.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings as item 2001-20740-042.

A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe reportable condition 2001-20740-042 described above is a material weaknesses. Also, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated December 31, 2002.

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



Jim Petro
Auditor of State

December 31, 2002

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Disclaimed
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant Program C.F.D.A. #14.228
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-20740-001

Noncompliance Citation/Finding for Adjustment

City Garage and Sundry Building Payments *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

On June 25, 1996, the City issued a \$700,000 renewable Bond Anticipation Note to provide funds to purchase and renovate the Sundry Building and to purchase land and build a City Garage. The expenses were allocated to the following projects:

Building	Amount of Expense	% of Issued Note
City Garage	\$411,431	59%
Sundry Building	286,328	41%
Total	<u>\$697,759</u>	

In 2001, the City paid a total of \$92,659 in debt payments. The repayment of the bond anticipation note was equally allocated between the General, Water, Sewer, Electric and Garbage Funds in 2001.

The City Garage housed the Street and Alley, Garbage, and Mechanic Departments. These departments were funded by the Street Construction, Maintenance and Repair (S.C.M. & R.), Garbage and S.C.M. & R. Funds, respectively. Of the debt payments in 2001, the amount related to the construction was \$54,669, (this was calculated by multiplying the year's debt payment times the percentage of the debt expense related to the City Garage).

As there was no documentation available to support how much of the City Garage was occupied by the three departments, we will allocate the expense equally among the three departments. The following funds should have been charged for the debt payment expense:

Fund	2001
Street Construction Maintenance and Repair Fund on behalf of the Street and Alley Department	\$18,223
Street Construction Maintenance and Repair Fund on behalf of Mechanics Department	18,223
Garbage Fund	18,223
Total	<u>\$54,669</u>

The Sundry Building was purchased and renovated by the City for \$286,328. The building housed the Utilities Office, Police Department and Council Chambers. The City Auditor's Office determined the Utilities Department utilized 1,900 square feet of the available 10,500 sq. ft or 18% of the Sundry Building.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

**Finding Number 2001-20740-001
(Continued)**

Noncompliance Citation/Finding for Adjustment (Continued)

City Garage and Sundry Building Payments) * (Continued

Ohio Rev. Code Section 5705.10 (Continued)

The remaining 82% of the Sundry Building housed the Police Department and Council Chambers which were both funded by the General Fund. The debt payments should have been allocated to those funds utilizing the building square footage. The Utilities Office is equally supported by the Water, Sewer, Electric and Garbage Funds.

Therefore, the following funds should have been charged for the debt payments totaling \$37,990, (This was calculated by multiplying the year's debt payment times the percentage of the debt expense related to the Sundry Building):

Fund	2001
General Fund on behalf of Police and Council	\$31,152
Garbage and Water Funds Equally	1,709 x 2 = 3418
Sewer and Electric Funds Equally	1,710 x 2 = 3420
	<u>\$37,990</u>

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

Finding Number 2001-20740-002

Noncompliance Citation/Finding for Adjustment

Vehicle Purchases *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

The City paid \$13,368 to Bob-Ross Buick to purchase a GMC Sonoma pick-up truck. The truck was utilized by the Sewer Department. The expense was recorded in the Sewer Improvement Fund. The purchase of a truck is not considered an improvement to the Sewer System and therefore should not have been posted in the Sewer Improvement Fund. The GMC Sonoma pick-up truck expense should have been recorded in the Sewer Fund.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

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

Finding Number 2001-20740-002 (Continued)

Noncompliance Citation/Finding for Adjustment (Continued)

Vehicle Purchases (Continued)*

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect the \$13,368 in the Sewer Fund and not the Sewer Improvement Fund.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

Finding Number 2001-20740-003

Noncompliance Citation/Finding for Adjustment

Attorney Fees *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

The City contracted with John "Jack" Detty to provide legal services as City Law Director. During 2001, Mr. Detty submitted invoices on a monthly basis to the City. The invoices provided descriptions of the work performed but did not describe to which fund the work was related. The City paid Mr. Detty \$13,280, in 2001, for these contract services. The City recorded the expenses in the following funds: General Fund \$3,000, Water Fund \$2,730, Sewer Fund \$2,550, Electric Fund \$5,000.

We provided the invoices to Mr. Detty who elaborated for us on the work performed relating to actions taken in the Municipal Court on behalf of the City or the issuance of bad check affidavits or subpoenas. Mr. Detty identified the funds for which some of the services were performed. For the remaining contract services he was unable to identify the relationship to a specific City fund. These services were general in nature and did not indicate a relationship to the Water, Sewer, or Electric funds. Therefore, those services should have been recorded as an expense in the General Fund.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-20740-003 (Continued)

Noncompliance Citation/Finding for Adjustment (Continued)

Attorney Fees * (Continued)

The following table indicates a summary of the allocation of expenses based on Mr. Detty's response:

Fund	Total for 2001
General	\$12,904
Water	192
Sewer	0
Electric	0
Flood Mitigation	70
Railroad	114
Total	<u>\$13,280</u>

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

Finding Number 2001-20740-004

Noncompliance Citation/Finding for Adjustment

Sal Chemical *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

We identified payments totaling \$2,757 to Sal Chemical Company which were recorded entirely in the Water Fund. Invoices identify that the chemicals were to be delivered to the Hillcrest Pool and therefore should have been recorded as a disbursement of the Pool Fund (Fund 750).

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-20740-005

Noncompliance Citation/Finding for Adjustment

J L Uhrig, CPA *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

We identified the following payments to J L Uhrig, CPA, which were allocated between the Water, Sewer, Garbage, and Electric Funds:

Table 1

Fund	Amount Paid
Water	\$ 5,220
Sewer	7,280
Garbage	2,405
Electric	2,000
Total	\$ 16,905

Invoices indicated the percentage of time spent on each fund. The following table indicates the funds and amounts to which the expenditures should have been allocated.

Table 2

Fund	Amount
General	\$7,653
Street C. M. & R.	295
Permissive Tax Fund	254
State Highway Fund	213
Cemetery Tax Fund	295
Fire Tax Fund 1	254
Fire Tax Fund 2	295
Water Fund	2,115
Sewer Fund	2,115
Garbage Fund	483
Electric Fund	2,442
Railroad Fund	401
Swimming Pool Fund	45
Jackson City Recreation Fund	45
Total	\$ 16,905

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

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

Finding Number 2001-20740-006

Noncompliance Citation/Finding for Adjustment

Zee Medical Services *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

We identified \$2,547 of expenditures to Zee Medical Services which were incorrectly allocated entirely to the Electric Fund. Invoices indicated which employee and/or department received the items purchased, indicating which funds should be charged for the expense. Based on the invoices, the expenditures should have been allocated to the following funds:

Fund	Amount
General	\$ 265
Cemetery	978
Street C. M. & R.	1,055
Water	56
Sewer	81
Garbage	56
Electric	56
Total	\$ 2,547

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

Finding Number 2001-20740-007

Noncompliance Citation/Finding for Adjustment

Other Miscellaneous Payments *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

During the audit it was brought to our attention that several expenditures to Montgomery Machine, Callahan Hardware, Columbus Time Recorder, Chapman Printing Co., Inservice Training Network, Shelly Material Inc., Jackson Hardware & Supply, Jackson Implement Co., R & J Sales, Quality Stores, and Quality Supply and Rental were incorrectly allocated.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

**Finding Number 2001-20740-007
(Continued)**

Noncompliance Citation/Finding for Adjustment (Continued)

Other Miscellaneous Payments (Continued)*

Ohio Rev. Code Section 5705.10 (Continued)

We reviewed these expenditures and determined that \$5,627 was incorrectly allocated based on the corresponding invoices. Invoices indicated which employee and/or department received the items purchased, indicating which funds should be charged for the expense.

Expenditures were charged to the following funds:

Table 1

Fund	Amount
Street C. M. & R. Fund	\$ 32
Edwin Jones Park Fund	19
Water Fund	2,938
Sewer Fund	1,667
Electric Fund	971
Total	\$ 5,627

Expenditures should have been allocated to the following funds:

Table 2

Fund	Amount
General Fund	\$ 602
Cemetery Fund	78
Street C.M. & R. Fund	1,991
Water Fund	422
Sewer Fund	1470
Garbage Fund	345
Electric Fund	224
Municipal Swimming Pool Fund	157
Jackson City Recreation Fund	338
Total	\$ 5,627

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-20740-008

Noncompliance Citation/Finding for Adjustment

Salary Allocation

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purposes for which such fund is established." During 2001, the City allocated the salaries of 14 employees to different funds based on what they felt was the amount of time spent for their duties related to that fund. Upon inquiry, the City indicated they did not employ a cost allocation plan or maintain supporting documentation to support the payroll allocation percentages. We obtained weekly time summaries for 2001 from the City which indicated the daily percentage of time spent performing duties for various funds for four of the 14 employees. Complete time summaries were not available for the other 10 employees.

For those four employees only, we recalculated the allocation and the following table shows a comparison by fund of actual wages recorded as an expense in the fund and the amount that should have been allocated based on the time summaries provided by the City:

Fund	Amount Allocated for 2001	Amount That Should Have Been Allocated**	Variance
General	\$ 10,478	\$ 8,405	\$ 2,073
Water	10,478	7,830	2,648
Sewer	10,478	5,700	4,778
Electric	10,478	7,081	3,397
Garbage	28,223	33,679	(5,456)
Street C. M. & R.	53,235	57,796	(4,561)
Cemetery		2,706	(2,706)
Fire		173	(173)
Total	\$ 123,370	\$ 123,370	\$ 0

** - This was calculated by taking the % of allocation per fund from the times study, times the total of wages and fringe benefits for each year identified by the City Auditor's Office.

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money. Also, we recommend the City review their approved Cost Allocation Plan to assure that the allocations are reasonable. If allocations are determined to be unreasonable or questionable, we recommend the City review the information provided for the Cost Allocation Plan for accuracy and revise the Plan if necessary.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-20740-009

Noncompliance Citation/Finding for Adjustment

Payments for City Paving Projects- Shelly & Sands *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

In fiscal year 2001, the City hired Shelly & Sands Inc. for additional paving to various streets and lots. During a review of the payments and the streets paved, we determined the City allocated \$18,414 entirely to the Electric Fund. The invoice reflected \$1,164 was related to paving the Electric Garage Lot. Therefore, \$17,250 of these expenditures should have allocated to the Street Construction, Maintenance and Repair Fund.

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

Finding Number 2001-20740-010

Noncompliance Citation/Finding for Adjustment

Landrum & Turck Paving Company *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

We identified \$3,700 of expenditures to Landrum & Turck Paving Company, which were incorrectly allocated entirely to the Water Fund. The corresponding purchase order indicated the expense was for the paving of the Gay Street Bridge. Therefore, the expenditure should have been allocated to the Street Construction, Maintenance and Repair Fund.

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-20740-011

Noncompliance Citation/Finding for Adjustment

Cross Management Consulting Services *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

We identified \$4,444 of expenditures to Cross Management Consulting Services which were incorrectly allocated entirely to the Community Improvement Fund. The corresponding invoice indicated that the expenditure was consultation relating to the Police Department. Therefore, the expense should have been allocated to the General Fund.

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

Finding Number 2001-20740-012

Noncompliance Citation/Finding for Adjustment

Bryan E. Davis Trucking Company *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

We identified \$2,619 of expenditures to Bryan E. Davis Trucking Company, which were incorrectly allocated entirely to the Sewer Fund. The corresponding invoices and purchase orders indicated that the expenditures were for gravel that was delivered to the City Garage. Therefore, the expenditures should have been allocated to the Street Construction, Maintenance and Repair Fund.

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-20740-013

Noncompliance Citation/Finding for Adjustment

Economic Development Board Contributions *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

Each year the City contributes \$6,000 to the Jackson County Economic Development Board. Per Sherri Lanier, Director of Jackson County Economic Development Board, these monies were used to assist the City in writing grant applications and the day-to-day activities of the Economic Development Board to promote economic development in the City and Jackson County. In addition, the City provided monies to the Board for grant work performed beyond the normal scope of the grant. The City did not require the Board to report back how the City's contributions were expended. This expenditure was charged to the Electric Fund.

While the expense could be deemed to benefit the Electric Fund, it also benefits other funds of the City. Since the City was unable to provide documentation to support a reasonable allocation of the expense and the expense benefits more than solely the Electric Fund, the expense should be recorded in the General Fund.

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money. Also, we recommend the City annually require the Board to report back to the City on how its contributions were expended. This will allow the City to assess whether additional or fewer monies should be contributed to promote economic growth.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-20740-014

Noncompliance Citation/Finding for Adjustment

Annual Payments for the GIS System *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

The City remitted a check in March 2001, to Jackson County for the Geographical Information System, (GIS), in the amount of \$4,151. The check was recorded as an expense equally divided between the Water, Sewer, and Electric Funds in the amount of \$1,383.67.

As of March 2001, the Utility information had been entered into the GIS system. Therefore, the GIS system provided by the County now included the utility line information along with the topographical layout of the land and roads within the City. Based on the information now within the GIS system, expenses relating to the system should have been divided equally between the General, Water, Sewer, and Electric Funds.

The audited general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

Finding Number 2001-20740-015

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established." As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another Fund.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

**Finding Number 2001-20740-015
(Continued)**

Noncompliance Citation/Material Weakness (Continued)

Ohio Rev. Code Section 5705.10 (Continued)

At December 31, 2001, the City had negative fund balances as follows:

Fund	Negative Balances at December 31, 2001	
	Before Auditor of State Adjustments	After Auditor of State Adjustments
General Fund		(\$5,244,483)
Special Revenue Funds:		
School Based Partnership Grant	(\$2,649)	(\$899)
Fire Tax Levy 1995 Fund	(\$259,009)	(\$281,670)
Street Construction, Maintenance and Repair		(\$196,375)
Capital Project Funds:		
Real Estate & Improvements Fund	(\$355,162)	
Alternative Access Road Fund	(\$48,535)	(\$48,535)
Jackson Industrial Park Building Fund	(\$322,072)	(\$322,072)

We recommend the City establish procedures to monitor fund balances to assure expenditures do not exceed available resources. Also, we recommend the City budget grants in such a manner that there will be sufficient available revenue to cover the expenditures. In cases where shortages may occur, we recommend the City transfer and/or advance General Fund money to prevent shortages from occurring.

Finding Number 2001-20740-016

Noncompliance Citation/Finding for Adjustment

Bureau of Workers' Compensation Premiums *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

Each year, the City receives an invoice for the prior year's Bureau of Workers Compensation premiums. The workers' compensation premiums were calculated based upon the salaries paid to City employees.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

**Finding Number 2001-20740-016
(Continued)**

Noncompliance Citation/Finding for Adjustment (Continued)

Bureau of Workers' Compensation Premiums * (Continued)

Ohio Rev. Code Section 5705.10 (Continued)

The City incorrectly paid premiums from the following funds:

Table 1

Fund Charged	Amount of Expense Recorded FY 2001
General Fund	\$ 51,074
Cemetery Fund	4,472
Swimming Pool	875
Recreation	392
Water Fund	23,209
Sewer Fund	22,933
Garbage Fund	8,828
Electric Fund	21,217
Street C. M. & R. Fund	7,994
	<u>\$140,994</u>

Workers compensation premiums are generally allocated based on payroll costs. We identified additional funds with payroll charges which should have incurred a portion of the Bureau of Workers Compensation premiums. The following table indicates the funds that should have been charged for the premiums based on payroll charges:

Table 2

Fund Charged	Amount of Expense to Be Recorded to the Fund for FY 2001
General Fund	\$ 60,694
Pool Fund	875
Recreation Fund	392
Water Fund	18,000
Sewer Fund	21,041
Garbage Fund	5,551
Electric Fund	18,714
Cemetery Fund	4,656
Street C. M. & R. Fund	11,071
	<u>\$140,994</u>

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

**Finding Number 2001-20740-016
(Continued)**

Noncompliance Citation/Finding for Adjustment (Continued)

Bureau of Workers' Compensation Premiums * (Continued)

Ohio Rev. Code Section 5705.10 (Continued)

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

Finding Number 2001-20740-017

Noncompliance Citation/Finding for Adjustment

Dave's Cleaning Service *

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

In 2001, the City paid Dave's Cleaning to clean the Council Chambers, the Utility Offices, and the Police Department. The City made payments totaling \$29,435 in 2001. Each invoice detailed the charge to clean each of the departments.

We identified the following instances where the charges for cleaning the Utilities Office were charged to the following funds instead of equally allocated to the Water, Sewer, Electric, and Garbage Funds responsible for Utility Office activities:

Date	Amount	Fund Paid From	-----Correct Allocation-----				
			General Fund	Water	Sewer	Garbage	Electric
1/11/01	\$ 2,370	General Fund	\$1,800	\$ 142	\$ 142	\$ 143	\$ 143
2/6/01	\$ 1,870	Electric Fund		\$ 468	\$ 468	\$ 467	\$ 467
3/6/01	\$ 1,870	Garbage Fund		\$ 467	\$ 467	\$ 468	\$ 468
4/10/01	\$ 570	Sewer Fund		\$ 143	\$ 143	\$ 142	\$ 142
5/1/01	\$ 570	Water Fund		\$ 142	\$ 142	\$ 143	\$ 143
5/1/01	\$ 1,550	Community Imp.	\$1,550	0	0	0	0
6/12/01	\$ 570	Electric Fund		\$ 143	\$ 143	\$ 142	\$ 142
7/10/01	\$ 570	Water Fund		\$ 142	\$ 142	\$ 143	\$ 143
8/8/01	\$ 2,370	General Fund	\$1,800	\$ 143	\$ 143	\$ 142	\$ 142
9/6/01	\$ 725	Water Fund		\$ 181	\$ 181	\$ 182	\$ 181
10/10/01	\$ 570	Electric Fund		\$ 143	\$ 143	\$ 142	\$ 142
11/6/01	\$ 570	Electric Fund		\$ 142	\$ 142	\$ 143	\$ 143
12/4/01	\$ 705	Sewer Fund	0	\$ 176	\$ 176	\$ 176	\$ 177
Total	<u>\$14,880</u>		<u>\$5,150</u>	<u>\$2,432</u>	<u>\$2,432</u>	<u>\$2,433</u>	<u>\$2,433</u>

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

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

Finding Number 2001-20740-017
(Continued)

Noncompliance Citation/Finding for Adjustment (Continued)

Dave's Cleaning Service * (Continued)

Ohio Rev. Code Section 5705.10 (Continued)

The sum of the incorrect payments from:

General Fund	\$2,370 - \$1,800= \$570
	\$2,370 - \$1,800= <u>\$570</u>
	\$1,140
Community Improvement	\$1,550
Electric Fund	\$1,870+570+570+570= \$3,580
Garbage Fund	\$1,870
Sewer Fund	\$570+705= \$1,275
Water Fund	\$570+570+725= \$1,865

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

Finding Number 2001-20740-018

Noncompliance Citation/Finding for Adjustment

Boiler for Memorial Building

Ohio Rev. Code Section 5705.10 states "money paid into any fund shall be used only for the purpose for which such fund is established."

The City purchased a new boiler for the Memorial Building in 2001. The expenditure was recorded as an expense equally divided between the Water, Sewer, and Electric Funds in the amount of \$9,550. None of the Utility Departments are within the Memorial Building. The expense should have been charged to the General Fund.

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City establish monitoring procedures to assure that expenditures are allocated based on reasonable facts and refrain from allocating expenditures based on which funds have more money.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-20740-019

Noncompliance Citation/Material Weakness/Finding for Adjustment

Unallowable Transfers from Utility Accounts to the General Fund *

Ohio Rev. Code Section 5705.14 to 5705.16 provides that with certain listed exceptions, "no transfer shall be made from one fund of a subdivision to any other fund." In addition to the exceptions in Ohio Rev. Code Sections 5705.14 and 5705.15, pursuant to Ohio Rev. Code Section 5705.16, a subdivision may transfer funds under its supervision from one fund to another with approval of the State Tax Commissioner and the Court of Common Pleas.

Each month the City transferred monies from its utility funds to the General Fund. The City was unable to provide any documentation to support that the transfers were in accordance with Ohio Rev. Code Sections 5705.14 to 5705.16 or that they met one of the exceptions permitted in those sections.

For the period January 1, 2001 through December 31, 2001, the City transferred \$156,400 from the Water Fund, \$191,730 from the Sewer Fund, \$18,000 from the Garbage Fund, and \$203,197 from the Electric Fund to the General Fund. These transfers totaling \$569,327 were not permitted by the Ohio Rev. Code.

This resulted in the City using the revenues of the City utilities to fund the general government operations of the City.

The general purpose financial statements for the year ended December 31, 2001 have been adjusted to reflect these expenditures in the appropriate funds.

We recommend the City review the Ohio Rev. Code and refrain from making such transfers.

Finding Number 2001-20740-020

Noncompliance Citation/Material Weakness *

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

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2001-20740-020
(Continued)

Noncompliance Citation/Material Weakness * (Continued)

Ohio Rev. Code Section 5705.41(D) (Continued)

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The City Auditor's office did not always certify funds prior to the obligation being incurred. We identified the following instances, in review of expenditures to specific vendors, where the City Auditor did not certify the availability of funds prior to the commitment being made and no "then and now" certificate was obtained:

<u>Vendor</u>	<u>Percent of Transactions tested:</u>	<u>Vendor</u>	<u>Percent of Transactions tested:</u>
WalMart	100%	Jackson Hardware	18.5%
Compugraf-X	50%	Montgomery Machine	23.4%
BP Oil	100%	R & J Sales	15.6%
Citgo	100%	West Virginia Electric	37.6%
Sunoco	100%	Jackson Implement	3.3%
John Detty	100%	Quality Stores	31.2%
Visa	6.5%		

In addition to these specific vendors, 57.7% of the Community Development Block Grant (CDBG) expenditures tested and 8% of all other non-payroll expenditure transactions tested contained the City Auditor's certification of availability of funds after the commitment was made and no "then and now" certificate was obtained.

Finally, as described in Finding 2001-20740-015, the City has made payments creating a deficit fund cash balance in certain funds. The deficit cash balances indicate the City Auditor certified payments that did not meet these requirements.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

**Finding Number 2001-20740-020
(Continued)**

Noncompliance Citation/Material Weakness * (Continued)

Ohio Rev. Code Section 5705.41(D) (Continued)

We recommend the City establish procedures to assure that the required certification of funds from the City Auditor is obtained prior to purchases being made. In the event this does not occur, we recommend the City Auditor pursue a "then and now" certificate as stated above.

Finding Number 2001-20740-021

Noncompliance Citation/Reportable Condition

Ohio Revised Code §5705.41(D) states that fiscal officers may prepare so-called "blanket certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Thirty-three percent of the blanket purchase orders tested were open for the same line item at the same time. Also, Eighty-three percent of the blanket purchase orders tested were open for more than 3 months.

We recommend that blanket purchase orders are monitored closely to ensure that they do not exceed 3 months and that only one blanket purchase order is outstanding at one particular time for any one particular line item appropriation.

Finding Number 2001-20740-022

Reportable Condition

Review of Budgetary Information

There was no documentation of the extent to which the City Council uses detailed budgetary financial information to monitor the financial activity of the City. For each regular Council meeting, the City Auditor should provide detailed budgeted and actual receipts, disbursements and encumbrances for each fund.

The City Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the City.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-20740-022 (Continued)

Reportable Condition (Continued)

Review of Budgetary Information (Continued)

This information can help answer questions such as the following:

Inquiries Relevant to Overall City Operations:

1. Are current receipts sufficient to cover expenditures?
2. Are expenditures in line with prior year costs?
3. If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
4. Are anticipated receipts being timely received?
5. Is the City able to achieve the financial goals as set by the original or amended budgets?

In order to effectively monitor the financial activity of the City, we recommend the City Council members review and accept/approve the monthly budgetary financial information including reports detailing the budget versus actual information provided by the City Auditor. The review of this information should be noted in the minutes of the meetings of the City Council.

Finding Number 2001-20740-023

Reportable Condition

Estimated Receipts

In 2001, estimated receipts exceeded actual receipts in the Jackson Industrial Park Building fund by \$322,072 (39%). This resulted in a fund deficit of the same amount, as indicated in Finding Number 2001-20740-14 above.

We recommend the City Auditor review the requirements of Ohio Revised Code Section 5705.36 and periodically compare actual receipts to estimated receipts. When it is apparent that actual receipts will not reach budgetary estimates, and will not reach appropriated amounts, the City Auditor should obtain a reduced amended certificate of estimated resources. We further recommend that City Council make corresponding reductions in appropriations.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

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

Finding Number 2001-20740-024

Reportable Condition

Conducting Business with Jackson Hardware *

During 2001, the City maintained an open charge account with Jackson Hardware. The Special Audit Report, dated February 11, 2002, revealed some questionable purchasing and/or invoicing practices. Per interviews and sworn depositions obtained during the special audit, City employees admitted they had purchased personal items at Jackson Hardware which were subsequently charged to the City's account.

The Special Audit Report states that Bill Ratcliff, owner of Jackson Hardware, indicated City employees routinely entered his business, took what they needed and left. Mr. Ratcliff also indicated he would identify items which appeared to be personal in nature on the City's invoices as items other than what was taken. For example, a City employee would take a container of orange juice. Mr. Ratcliff indicated he would identify the juice on the invoice as gloves or another item which the City used. As a result, it is likely the City paid for employees' personal purchases. The practices described above appeared to have continued during 2001. Currently, the City does not have a written policy prohibiting this practice.

The City paid \$10, 915 to Jackson Hardware during 2001. We summarized the items purchased and noted the following items were invoiced an unusually large number of times:

<u>ITEM</u>	<u>NUMBER OF INVOICE ENTRIES</u>	<u>COST</u>
Bolts, Nuts, Screws, Washers	125	\$ 551.18
Gloves	80	\$ 843.57
Batteries	40	\$ 331.47
Fittings	29	\$ 76.13
Drill bits	26	\$ 99.18
Extension cords	20	\$ 338.46
Breakers	7	\$ 211.64

The above items are consistent with the results of the special audit, through December 31, 2000.

In April 2002, Jackson City Council passed Ordinance 60-02 "restricting the City from purchasing products from certain vendors," of which Jackson Hardware was included. Jackson Hardware closed in early July 2002.

We recommend the City implement a policy prohibiting City employees from charging personal items on any City account and detail any disciplinary actions for doing so. The policy should state who or what level of City employee is authorized to make purchases on the City's accounts. The City should notify vendors with which they have open charge accounts of the items which are allowed to be purchased and which employees are authorized to make the purchases.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2001-20740-025

Noncompliance Citation /Finding for Recovery

Unallowable VISA Charges *

As indicated in the Special Audit Report, dated February 11, 2002, the City's credit card policy, dated December 30, 1992 and issued by Mayor Evans, provided the following guidelines for expenditures charged to the credit card:

- The following expenditures were prohibited: alcohol, entertainment (i.e., in-room movies), and room service.
- Only expenditures for, or on behalf of, the City or by a City employee while performing job duties with prior approval were allowed.
- Valet parking is permitted in instances when it is the only practical parking available.

The policy also indicated "the city credit card shall be returned promptly upon completion of the use for which it is issued. There must be an itemized receipt and the credit card receipt for each and every charge. Failure to do so shall result in the city rejecting payment of any and all charges not properly documented. This will result in the employee being responsible for the incurred charge. There will be **NO EXCEPTION** to the above policy." Ronald B. Speakman, Safety/Service Director, indicated in a written response that this policy was still in effect.

Mr. Speakman indicated during an interview that supporting documentation for the VISA charges was submitted to Lois Walburn, Purchase Order Clerk, who prepared the purchase order based on the line items identified on the credit card slip. The purchase order, receipts and those receipts without an appropriation code identified were submitted to Ronald Speakman, Safety/Service Director, for review and approval. Mr. Speakman allocated the VISA charges which did not list an appropriation code. Once approved, the purchase order and related documentation were sent to the City Auditor's Office for payment.

We reviewed each of the charges on the monthly VISA statements for 2001 for compliance with the City's policy. We identified \$816.17 in charges by 30 different employees who each incurred charges of less than \$100. These charges consisted of purchases where there were not itemized receipts contrary to the City's credit card policy. These unallowable charges, including those personally made by Mr. Speakman totaling \$92.99, were approved for payment by Mr. Speakman.

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against Ronald B. Speakman and Ohio Farmers Insurance, his bonding company, jointly and severally, in the amount of \$816.17, for public moneys illegally expended, in favor of the General Fund.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2001-20740-026

Noncompliance Citation /Finding for Recovery

Unallowable VISA Charges *

As indicated in the Special Audit Report, dated February 11, 2002, the City's credit card policy, dated December 30, 1992 and issued by Mayor Evans, provided the following guidelines for expenditures charged to the credit card:

- The following expenditures were prohibited: alcohol, entertainment (i.e., in-room movies), and room service.
- Only expenditures for, or on behalf of, the City or by a City employee while performing job duties with prior approval were allowed.
- Valet parking is permitted in instances when it is the only practical parking available.

The policy also indicated "the city credit card shall be returned promptly upon completion of the use for which it is issued. There must be an itemized receipt and the credit card receipt for each and every charge. Failure to do so shall result in the city rejecting payment of any and all charges not properly documented. This will result in the employee being responsible for the incurred charge. There will be **NO EXCEPTION** to the above policy." Ronald B. Speakman, Safety/Service Director, indicated in a written response that this policy was still in effect.

We reviewed each of the charges on the monthly VISA statements for 2001 for compliance with the City's policy. We identified \$156.98 in unallowable City VISA charges made by Matthew C. Danilko. Responsibility was determined through a review of the credit card receipts. Of the credit card receipts, two were not signed; however, the receipt dates and location corresponded to the other VISA receipts Mr. Danilko signed while staying at the Staybrigde Suites Columbus for training. These unallowable charges were approved for payment by Ronald Speakman, Safety/Service Director.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against Matthew C. Danilko, Ronald B. Speakman and Ohio Farmers Insurance, their bonding company, jointly and severally, in the amount of \$156.98, for public monies illegally expended, in favor of the City's General Fund.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2001-20740-027

Noncompliance Citation /Finding for Recovery

Unallowable VISA Charges *

As indicated in the Special Audit Report, dated February 11, 2002, the City's credit card policy, dated December 30, 1992 and issued by Mayor Evans, provided the following guidelines for expenditures charged to the credit card:

- The following expenditures were prohibited: alcohol, entertainment (i.e., in-room movies), and room service.
- Only expenditures for, or on behalf of, the City or by a City employee while performing job duties with prior approval were allowed.
- Valet parking is permitted in instances when it is the only practical parking available.

The policy also indicated "the city credit card shall be returned promptly upon completion of the use for which it is issued. There must be an itemized receipt and the credit card receipt for each and every charge. Failure to do so shall result in the city rejecting payment of any and all charges not properly documented. This will result in the employee being responsible for the incurred charge. There will be **NO EXCEPTION** to the above policy." Ronald B. Speakman, Safety/Service Director, indicated in a written response that this policy was still in effect.

We reviewed each of the charges on the monthly VISA statements for 2001 for compliance with the City's policy. We identified \$151.92 in unallowable City VISA charges made by Richard M. Eubanks. Responsibility was determined through a review of the credit card receipts. Of the credit card receipts, two were signed by David Chanell and not Mr. Eubanks; however, per an interview with Mr. Eubanks on May 29, 2002, he stated Roy Hatten, David Chanell and himself were on this trip. Mr. Eubanks confirmed that each were equally responsible for the two VISA receipts signed by Mr. Chanell. Therefore, Mr. Eubanks was considered responsible for one third of these two receipts. These unallowable charges were approved for payment by Ronald Speakman, Safety/Service Director.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against Richard M. Eubanks, Ronald B. Speakman and Ohio Farmers Insurance, their bonding company, jointly and severally, in the amount of \$151.92, for public monies illegally expended, in favor of the City's General Fund.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2001-20740-028

Noncompliance Citation /Finding for Recovery

Unallowable VISA Charges *

As indicated in the Special Audit Report, dated February 11, 2002, the City's credit card policy, dated December 30, 1992 and issued by Mayor Evans, provided the following guidelines for expenditures charged to the credit card:

- The following expenditures were prohibited: alcohol, entertainment (i.e., in-room movies), and room service.
- Only expenditures for, or on behalf of, the City or by a City employee while performing job duties with prior approval were allowed.
- Valet parking is permitted in instances when it is the only practical parking available.

The policy also indicated "the city credit card shall be returned promptly upon completion of the use for which it is issued. There must be an itemized receipt and the credit card receipt for each and every charge. Failure to do so shall result in the city rejecting payment of any and all charges not properly documented. This will result in the employee being responsible for the incurred charge. There will be **NO EXCEPTION** to the above policy." Ronald B. Speakman, Safety/Service Director, indicated in a written response that this policy was still in effect.

We reviewed each of the charges on the monthly VISA statements for 2001 for compliance with the City's policy. We identified \$143.26 in unallowable City VISA charges made by Larry T. Fisher. Responsibility was determined through a review of the credit card receipts. Of the credit card receipts, three were not signed and one was signed by Shalan L. Rhea; however, per an interview with Mr. Fisher on May 29, 2002, he stated that Mr. Rhea and himself were at an Intermediate Lineworker training and were equally responsible for the VISA charges. Mr. Fisher's statement was supported by the invoice for that training along with a corroborating interview with Mr. Rhea on October 1, 2002. Therefore, Mr. Fisher was considered responsible for half of the related VISA receipts. These unallowable charges were approved for payment by Ronald Speakman, Safety/Service Director.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against Larry T. Fisher, Ronald B. Speakman and Ohio Farmers Insurance, their bonding company, jointly and severally, in the amount of \$143.26, for public monies illegally expended, in favor of the City's General Fund.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2001-20740-029

Noncompliance Citation /Finding for Recovery

Unallowable VISA Charges *

As indicated in the Special Audit Report, dated February 11, 2002, the City's credit card policy, dated December 30, 1992 and issued by Mayor Evans, provided the following guidelines for expenditures charged to the credit card:

- The following expenditures were prohibited: alcohol, entertainment (i.e., in-room movies), and room service.
- Only expenditures for, or on behalf of, the City or by a City employee while performing job duties with prior approval were allowed.
- Valet parking is permitted in instances when it is the only practical parking available.

The policy also indicated "the city credit card shall be returned promptly upon completion of the use for which it is issued. There must be an itemized receipt and the credit card receipt for each and every charge. Failure to do so shall result in the city rejecting payment of any and all charges not properly documented. This will result in the employee being responsible for the incurred charge. There will be **NO EXCEPTION** to the above policy." Ronald B. Speakman, Safety/Service Director, indicated in a written response that this policy was still in effect.

We reviewed each of the charges on the monthly VISA statements for 2001 for compliance with the City's policy. We identified \$143.25 in unallowable City VISA charges made by Shalan L. Rhea. Responsibility was determined through a review of the credit card receipts. Of the credit card receipts, three were not signed and seven were signed by Larry T. Fisher. Per an interview with Mr. Fisher on May 29, 2002, he stated that Mr. Rhea and himself were at an Intermediate Lineworker training and were equally responsible for the VISA charges. Mr. Fisher's statement was supported by the invoice for that training along with a corroborating interview with Mr. Rhea on October 1, 2002. Therefore, Mr. Rhea was considered responsible for half of the related VISA receipts. These unallowable charges were approved for payment by Ronald Speakman, Safety/Service Director.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against Shalan L. Rhea, Ronald B. Speakman and Ohio Farmers Insurance, their bonding company, jointly and severally, in the amount of \$143.25, for public monies illegally expended, in favor of the City's General Fund.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

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

Finding Number 2001-20740-030

Reportable Condition

Unallowable VISA Charges *

A total of \$1,411.58 in unallowable VISA charges were noted in Findings 2001-20740-025 through 2001-20740-029 above. Within this total, we noted \$816.17 in charges by 30 different employees who each incurred charges of less than \$100 in violation of the City's credit card policy. The City should review these purchases, contact each employee to discuss the improper charges, and decide whether to request a return of the money.

The remaining charges on the credit card statements were related to the City's operations and in accordance with the City's policy.

We noted the following additional weaknesses during the review of the VISA credit card expenditures:

- The City did not verify the expenditures were in accordance with the City's policy prior to remitting payment.
- There was no documentation indicating pre-approval or verification of hotel charges to ensure the charge was related to City operations.

On April 8, 2002, the Mayor revised the policy for the reimbursement of expenses. The main change was that the revised policy does not require detailed receipts to be presented for reimbursement.

We recommend the City Auditor's office aggressively seek explanations for purchases made on City credit cards and if no explanations and/or authorizations exist, obtain reimbursement from the City employee for those charges. If necessary, the required reimbursement should be obtained by withholding the amount of the unallowable charges from the employees' compensation. We also recommend the Mayor's reimbursement policy dated April 8, 2002, be amended to require a detailed receipt in order to obtain reimbursement for expenses.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2001-20740-031

Noncompliance Citation /Finding for Recovery

Overtime Payment to Sally Penix *

All overtime worked must be documented on over time request forms which identifying hours worked and approved by the supervisor. We reviewed the overtime request forms to identify the hours of overtime worked and the payroll registers to identify the hours of overtime compensated. A review of Ms. Penix's overtime compensation reflected a total of 26.7 hours requested and 66.3 hours of actual overtime compensation resulting in an overpayment of 39.6 hours, (66.3 – 26.7 = 39.6). Of th 39.6 hours, Ms. Penix was compensated \$22.41 per hour for 24.9 hours and \$22.36 per hour for 14.7 hours. This resulted in Ms. Penix being over compensated \$886.70, [(\$22.41 x 24.9) + (22.36 x 14.7) = \$886.70]. All overtime request forms were approved by Police Chief, Ted Penix, her husband, which was forwarded to the ethics commission in Special Audit Report dated February 11, 2002.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery of \$886.70 against Sally Penix, Ted Penix, and Ohio Farmers Insurance, their bonding company, jointly and severally, for public monies illegally expended in favor of the City's General Fund.

Finding Number 2001-20740-032

Noncompliance Citation /Finding for Recovery

Over Compensation of an Employee *

We obtained Ordinances 70-99 and 82-00 which set the annual amounts of compensation for the department heads and certain management employees effective September 1 of each year. We compared the actual compensation paid to the City employees for non-overtime hours to the approved annual compensation for the period of September 1, 2000 through June 13, 2001. Upon approval of each Ordinance, Ronald Speakman provided an approved Payroll Status Change form to the City Auditor's Office with the employee's new pay rate.

All compensation is to be in accordance with the pay rate authorized by City Council. William McManis was paid \$.40 per regular hours worked for hazard pay. This pay increase was not authorized by City Council. Mr. McManis worked 1105.64 hours of regular hours at \$.40/hour and 42.8 hours of overtime at \$.60/hour (.40 x 1.5 = .60) above what was authorized by City Council. This resulted in an overpayment of \$467.94 [(1105.64 x .40)+(42.8 x .60) = 467.94] to Mr. McManis.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

**Finding Number 2001-20740-032
(Continued)**

Noncompliance Citation /Finding for Recovery (Continued)

Over Compensation of an Employee * (Continued)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against William McManis and Ohio Farmers Insurance, his bonding company, and Ronald Speakman, Safety/Service Director, and Ohio Farmers Insurance, his bonding company, jointly and severally, in the amount of \$467.94, for public monies illegally expended, in favor of the City's Electric Fund.

Finding Number 2001-20740-033

Noncompliance Citation /Finding for Recovery

Education Incentives *

Article 37, Professional Incentives, Part A of the Fraternal Order of Police Union contracts provides those Bargain Unit members who have completed three years service shall receive incentives of \$200, \$400, or \$600 for earning either an Associates, Bachelor's or Graduate degree or 400, 800 or 1,000 hours of training, respectively.

Part B indicates the incentive shall be paid in one lump sum during the first pay period of December each year. Each year, the training hours were submitted to the Safety/Service Director who completed a payment requested form authorizing the payment of the educational incentive. The payment request form is then submitted to the City Auditor's Office for payment.

We obtained training hours for Robert Campbell and compared the recorded training hours to the documentation supporting the hours to verify the officers should have received an incentive payment and noted the following errors:

Robert Campbell earned 740 hours of training. The City had no record that Mr. Campbell had obtained an Associates, Bachelor's or Graduate degree. Based on the union agreement, Mr. Campbell was entitled to an educational incentive of \$200 for 2001. However the City issued a check in the amount of \$400 to Mr. Campbell for his educational incentive. This check was generated by the approval of a Request for Payment form signed by Ronald Speakman. As a result, Mr. Campbell was overcompensated \$200.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against Robert Campbell and Ohio Farmers Insurance, his bonding company, and Ronald Speakman and Ohio Farmers Insurance, his bonding company, jointly and severally, for public monies illegally expended in the amount of \$200 in favor of the City's General Fund.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-20740-034

Noncompliance Citation /Finding for Recovery

Education Incentives *

Article 37, Professional Incentives, Part A of the Fraternal Order of Police Union contracts provides those Bargain Unit members who have completed three years service shall receive incentives of \$200, \$400, or \$600 for earning either an Associates, Bachelor's or Graduate degree or 400, 800 or 1,000 hours of training, respectively.

Part B indicates the incentive shall be paid in one lump sum during the first pay period of December each year. Each year, the training hours were submitted to the Ronald Speakman, Safety/Service Director, who completed a payment requested form authorizing the payment of the educational incentive. The payment request form is then submitted to the City Auditor's Office for payment.

We obtained training hours for Thomas Aldrich and compared the recorded training hours to the documentation supporting the hours to verify the officers should have received an incentive payment and noted the following errors:

Thomas Aldrich earned 960.75 hours of training for fiscal year 2001. Further, the City had no record that Mr. Thomas Aldrich had obtained an Associate, Bachelor's or Graduate degree. Based on the union agreement, Mr. Aldrich was entitled to an educational incentive of \$400 for 2001. However, the City issued a check in the amount of \$600 to Mr. Aldrich in 2001 for his educational incentive. This check was generated by the approval of a Request for Payment form signed by the Safety/Service Director, Ronald Speakman. As a result, Mr. Aldrich was overcompensated \$200.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against Thomas Aldrich and Ohio Farmers Insurance, his bonding company, and Ronald Speakman and Ohio Farmers Insurance, his bonding company, jointly and severally, for public monies illegally expended in the amount of \$200 in favor of the City's General Fund.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2001-20740-035

Noncompliance Citation/Finding for Recovery Repaid Under Audit

Utility Charges

Meter readings should be used to calculate utility billings. Unusual variances should be addressed by obtaining a new meter reading. On March 1, 2001 Acct# D16-04200-00 was inadvertently only billed \$7.14 for electric usage. This account is for electric usage only. Per the Utility Billing History report the February 17, 2001 usage was "0". Per interview with Cheryl Atkins, asst. Utilities Superintendent, several things contributed to this error. The prior month reading on January 22, 2001 was estimated per the February 22, 2001 Upload report. The entire book 16 for that month was estimated. When the computer estimates a bill, it adds the same number of kw as was used in the prior month. In this instance, it caused the reading to show that the meter rolled over. When the meter was read the next month, the computer used the estimated reading from the prior month, added a "100" to the front of the reading so it could subtract, and indicated usage of 908681. When Ms. Adkins scanned the upload report for errors, she thought that the prior month had been estimated too high because of the rollover and that the meter had not caught up to the estimated reading yet. Therefore, she set the current reading back to the reading of the prior month thinking that the customer had been overcharged on the estimated reading. If she had used the readings that the upload report gave her to recalculate the usage, she would have arrived at the correct usage of 8681 (9121 for the current month – 440 for the estimated previous month). The customer was incorrectly billed \$7.14. That bill was paid. The next month the bill was correctly calculated by the computer using the beginning reading from the prior month. The computer showed usage of 15138. Ms. Adkins mistakenly thought that the bill was still miscalculated due to the rollover. She corrected the bill to account for the rollover but entered the reading as 10440 instead of 100440. This resulted in a misreading of 10,000 kw. That bill recalculated for \$452.87 was paid in full. The error in the readings resulted in the account being under-billed for a total of 10,000 kw.

Actual reading from March 19, 2001 was	115578 kw
Actual reading from December 15, 2001 was	<u>94631</u> kw
Total usage from December 15, 2001 through March 19, 2001 was:	20,947 kw
On January 22, 2001 the customer was billed for	(5809) kw
On March 19, 2001 the customer was billed for	<u>(5138)</u> kw
The customer used but was not billed for Over the period December 15, 2001 through March 19, 2001	10,000 kw

The error in billing covered a two month period.

The adjusted bill for March 1, 2001 was \$712.47.

The adjusted bill for April 1, 2001 was 111.55.

Total finding for recovery is \$824.02.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number 2001-20740-035 (Continued)

Noncompliance Citation/Finding for Recovery Repaid Under Audit (Continued)

Utility Charges (Continued)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against Montgomery Machine for \$824.02 in favor of the City's Electric Fund.

Also, we recommend that the meters be reread when any utility usage appears to be unusual. Charges for utilities should only be based upon actual meter readings.

The Utility Department has since issued a bill for these amounts along with a letter explaining that the mistake in billing. On August 9, 2002, Montgomery Machine paid \$824.02 to the City's Utility Department.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2001-20740-037
CFDA Title and Number	Community Development Block Grants/14.228
Federal Award Number/Year	A-C-99-135-1 and A-P-00-135-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Cash Management Noncompliance *

The Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section A(3)(f), states that the grantee must develop a cash management system to ensure compliance with the Fifteen-Day rule relating to the prompt disbursement of funds. This rule states that funds drawn down should be limited to an amount that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds.

For 57% of the Community Development Block Grant draw down receipts tested, the City did not make the corresponding disbursements in a timely manner.

We recommend the City establish a cash management system that ensures compliance with the Fifteen-Day disbursement rule.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2001-20740-038
CFDA Title and Number	Community Development Block Grants/14.228
Federal Award Number/Year	A-C-99-135-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Activities Allowed or Unallowed Noncompliance/Questioned Cost

24 CFR 570.202 (a) (5) provides that Community Development Block Grant funds may be used to finance the rehabilitation of manufactured housing when such housing constitutes part of the community's permanent housing stock.

Seven projects totaling \$111,029 performed under the fiscal year 1999 CHIP grant were for the purchase of new and used manufactured housing. In the grants Program Budget, the City charged these purchases against the Private Rehabilitation Activity budget. However, only two of these projects totaling \$37,500 were for manufactured homes placed on existing foundations. Documentation provided indicated that the remaining projects totaling \$73,529 related more to acquisition than rehabilitation projects. Therefore, these purchases should not have been made with grant monies budgeted for rehabilitation projects.

Therefore, the \$73,529 will be considered a federal questioned cost.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2001-20740-039
CFDA Title and Number	Community Development Block Grants/14.228
Federal Award Number/Year	A-D-99-135-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Reporting Noncompliance

The Grant Agreement "Statement of the Agreement" section, subparagraph 3, for the Small Cities Community Development Block Grant Program, Discretionary Program (Holzer Clinic Water Tank Project), provided that if the funds are not expended in accordance with the terms, conditions, and time period set forth in this Agreement or the total amount of the Funds exceeds the eligible costs of the Projects, the amounts improperly expended or not expended shall be returned to the Grantor within thirty (30) days after the expiration or termination of the grant agreement.

The Final Performance Report, dated January 15, 2001, indicated that funds were expended equal to the approved program budget. However, when these expenditures were traced to the accounting records, it was determined that \$1,808.59 had not been expended or returned to the Grantor and it was more than thirty days after the expiration of the grant agreement. This amount was agreed to the ending balance in the Statement of Cash Position as of December 31, 2001.

Therefore, the \$1,808.59, indicated on the Final Performance Report is considered excess, unreimbursed expenditures.

We recommend the City contact their granting agency and determine if the \$1,808.59 should be returned. Also, we recommend the City's management review all grant reports for accuracy prior to submitting to the granting agency.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2001-20740-040
CFDA Title and Number	Community Development Block Grants/14.228
Federal Award Number/Year	A-T-98-135-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Reporting and Allowable Costs Noncompliance/Questioned Cost

The Office of Housing and Community Partnership (OHCP) Financial Management Rules and Regulations Handbook § E(1)(b)(1) provides that the Final Performance Report must be completed and submitted to OHCP. OMB Circular A-87, Section C.1.J requires that costs charged to Federal programs must be adequately documented.

For the 1998 Downtown Revitalization Grant, the Final Performance Report reflected \$400,000 in Community Development Block Grant Funds Expended to Date. The City's accounting records supports this amount in total, however, the system did not reflect the breakdown of these expenditures, as indicated on the Final Performance Report, and we were unable to determine the accuracy of the breakdown. Also, there were questioned costs totaling \$76,655, identified in the Special Audit Report dated February 11, 2002, that were included within the \$400,000. The \$76,655 in expenditures were deemed as federal questioned costs because of a lack of supporting documentation and/or the application prepared by the property owner for the work to be performed.

Beginning with the 2001 Community Housing Improvement Program grant, the City started making appropriations according to the program budgets in order to track the expenditures to support their Final Performance Reports.

Also, within the 1998 Downtown Revitalization Grant, the Final Performance Report reflected \$4,248,000 as Other Funds Expended to Date. The City was unable to provide documentation to support the \$4,248,000 reported.

Therefore, the \$4,248,000, in expenditures indicated on the Final Performance Report, is considered a federal questioned cost.

CITY OF JACKSON
JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2001-20740-041
CFDA Title and Number	Community Development Block Grants/14.228
Federal Award Number/Year	A-P-00-135-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Reporting and Allowable Costs Noncompliance/Questioned Cost

The Office of Housing and Community Partnership (OHCP) Financial Management Rules and Regulations Handbook § E(1)(b)(1) provides that the Final Performance Report must be completed and submitted to OHCP. OMB Circular A-87, Section C.1.J requires that costs charged to Federal programs must be adequately documented.

The City's Final Performance Report, dated June 12, 2002, for the 2000 Appalachian Regional Commission Program (Apple Water Tank Rehabilitation Project) reflected \$132,972 in total Other Funds Expended to Date, which includes the City's matching funds. The City was unable to provide documentation to support matching funds documented as Engineering costs in the amount of \$19,500 and Inspections costs in the amount of \$18,500, for a total of \$38,000.

Therefore, \$38,000 will be considered questioned costs.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2001-20740-042
CFDA Title and Number	Community Development Block Grants/14.228
Federal Award Number/Year	A-C-99-135-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Reporting Noncompliance/Material Weakness

Community Development Block Grant ARC Grant *

City Council is relying on the Economic Development Board, (the Board), a not for profit corporation, as grant consultants to fulfill certain Community Development Block Grant ARC grant compliance requirements on behalf of the City. The City did not meet or did not have supporting documentation for various requirements in the Grant Agreements for the Small Cities Community Development Block Grant Programs: Discretionary Program (Holzer Clinic Water Tank Project), Appalachian Regional Commission Program (Apple Water Tower Rehabilitation Project), and the Downtown Revitalization Competitive Program, as described in the following paragraph.

Requirement areas within the grant agreements that were not met or supported included but were not limited to:

Discretionary Program: Project Completion Requirements; Project Specific Conditions; Status Reports, and Certificate of Completion, as required by Attachment A, subparagraph 7 and Attachment C, subparagraph 1 and 5, to the grant agreement dated November 24, 1999 for Grant Number A-D-99-135-1.

Appalachian Regional Commission Program: Statement of the Agreement; Equal Employment Opportunity; Project Completion Requirements; Project Specific Conditions; Status Reports, and Certificate of Completion, as required by the "Statement of the Grant Agreement" section subparagraph 12; Attachment B subparagraph 7 and 12; and Attachment C subparagraph 1 and 5 of the grant agreement dated March 3, 2001 for Grant Number A-P-00-135-1

Downtown Revitalization Competitive Program: Project Completion Requirements; Status Reports, and Certificate of Completion, as required by Attachment B subparagraph 7 and Attachment C subparagraph 1 and 5 to the grant agreement dated February 11, 1998 for Grant Number A-T-98-135-1.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2001-20740-042 (Continued)
CFDA Title and Number	Community Development Block Grants/14.228
Federal Award Number/Year	A-D-99-135-1, A-C-99-135-1, A-C-00-135-1 and A-P-00-135-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Reporting Noncompliance/Material Weakness (Continued)

Community Development Block Grant ARC Grant * (Continued)

In addition to the above items, we have issued questioned costs and other significant grant non-compliance citations that have been included in the Schedule of Findings.

We recommend the City establish procedures to ensure the grant consultants have reviewed and addressed the requirements within the grant agreements. Also, within these procedures, we recommend the City include reviews of supporting documentation maintained by the grant consultants to assure the grant consultants are maintaining appropriate records.

Finding Number	2001-20740-043
CFDA Title and Number	COPS Grant/16.710
Federal Award Number/Year	98-SB-WX-0116
Federal Agency	U.S. Department of Justice
Pass-Through Agency	None

Allowable Costs Noncompliance

1998 School Based Partnership Grant *

The approved Budget Detail Worksheets identified allowable grant expenditures. Simon Ng, Director of the United States Department of Justice's COPS Office, indicated no modifications can be made to the grant budget without prior approval of the COPS Office. No budget amendments were approved by the COPS Office.

During 2000, four individuals attended a school violence training seminar in San Diego, California. This was identified in the Special Audit Report dated February 11, 2002, Issue No. 3. \$3,756, paid in 2001, was considered to be an unallowable cost for this training since it had not been included with the approved Budget Detail Worksheets. We recommend the City contact their granting agency and determine if the \$3,756 should be returned.

**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2001-20740-043 (Continued)
CFDA Title and Number	COPS Grant/16.710
Federal Award Number/Year	98-SB-WX-0116
Federal Agency	U.S. Department of Justice
Pass-Through Agency	None

Allowable Costs Noncompliance (Continued)

1998 School Based Partnership Grant * (Continued)

In January, 2001, the registrations fees for the four individuals who attended the training seminar in San Diego, California, were paid. This resulted in an additional \$1,660 being expended from the grant, which was not included in the Budget Detail Worksheets. A review of the 1999 School Based Partnership Grant application indicated this training was budgeted for the 1999 School Based Partnership Grant.

Therefore, the grant expenditure of \$1,660, is not considered an allowable cost because it was not included in the Budget Detail Worksheet.

We recommend the City contact their granting agency and determine if the \$1,660 should be returned. Also, for future grant expenditures, we recommend the City's management review the potential grant expenditures to ensure they are allowed per the grant agreement prior to making the actual expenditure.

* = Similar issues brought to the attention of the City in the Special Audit Report dated February 11, 2002.

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**CITY OF JACKSON
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.315(c)
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-001	Noncompliance citation of Ohio Revised Code Section 5705.09 and 5705.10 for overspending available cash balances.	No	Not Corrected. Refer to Finding number 2001-20740-015 above.
2000-002	Improper transfers from the Enterprise Fund to the General Fund.	No	Partially Corrected. Refer to Finding number 2001-20740-019 above.
2000-003	Incorrect allocation of payroll expenditures.	No	Partially Corrected. Refer to finding number 2001-20740-008
2000-004	Incorrect posting of fixed assets.	No	Partially Corrected. Reported to management of the City in a separate letter dated December 31, 2002.
2000-005	A noncompliance issue was reported regarding the failure to abide by the fifteen day disbursement rule for the Community Development Block Grant Program.	No	Not Corrected. Refer to Finding number 2001-20740-037 above.

**CITY OF JACKSON
JACKSON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.315(c)
DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-20740-001	Corrected and will continue to post in correct manner.	09/23/02	Carl Barnett City Auditor
2001-20740-002	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-003	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-004	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-005	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-006	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-007	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-008	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-009	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-0010	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-0011	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-0012	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-0013	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-0014	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-0015	City placed in fiscal watch to get assistance.	Placed in fiscal watch on November 18, 2002	Carl Barnett City Auditor
2001-20740-0016	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-0017	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor
2001-20740-0018	Corrected and will continue to post in correct manner.	September 23, 2002	Carl Barnett City Auditor

**CITY OF JACKSON
JACKSON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.315(c)
DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-20740-0019	Transfers discontinued in 2002. City Council is in the process of obtaining approval as per the Ohio Revised Code to transfer funds from the electric fund to the general fund.	January, 2003	Carl Barnett City Auditor
2001-20740-0020	Working on procedures to assure compliance.	January, 2003	Carl Barnett City Auditor
2001-20740-0021	Working on procedures to assure compliance.		Carl Barnett City Auditor
2001-20740-0022	In process of developing a package to present to council.	January, 2003	Carl Barnett City Auditor
2001-20740-0023	This was a one time event that should not occur in the future.		Carl Barnett City Auditor
2001-20740-0024	Jackson Hardware is out of business and council is looking into control procedures for other vendors.	June, 2003	Dennis Hodge President of Council
2001-20740-0025	The Law Director plans to research and investigate all findings.	The Law Director has 120 days from the date of report to take official action. After which, the Ohio Attorney General may take action.	John L. Detty Law Director
2001-20740-0026	The Law Director plans to research and investigate all findings.	The Law Director has 120 days from the date of report to take official action. After which, the Ohio Attorney General may take action.	John L. Detty Law Director
2001-20740-0027	The Law Director plans to research and investigate all findings.	The Law Director has 120 days from the date of report to take official action. After which, the Ohio Attorney General may take action.	John L. Detty Law Director
2001-20740-0028	The Law Director plans to research and investigate all findings.	The Law Director has 120 days from the date of report to take official action. After which, the Ohio Attorney General may take action.	John L. Detty Law Director

**CITY OF JACKSON
JACKSON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.315(c)
DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-20740-0029	The Law Director plans to research and investigate all findings.	The Law Director has 120 days from the date of report to take official action. After which, the Ohio Attorney General may take action.	John L. Detty Law Director
2001-20740-0030	The Visa Card was cancelled.	March, 2002	Carl Barnett City Auditor
2001-20740-0031	The Law Director plans to research and investigate all findings.	The Law Director has 120 days from the date of report to take official action. After which, the Ohio Attorney General may take action.	John L. Detty Law Director
2001-20740-0032	The Law Director plans to research and investigate all findings.	The Law Director has 120 days from the date of report to take official action. After which, the Ohio Attorney General may take action.	John L. Detty Law Director
2001-20740-0033	The Law Director plans to research and investigate all findings.	The Law Director has 120 days from the date of report to take official action. After which, the Ohio Attorney General may take action.	John L. Detty Law Director
2001-20740-0034	The Law Director plans to research and investigate all findings.	The Law Director has 120 days from the date of report to take official action. After which, the Ohio Attorney General may take action.	John L. Detty Law Director
2001-20740-0035	The meter was misread. This was a one time mistake. This was not caught due to lack of time.		Cheryl Adkins Billing/Assistant Utility Superintendent
2001-20740-0036	The Law Director plans to research and investigate all findings.	The Law Director has 120 days from the date of report to take official action. After which, the Ohio Attorney General may take action.	John L. Detty Law Director

**CITY OF JACKSON
JACKSON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.315(c)
DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-20740-0037	Story Cool will follow up with granting agency.		Story Cool Community Development/ Building Inspector
2001-20740-0038	Story Cool will follow up with granting agency.		Story Cool Community Development/ Building Inspector
2001-20740-0039	City has established a grant committee to look into this	2003	Steve Benson City Engineer
2001-20740-0040	City has established a grant committee to look into this	2003	Steve Benson City Engineer
2001-20740-0041	City has established a grant committee to look into this	2003	Steve Benson City Engineer
2001-20740-0042	City has established a grant committee to look into this	2003	Steve Benson City Engineer
2001-20740-0043	City has established a grant committee to look into this	2003	Steve Benson City Engineer



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF JACKSON

JACKSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
May 29, 2003**