



Dave Yost • Auditor of State



**JACKSON COUNTY  
DECEMBER 31, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Jackson County  
226 East Main Street  
Jackson, Ohio 45640

To the Board of County Commissioners:

### ***Report on the Financial Statements***

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Jackson County, Ohio (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Jackson County, Ohio, as of December 31, 2016, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Motor Vehicle Gasoline Tax, Job and Family Services, and Developmental Disabilities Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

### ***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

### ***Other Matters***

#### *Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### *Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2017, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 20, 2017

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**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

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The discussion and analysis of Jackson County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the County's financial performance.

## **FINANCIAL HIGHLIGHTS**

**Key financial highlights for fiscal year 2016 are as follows:**

- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$7,518,895, a decrease of \$1,834,868 from the prior year.

## **USING THIS ANNUAL FINANCIAL REPORT**

This discussion and analysis is intended to serve as an introduction to the County's modified cash financial statements. The County's financial statements are composed of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### ***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *Statement of Net Position – Modified Cash Basis* presents information on all of the County's cash assets, presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the cash position of Jackson County is improving or deteriorating.

The *Statement of Activities – Modified Cash Basis* presents information showing how the County's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs.

Both of the government-wide financial statements identify functions of the County that are principally supported by taxes and intergovernmental receipts (governmental activities). The governmental activities of the County include legislative and executive, judicial, public safety, public works, health, human services, and economic development.

In the statement of net position and the statement of activities, the County is comprised of one type of activity:

*Governmental Activities* – Most of the County's programs or services are reported here, including legislative and executive, judicial, public safety, public works, health, human services, and economic development. These services are funded primarily by taxes and intergovernmental receipts, including federal and state grants and other shared revenues.

*Component Units* – The County's financial statements include financial data of the Jackson County Airport Authority. This component unit is described in the notes to the financial statements. Component units are separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in the own name.

### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. Fund financial statements provide detailed information about the County's major funds. Based on the restriction on the use of moneys, the County has established many funds that account for the multitude of services provided to our residents. The County's major governmental funds are the General Fund, the Motor Vehicle Gasoline Tax, Job and Family Services, and the Developmental Disabilities Special Revenue Funds.

**Governmental Funds** Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year end balances available for spending.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund *Statement of Modified Cash Receipts, Cash Disbursements and Changes in Fund Balances* for the major funds, which were identified earlier. Data from other governmental funds are combined into a single, aggregated presentation.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the County's programs.

**Notes to the Basic Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position – modified cash basis may serve over time as a useful indicator of a government's financial position. Jackson County has chosen to report on an *Other Comprehensive Basis of Accounting* in a format similar to that required by Governmental Accounting Standard No. 34. This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis (MD&A) section.

Table 1 provides a summary of the County's net position – cash basis for 2016 compared to 2015:

(Table 1)  
 Jackson County's Net Position - Modified Cash Basis

	Governmental Activities	
	2016	2015
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$7,486,330	\$9,222,883
Cash and Cash Equivalents in Segregated Accounts	32,565	130,880
<i>Total Assets</i>	<u>\$7,518,895</u>	<u>\$9,353,763</u>
<b>Net Position</b>		
Restricted	\$5,716,178	\$6,907,186
Unrestricted	1,802,717	2,446,577
<i>Total Net Position</i>	<u>\$7,518,895</u>	<u>\$9,353,763</u>

A portion of the County's net position, \$5,716,178, or 76 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of net position, \$1,802,717, or 24 percent, is unrestricted and is to be used to meet the County's ongoing obligations to citizens and creditors.

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
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Table 2 reflects the change in net position for the year ended December 31, 2016.

(Table 2)  
 Changes in Net Position

	<u>Governmental Activities</u>		
	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Receipts</b>			
Program Receipts:			
Charges for Services	\$6,743,630	\$6,821,552	(\$77,922)
Operating Grants, Contributions and Interest	13,867,775	13,840,516	27,259
Capital Grants and Contributions	192,849	277,228	(84,379)
<i>Total Program Receipts</i>	<u>20,804,254</u>	<u>20,939,296</u>	<u>(135,042)</u>
General Receipts:			
Property Taxes	3,272,897	3,234,189	38,708
Sales Taxes	3,779,537	3,674,950	104,587
Grants and Entitlements	922,209	916,791	5,418
Interest	59,014	69,998	(10,984)
Proceeds of Loans	871,920	0	871,920
Insurance Recoveries	5,645	57,569	(51,924)
Other	594,820	607,729	(12,909)
<i>Total General Receipts</i>	<u>9,506,042</u>	<u>8,561,226</u>	<u>944,816</u>
Total Receipts	<u>30,310,296</u>	<u>29,500,522</u>	<u>809,774</u>
<b>Program Disbursements</b>			
General Government:			
Legislative and Executive	2,803,771	2,542,068	261,703
Judicial	3,615,970	2,963,469	652,501
Public Safety	6,477,099	5,733,080	744,019
Public Works	5,002,798	4,457,471	545,327
Health	3,892,646	3,563,361	329,285
Human Services	8,315,592	7,393,735	921,857
Economic Development	1,199,120	1,066,355	132,765
Capital Outlay	582,539	604,174	(21,635)
Debt Service:			
Principal Retirement	198,635	196,276	2,359
Interest and Fiscal Charges	56,994	63,573	(6,579)
<i>Total Program Disbursements</i>	<u>32,145,164</u>	<u>28,583,562</u>	<u>3,561,602</u>
<i>Change in Net Position</i>	<u>(1,834,868)</u>	<u>916,960</u>	<u>(2,751,828)</u>
Net Position at Beginning of Year	<u>9,353,763</u>	<u>8,436,803</u>	<u>916,960</u>
Net Position at End of Year	<u><u>\$7,518,895</u></u>	<u><u>\$9,353,763</u></u>	<u><u>(\$1,834,868)</u></u>

**Governmental Activities**

Program receipts accounted for 68.6 percent of total receipts for governmental activities in 2016, therefore, governmental activities services are primarily funded through these program receipts, with operating and capital grants accounting for \$14,060,624 or 67.6 percent of program receipts. The major recipients of these intergovernmental receipts were the Motor Vehicle Gasoline Tax, Job and Family Services, and Developmental Disabilities Special Revenue Funds.

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

General receipts, primarily property and sales taxes, accounted for the remaining 31.4 percent of total receipts. This highlights the County's continued dependence upon its citizens and taxpayers to fund those programs most important to them.

The County's direct charges to users of governmental services made up \$6,964,031 or 23 percent of total governmental receipts. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, licenses and permits, and public assistance fees.

Human service programs accounted for \$8,315,592 or 25.9 percent of total disbursements for governmental activities. During 2016, disbursements for Job and Family Services and Children's Services amounted to \$5,527,994 and \$1,518,148, respectively. These activities are mostly funded through program receipts. The grants and entitlements allow the County to continue to offer a wide variety of quality services to its citizens without increasing the tax burden on our citizens, while the charges for services allow the County to offset its expenses by collecting fees from those who directly benefit from certain services.

Public safety programs are a major activity of the County, accounting for \$6,477,099 or 20.1 percent of all governmental disbursements. These activities are funded primarily through property and sales taxes. The County attempts to supplement the income and activities of the Sheriff's Department to enable the department to widen the scope of its activity.

Public works programs accounted for \$5,002,798 or 15.6 percent of all governmental disbursements. These activities are paid predominately with program receipts, with \$1,032,122 or 20.6 percent of the public works disbursements being supported with the County's general receipts.

General government, health, economic development, capital outlay, and principal and interest disbursements account for the remaining 38.4 percent of governmental disbursements.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

(Table 3)  
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2016	2016	2015	2015
<b>Program Disbursements</b>				
General Government:				
Legislative and Executive	\$2,803,771	\$1,400,858	\$2,542,068	\$1,012,747
Judicial	3,615,970	1,669,000	2,963,469	1,136,809
Public Safety	6,477,099	4,092,627	5,733,080	3,534,998
Public Works	5,002,798	1,032,122	4,457,471	432,704
Health	3,892,646	1,316,157	3,563,361	467,844
Human Services	8,315,592	859,523	7,393,735	300,904
Economic Development	1,199,120	351,704	1,066,355	(77,163)
Capital Outlay	582,539	363,290	604,174	575,574
Debt Service:				
Principal Retirement	198,635	198,635	196,276	196,276
Interest and Fiscal Charges	56,994	56,994	63,573	63,573
<b>Total</b>	<b>\$32,145,164</b>	<b>\$11,340,910</b>	<b>\$28,583,562</b>	<b>\$7,644,266</b>

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

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Charges for services and capital and operating grants of \$20,804,254 or 64.7 percent of the total costs of services, are received and used to fund the governmental operations of the County. The remaining \$11,340,910 in governmental disbursements are funded by property taxes, permissive sales taxes, unrestricted intergovernmental receipts, interest, insurance recoveries, and other receipts.

For example, the \$1,316,157 in net cost of services for Health demonstrates the costs of services that are not supported by state and federal resources. As such, the taxpayers of the County have approved property tax levies for Developmental Disabilities and Emergency Medical Services, in order to fund this program.

### **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

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

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

As of December 31, 2016, the County's governmental funds reported a combined ending fund balance of \$7,518,895, a decrease of \$1,834,868 in comparison with the prior year. Approximately \$7,406,568, or 98.5 percent of this total, constitutes spendable fund balance. The remaining \$112,327 of fund balance is nonspendable to indicate that it is not available for new spending because it has already been designated for unclaimed monies.

The General Fund is the primary operating fund of the County. At the end of 2016, unassigned fund balance was \$1,019,414, while total fund balance was \$1,355,682. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund disbursements. Unassigned fund balance represents 15.1 percent of total General Fund disbursements, while total fund balance represents 20.1 percent of that same amount.

The fund balance of the County's General Fund decreased \$593,127 during 2016. The primary cause of this is due to increases in fixed costs in the General Fund. Hospitalization costs continue upward. The County also had unexpected building repairs in 2016 that should not be repeated in the near future.

The fund balance of the Motor Vehicle Gasoline Tax Special Revenue Fund increased \$194,366. The Motor Vehicle Gasoline Tax Fund's fund balance of \$347,431 represented 7.6 percent of current year disbursements.

The fund balance of the Job and Family Services Special Revenue Fund decreased \$145,055. The Job and Family Services Special Revenue Fund's fund balance of \$254,055 represented 4.6 percent of current year disbursements.

The fund balance of the Developmental Disabilities Special Revenue Fund decreased \$320,327. The Developmental Disabilities Special Revenue Fund's fund balance of \$1,952,622 represented 54.5 percent of current year disbursements.

### **BUDGETARY HIGHLIGHTS**

The County's budget is prepared according to Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Board of County Commissioners adopts a permanent operating budget for the County on or about January 1.

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

During the course of 2016, the County amended its General Fund budget several times. All recommendations for a budget change came from either the County Auditor or departmental managers to the Finance Committee of the County Commissioners for review before going to the whole Commission for Ordinance enactment on the change. The allocation of appropriations among the departments and objects within a fund may be during the year with approval from the County Commissioners. With the General Fund supporting many of our major activities such as our sheriff department, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, increases of \$519,260 were made to the original budgeted receipts. Final estimated receipts were above original estimates, primarily due to charges for services and other revenue that couldn't be anticipated. Final budgeted disbursements increased \$546,792 over the original amount. Jackson County's ending unencumbered cash balance in the General Fund matched the final budgeted amount.

**DEBT ADMINISTRATION**

By year end, the County had the following debt:

(Table 4)  
 Outstanding Debt at December 31, 2016

	Governmental Activities	
	2016	2015
Various Purpose General		
Obligation Bonds	\$1,000,000	\$1,155,000
Capital Lease/Purchase Agreements	10,884	21,103
State Infrastructure Bank Loan	871,920	0
Engineer Department Note	138,568	182,203
Totals	\$2,021,372	\$1,358,306

The County's overall legal debt margin was \$9,553,806 at December 31, 2016. For additional information on the County's debt, see Notes 13 and 14 to the modified cash basis financial statements.

**CURRENT ISSUES**

As the preceding information shows, the County depends heavily on its taxpayers and on grants and entitlements. Stress on the County's finances is ongoing. Although the County has tightened spending to better bring expenses in line with revenues, and carefully watched financial planning, this must continue if the County hopes to remain on firm financial footing.

Various economic factors were considered in the preparation of the County's 2016 budget and appropriate measures are taken to ensure spending is within available resources.

**CONTACTING THE COUNTY AUDITOR'S DEPARTMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Clyde Holdren, Jackson County Auditor, 226 East Main Street, Jackson, Ohio 45640.

**Jackson County, Ohio**  
*Statement of Net Position - Modified Cash Basis*  
 December 31, 2016

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Jackson County Airport Authority
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$7,486,330	\$15,793
Cash and Cash Equivalents in Segregated Accounts	32,565	0
<i>Total Assets</i>	<u>\$7,518,895</u>	<u>\$15,793</u>
<b>Net Position</b>		
Restricted for:		
Unclaimed Monies	\$112,327	\$0
Roads and Bridges	347,431	0
Human Services	583,837	0
Developmental Disabilities	1,952,622	0
Economic Development	308,056	0
Court Operations	1,268,932	0
Real Estate Assessment	468,331	0
Emergency Management Services	274,570	0
Dog and Kennel Operations	261,370	0
Clean Ohio	60	0
Election Operations	133,607	0
Debt Service	5,035	0
Unrestricted	<u>1,802,717</u>	<u>15,793</u>
<i>Total Net Position</i>	<u>\$7,518,895</u>	<u>\$15,793</u>

See accompanying notes to the basic financial statements.

**Jackson County, Ohio**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2016*

	Disbursements	Charges for Services	Program Receipts		Total	Component Unit
			Operating Grants, Contributions and Interest	Capital Grants and Contributions		Jackson County Airport Authority
<b>Governmental Activities</b>						
General Government:						
Legislative and Executive	\$2,803,771	\$1,272,654	\$130,259	\$0	(\$1,400,858)	\$0
Judicial	3,615,970	1,744,191	202,779	0	(1,669,000)	0
Public Safety	6,477,099	1,585,206	799,266	0	(4,092,627)	0
Public Works	5,002,798	178,510	3,792,166	0	(1,032,122)	0
Health	3,892,646	375,836	2,200,653	0	(1,316,157)	0
Human Services	8,315,592	1,476,027	5,980,042	0	(859,523)	0
Economic Development	1,199,120	84,806	762,610	0	(351,704)	0
Capital Outlay	582,539	26,400	0	192,849	(363,290)	0
Debt Service:						
Principal Retirement	198,635	0	0	0	(198,635)	0
Interest and Fiscal Charges	56,994	0	0	0	(56,994)	0
<i>Total Governmental Activities</i>	<u>32,145,164</u>	<u>6,743,630</u>	<u>13,867,775</u>	<u>192,849</u>	<u>(11,340,910)</u>	<u>0</u>
<b>Component Unit</b>						
Jackson County Airport Authority	<u>\$358,584</u>	<u>\$0</u>	<u>\$0</u>	<u>\$89,278</u>	<u>0</u>	<u>(269,306)</u>
<b>General Receipts</b>						
Property Taxes Levied for:						
General Purposes					1,454,909	0
Developmental Disabilities					777,357	0
Emergency Medical Services					1,040,631	0
Sales Taxes Levied for:						
General Purposes					1,889,845	0
Public Safety					1,889,692	0
Grants and Entitlements not Restricted to Specific Programs					922,209	0
Interest					59,014	0
Insurance Recoveries					5,645	0
Proceeds of Loans					871,920	
Other					594,820	77,714
<i>Total General Receipts</i>					<u>9,506,042</u>	<u>77,714</u>
<i>Change in Net Position</i>					(1,834,868)	(191,592)
<i>Net Position at Beginning of Year</i>					<u>9,353,763</u>	<u>207,385</u>
<i>Net Position at End of Year</i>					<u>\$7,518,895</u>	<u>\$15,793</u>

See accompanying notes to the basic financial statements.



**Jackson County, Ohio**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2016*

	General	Motor Vehicle Gasoline Tax	Job and Family Services	Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,006,799	\$562,005	\$254,055	\$1,952,622	\$3,598,522	\$7,374,003
Restricted Cash and Cash Equivalents	112,327	0	0	0	0	112,327
Cash and Cash Equivalents in Segregated Accounts	21,982	0	0	0	10,583	32,565
Interfund Receivable	214,574	0	0	0	0	214,574
<i>Total Assets</i>	<u>\$1,355,682</u>	<u>\$562,005</u>	<u>\$254,055</u>	<u>\$1,952,622</u>	<u>\$3,609,105</u>	<u>\$7,733,469</u>
<b>Liabilities</b>						
Interfund Payable	\$0	\$214,574	\$0	\$0	\$0	\$214,574
<b>Fund Balances</b>						
Nonspendable	112,327	0	0	0	0	112,327
Restricted	0	347,431	254,055	1,952,622	3,049,743	5,603,851
Committed	87	0	0	0	303,514	303,601
Assigned	223,854	0	0	0	255,848	479,702
Unassigned	1,019,414	0	0	0	0	1,019,414
<i>Total Fund Balances</i>	<u>1,355,682</u>	<u>347,431</u>	<u>254,055</u>	<u>1,952,622</u>	<u>3,609,105</u>	<u>7,518,895</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,355,682</u>	<u>\$562,005</u>	<u>\$254,055</u>	<u>\$1,952,622</u>	<u>\$3,609,105</u>	<u>\$7,733,469</u>

See accompanying notes to the basic financial statements.

**Jackson County, Ohio**  
*Statement of Modified Cash Receipts, Cash Disbursements and  
 Changes in Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2016

	General	Motor Vehicle Gasoline Tax	Job and Family Services	Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property Taxes	\$1,454,909	\$0	\$0	\$777,357	\$1,040,631	\$3,272,897
Sales Taxes	1,889,845	0	0	0	1,889,692	3,779,537
Intergovernmental	1,116,299	3,788,767	3,957,992	2,162,423	3,887,006	14,912,487
Charges for Services	1,402,723	127,628	1,101,209	257,352	2,089,406	4,978,318
Fines, Licenses, and Permits	402,209	50,882	0	0	1,171,198	1,624,289
Rent	55,212	0	0	0	1,005	56,217
Loan Revenue	0	0	0	0	84,806	84,806
Donations	0	0	0	16,818	26,860	43,678
Interest	59,014	3,399	0	0	23,269	85,682
Other	99,968	11,828	323,738	45,365	113,921	594,820
<i>Total Receipts</i>	<u>6,480,179</u>	<u>3,982,504</u>	<u>5,382,939</u>	<u>3,259,315</u>	<u>10,327,794</u>	<u>29,432,731</u>
<b>Disbursements</b>						
Current:						
General Government:						
Legislative and Executive	2,061,701	0	0	0	742,070	2,803,771
Judicial	2,360,293	0	0	0	1,255,677	3,615,970
Public Safety	1,239,358	0	0	0	5,237,741	6,477,099
Public Works	415,982	4,581,179	0	0	5,637	5,002,798
Health	172,196	0	0	3,579,642	140,808	3,892,646
Human Services	456,195	0	5,527,994	0	2,331,403	8,315,592
Economic Development	26,625	0	0	0	1,172,495	1,199,120
Capital Outlay	0	0	0	0	582,539	582,539
Debt Service:						
Principal Retirement	0	0	0	0	198,635	198,635
Interest and Fiscal Charges	0	7,614	0	0	49,380	56,994
<i>Total Disbursements</i>	<u>6,732,350</u>	<u>4,588,793</u>	<u>5,527,994</u>	<u>3,579,642</u>	<u>11,716,385</u>	<u>32,145,164</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(252,171)</u>	<u>(606,289)</u>	<u>(145,055)</u>	<u>(320,327)</u>	<u>(1,388,591)</u>	<u>(2,712,433)</u>
<b>Other Financing Sources (Uses)</b>						
Insurance Recoveries	5,645	0	0	0	0	5,645
Advances In	88,000	0	0	0	150,000	238,000
Transfers In	0	0	0	0	624,777	624,777
Proceeds of Loans	0	871,920	0	0	0	871,920
Advances Out	(150,000)	0	0	0	(88,000)	(238,000)
Transfers Out	(284,601)	(71,265)	0	0	(268,911)	(624,777)
<i>Total Other Financing Sources (Uses)</i>	<u>(340,956)</u>	<u>800,655</u>	<u>0</u>	<u>0</u>	<u>417,866</u>	<u>877,565</u>
<i>Net Change in Fund Balances</i>	<u>(593,127)</u>	<u>194,366</u>	<u>(145,055)</u>	<u>(320,327)</u>	<u>(970,725)</u>	<u>(1,834,868)</u>
<i>Fund Balances at Beginning of Year</i>	<u>1,948,809</u>	<u>153,065</u>	<u>399,110</u>	<u>2,272,949</u>	<u>4,579,830</u>	<u>9,353,763</u>
<i>Fund Balances at End of Year</i>	<u>\$1,355,682</u>	<u>\$347,431</u>	<u>\$254,055</u>	<u>\$1,952,622</u>	<u>\$3,609,105</u>	<u>\$7,518,895</u>

See accompanying notes to the basic financial statements.

**Jackson County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$1,573,930	\$1,454,909	\$1,454,909	\$0
Sales Taxes	1,775,000	1,889,845	1,889,845	0
Intergovernmental	939,416	1,116,299	1,116,299	0
Charges for Services	1,119,320	1,400,800	1,400,800	0
Fines, Licenses, and Permits	416,975	402,209	402,209	0
Rent	50,000	55,212	55,212	0
Investment Income	0	59,014	59,014	0
Other	50,000	99,968	99,968	0
<i>Total Receipts</i>	<u>5,924,641</u>	<u>6,478,256</u>	<u>6,478,256</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
General Government:				
Legislative and Executive	1,759,962	2,078,711	2,078,711	0
Judicial	2,379,606	2,360,294	2,360,294	0
Public Safety	1,099,271	1,239,358	1,239,358	0
Public Works	367,359	415,982	415,982	0
Health	199,193	172,196	172,196	0
Human Services	468,778	456,195	456,195	0
Economic Development	0	26,624	26,624	0
<i>Total Disbursements</i>	<u>6,274,169</u>	<u>6,749,360</u>	<u>6,749,360</u>	<u>0</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(349,528)</u>	<u>(271,104)</u>	<u>(271,104)</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>				
Insurance Recoveries	40,000	5,645	5,645	0
Advances In	88,000	88,000	88,000	0
Advances Out	0	(150,000)	(150,000)	0
Transfers Out	(363,000)	(284,601)	(284,601)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(235,000)</u>	<u>(340,956)</u>	<u>(340,956)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(584,528)	(612,060)	(612,060)	0
<i>Fund Balance at Beginning of Year</i>	1,927,881	1,927,881	1,927,881	0
<i>Prior Year Encumbrances Appropriated</i>	<u>869</u>	<u>869</u>	<u>869</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$1,344,222</u></u>	<u><u>\$1,316,690</u></u>	<u><u>\$1,316,690</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

**Jackson County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
*Motor Vehicle Gasoline Tax Fund*  
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$3,580,000	\$3,788,767	\$3,788,767	\$0
Charges for Services	62,000	127,628	127,628	0
Fines, Licenses, and Permits	50,000	50,882	50,882	0
Investment Income	0	3,399	3,399	0
Other	10,000	11,828	11,828	0
<i>Total Receipts</i>	<u>3,702,000</u>	<u>3,982,504</u>	<u>3,982,504</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
Public Works	3,826,144	4,682,818	4,682,818	0
Debt Service:				
Principal Retirement	0	39,239	39,239	0
Interest and Fiscal Charges	0	7,614	7,614	0
<i>Total Disbursements</i>	<u>3,826,144</u>	<u>4,729,671</u>	<u>4,729,671</u>	<u>0</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(124,144)</u>	<u>(747,167)</u>	<u>(747,167)</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Loans	0	871,920	871,920	0
Transfers Out	(120,000)	(71,265)	(71,265)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(120,000)</u>	<u>800,655</u>	<u>800,655</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(244,144)</u>	<u>53,488</u>	<u>53,488</u>	<u>0</u>
<i>Fund Balance at Beginning of Year</i>	<u>406,878</u>	<u>406,878</u>	<u>406,878</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$162,734</u></u>	<u><u>\$460,366</u></u>	<u><u>\$460,366</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

**Jackson County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
Job and Family Services Fund  
For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$5,150,924	\$3,957,992	\$3,957,992	\$0
Charges for Services	200,000	1,101,209	1,101,209	0
Other	500	323,738	323,738	0
<i>Total Receipts</i>	<u>5,351,424</u>	<u>5,382,939</u>	<u>5,382,939</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
Human Services	<u>5,280,224</u>	<u>5,527,994</u>	<u>5,527,994</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	71,200	(145,055)	(145,055)	0
<i>Fund Balance at Beginning of Year</i>	<u>399,110</u>	<u>399,110</u>	<u>399,110</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$470,310</u></u>	<u><u>\$254,055</u></u>	<u><u>\$254,055</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

**Jackson County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
Developmental Disabilities Fund  
For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$736,687	\$777,357	\$777,357	\$0
Intergovernmental	2,635,712	2,162,423	2,162,423	0
Charges for Services	258,503	257,352	257,352	0
Donations	10,000	16,818	16,818	0
Other	15,000	45,365	45,365	0
<i>Total Receipts</i>	3,655,902	3,259,315	3,259,315	0
<b>Disbursements</b>				
Current:				
Human Services	3,540,329	3,579,642	3,579,642	0
<i>Net Change in Fund Balance</i>	115,573	(320,327)	(320,327)	0
<i>Fund Balance at Beginning of Year</i>	2,272,949	2,272,949	2,272,949	0
<i>Fund Balance at End of Year</i>	<u>\$2,388,522</u>	<u>\$1,952,622</u>	<u>\$1,952,622</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

**Jackson County, Ohio**  
*Statement of Fiduciary Net Position - Modified Cash Basis*  
*Agency Funds*  
*December 31, 2016*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,072,408
Cash and Cash Equivalents in Segregated Accounts	<u>824,218</u>
<i>Total Assets</i>	<u><u>\$1,896,626</u></u>
 <b>Net Position</b>	
Total Net Position	<u><u>\$1,896,626</u></u>

See accompanying notes to the basic financial statements.

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**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Description of the County and Reporting Entity**

Jackson County, Ohio (the “County”), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and the laws of the State of Ohio. The County is governed by a board of three County Commissioners elected by the voters of the County. An elected County Auditor serves as the chief fiscal officer. In addition, there are ten other elected administrative officials. These officials are: County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, and the Common Pleas/Probate, Juvenile, and Municipal Court Judges.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize cash disbursements as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the County.

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

The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Jackson County, this includes the Board of Developmental Disabilities, Children Services Board, and all departments and activities that are directly operated by the elected County Officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization’s governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization’s resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

**Discretely Presented Component Unit**

The component unit column on the financial statements identifies the financial data of the Jackson County Airport Authority. The component unit is reported separately to emphasize that it is legally separate from the County. Information about the component unit is presented in Note 23 to the basic financial statements.

Jackson County Airport Authority The Jackson County Airport Authority (the Authority) was created by resolution of the County Commissioners under Ohio Revised Code Section 308.01. The purpose of the Authority is for the acquisition, construction, operation, and maintenance of the airport and its facilities in Jackson County. The Authority operates under the direction of a three-member Board of Trustees, appointed by the County Commissioners. A Secretary-Treasurer is responsible for the fiscal accounting of the resources of the Authority. Services provided by the Authority include the means by which to aid the safe taking off and landing of aircraft, storage and maintenance of aircraft, and the safe and efficient operation of the airport. The Authority is considered to be a component unit of Jackson County and is discretely presented. The nature and significance of the relationship between the County and the Authority is such that exclusion would cause the County’s financial statements to be misleading. The Authority operates on a fiscal year ending on December 31.

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County’s financial statements:

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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***The Jackson County Combined General Health District*** The District is governed by the Board of Health which oversees the operation of the District and is elected by a Regional Advisory Council composed of township trustees, mayors of participating municipalities, and one County Commissioner. The District adopts its own budget and operates autonomously from the County. Funding is based on a rate per taxable valuation, along with State and Federal grants applied for by the District.

***Jackson County Soil and Water Conservation District*** The Soil and Water Conservation District is statutorily created as a separate and distinct political subdivision of the State. The five supervisors of the Soil and Water Conservation District are elected officials authorized to conduct and sue on behalf of the District. The supervisors adopt their own budget, authorize District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

***Joint Venture***

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) and ongoing financial responsibility. Under the modified cash basis of accounting, the County does not report assets for equity interests in joint ventures.

The County participates in several jointly governed organizations, a joint venture, and public entity risk pools. These organizations are presented in Notes 16, 17, and 18 to the Basic Financial Statements. The organizations are:

- Gallia, Jackson, Meigs, Vinton Solid Waste Management District
- Gallia, Jackson, and Meigs Board of Alcohol, Drug Addiction, and Mental Health Services
- Jackson-Vinton Community Action Agency
- Ohio Valley Regional Development Commission
- Gallia-Jackson Child Abuse and Neglect Advisory Board
- Southern Ohio Council of Governments
- Ohio Valley Resource Conservation and Developmental Area, Inc.
- South Central Ohio Regional Juvenile Detention Center
- County Risk Sharing Authority
- County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County's management believes these financial statements present all activities for which the County is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). General accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the County's accounting policies.

**A. Basis of Presentation**

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

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except fiduciary funds.

The statement of net position presents the cash balance of the governmental activities of the County at year end. The statement of activities compares disbursements and program receipts for each program or function of the County's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program.

Receipts which are not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing or draws from the general receipts of the County.

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

**B. Fund Accounting**

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

**Governmental Funds** Governmental funds are those through which most governmental functions of the County are financed. The following are the County's major governmental funds:

**General Fund** The General Fund accounts for and reports all financial resources not accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Motor Vehicle Gasoline Tax Special Revenue Fund** The Motor Vehicle and Gasoline Tax Special Revenue Fund accounts for revenue derived from motor vehicle licenses, gasoline taxes, grants, permissive license sales taxes, and interest. Expenditures in this fund are restricted by State law to County road and bridge repair/improvement programs.

**Job and Family Services Special Revenue Fund** The Job and Family Services Special Revenue Fund accounts for various State and Federal grants used to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.

**Developmental Disabilities Special Revenue Fund** The Developmental Disabilities Special Revenue Fund accounts for various State and Federal grants as well as property tax collections used to provide assistance to Jackson County residents that suffer from developmental disabilities.

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

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Proprietary Funds** The County classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service; the County has no proprietary funds.

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. There are four categories of fiduciary funds: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. The County did not have any trust funds in 2016. Agency funds are purely custodial in nature and are used to account for assets held by the County as agent for the Board of Health and other districts and entities and various taxes, assessments, and state shared resources collected on behalf of and distributed to other local governments.

**C. Basis of Accounting**

The County's financial statements are prepared using the modified cash basis of accounting (See Note 3). Except for modifications having substantial support, receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the County are described in the appropriate section in this note.

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

**D. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriation resolution is the County Commissioners' authorization to spend resources and set annual limits on cash disbursements plus encumbrances at a level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate in effect when final appropriations for the year were adopted by the County Commissioners.

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

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**E. Cash and Cash Equivalents**

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

Cash and cash equivalents that are held separately within the departments of the County are recorded as "Cash and Cash Equivalents in Segregated Accounts".

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not reported as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2016, the County invested in corporate notes, federal agency securities, a money market fund, and STAR Ohio. Investments are reported at cost, except for the money market fund and STAR Ohio. The County's money market fund investment is recorded at the amount reported by Wesbanco at December 31, 2016.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The County measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code, grant requirements, or debt related restrictions. Interest is credited to the General Fund and the Community Development Block Grant Special Revenue Fund. Interest receipts credited to the General Fund during 2016 amounted to \$59,014, which includes \$51,838 assigned from other County funds.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by the creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the County are reported as restricted.

**G. Inventory and Prepaid Items**

The County reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**H. Capital Assets**

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

**I. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are reported as "Interfund Receivables/Payables". The amounts are eliminated on the statement of net position.

**J. Internal Activity**

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead disbursements from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

**K. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's modified cash basis of accounting.

**L. Employer Contributions to Cost-Sharing Pension Plans**

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**M. Long-Term Obligations**

The County's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither "other financing source" or "capital outlay" are reported at inception. Lease payments are reported when paid.

**N. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**O. Pensions**

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

**P. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (County resolutions).

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Commissioners or a County official delegated that authority by resolution or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from the excess of disbursements over receipts.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

**Note 3 – Accountability and Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America. The accompanying financial statements omit assets, liabilities, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

Contrary to Ohio Law, the County did not certify certain purchases prior to obligation.

**Note 4 – Fund Balances**

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



**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

Fund Balances	General	Motor Vehicle Gas Tax	Job and Family Services	Developmental Disabilities	Other Governmental Funds	Totals
Nonspendable:						
Unclaimed Monies	\$112,327	\$0	\$0	\$0	\$0	\$112,327
Restricted for:						
Road Improvements	0	347,431	0	0	0	347,431
Human Services	0	0	254,055	0	329,782	583,837
Developmental Disabilities	0	0	0	1,952,622	0	1,952,622
Public Safety	0	0	0	0	235,407	235,407
Real Estate Assessment	0	0	0	0	468,331	468,331
Economic Development	0	0	0	0	308,056	308,056
Emergency Management	0	0	0	0	39,163	39,163
Court Operations	0	0	0	0	1,268,932	1,268,932
Dog and Kennel Operations	0	0	0	0	261,370	261,370
Clean Ohio	0	0	0	0	60	60
Election Operations	0	0	0	0	133,607	133,607
Debt Service	0	0	0	0	5,035	5,035
<i>Total Restricted</i>	<u>0</u>	<u>347,431</u>	<u>254,055</u>	<u>1,952,622</u>	<u>3,049,743</u>	<u>5,603,851</u>
Committed to:						
Public Safety	0	0	0	0	273,963	273,963
Litter Trust	87	0	0	0	0	87
Radio Tower	0	0	0	0	16,612	16,612
Geographic Information Systems	0	0	0	0	12,939	12,939
<i>Total Committed</i>	<u>87</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>303,514</u>	<u>303,601</u>
Assigned to:						
Purchases on Order	17,010	0	0	0	0	17,010
2017 Appropriations	206,844	0	0	0	0	206,844
Capital Improvements	0	0	0	0	255,848	255,848
<i>Total Assigned</i>	<u>223,854</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>255,848</u>	<u>479,702</u>
Unassigned:	1,019,414	0	0	0	0	1,019,414
<i>Total Fund Balances</i>	<u>\$1,355,682</u>	<u>\$347,431</u>	<u>\$254,055</u>	<u>\$1,952,622</u>	<u>\$3,609,105</u>	<u>\$7,518,895</u>

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and cash basis are as follows:

1. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (cash basis).
2. Segregated accounts are reported on the balance sheet (cash basis), but not on the budgetary basis.
3. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (cash basis).

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

Net Change in Fund Balances  
 General and Major Special Revenue Funds

	General	Motor Vehicle and Gasoline Tax	Job and Family Services	Developmental Disabilities
Cash Basis	(\$593,127)	\$194,366	(\$145,055)	(\$320,327)
Beginning of Year:				
Segregated Accounts	20,059	0	0	0
End of Year:				
Segregated Accounts	(21,982)	0	0	0
Advance Repayment	0	(39,239)	0	0
Encumbrances	(17,010)	(101,639)	0	0
Budget Basis	(\$612,060)	\$53,488	(\$145,055)	(\$320,327)

**Note 6 – Deposits and Investments**

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
  - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.
  - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,
12. One percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers' acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand** At year end, the County had \$434,590 in undeposited cash on hand which is included as a part of "Equity in Pooled Cash and Cash Equivalents".

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,172,969 of the County's bank balance of \$4,705,398 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2016

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

**Investments** As of December 31, 2016, the County had the following investments:

Investment Type	Fair Value	Maturity	Rating	Percentage of Portfolio
Money Market Mutual Funds	\$368,371	1 Day	AAAm Standard & Poor	7.22%
Federal Home Loan Bank Corporation Discount Notes	500,020	3/30/2020	Aaa Moodys	9.79%
Federal Home Loan Bank Corporation Discount Notes	595,092	6/13/2018	Aaa Moodys	11.66%
Federal Farm Credit Bank Discount Notes	179,822	9/8/2017	Aaa Moodys	3.52%
Federal Farm Credit Bank Discount Notes	499,230	12/26/2017	Aaa Moodys	9.78%
Federal Farm Credit Bank Discount Notes	500,405	12/20/2019	Aaa Moodys	9.79%
Federal Farm Credit Bank Discount Notes	499,215	12/21/2020	Aaa Moodys	9.78%
Federal Home Loan Mortgage Discount Notes	498,750	12/26/2017	Aaa Moodys	9.77%
Federal Home Loan Mortgage Discount Notes	482,260	9/29/2021	Aaa Moodys	9.45%
Federal National Mortgage Association Discount Notes	500,280	12/30/2021	Aaa Moodys	9.80%
Federal National Mortgage Association Discount Notes	481,560	8/24/2021	Aaa Moodys	9.43%
STAR Ohio	447	Average 51.6 Days	AAAm Standard & Poor	0.01%
	<u>\$5,105,452</u>			<u>100.00%</u>

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the County's recurring fair value measurements as of December 31, 2016. The County's investment measured at fair value is valued using quoted market prices (Level 1 inputs).

**Interest Rate Risk** The County does not have an investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk** STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The County has no investment policy that would further limit its investment choices. The Federal Home Loan Bank, Federal Farm Credit Bank, and Federal National Mortgage Securities carry a rating of Aaa by Moody's. The General Electric Corporate notes carry a rating of A1 from Moody's.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no investment policy dealing with investment custodial credit risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk** is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The County's investment policy places no limit on the amount it may invest in any one issuer.

**Note 7 – Permissive Sales and Use Tax**

The County Commissioners, by resolution, imposed a one and one-half percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of all tangible personal property in the County, including motor vehicles, not subject to the sales tax. The sales tax is allocated fifty percent to the County's General Fund and fifty percent to the Sales Tax Trust Agency Fund, from which the proceeds are distributed to the various taxing districts within the County for use on community improvement projects. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection.

The State Tax Commissioner certifies to the Office of Budget Management the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Tax Commissioner shall then, on or before the twentieth day of the month in which certification is made, provide for payment to the County.

**Note 8 – Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes were levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2016 was \$10.50 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	\$467,320,560
Public Utility Real	91,600
Public Utility Tangible Personal Property	<u>55,594,980</u>
Total Assessed Value	<u><u>\$523,007,140</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

**Note 9 – Tax Abatement Disclosures**

For 2016, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures." This GASB pronouncement requires disclosure of information about the nature and magnitude of tax abatements. For 2016, County property taxes were reduced by \$311,448 under enterprise tax zone exemption agreements entered into by the City of Wellston.

**Note 10 – Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the County contracted with the County Risk Sharing Authority, Inc. (CORSA), an insurance purchasing pool (see Note 18), for liability, auto, and crime insurance. CORSA, a non-profit corporation sponsored by the County Commissioners of Ohio, was created to provide affordable liability, property, casualty, and crime insurance coverage for its members and was established May 12, 1987. Coverage provided by the program and applicable deductibles are as follows:

Property	Deductible	Limits of Coverage
Real Property	\$2,500	\$46,530,678
General Liability	2,500	1,000,000 Per Occurrence
Law Enforcement	2,500	1,000,000 Per Occurrence
Employee Benefits	2,500	1,000,000 Per Occurrence
Equipment Breakdown	2,500	100,000,000
Medical Expense	0	5,000/50,000
Errors and Omissions	2,500	1,000,000 Per Occurrence
Electronic Equipment/Media Coverage:		
Electronic Media	2,500	250,000 Per Occurrence
Extra Expense	2,500	25,000 Per Occurrence
Crime Coverage:		
Theft, Disappearance, Destruction	2,500	1,000,000 Per Occurrence
Money Orders and Counterfeit Currency	2,500	1,000,000 Per Occurrence
Public Dishonesty	2,500	1,000,000 Per Occurrence
Forgery and Alteration	2,500	1,000,000 Per Occurrence
Computer & Fund Transfer Fraud	2,500	500,000 Per Occurrence
Public Official Bond Excess	2,500	250,000 Per Occurrence
Automobile	2,500	1,000,000 Per Occurrence
Property in Transit	2,500	100,000 Per Occurrence

Settled claims have not exceeded coverage in any of the past three years. There has been no significant reduction in insurance coverage from the prior year.

For 2016, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 18). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating Counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to Counties that can meet the Plan's selection criteria. The firm of Gates McDonald, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

The County pays all elected officials bonds by State statute.

**Note 11 – Defined Benefit Pension Plans**

**Net Pension Liability**

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

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

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

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

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

**A. Plan Description – Ohio Public Employees Retirement System (OPERS)**

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded.



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For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2016 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2016 Actual Contribution Rates</b>			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	12.0 %	13.0 %

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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

The County's contractually required contribution was \$1,301,583 for 2016.

***B. Plan Description - State Teachers Retirement System (STRS)***

Plan Description – County licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2016, the employer rate was 14 percent and the member rate was 13 percent. The statutory member contribution rate increased to 14 percent on July 1, 2016. The 2016 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$67,832 for 2016.

***Net Pension Liability***

The net pension liability for OPERS was measured as of December 31, 2015, and the net pension liability for STRS was measured as of June 30, 2015 (the latest date for which information is available). The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the respective measurement dates. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>STRS</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.08076100%	0.00366526%	
Prior Measurement Date	<u>0.08178100%</u>	<u>0.00280980%</u>	
Change in Proportionate Share	<u>-0.00102000%</u>	<u>0.00085546%</u>	
Proportionate Share of the Net Pension Liability	\$13,988,823	\$1,012,971	<u><u>Total</u></u> <u>\$15,001,794</u>

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**Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
<b>Total</b>	<b>100.00 %</b>	<b>5.27 %</b>

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability	\$22,287,613	\$13,988,823	\$6,989,057

**Changes between Measurement Date and Report Date**

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

**Actuarial Assumptions - STRS**

The following actuarial assumptions for STRS relate to the June 30, 2015, measurement date which is the latest date for which information is available.

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$1,407,093	\$1,012,971	\$679,682

**Note 12 – Post-Employment Benefits**

**A. Ohio Public Employees Retirement System**

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members.

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The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the County's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$216,930, \$210,765, and \$202,906, respectively. The full amount has been contributed for 2016, 2015, and 2014.

**B. State Teachers Retirement System**

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The County's contributions for health care for the years ended December 31, 2016, 2015, and 2014, \$0, \$0, and \$0 respectively. The full amount has been contributed for 2016, 2015, and 2014.

**Note 13 – Capital Leases – Lessee Disclosure**

In the previous years, the County entered into a capitalized lease. This lease met the criteria of a capital lease as defined by the Statement of Financial Accounting Standards, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are not reflected as debt service expenditures on the statement of modified cash receipts, disbursements, and changes in fund balances for governmental funds due to the payments being paid from the Sheriff Agency Fund.

During 2015, the County entered into a Lease/ Purchase Agreement with Ford Motor Credit Company, LLC in the amount of \$32,694 to be repaid over three years with an interest rate of 6.5%. This agreement was entered into to provide a police interceptor to the Sheriff's Office. During 2016, principal payments in the amount of \$10,219 were made. Future minimum lease payments through 2017 are as follows:

Year Ending	Principal	Interest
<u>December 31,</u> 2017	<u>\$10,884</u>	<u>\$707</u>

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**Note 14 – Long-Term Obligations**

A schedule of changes in long-term obligations of the County during 2016 follows:

	Principal Outstanding 12/31/15	Additions	Deductions	Principal Outstanding 12/31/16	Amounts Due in One Year
<b>Governmental Activities:</b>					
2009 Various Purpose General Obligation Bonds:					
Serial Bonds - 2.00% - 3.50%	\$470,000	\$0	\$155,000	\$315,000	\$160,000
Term Bonds - 4.00%	320,000	0	0	320,000	0
Term Bonds - 4.50%	365,000	0	0	365,000	0
<b>Total General Obligation Bonds</b>	<b>1,155,000</b>	<b>0</b>	<b>155,000</b>	<b>1,000,000</b>	<b>160,000</b>
Capital Lease/Purchase Agreements					
Sheriff Vehicles	21,103	0	10,219	10,884	10,884
State Infrastructure Bank Loan	0	871,920	0	871,920	471,522
Engineer Department Note - 2.80%	182,203	0	43,635	138,568	44,894
<b>Total</b>	<b>\$1,358,306</b>	<b>\$871,920</b>	<b>\$208,854</b>	<b>\$2,021,372</b>	<b>\$687,300</b>

On August 26, 2009, the County issued unvoted Various Purpose General Obligation Bonds in the amount of \$2,535,000. The general obligation bonds issued included serial and term bonds in the amount of \$1,850,000 and \$685,000, respectively.

The Justice Center, Courthouse Portico, and the Courthouse Renovations portions will be retired from the General Bond Retirement Fund with transfers of property tax revenue from the General Fund. The Job and Family Services portion will be retired from the Job and Family Services Center Bond Retirement Fund with rental payments received from the Job and Family Services Special Revenue Fund and property tax revenues transferred from the General Fund. The Fair Board portion will be retired from the Fair Board Bond Retirement Fund from charges for services revenue from the Jackson County Fair Board. The Highway Garage, Track Hoe, Photo Mapping, and Engineer Building portion will be retired from the Motor Vehicle Gasoline Tax Bond Retirement Fund with license and gas tax revenue from the Motor Vehicle Gasoline Tax Special Revenue Fund. The Municipal Court portion will be retired from the Municipal Court Bond Retirement Fund with transfers of charges for services receipts from the Municipal Court Capital Improvements Fund. The Courts Computer portion will be retired from the Courts Computer Bond Retirement Fund with transfers of fines, licenses, and permits revenues from the Computer/Equipment Capital Improvements Fund.

Principal and interest requirements to retire the Various Purpose General Obligations Bonds outstanding at December 31, 2016, are as follows:

Year Ending December 31,	Serial		Term	
	Principal	Interest	Principal	Interest
2017	\$160,000	\$39,850	\$0	\$0
2018	155,000	34,650	0	0
2019	0	0	75,000	29,225
2020	0	0	60,000	26,225
2021	0	0	60,000	23,828
2022-2026	0	0	335,000	80,725
2027-2028	0	0	155,000	10,575
	<b>\$315,000</b>	<b>\$74,500</b>	<b>\$685,000</b>	<b>\$170,578</b>



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The term bonds, issued at \$320,000, maturing December 1, 2023, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>December 1,</u>	<u>Amount</u>
2019	\$75,000
2020	60,000
2021	60,000
2022	60,000
2023	65,000
Total	<u><u>\$320,000</u></u>

The term bonds, issued at \$365,000, maturing December 1, 2028 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>December 31,</u>	<u>Amount</u>
2024	\$65,000
2025	70,000
2026	75,000
2027	75,000
2028	80,000
Total	<u><u>\$365,000</u></u>

On August 14, 2012, the County obtained a Loan from Wesbanco Bank for the purchase of two trucks for the Engineer's department. Principal and interest requirements to retire the Engineer Department Note outstanding at December 31, 2016, are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$44,894	\$3,620	\$48,514
2018	46,178	2,336	48,514
2019	47,496	1,017	48,513
	<u><u>\$138,568</u></u>	<u><u>\$6,973</u></u>	<u><u>\$145,541</u></u>

On March 10, 2016, the County was approved for a State Infrastructure Bank Loan in the amount of \$944,000 for the replacement of two bridges. As of December 31, 2016, the County had drawn down \$871,920 of this loan. The County Engineer's Association of Ohio has pledged \$940,000 toward the repayment of this loan, Jackson County will repay the remaining \$4,000. Repayment will begin during 2017.

Year Ending <u>December 31,</u>	<u>CEAO Payment</u>	<u>County Principal</u>	<u>County Interest</u>	<u>Total</u>
2017	\$469,522	\$2,000	\$14,160	\$485,682
2018	470,478	2,000	14,174	486,652
	<u><u>\$940,000</u></u>	<u><u>\$4,000</u></u>	<u><u>\$28,334</u></u>	<u><u>\$972,334</u></u>

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**Debt Margin**

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total valuation of the County. The Code further provides that the total shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The County's total debt margin was \$9,553,806 and the unvoted debt margin was \$3,208,698 at December 31, 2016.

**Capital Leases**

The capital lease will be paid from fund the Sheriff Agency Fund.

**Conduit Debt**

To assist private sector in acquiring and constructing facilities deemed to be in the public interest, the County on occasion has issued industrial revenue bonds. Mortgages on the facilities secure the bonds. The bonds are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the facilities will transfer to the private sector entities. The County, the State, or any other political subdivision is not obligated in any manner for paying the bonds, which are not reflected in the debt schedule above. At December 31, 2016, aggregate principal outstanding on the bonds was \$3,220,000.

**Note 15 – Interfund Activity and Balances**

**A. Transfers**

During 2016, the following transfers were made:

	Transfer from			
	Major Funds			
	General Fund	Motor Vehicle Gasoline Tax	Other Nonmajor Governmental	Total
Other Nonmajor Governmental	\$284,601	\$71,265	\$268,911	\$624,777

The Transfers From/To were used to move receipts from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them; debt service payments; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**B. Advances**

At December 31, 2016, the Other Non-Major Governmental Funds owed the General Fund \$150,000 due to cash deficits and grant monies not being received prior to disbursements being made. This liability is not required to be reported on the financial statements.

**C. Interfund Activity Bonds**

During 2013, the County issued Equipment Bonds in the amount of \$333,742 to the Engineer's Office for an eight year period at a rate of 3%. The County has purchased this note as an investment.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

The Motor Vehicle Gasoline Tax Fund was identified as the fund that received the proceeds and the General Fund was identified as the fund that purchased the investment. For reporting purposes, these transactions are reflected as an interfund receivable and an interfund payable in the respective funds. As of December 31, 2016, the balance of \$214,574 is pledged to be paid from the Motor Vehicle Gasoline Tax Fund over the next five years.

Principal and interest requirements to maturity on the above bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$40,416	\$6,437	\$46,853
2018	41,628	5,225	46,853
2019	42,877	3,976	46,853
2020	44,164	2,690	46,854
2021	45,489	1,365	46,854
Total	\$214,574	\$19,693	\$234,267

**Note 16 – Jointly Governed Organizations**

***A. Gallia, Jackson, Meigs, Vinton Solid Waste Management District***

The County is a member of the Gallia, Jackson, Meigs, and Vinton Solid Waste Management District (the District), which a jointly governed organization of the four named counties. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling.

The District is governed and operated through three groups. A twelve member Board of Directors, composed of the three commissioners from each county, is responsible for the District's financial matters. Financial records are maintained by the District. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. A twenty-five member Policy Committee, composed of six members from each county and one at-large member appointed by the Policy Committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the Policy Committee. Each participating County's influence is limited to the numbers of members each appoints to the Board. Continued existence of the District is not dependent upon the County's continued participation, no equity interest exists, and no debt is outstanding. The County made no contributions to the District in 2016.

***B. Gallia, Jackson, and Meigs Board of Alcohol, Drug Addiction, and Mental Health Services***

The Gallia, Jackson, and Meigs Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMH), is a jointly governed organization of the three named counties. The ADAMH provides no direct services but contracts for their delivery. The ADAMH's function is to assess needs, and to plan, monitor, fund and evaluate the services. The ADAMH is managed by an eighteen member Board. The Board is composed of five members appointed by the Jackson County Commissioners, two by the Gallia County Commissioners, and three by the Meigs County Commissioners, which are proportionate to population, four by the Ohio Department of Drug and Alcohol, and four by the State Department of Mental Health. Each participating county's influence is limited to the number of members each appoints to the Board. The Board exercises total control of the budgeting, appropriating, contracting, and managing.

All of the Board's revenue is derived from State and Federal grants awarded to the multi-county Board. Gallia County serves as fiscal agent for the Board. Continued existence of the ADAMH is not dependent upon the County's continued participation, no debt exists, and the County does not have an equity interest in the Board. During 2016, the County made no in payments to the Board.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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***C. Jackson-Vinton Community Action Agency***

The Jackson-Vinton Community Action Agency (the Agency) is a non-profit corporation organized to plan, conduct, and coordinate programs designed to combat social and economic problems and to help eliminate conditions of poverty within Jackson and Vinton Counties. The Agency is governed by a Board composed of public officials from Jackson and Vinton Counties, representatives of the poor in the area served, and officials or members of the private sector of the community. The Agency controls its own operations and budget. During 2016, the County paid \$153,878 to the Agency.

***D. Ohio Valley Regional Development Commission***

The Ohio Valley Regional Development Commission (the Commission) is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio. The Commission was formed to influence favorably the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is composed of elected and appointed county, municipal, and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The Commission is not dependent upon Jackson County for its continued existence. During 2016, the County made no payments to the Commission.

***E. Gallia-Jackson Child Abuse and Neglect Advisory Board***

The Child Abuse and Neglect Advisory Board (the Board) is a jointly governed organization formed to prevent child abuse and neglect in its members counties. The Board is controlled by a five member Board of Directors. Gallia and Jackson County each appoints two members and there is one at-large member. The at-large member is currently the Gallia, Jackson, and Meigs Board of Alcohol, Drug Addiction, and Mental Health Services director. The Board Organization receives \$20,000 a year from the State for birth registration fees, of which \$19,400 is sent directly to the Ohio Children's Trust Fund Board. The Gallia, Jackson, and Meigs Counties Alcohol, Drug Addiction, and Mental Health Services Board received the remaining \$600 for administrative services. Continued existence of the Board is not dependent upon the County's continued participation, nor does the County have an equity interest in the Board. The Board is not accumulating significant financial resources nor is it experiencing fiscal distress that may cause an additional financial benefit to or burden on the County. The Board currently does not prepare year end financial statements due to the limited amount of financial activity.

***F. Southern Ohio Council of Governments***

The County is a member of the Southern Ohio Council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a thirteen member board with each participating County represented by its Director of its Board of Developmental Disabilities (BDD). Member counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto, and Vinton Counties. The Council acts as fiscal agent for the Jackson County BDD's supportive living program monies. During 2016, the Council received \$21,634 from Jackson County.

***G. Ohio Valley Resource Conservation and Development Area, Inc.***

The Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservations and Development Area, Inc. was created to aid regional planning to participating counties. Jackson County, along with Ross, Vinton, Highland, Gallia, Brown, Adams, Pike, Scioto, and Lawrence Counties each appoint three members to the thirty member Council. The Council selects an administrator to oversee operations. During 2016, no payments were made to OVRCD.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 17 – Joint Venture**

***South Central Ohio Regional Juvenile Detention Center***

The County is a participant with Highland, Pike, Ross, Vinton, and Fayette counties in the South Central Ohio Regional Juvenile Detention Center (the Center) which is a facility that provides temporary housing for juvenile offenders awaiting disposition by the respective juvenile courts of the member counties. The juvenile judge from each participating county appoints one trustee to serve on the Board, except Ross County which appoints two trustees since it is the home county. The Commissioners of each county have final approval of their respective trustee. Each county is obligated to provide financial support to the Center through per diem charges and assessments which are based on the total assessed valuation of each county in proportion to the total assessed valuation of all participating counties. The County has an ongoing financial responsibility for this entity and, during 2016, contributed \$160,337 toward the operation of this facility. During 2001, the Board of Trustees for the Center determined that it was necessary to improve the Center by constructing a new facility and making related improvements to the existing facility. This work, completed in 2004, had a total cost of \$5,834,000. The County's equity interest in that Center was determined to be \$482,000. The Center is not accumulating significant financial resources or experiencing fiscal distress which would cause an additional financial benefit to or burden on the County. The Ross County Auditor is the fiscal agent for the Center. Complete financial statements of the joint venture can be obtained from the Ross County Auditor, Ross County Courthouse, 2 North Paint Street, Suite G, Chillicothe, Ohio 45601.

**Note 18 – Insurance Purchasing Pools**

***A. County Risk Sharing Authority (CORSA)***

The County Risk Sharing Authority, Inc. (CORSA) is a public entity shared risk pool among fifty-five counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance, and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates.

The County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment for insurance to CORSA in 2016 was \$105,154.

***B. County Commissioners Association of Ohio Workers' Compensation Group Rating Plan***

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

---

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at the meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year and each elected member shall be a County Commissioner.

**Note 19 – Revolving Loan Program**

The County participates in a Community Development Block Grant Revolving Loan Program. The goal of the Revolving Loan Fund (RLF) is to enable eligible communities to overcome specific gaps in local capital markets that inhibit business and industry from obtaining suitable credit, and thereby impede local economic growth and stability. The primary goal of each RLF project will be private sector job creation or retention of which at least 51% of such jobs must be taken by or made available to persons from low and moderate income households. The program is administered by the Jackson County Economic Development Commission. At December 31, 2016, total outstanding balances were \$643,468, principal loan receipts were \$84,807, and the County paid \$67,875 in administrative costs.

**Note 20 – Contingent Liabilities**

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, any potential liability would not have a material effect on the County's financial condition.

**Note 21 – Food Stamps**

The County's Department of Job and Family Services distributes, through contracting issuance centers, federal food stamps to entitled recipients with Jackson County. The receipt and issuance of the stamps have the characteristics of a federal grant. However, the Department of Job and Family Services merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements, as the only economic interest related to these stamps rests with the ultimate recipient.

**Note 22 – Significant Commitments**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$17,010 in the General Fund.

**Note 23 – Component Unit Disclosures**

***Jackson County Airport Authority***

The following are the Jackson County Airport Authority (the Authority) notes to the financial statements for the year ended December 31, 2016:

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**Summary of Significant Accounting Policies**

Basis of Presentation: The Summary of Significant Accounting Policies is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representations of the Authority's management, who are responsible for their integrity and objectivity. These accounting policies conform to the basis of accounting prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Liability for Income Taxes: The Authority is exempt from income tax under Section 501(c)(3) of Internal Revenue Code.

Cash and Cash Equivalents: The Authority considers deposits with maturities of twelve months or less to be cash equivalents. At December 31, 2016, the Authority had no additional deposit accounts.

Property, Plant and Equipment: Fixed assets acquired or constructed for the Authority are recorded as disbursements. Depreciation is not recorded for these fixed assets.

**Long Term Obligations**

A schedule of changes in long-term obligations of the Jackson County Airport Authority Component Unit during 2016 follows:

<b>Component Unit:</b>	Principal Outstanding 12/31/2015	Additions	Deletions	Principal Outstanding 12/31/2016	Amounts Due in One Year
Airport Authority	\$162,579	\$0	\$20,705	\$141,874	\$21,506
Airport- Land Purchase	179,900	0	179,900	0	0
	<u>\$342,479</u>	<u>\$0</u>	<u>\$200,605</u>	<u>\$141,874</u>	<u>\$21,506</u>

On September 3, 2009, the Jackson County Airport Authority obtained a loan from The Milton Banking Company for the Airport Hanger in the amount of \$271,951. Semiannual payments are to be made with the first payment due on March 3, 2010.

Principal and interest requirements to retire the Airport Authority loan outstanding at December 31, 2016, are as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$21,506	\$5,118	\$26,624
2018	22,320	4,304	26,624
2019	23,165	3,460	26,625
2020	24,034	2,591	26,625
2021	24,952	1,673	26,625
2022	25,897	729	26,626
	<u>\$141,874</u>	<u>\$17,875</u>	<u>\$159,749</u>

On April 14, 2015, Jackson County Commissioners obtained a loan from The Milton Banking Company for the purchase of land for the Airport Authority in the amount of \$179,900. This loan was paid off during 2016.

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JACKSON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b><i>Passed Through Ohio Department of Job and Family Services</i></b>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Administrative Costs)	10.561	G-1617-11-5530	\$224,644
<b><i>Passed Through Ohio Department of Natural Resources</i></b>			
Schools and Roads - Grants to States	10.665	N/A	<u>2,439</u>
Total U.S. Department of Agriculture			227,083
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b><i>Passed Through Ohio Department of Development</i></b>			
Community Development Block Grant - State's Program	14.228	B-F-14-1BK-1 B-C-14-1BK-1 B-F-15-1BK-1	9,991 454,671 <u>100,332</u>
Total Community Development Block Grant - State's Program			564,994
Home Investment Partnerships Program	14.239	B-C-14-1BK-2	<u>157,303</u>
Total U.S. Department of Housing and Urban Development			722,297
<b>U.S. DEPARTMENT OF INTERIOR</b>			
<b><i>Direct from Federal Government</i></b>			
Payment in Lieu of Taxes	15.226	N/A	<u>1,391</u>
Total U.S. Department of Interior			1,391
<b>U.S. DEPARTMENT OF LABOR</b>			
<b><i>Passed Through Workforce Investment Act, Area 7</i></b>			
Workforce Investment Act (WIA) Cluster:			
Workforce Investment Act - Adult	17.258	N/A	30,251
Workforce Investment Act - Youth Activities	17.259	N/A	91,261
Workforce Investment Act - Dislocated Workers	17.278	N/A	<u>179,970</u>
Total WIA Cluster			<u>301,482</u>
Total U.S. Department of Labor			301,482
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b><i>Direct from the Federal Government</i></b>			
Airport Improvement Land Grant	20.106	N/A	5,516
Airport Improvement Program Grant Terminal Project		N/A	<u>81,416</u>
Total Airport Improvement Program			86,932
<b><i>Passed Through Ohio Department of Transportation</i></b>			
Highway Planning and Construction	20.205	PID #85602 PID #100416 PID #101590	16,000 46,986 <u>19,349</u>
Total Highway Planning and Construction			<u>82,335</u>
Total U.S. Department of Transportation			169,267
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b><i>Passed Through Ohio Department of Education</i></b>			
Special Education Cluster			
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	32,841
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	<u>5,478</u>
Total Special Education Cluster			38,319
Total U.S. Department of Education			38,319

JACKSON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b><i>Passed Through Ohio Department of Job and Family Services</i></b>			
Promoting Safe and Stable Families	93.556	G-1617-11-5530	\$7,192
Temporary Assistance for Needy Families (TANF) State Programs	93.558	G-1617-11-5530	1,770,325
Child Support Enforcement	93.563	G-1617-11-5530	431,074
Child Care and Development Block Grant	93.575	G-1617-11-5530	78,060
Community Based Child Abuse Prevention Grants	93.590	G-1617-11-5530	1,601
Foster Care	93.658	G-1617-11-5530	459,263
Adoption Assistance	93.659	G-1617-11-5530	30,048
<b><i>Passed Through Ohio Department of Developmental Disabilities</i></b>			
Social Services Block Grant	93.667	N/A	26,817
<b><i>Passed Through Ohio Department of Job and Family Services</i></b>			
Social Services Block Grant	93.667	G-1617-11-5530	969,057
Total Social Services Block Grant			<u>995,874</u>
<b><i>Passed Through Ohio Department of Job and Family Services</i></b>			
Medical Assistance Program	93.778	G-1617-11-5530	480,646
Total U.S. Department of Health and Human Services			<u>4,254,083</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<b><i>Passed Through Ohio Emergency Management Agency</i></b>			
Emergency Management Performance Grant	97.042	EMW-2015-EP-00034-S01	40,062
Homeland Security Grant Program	97.067	EMW-2014-SS-00101-S01	2,372
		EMW-2014-SS-00101-S01	98,863
		EMW-2015-SS-00086	114,996
Total Homeland Security Grant			<u>216,231</u>
Total U.S. Department of Homeland Security			<u>256,293</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$5,970,215</u></u></b>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of the Schedule.

JACKSON COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the County under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position of the County.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE G – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) with REVOLVING LOAN CASH BALANCE**

The current cash balance of the County's local program income account as of December 31, 2016 is \$207,960.

**NOTE C – MATCHING REQUIREMENTS**

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Jackson County  
226 East Main Street  
Jackson, Ohio 45640

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit remaining fund information of Jackson County, Ohio (the County) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 20, 2017 wherein we noted the County uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2016-003 to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

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However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2016-001 and 2016-002.

***Entity's Response to Findings***

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and the Corrective Action Plan. We did not audit the County's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 20, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Jackson County  
226 East Main Street  
Jackson, Ohio 45640

To the Board of County Commissioners:

### ***Report on Compliance for Each Major Federal Program***

We have audited Jackson County's, Ohio (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Jackson County's major federal programs for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the County's major federal programs.

### ***Management's Responsibility***

The County's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

### ***Basis for Qualified Opinion on Community Development Block Grant***

As described in finding 2016-004 in the accompanying Schedule of Findings, the County did not comply with requirements regarding cash management application to its CFDA #14.228 Community Development Block Grant major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

***Qualified Opinion on Community Development Block Grant***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Community Development Block Grant* paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Community Development Block Grant for the year ended December 31, 2016.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the County complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended December 31, 2016.

The County's response to our noncompliance finding is described in the accompanying Schedule of Findings and the Corrective Action Plan. We did not audit the County's response, and accordingly, we express no opinion on it.

***Report on Internal Control over Compliance***

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. A *significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying Schedule of Findings as item 2016-004.

The County's response to our internal control over compliance finding is described in the accompanying Schedule of Findings and the Corrective Action Plan. We did not audit the County's response and, accordingly, we express no opinion on it.



Jackson County  
Independent Auditor's Report on Compliance with Internal Controls Over  
Requirements Applicable to Each Major Federal Program and on Internal  
Control Over Compliance Required by the Uniform Guidance  
Page 3

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 20, 2017

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**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR PART 200.515**  
**DECEMBER 31, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b> <ul style="list-style-type: none"> <li>• Qualified on Community Development Block Grant – State's Program CFDA #14.228</li> <li>• Unmodified on all other programs</li> </ul>	
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR Part 200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs:</b> <ul style="list-style-type: none"> <li>• Community Development Block Grant – State's Program – CFDA #14.228</li> <li>• Temporary Assistance for Needy Families (TANF) – CFDA #93.558</li> <li>• Social Services Block Grant (SSBG) – CFDA #93.667</li> </ul>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR Part 200.520?</b>	No

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

**FINDING NUMBER 2016-001**

**Noncompliance**

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the County to file its annual financial report pursuant to generally accepted accounting principles. However, the County prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles.

JACKSON COUNTY

SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
DECEMBER 31, 2016  
(Continued)

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

**FINDING NUMBER 2016-001 (Continued)**

**Noncompliance – Ohio Rev. Code § 117.38 (Continued)**

The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The County should take the necessary steps to ensure that the annual financial report is prepared and filed on a generally accepted accounting principles basis.

**Officials' Response:** The County does not currently have the resources to meet this requirement.

**FINDING NUMBER 2016-002**

**Noncompliance**

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer (County Auditor) can certify that both at the time that the contract or order was made ("then"), and at the time that the County Auditor is completing the certification ("now"), that 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 County can authorize the drawing of a warrant for the payment of the amount due. The County has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$100 for counties may be paid by the County Auditor without a resolution 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 County.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. 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.

JACKSON COUNTY

SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
DECEMBER 31, 2016  
(Continued)

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

FINDING NUMBER 2016-002 (Continued)

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

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

83% of the transactions tested were not certified by the County Auditor at the time the commitment was incurred and there was no evidence that the County followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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

**Officials' Response:** The current staff in the office cannot handle the additional work load this correction will create. We would need to hire a purchase order clerk.

FINDING NUMBER 2016-003

Material Weakness

The County's reconciliation process is a three part process. First, the County Treasurer must reconcile to the bank. Secondly, the Treasurer's Office must reconcile the Treasurer's fund balance report to the daily statement. Lastly, the County Auditor must reconcile to the County Treasurer's fund balance report.

The County Treasurer's reconciliation as of December 31, 2016 of the general ledger/check book to the bank was completed on January 19, 2017; however, there is no indication on any of the other 2016 monthly reconciliations as to the date they were prepared. The Auditor/Treasurer reconciliation was completed on January 11, 2017. However, the Treasurer's Fund Report was not reconciled to the daily statement and it has not been reconciled for several years.

Several adjustments to the Auditor's balances at December 31, 2016 were recorded by the County's third party conversion team when preparing the County's basic financial statements. Adjustments were not made to the County's accounting system.

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR PART 200.515**  
**DECEMBER 31, 2016**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-003 (Continued)**

**Material Weakness (Continued)**

For the County Auditor's and Treasurer's balances, these 2016 adjustments included recording deposits in the bank totaling \$109,114 that were not posted as of December 31, 2016, which included \$62,973 in outstanding direct deposits greater than three months.

Many reconciling items have been maintained continuously on reconciliations for many years. The outstanding checklist for the County in the amount of \$1,734 has checks that date back as early as October 2003, which the most recent being November of 2006. Unknown credits totaling \$407 and \$2,584 have been on the reconciliation since 2008 and 2013, respectively. Bank service charges of \$19,069 were unrecorded for February 2015 through December 2016. In addition, bank service charges on the EMS Huntington National Bank account of \$10,297 were unrecorded from February 2013 through December 31, 2016.

The County Commissioners did reimburse bank service fees on the PNC Main Account, WesBanco Main Account, and WesBanco Payroll Account totaling \$49,528; however, \$45,478 was due to the PNC Main Account. The \$45,478 still remains as a reconciling item on the Treasurer's bank reconciliation due to the entire amount of \$49,528 being deposited back into the WesBanco Main account.

An unknown bank correction of \$956 has been on the reconciliation since January 2008. Pay in errors totaling \$41,909 were dated as early as October 2008. Unrecorded sales tax payments and non-sufficient funds of \$7,073 and \$989, respectively, of which the earliest charges date back to February 2013. \$572 of the unknown errors of \$6,199 have been carried forward since as early as 2014. Additionally, the payroll account includes a long outstanding reconciling item in the amount of \$2,132 in payroll deposits that were not recorded. The payroll account is a clearing account and should reconcile to \$0.

The above reconciling items have been uncorrected for an extended period of time and some items have been carried forward as reconciling items since 2003.

The County Treasurer should reconcile monthly, indicating the date the reconciliation was performed, and any reconciling items that are identified should be corrected in a timely manner. The Treasurer should also investigate the variances between the daily statement and the Treasurer's Fund Report and make corrections as needed. This will then allow the daily statement and Treasurer's Fund Report to be reconciled each month. This will also enable the County Auditor to perform timely reconciliations to a corrected Treasurer's Fund Report.

**Officials' Response:** We did not receive a response from Officials to this finding.

**JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
DECEMBER 31, 2016  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**Noncompliance/Material Weakness – Cash Management**

<b>Finding Number</b>	2016-004		
<b>CFDA Title and Number</b>	Community Development Block Grant – CFDA #14.228		
<b>Federal Award Number / Year</b>	B-C-14-1BK-1		
<b>Federal Agency</b>	United States Department of Housing and Urban Development		
<b>Pass-Through Agency</b>	Ohio Department of Development		
<b>Repeat Finding from Prior Audit?</b>	Yes	<b>Finding Number (if repeat)</b>	2015-004

24 C.F.R. Part 85.21(c) and § (A)(3)(f) of the Ohio Department of Development, Office of Housing and Community Partnership’s Financial Management Rules and Regulations Handbook (the Handbook), require grantees to develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that fund drawdowns should be limited to amounts that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt. Lump sum drawdowns are not permitted.

The Handbook, § (A)(3)(l), states that the grantee should deposit federal funds received from OHCP in a non-interest bearing account. If the grantee deposits funds in an interest bearing account, the grantee must remit to OHCP, on at least a quarterly basis, any interest earned that totals more than \$100 per year. The check must be payable to the U.S. Department of Housing and Urban Development. In addition, the grantee must, on a monthly basis, credit any interest earned to the appropriate grant. The only exception is an escrow account for rehabilitation of private property.

The following funds were drawn down but were not disbursed to a balance of less than \$5,000 within fifteen days of receipt:

**From Grant B-C-14-1BK-1 Community Development Block Grant**

- Draw of \$117,677 was received by the County on February 5, 2016, however, the money was not expended within fifteen days of receipt as required, and the balance exceeded \$5,000 until March 1, 2016 or 25 days.
- Draw of \$27,775 was received by the County on March 23, 2016, however, the money was not expended within fifteen days of receipt as required, and the balance exceeded \$5,000 until April 13, 2016 or 21 days.
- Draw of \$40,805 was received by the County on April 11, 2016, however, the money was not expended within fifteen days of receipt as required, and the balance exceeded \$5,000 until May 10, 2016 or 29 days.
- Draw of \$34,075 was received by the County on May 18, 2016, however, the money was not expended within fifteen days of receipt as required, and the balance exceeded \$5,000 until June 8, 2016 or 21 days.

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR § 200.515**  
**DECEMBER 31, 2016**  
**(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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**FINDING NUMBER 2016-004 (Continued)**

**Noncompliance/Material Weakness – Cash Management – 24 C.F.R. Part 85.21(c) (Continued)**

- Draw of \$16,645 was received by the County on May 27, 2016, however, the money was not expended within fifteen days of receipt as required, and the balance exceeded \$5,000 until June 15, 2016 or 19 days.
- Draw of \$43,183 was received by the County on August 15, 2016, however, the money was not expended within fifteen days of receipt as required, and the balance exceeded \$5,000 until September 20, 2016 or 36 days.
- Draw of \$50,650 was received by the County on September 9, 2016, however, the money was not expended within fifteen days of receipt as required, and the balance exceeded \$5,000 until November 1, 2016 or 53 days.
- Draw of \$48,053 was received by the County on September 26, 2016, however, the money was not expended within fifteen days of receipt as required, and the balance exceeded \$5,000 until November 1, 2016 or 36 days.
- Draw of \$14,617 was received by the County on December 28, 2016, however, the money was not expended within fifteen days of receipt as required, and the balance exceeded \$5,000 through December 31, 2016. \$11,650 remained on hand at December 31, 2016, and the balance exceeded \$5,000 until January 31, 2017 or 34 days.

Based on our testing, utilizing the 1% average 2016 U.S. Treasury Current Value of Funds Rate, we estimate the imputed interest could have been \$95 for the year ended December 31, 2016.

The County should monitor the cash balances in these funds to determine when and how much cash to request. This will help to ensure the monies drawn down are expended within the required time frame.

**Officials' Response:** We will notify CDC of Ohio who administers the grants in question to see if they can help correct this issue.



**JACKSON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR PART 200.511(b)  
DECEMBER 31, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	A citation was issued under Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not preparing and filing the annual report in accordance with Generally Accepted Accounting Principles.	Not Corrected.	The County does not currently have the resources to meet this requirement.
2015-002	A citation was issued under Ohio Rev. Code § 5705.41(D) for not properly certifying the availability of funds.	Not Corrected.	The current staff in the office cannot handle the additional work load this correction will create. We would need to hire a purchase order clerk.
2015-003	An internal control material weakness was issued concerning the timeliness and other deficiencies in the County's reconciliation process.	Not Corrected.	
2015-004	A citation and internal control material weakness was issued under Ohio Dept. of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(f) for not complying with the 15 day rule.	Not Corrected.	We will notify CDC of Ohio who administers the grants in question to see if they can help correct this issue.

JACKSON COUNTY

CORRECTIVE ACTION PLAN  
2 CFR PART 200.511(c)  
DECEMBER 31, 2016

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	The County does not have the resources to file on GAAP basis.		Clyde Holdren, County Auditor
2016-002	The County does not have the resources to hire an additional employee to oversee purchase orders.		Clyde Holdren, County Auditor
2016-003	The County has completed the reconciliation more timely and is working on addressing the reconciling items.	January 1, 2018	Lee Hubbard, County Treasurer
2016-004	The County will work with CDC of Ohio to ensure compliance with the 15-day rule.	January 1, 2018	Jackson County Commissioners



# Dave Yost • Auditor of State

## 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  
SEPTEMBER 28, 2017