



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

January 17, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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**FINANCIAL CONDITION**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Jackson County  
226 East Main Street  
Jackson, Ohio 45640

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of J-Vac Industries, Inc., a discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for J-Vac Industries, Inc. on the report of the other auditors.

Except as described in the fifth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. The other auditors audited the financial statements of J-Vac Industries, Inc., in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code Section 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. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

The J-Vac Industries, Inc., is a discretely presented component unit of the County, as disclosed in Note 1. The financial statements of J-Vac Industries, Inc., are presented as stand alone statements in accordance with generally accepted accounting principles.

As described in Note 1, the Jackson County Airport Authority (the Authority) is a discretely presented component unit of the County and the Authority's financial activities are included in the County's basic financial statements. The financial statements of the Authority for the year ending December 31, 2005 were not audited and we were not engaged to audit the financial statements of the Authority. Because the Authority's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Authority's financial statements.

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In our opinion, based on the report of the other auditors, the financial statements of the J-Vac Industries, Inc., present fairly, in all material respects, its financial position, as of June 30, 2005, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, 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 remaining fund information of Jackson County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Motor Vehicle and Gasoline Tax, Court/Corrections, and Job and Family Services Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Federal Awards Expenditures presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected this Schedule to the auditing procedures applied in our audit of the County's basic financial statements. In our opinion, based on our audit, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

December 21, 2006



**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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The discussion and analysis of Jackson County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2005. 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 2005 are as follows:**

- Net cash assets of governmental activities increased \$34,397.
- The County has six major funds; the General, Motor Vehicle and Gasoline Tax, Court/Corrections, Job and Family Services, Computer/Equipment, and the Bond Retirement Funds. The General Fund had \$5,816,382 in receipts and \$5,298,244 in disbursements. The General Fund's balance increased \$236,183. The Motor Vehicle and Gasoline Tax Fund had \$3,807,026 in receipts and \$3,530,717 in disbursements. The Motor Vehicle and Gasoline Tax Fund's balance increased \$302,638. The Court/Corrections Fund had \$1,901,942 in receipts and \$1,816,137 in disbursements. The Court/Corrections Fund balance increased \$85,805. The Job and Family Services Fund had \$6,585,609 in receipts and \$6,492,573 in disbursements. The Job and Family Services Fund balance increased \$93,036. The Bond Retirement Fund had \$64,243 in receipts and \$3,857,781 in disbursements. The Bond Retirement Fund balance increased \$7,609. Computer/Equipment Fund had \$409,382 in receipts and \$835,903 in disbursements. The Computer/Equipment Fund's balance decreased \$558,083.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$5,863,490, an increase of \$34,397 from the prior year.

## **USING THIS ANNUAL FINANCIAL REPORT**

This discussion and analysis is intended to serve as an introduction to Jackson County's Modified Cash Financial Statements. Jackson County's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### ***County-Wide Financial Statements***

The County-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 Assets – Modified Cash Basis* presents information on all of Jackson County's modified cash assets, presented as net assets. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs.

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

In the statement of net assets and the statement of activities, the County is divided into two types of activities:

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

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**Governmental Activities** – Most of the County's programs or services are reported here, including general government, 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 and J-Vac Industries, Inc.. These component units are 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 their 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. 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 and Gasoline Tax, Court/Corrections, and Job and Family Services Special Revenue Funds; the Bond Retirement Debt Service Fund; and the Computer/Equipment Capital Projects Fund.

**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 Cash Basis 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 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 assets – 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.

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

Table 1 provides a summary of the County's net assets – modified cash basis for 2005 compared to 2004:

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

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$900,088	\$4,270,188
Investments	4,963,402	1,558,905
<i>Total Assets</i>	<u>5,863,490</u>	<u>5,829,093</u>
<b>Net Assets</b>		
Restricted for:		
Unclaimed Monies	113,296	87,469
Other Purposes	4,013,457	3,681,227
Capital Projects	1,166,210	1,707,835
Debt Service	10,093	2,484
Unrestricted	<u>560,434</u>	<u>350,078</u>
<i>Total Net Assets</i>	<u><u>\$5,863,490</u></u>	<u><u>\$5,829,093</u></u>

Total governmental activities assets increased \$34,397. Cash and cash equivalents decreased \$3,370,100 and investments increased \$3,404,497. Though total assets increased only 0.5%, the County did reallocate a large portion of cash and cash equivalents to investments to better take advantage improving returns.

In addition, a sizable portion of the County's net assets, \$5,303,056 or 90%, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, \$560,434 or 10%, are to be used to meet the County's ongoing obligations to its citizens and creditors.

Table 2 reflects the change in net assets for the year ended December 31, 2005.

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

(Table 2)  
 Changes in Net Assets

	Governmental Activities	
	2005	2004
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$3,998,305	\$3,632,630
Operating Grants, Contributions and Interest	12,994,963	12,098,462
Capital Grants and Contributions	1,172,864	472,683
<i>Total Program Revenues</i>	18,166,132	16,203,775
General Revenues		
Property Taxes	2,648,260	3,147,817
Sales Taxes	2,970,390	2,871,317
Grants and Entitlements	671,673	680,736
Interest	240,198	79,684
Loan Proceeds	0	50,125
Note Proceeds	3,373,000	3,648,500
Other	748,598	910,804
<i>Total General Revenues</i>	10,652,119	11,388,983
<b>Total Revenues</b>	28,818,251	27,592,758
<b>Program Expenses</b>		
General Government:		
Legislative and Executive	2,430,759	2,052,036
Judicial	1,968,083	2,065,482
Public Safety	3,691,811	4,027,775
Public Works	3,840,453	4,105,745
Health	2,550,927	2,165,031
Human Services	8,250,157	7,358,229
Economic Development	728,972	1,064,476
Capital Outlay	1,464,911	1,009,415
Debt Service:		
Principal Retirement	3,752,990	2,327,631
Interest and Fiscal Charges	104,791	64,632
<i>Total Program Expenses</i>	28,783,854	26,240,452
<i>Increase (Decrease) in Net Assets</i>	34,397	1,352,306
Net Assets at Beginning of Year	5,829,093	4,476,787
Net Assets at End of Year	\$5,863,490	\$5,829,093

**Governmental Activities**

Program revenues accounted for 63 percent of total revenues for governmental activities in 2005, therefore, governmental activities services are primarily funded through these program revenues, with operating grants accounting for \$13,385,793 or 46% of total revenues. The major recipients of these intergovernmental receipts were the Motor Vehicle and Gasoline Tax, Job and Family Services, and Mental Retardation and Developmental Disabilities Special Revenue Funds.

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

General revenues, primarily property and sales taxes, and proceeds from the sale of notes, accounted for the remaining 37% of total revenues. 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 \$3,607,475 or 13 percent of total governmental revenues. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human service programs accounted for \$8,250,157 or 29 percent of total expenses for governmental activities. During 2005, expenses for Job and Family Services and Mental Retardation and Developmental Disabilities amounted to \$6,492,573 and \$1,858,386, respectively. These activities are entirely paid from program revenues. These 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.

Public safety programs are a major activity of the County, accounting for \$3,691,811 or 13 percent of all governmental expenses. These activities are funded primarily through property and sales taxes. The County attempts to supplement the income and activities of the sheriff department to enable the department to widen the scope of its activity.

Public works programs accounted for \$3,840,453 or 13 percent of all governmental activities. These activities are paid almost entirely with program revenues, with only \$42,114 or 1 percent of total expenses being supported with the County's general revenues.

General government, health, economic development, capital outlay, and principal and interest expenditures account for the remaining 45 percent of governmental expenses.

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
	2005	2005	2004	2004
<b>Program Expenses</b>				
General Government:				
Legislative and Executive	\$2,430,759	\$1,474,839	\$2,052,036	\$1,789,280
Judicial	1,968,083	726,633	2,065,482	972,033
Public Safety	3,691,811	3,291,473	4,027,775	3,280,099
Public Works	3,840,453	42,114	4,105,745	521,653
Health	2,550,927	965,167	2,165,031	1,047,133
Human Services	8,250,157	(74,690)	7,358,229	(118,807)
Economic Development	728,972	(124,675)	1,064,476	(137,379)
Capital Outlay	1,464,911	459,080	1,009,415	290,402
Debt Service:				
Principal Retirement	3,752,990	3,752,990	2,327,631	2,327,631
Interest and Fiscal Charges	104,791	104,791	64,632	64,632
<b>Total</b>	<b>\$28,783,854</b>	<b>\$10,617,722</b>	<b>\$26,240,452</b>	<b>\$10,036,677</b>

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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Charges for services, operating grants, and capital grants of \$18,166,132 or 63 percent of the total costs of services, are received and used to fund the governmental operations of the County. The remaining \$10,617,722 in governmental expenses are funded by property taxes, permissive sales taxes, unrestricted intergovernmental revenues, interest, note proceeds, and miscellaneous revenues.

For example, the \$965,167 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 a property tax levy for Mental Retardation and Developmental Disabilities in order to fully 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, 2005, the County's governmental funds reported a combined ending fund balance of \$5,863,490, an increase of \$34,397 in comparison with the prior year. Approximately \$5,701,929, or 97 percent of this total, constitutes unreserved undesignated fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year (\$48,265) or for unclaimed monies (\$113,296). While the bulk of governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expenditure restrictions mandated by the source of the resource, such as the state or federal government.

The General Fund is the primary operating fund of the County. At the end of 2005, unreserved fund balance was \$560,187, while total fund balance was \$673,730. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11 percent of total General Fund expenditures, while total fund balance represents 13 percent of that same amount.

The fund balance of the County's General Fund increased \$236,183 during 2005. The primary cause of the increase is attributable to increases in charges for services (conveyance and transfer fees, and auditor and treasurer fees).

The fund balance of the Motor Vehicle and Gasoline Tax Special Revenue Fund increased \$302,638, attributable to increases in motor vehicle gasoline and license taxes. The Motor Vehicle and Gasoline Tax Fund's unreserved fund balance of \$514,276 represented 15 percent of current year expenditures.

The Court/Correction Special Revenue Fund's balance increased \$85,505 during 2005. The Court/Corrections Special Revenue Fund's unreserved fund balance of \$836,365 represented 46% of current year expenditures.

The fund balance of the Job and Family Services Special Revenue Fund increased \$93,036. The Job and Family Services Special Revenue Fund's unreserved undesignated fund balance of \$341,982 represented 5 percent of total expenditures, while total fund balance of \$390,000 represented 6 percent of that same amount.

The fund balance of the Bond Retirement Debt Service Fund increased \$7,609. The Bond Retirement Debt Service Fund's unreserved undesignated fund balance of \$10,093 represented 0.2 percent current year expenditures.

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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The fund balance of the Computer/Equipment Capital Projects Fund decreased \$558,083 during 2005. This decrease is due the construction of and debt payments for the purchase and renovation of a new Municipal Court complex. The Computer/Equipment Capital Projects Fund's unreserved fund balance of \$1,115,390 represented 133 percent of current year end expenditures.

### **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.

During the course of 2005, the County amended its General Fund budget several times, none were significant. 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 modified 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, an increase of \$492,069 was made to the original budgeted revenues. Final budgeted expenditures also increased \$299,307 over the original amount. Jackson County's ending unencumbered cash balance in the General Fund was \$266,952 above the final budgeted amount.

### **CURRENT ISSUES**

As the preceding information shows, the County depends heavily on its taxpayers and grants and entitlements. Stress on the County's finances is ongoing. This is evidenced by the halt to all new spending initiated by the County Commissioners. However, spending for vital services are continuing and County only recently opened the new Municipal Court Facility for business, and County taxpayers approved an additional 1.5 mill levy which will raise approximately \$586,000 for emergency medical services throughout the County.

Various economic factors were considered in the preparation of the County's 2005 budget, and will be considered in the preparation of future budgets. Appropriate measures will be 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.

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**Jackson County, Ohio**  
*Statement of Net Assets - Modified Cash Basis, Primary Government and  
 Jackson County Airport Authority*  
 December 31, 2005

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental	Jackson County
	Activities	Airport
		Authority
		(Unaudited)
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$900,088	\$96,807
Investments	4,963,402	0
<i>Total Assets</i>	<u>\$5,863,490</u>	<u>\$96,807</u>
<b>Net Assets</b>		
Restricted for:		
Unclaimed Monies	\$113,296	\$0
Other Purposes	4,013,457	0
Capital Projects	1,166,210	0
Debt Service	10,093	0
Unrestricted	560,434	96,807
<i>Total Net Assets</i>	<u>\$5,863,490</u>	<u>\$96,807</u>

See accompanying notes to the basic financial statements

**Jackson County, Ohio**  
*Statement of Activities - Modified Cash Basis Primary Government and  
Jackson County Airport Authority*  
For the Year Ended December 31, 2005

	Program Revenues				Total	Component Unit
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions		Jackson County Airport Authority (Unaudited)
<b>Governmental Activities:</b>						
General Government:						
Legislative and Executive	\$2,430,759	\$583,566	\$9,907	\$362,447	(\$1,474,839)	\$0
Judicial	1,968,083	1,179,709	61,741	0	(726,633)	0
Public Safety	3,691,811	104,974	295,364	0	(3,291,473)	0
Public Works	3,840,453	459,623	3,338,041	675	(42,114)	0
Health	2,550,927	129,296	1,451,281	5,183	(965,167)	0
Human Services	8,250,157	1,048,294	7,257,970	18,583	74,690	0
Economic Development	728,972	47,988	580,659	225,000	124,675	0
Capital Outlay	1,464,911	444,855	0	560,976	(459,080)	0
Debt Service:						
Principal Retirement	3,752,990	0	0	0	(3,752,990)	0
Interest and Fiscal Charges	104,791	0	0	0	(104,791)	0
<i>Total Governmental Activities</i>	<u>28,783,854</u>	<u>3,998,305</u>	<u>12,994,963</u>	<u>1,172,864</u>	<u>(10,617,722)</u>	<u>0</u>
<b>Component Unit:</b>						
Jackson County Airport Authority (unaudited)	<u>\$350,652</u>	<u>\$149,722</u>	<u>\$0</u>	<u>\$240,276</u>	<u>0</u>	<u>39,346</u>
<b>General Revenues</b>						
Property Taxes Levied for:						
General Purposes					1,218,775	0
Other Purposes					1,429,485	0
Sales Taxes Levied for:						
General Purposes					1,485,658	0
Other Purposes					1,484,732	0
Grants and Entitlements not Restricted to Specific Programs					671,673	0
Interest					240,198	0
Note Proceeds					3,373,000	0
Miscellaneous					748,598	0
<i>Total General Revenues</i>					<u>10,652,119</u>	<u>0</u>
<i>Change in Net Assets</i>					34,397	39,346
<i>Net Assets at Beginning of Year</i>					<u>5,829,093</u>	<u>57,461</u>
<i>Net Assets at End of Year</i>					<u>\$5,863,490</u>	<u>\$96,807</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, 2005*

	General	Motor Vehicle Gasoline Tax	Court/ Corrections	Job and Family Services	Bond Retirement	Computer/ Equipment	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>								
Equity in Pooled Cash and Cash Equivalents	\$214,934	\$57,693	\$75,227	\$59,487	\$591	\$85,301	\$198,901	\$692,134
Cash and Cash Equivalents in Segregated Accounts	34,788	12	0	0	0	0	173,154	207,954
Investments	424,008	456,571	761,138	330,513	9,502	1,030,089	1,951,581	4,963,402
<b>Total Assets</b>	<b>\$673,730</b>	<b>\$514,276</b>	<b>\$836,365</b>	<b>\$390,000</b>	<b>\$10,093</b>	<b>\$1,115,390</b>	<b>\$2,323,636</b>	<b>\$5,863,490</b>
<b>Fund Balances</b>								
Reserved for Encumbrances	\$247	\$0	\$0	\$48,018	\$0	\$0	\$0	\$48,265
Reserved for Unclaimed Monies	113,296	0	0	0	0	0	0	113,296
Unreserved, Undesignated, Reported in:								
General Fund	560,187	0	0	0	0	0	0	560,187
Special Revenue Funds	0	514,276	836,365	341,982	0	0	2,272,816	3,965,439
Debt Service Funds	0	0	0	0	10,093	0	0	10,093
Capital Projects Fund	0	0	0	0	0	1,115,390	50,820	1,166,210
<b>Total Fund Balances</b>	<b>\$673,730</b>	<b>\$514,276</b>	<b>\$836,365</b>	<b>\$390,000</b>	<b>\$10,093</b>	<b>\$1,115,390</b>	<b>\$2,323,636</b>	<b>\$5,863,490</b>

See accompanying notes to the basic financial statements

**Jackson County, Ohio**  
*Statement of Modified Cash Receipts, Cash Disbursements and  
 Changes in Cash Basis Fund Balances  
 Governmental Funds  
 For the Year Ended December 31, 2005*

	General	Motor Vehicle Gasoline Tax	Court/ Corrections	Job and Family Services	Bond Retirement	Computer/ Equipment	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Property Taxes	\$1,218,775	\$0	\$0	\$0	\$0	\$0	\$1,429,485	\$2,648,260
Sales Taxes	1,485,658	0	1,484,732	0	0	0	0	2,970,390
Intergovernmental	700,234	3,338,041	182,046	6,091,530	0	0	4,290,634	14,602,485
Charges for Services	1,283,967	390,830	0	485,887	54,336	26,154	283,632	2,524,806
Fines, Licenses, and Permits	472,119	68,793	174,496	0	0	383,201	472,585	1,571,194
Rent	198,000	0	0	0	0	0	900	198,900
Loan Revenue	0	0	0	0	0	0	47,988	47,988
Donations	0	0	0	0	0	0	9,109	9,109
Investment Income	240,198	0	0	0	9,907	0	190,334	440,439
Other	217,431	9,362	60,668	8,192	0	27	136,000	431,680
<b>Total Revenues</b>	<b>5,816,382</b>	<b>3,807,026</b>	<b>1,901,942</b>	<b>6,585,609</b>	<b>64,243</b>	<b>409,382</b>	<b>6,860,667</b>	<b>25,445,251</b>
<b>Expenditures</b>								
Current:								
General Government:								
Legislative and Executive	1,615,078	0	0	0	0	0	815,681	2,430,759
Judicial	1,564,110	0	109,551	0	0	0	294,422	1,968,083
Public Safety	1,071,567	0	1,706,586	0	0	0	913,658	3,691,811
Public Works	309,736	3,530,717	0	0	0	0	0	3,840,453
Health	243,331	0	0	0	0	0	2,307,596	2,550,927
Human Services	494,422	0	0	6,492,573	0	0	1,263,162	8,250,157
Economic Development	0	0	0	0	0	0	728,972	728,972
Capital Outlay	0	0	0	0	0	835,903	629,008	1,464,911
Debt Service:								
Principal Retirement	0	0	0	0	3,752,990	0	0	3,752,990
Interest and Fiscal Charges	0	0	0	0	104,791	0	0	104,791
<b>Total Expenditures</b>	<b>5,298,244</b>	<b>3,530,717</b>	<b>1,816,137</b>	<b>6,492,573</b>	<b>3,857,781</b>	<b>835,903</b>	<b>6,952,499</b>	<b>28,783,854</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<b>518,138</b>	<b>276,309</b>	<b>85,805</b>	<b>93,036</b>	<b>(3,793,538)</b>	<b>(426,521)</b>	<b>(91,832)</b>	<b>(3,338,603)</b>
<b>Other Financing Sources (Uses)</b>								
Proceeds of Notes	1,289,160	477,000	0	0	0	1,420,000	186,840	3,373,000
Transfers In	49,068	86,010	0	0	3,801,147	0	50,000	3,986,225
Transfers Out	(1,620,183)	(536,681)	0	0	0	(1,551,562)	(277,799)	(3,986,225)
<b>Total Other Financing Sources (Uses)</b>	<b>(281,955)</b>	<b>26,329</b>	<b>0</b>	<b>0</b>	<b>3,801,147</b>	<b>(131,562)</b>	<b>(40,959)</b>	<b>3,373,000</b>
<b>Net Change in Fund Balances</b>	<b>236,183</b>	<b>302,638</b>	<b>85,805</b>	<b>93,036</b>	<b>7,609</b>	<b>(558,083)</b>	<b>(132,791)</b>	<b>34,397</b>
<b>Fund Balances at Beginning of Year</b>	<b>437,547</b>	<b>211,638</b>	<b>750,560</b>	<b>296,964</b>	<b>2,484</b>	<b>1,673,473</b>	<b>2,456,427</b>	<b>5,829,093</b>
<b>Fund Balances at End of Year</b>	<b>\$673,730</b>	<b>\$514,276</b>	<b>\$836,365</b>	<b>\$390,000</b>	<b>\$10,093</b>	<b>\$1,115,390</b>	<b>\$2,323,636</b>	<b>\$5,863,490</b>

See accompanying notes to the basic financial statements

**Jackson County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements, and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
**General Fund**  
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,110,613	\$1,215,136	\$1,218,775	\$3,639
Sales Taxes	1,353,812	1,481,223	1,485,658	4,435
Intergovernmental	640,000	700,233	700,234	1
Charges for Services	1,140,420	1,247,748	1,283,967	36,219
Fines, Licenses, and Permits	429,968	470,433	472,119	1,686
Rent	180,969	198,000	198,000	0
Investment Income	178,821	195,650	240,198	44,548
Other	193,908	212,157	217,431	5,274
<i>Total Revenues</i>	5,228,511	5,720,580	5,816,382	95,802
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	1,578,838	1,670,680	1,615,325	55,355
Judicial	1,517,417	1,605,686	1,564,110	41,576
Public Safety	1,037,992	1,098,373	1,071,567	26,806
Public Works	297,418	314,719	309,736	4,983
Health	233,269	246,838	243,331	3,507
Human Services	480,400	508,345	494,422	13,923
<i>Total Expenditures</i>	5,145,334	5,444,641	5,298,491	146,150
<i>Excess of Revenues Under Expenditures</i>	83,177	275,939	517,891	241,952
<b>Other Financing Sources (Uses)</b>				
Proceeds of Notes	0	0	1,289,160	1,289,160
Transfers In	21,998	24,068	49,068	25,000
Transfers Out	(312,826)	(331,023)	(1,620,183)	(1,289,160)
<i>Total Other Financing Sources (Uses)</i>	(290,828)	(306,955)	(281,955)	25,000
<i>Net Change in Fund Balance</i>	(207,651)	(31,016)	235,936	266,952
<i>Fund Balance at Beginning of Year</i>	422,510	422,510	422,510	0
Prior Year Encumbrances Appropriated	15,037	15,037	15,037	0
<i>Fund Balance at End of Year</i>	\$229,896	\$406,531	\$673,483	\$266,952

See accompanying notes to the basic financial statements

**Jackson County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements, and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
Motor Vehicle and Gasoline Tax Fund  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$3,401,381	\$2,915,935	\$3,338,041	\$422,106
Charges for Services	390,830	390,830	390,830	0
Fines, Licenses, and Permits	65,233	56,882	68,793	11,911
Other	9,080	7,917	9,362	1,445
<i>Total Revenues</i>	<u>3,866,524</u>	<u>3,371,564</u>	<u>3,807,026</u>	<u>435,462</u>
<b>Expenditures</b>				
Current:				
Public Works	<u>3,924,827</u>	<u>4,011,044</u>	<u>3,530,717</u>	<u>480,327</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(58,303)</u>	<u>(639,480)</u>	<u>276,309</u>	<u>915,789</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Notes	0	0	477,000	477,000
Transfers In	78,576	86,010	86,010	0
Transfers Out	<u>(58,398)</u>	<u>(59,681)</u>	<u>(536,681)</u>	<u>(477,000)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>20,178</u>	<u>26,329</u>	<u>26,329</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(38,125)</u>	<u>(613,151)</u>	<u>302,638</u>	<u>915,789</u>
<i>Fund Balance at Beginning of Year</i>	<u>211,638</u>	<u>211,638</u>	<u>211,638</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$173,513</u>	<u>(\$401,513)</u>	<u>\$514,276</u>	<u>\$915,789</u>

See accompanying notes to the basic financial statements

**Jackson County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements, and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
Court/Corrections Fund  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Sales Taxes	\$1,332,894	\$1,370,577	\$1,484,732	\$114,155
Intergovernmental	177,041	182,045	182,046	1
Fines, Licenses, and Permits	159,582	164,094	174,496	10,402
Other	49,971	51,384	60,668	9,284
<i>Total Revenues</i>	<u>1,719,488</u>	<u>1,768,100</u>	<u>1,901,942</u>	<u>133,842</u>
<b>Expenditures</b>				
Current:				
General Government:				
Judicial	176,540	136,610	109,551	27,059
Public Safety	1,628,533	1,820,123	1,706,586	113,537
<i>Total Expenditures</i>	<u>1,805,073</u>	<u>1,956,733</u>	<u>1,816,137</u>	<u>140,596</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(85,585)</u>	<u>(188,633)</u>	<u>85,805</u>	<u>274,438</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	66,808	68,697	0	(68,697)
Transfers Out	(63,373)	(68,697)	0	68,697
<i>Total Other Financing Sources (Uses)</i>	<u>3,435</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(148,958)	(257,330)	85,805	343,135
<i>Fund Balance at Beginning of Year</i>	<u>750,561</u>	<u>750,561</u>	<u>750,560</u>	<u>1</u>
<i>Fund Balance at End of Year</i>	<u>\$601,603</u>	<u>\$493,231</u>	<u>\$836,365</u>	<u>\$343,135</u>

See accompanying notes to the basic financial statements

**Jackson County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements, and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
Job and Family Services Fund  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$5,767,973	\$6,022,138	\$6,091,530	\$69,392
Charges for Services	449,741	469,559	485,887	16,328
Other	7,843	8,188	8,192	4
<i>Total Revenues</i>	<u>6,225,557</u>	<u>6,499,885</u>	<u>6,585,609</u>	<u>85,724</u>
<b>Expenditures</b>				
Current:				
Human Services	<u>5,797,500</u>	<u>7,331,828</u>	<u>6,492,573</u>	<u>839,255</u>
<i>Net Change in Fund Balance</i>	<u>428,057</u>	<u>(831,943)</u>	<u>93,036</u>	<u>924,979</u>
<i>Fund Balance at Beginning of Year</i>	248,886	248,886	248,886	0
Prior Year Encumbrances Appropriated	<u>48,078</u>	<u>48,078</u>	<u>48,078</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$725,021</u>	<u>(\$534,979)</u>	<u>\$390,000</u>	<u>\$924,979</u>

See accompanying notes to the basic financial statements



**Jackson County, Ohio**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Agency Fund*  
*December 31, 2005*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$994,059
Cash and Cash Equivalents in Segregated Accounts	<u>815,992</u>
<i>Total Assets</i>	<u><u>\$1,810,051</u></u>
<b>Net Assets</b>	
Total Net Assets	<u><u>\$1,810,051</u></u>

See accompanying notes to the basic financial statements

**J-Vac Industries, Inc.**  
*Statement of Financial Position*  
*For the Fiscal Year Ended, June 30, 2005*

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	J-Vac Industries, Inc.
<b>Assets</b>	
Cash and Cash Equivalents	\$16,183
Accounts Receivable	6,012
Inventory	2,424
Property and Equipment (net)	10,939
Workers' Compensation Deposit	209
	<hr/>
<i>Total Assets</i>	<i>35,767</i>
	<hr/>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$1,760
Withheld and Accrued Payroll Taxes	2,371
Current portion of Long Term Debt	8,114
Long Term Note Payable Net of Current Portion	23,933
	<hr/>
<i>Total Liabilities</i>	<i>36,178</i>
	<hr/>
<b>Net Assets</b>	
Unrestricted	(411)
	<hr/>
<i>Total Liabilities and Net Assets</i>	<i>\$35,767</i>
	<hr/> <hr/>

See accompanying notes to the basic financial statements

**J-Vac Industries, Inc.**  
*Statement of Activities*  
*For the Fiscal Year Ended, June 30, 2005*

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	J-Vac Industries, Inc.
<b>Unrestricted Net Assets</b>	
Sales and Services	\$ 109,253
Contributions	3,000
	<hr/>
<i>Total Unrestricted Net Assets</i>	112,253
	<hr/>
<b>Expenses</b>	
Program Services	120,012
Management and General	8,719
	<hr/>
<i>Total Expenses</i>	128,731
	<hr/>
Interest Income	12
	<hr/>
<i>Decrease in Unrestricted Net Assets</i>	(16,466)
<i>Net Assets at Beginning of Year</i>	16,055
	<hr/>
<i>Net Assets at End of Year</i>	(\$411)
	<hr/> <hr/>

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, 2005*

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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.

A. Primary Government

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 Mental Retardation and Developmental Disabilities, Children Services Board, and all departments and activities that are directly operated by the elected County Officials.

B. Component Units

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 upon the County in that the County approves the budget, the issuance of debt, or the levying of taxes for the organization.

**Discretely Presented Component Units**

The component unit column on the financial statements identifies the financial data of the Jackson County Airport Authority while the financial data of J-Vac Industries, Inc. is reported on its own financial statements. The component units are reported separately to emphasize that they are legally separate from the County. Information about these component units is presented in Note 21 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. The financial statements of the Authority for the year ending December 31, 2005 were not audited.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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J-Vac Industries, Inc. J-Vac Industries, Inc. (the Workshop), a legally separate, not-for-profit corporation, served by a self-appointing Board of Trustees. The program is under a contractual agreement with the Jackson County Board of Mental Retardation and Developmental Disabilities (MRDD) to provide sheltered employment for mentally retarded or handicapped adults in the County. MRDD provides the Workshop with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and the sole purpose of the Workshop to provide assistance to retarded and handicapped adults of the County, the Workshop is considered to be a component unit of Jackson County. The nature and significance of the relationship between the County and the Workshop is such that exclusion would cause the County's financial statements to be misleading or incomplete. The Workshop operates on a fiscal year ending June 30. Separately audited statements for the Workshop are available from Richard Moore, Chief Fiscal Officer, J-Vac Industries, Inc., 202 South Pennsylvania Avenue, Wellston, Ohio 45692.

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:

***The Jackson County Board of 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 comprised of township trustees, mayors of participating municipalities, and one County Commissioner. The Council 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 and Vinton Joint Solid Waste Management District  
Gallia, Jackson, and Meigs Counties Alcohol, Drug Addiction, and Mental Health Services Board  
Southeast Ohio Emergency Medical Services District  
Jackson-Vinton Community Action Agency  
Ohio Valley Regional Development District  
Gallia-Jackson Child Abuse and Neglect Advisory Council  
South Central Ohio Regional Juvenile Detention, Training and Rehabilitation Center  
Buckeye Joint-County Self-Insurance Council  
County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

The statement of net assets 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:

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
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**General Fund** The General Fund accounts for all financial resources, except those required to be 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 and Gasoline Tax Fund 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.

**Court/Corrections Special Revenue Fund** This Court/Corrections Special Revenue Fund accounts for several funds related to court/corrections activities including jail operations, drug law enforcement, indigent guardianship, defense of indigents, and juvenile, probate and municipal court operations. Revenues arise from fines and forfeitures, as well as, charges for services rendered to the users of the County's Courts and Correctional Facilities.

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

**Bond Retirement Debt Service Fund** The Bond Retirement Debt Service Fund accounts for the accumulation of resources for, and the payment of, debt principal, interest, and related costs.

**Computer/Equipment Capital Projects Fund** The Computer/Equipment Capital Projects Fund is used to account for the accumulation of monies derived from court fees to be used exclusively for the capital expenditures of the various participating departments

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

**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 assets and changes in net assets. 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 2005. 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. 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.



**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
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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 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.

***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".

Cash and cash equivalents of J-Vac Industries, Inc. and the Airport Authority are held by the component units and 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.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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During 2005, the County invested in nonnegotiable certificates of deposit, a repurchase agreement, federal agency securities, a money market fund, and STAROhio. Investments are reported at cost, except for the money market fund and STAROhio. The County's money market fund investment is recorded at the amount reported by Fifth Third Securities at December 31, 2005. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2005.

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, the Board of Mental Retardation and Developmental Disabilities and the Community Development Block Grant Special Revenue Funds, and the Bond Retirement Debt Service Fund. Interest revenue credited to the General Fund during 2005 amounted to \$240,198, which includes \$223,647 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.

***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 Transactions***

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

***J. 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.

***K. 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 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
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**L. 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 nor capital outlay are reported at inception. Lease payments are reported when paid.

**M. Net Assets**

Net assets are 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.

Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The government-wide statement of net assets reports \$5,303,056 of restricted net assets, of which \$330,862 is restricted by enabling legislation.

**N. Fund Balance Reserves**

The County reserves any portion of fund balances which is not available for appropriation or which is legally segregated for specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for unclaimed monies and encumbrances. By law, the County may not appropriate unclaimed monies until the money has remained unclaimed for five years.

**Note 3 – Changes in Accounting Principle**

For 2005, the City has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments.

**Note 4 – 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 States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, 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.

The following funds had final appropriations in excess of estimated resources plus available balances for the year ended December 31, 2005:

	Resources	Appropriations	Excess
<b>Special Revenue Funds:</b>			
Motor Vehicle and Gasoline Tax	\$3,669,212	\$4,070,725	(\$401,513)
Job and Family Services	6,748,771	7,283,750	(534,979)

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
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**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 Cash Basis 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 difference between the budgetary basis and the modified cash basis are outstanding year end encumbrances. These are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (an outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$247
Major Special Revenue Fund:	
Job and Family Services	48,018

**Note 6 – Deposits and Investments**

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

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

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

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

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

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

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

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
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5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

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

Investments may only be made through specified dealers and institutions. Payments 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.

**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, \$2,284,335 of the County's bank balance of \$2,895,409 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County has no deposit policy for custodial 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** Investments are reported at fair value. As of December 31, 2005, the County had the following investments:

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	Fair Value	Percentage of Portfolio	Maturity
Money Market Mutual Funds	\$442,488	8.92%	7 Days
Federal Home Loan Bank Notes	150,000	3.02%	January 23, 2006
Federal National Mortgage Association Discount Notes	314,622	6.34%	June 16, 2006
Federal National Mortgage Association Discount Notes	386,323	7.78%	September 22, 2006
Federal Home Loan Mortgage Corporation Discount Notes	335,972	6.77%	September 27, 2006
Federal Home Loan Mortgage Corporation Discount Notes	191,551	3.86%	October 17, 2006
Federal Home Loan Mortgage Corporation Discount Notes	191,706	3.86%	November 11, 2006
STAROhio	<u>2,950,740</u>	<u>59.45%</u>	Average 39 Days
Totals	<u>\$4,963,402</u>	<u>100.00%</u>	

**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** STAROhio carries a rating of AAA and the mutual fund carries a rating of AAAm, both by Standard and Poor's. Ohio law requires that STAROhio 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.

**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 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 the amount of the tax to be returned to the County to the State Auditor. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

**Note 8 – Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date.

Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
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Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property taxes received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

The full tax rate for all County operations for the year ended December 31, 2005 was \$8.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	\$318,380,890
Public Utility Real Property	123,680
Public Utility Tangible Personal Property	44,439,170
Tangible Personal Property	<u>57,019,767</u>
Total Assessed Value	<u><u>\$419,963,507</u></u>

**Note 9- 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 2005 the County contracted with the Ohio Government Risk Management Plan, an insurance purchasing pool, (see Note 18), for liability, auto, and crime insurance. Each member pays a premium for their coverage. The agreement provides that the Council will be self-sustaining through member premiums. In the event of losses, the first \$250 to \$2,500 of any valid claim, depending upon type of loss, will be paid by the member. The next payment, with a maximum payout ranging from \$100,000 to \$1,000,000 per occurrence, will come from the insurance purchasing pool based on the member's percentage of contribution. If the aggregate claims by the pool exceed the available resources, the pool may require the members to make additional supplementary payments. Jackson County does not have any ongoing financial interest or responsibility. The agreement between the Counties and the Council indicates that a voluntary withdrawal or termination by any county shall constitute a forfeiture of any pro rate share of the Council reserve fund. Current calculation of this potential residual interest is, therefore, not possible. During 2005, Jackson County paid \$179,755 to the Council for insurance coverage. Coverage provided by the program and applicable deductibles are as follows:

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Property	Deductible	Limits of Coverage
Real Property	\$1,000	\$15,721,143
General Liability	0	1,000,000/3,000,000
Public Official Liability	5,000	1,000,000/3,000,000
Law Enforcement	5,000	1,000,000/3,000,000
Employee Benefits	0	1,000,000/3,000,000
Inland Marine	1,000	1,587,555
Medical Expense:	0	10,000/50,000
Employer's Liability (Stop Gap)	0	1,000,000
Electronic Equipment/Media Coverage:		
Electronic Equipment	1,000	500,000
Electronic Media	0	5,000
Extra Expense	0	5,000
Crime Coverage:		
Theft, Disappearance, Destruction	0	100,000
Public Dishonesty	0	250,000
Forgery and Alteration	0	5,000
Computer Fraud	100	50,000
Automobile	1,000	1,000,000 Per Occurrence
Arson Reward	0	5,000
Fire Department Service Charge	0	1,000
Fire Protection Devices	0	5,000
Outdoor Property	0	100,000
Personal Effects	0	2,500
Polution Clean Up and Removal	0	25,000
Property Off Premises	0	10,000
Property in Transit	0	25,000
Accounts Receivable	0	100,000
Builders Risk	0	500,000
Fine Arts	0	25,000
Newly Acquired or Constructed Property:		
Building	0	500,000
Personal Property	0	100,000
Legal Liability Real Property	0	1,000,000

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 2005, 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. 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.



**Jackson County, Ohio**  
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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 10 - Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional pension plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$782,838, \$636,420, and \$531,026, respectively. The full amount has been contributed for 2005, 2004, and 2003. Contributions to the member-directed plan for 2005 were \$16,770 made by the County and \$10,520 made by plan members. Contributions to the combined plan for 2005 were \$25,256 made by the County and \$15,843 made by plan members.

**B. State Teachers Retirement System**

For certified teachers employed by the school for Mental Retardation and Developmental Disabilities, the County contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio, 43215-3771.

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New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or an allowance based on member contributions and earned interest matched by STRS Ohio funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001. Benefits are established by Chapter 3307, of the Ohio Revised Code.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for the member and employer contributions.

The County's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004 and 2003 were \$23,318, \$24,536, and \$27,751, respectively. The full amount has been contributed for 2005, 2004 and 2003. There were no contributions made to the combined plan in 2005.

**Note 11 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional pension or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent (16.70 percent for both the public safety and law enforcement divisions) of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 annually for the next eight years and 4.00 percent annually after eight years.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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

The number of active contributing participants in the traditional pension and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$328,333. Actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

***B. State Teachers Retirement System***

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the STRS based on authority granted by State statute. STRS is funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled \$1,794 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**Note 12- Notes Payable**

	Principal Outstanding 12/31/04	Additions	Deductions	Principal Outstanding 12/31/05
<b>Governmental Activities:</b>				
Bond Anticipation Notes:				
2004 YMCA Building - 2.30%	\$31,000	\$0	\$31,000	\$0
2005 YMCA Building - 4.00%	0	20,000	0	20,000
2004 Regional Detention Center - 2.30%	288,000	0	288,000	0
2005 Regional Detention Center - 4.00%	0	238,000	0	238,000
2004 Job and Family Services Center - 2.30%	1,045,000	0	1,045,000	0
2005 Job and Family Services Center - 4.00%	0	895,000	0	895,000
2004 Courthouse Improvements - 2.30%	90,000	0	90,000	0
2005 Courthouse Improvements - 4.00%	0	80,000	0	80,000
2004 MRDD Roof Replacement - 2.30%	10,500	0	10,500	0
2004 Highway Garage - 2.30%	205,000	0	205,000	0
2005 Highway Garage - 4.00%	0	185,000	0	185,000
2004 Road and Bridge Replacement - 2.30%	63,000	0	63,000	0
2005 Road and Bridge Replacement - 4.00%	0	56,000	0	56,000
2004 Engineer's Equipment - 2.30%	122,000	0	122,000	0
2005 Engineer's Equipment - 4.00%	0	112,000	0	112,000
2004 GIS Project - 2.30%	159,000	0	159,000	0
2005 GIS Project - 4.00%	0	124,000	0	124,000
2004 Computer Equipment - 2.30%	135,000	0	135,000	0
2005 Computer Equipment - 4.00%	0	108,000	0	108,000
2004 Municipal Court Building - 2.30%	1,500,000	0	1,500,000	0
2005 Municipal Court Building - 4.00%	0	1,420,000	0	1,420,000
2005 Photo Mapping - 4.00%	0	135,000	0	135,000
<b>Total Governmental Activities:</b>	<b>\$3,648,500</b>	<b>\$3,373,000</b>	<b>\$3,648,500</b>	<b>\$3,373,000</b>

The YMCA Building note was issued for the renovation and expansion of the Jackson County YMCA facility. The Regional Detention Center note was issued for the construction of a new detention facility. The Job and Family Services Center note was issued for the purchase and renovation of the new Job and Family Services facility. The Courthouse Improvements note was issued for the renovation of the Jackson County Courthouse. The MRDD Roof Replacement note was issued for the purpose of replacing the roof of the Hope Haven School. The Highway Garage note was issued for the construction of a new highway garage. The Road and Bridge Replacement note was for the reconstruction and improvements of roads and bridges throughout the County. The Engineer's Equipment note was issued for the purchase of road equipment. The GIS Project note was issued to finance the County-wide Geographical Information System. The Computer Equipment note was issued for the purpose of purchasing a new computer system for the County Auditor's office. The Municipal Court Building note was issued for the purpose of financing the purchase and renovation of the new Municipal Court facility. The Photo Mapping note was issued for the photo mapping of all county roads. All notes are bond anticipation notes and backed by the full faith and credit of the County and mature within one year. The note liability is reflected in the funds which received the proceeds. All notes will be reissued until paid or bonds are issued.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**Note 13 – Long Term Obligations**

A schedule of changes in long-term obligations of the County during 2005 follows:

	Principal Outstanding 12/31/04	Additions	Deductions	Principal Outstanding 12/31/05	Amounts Due in One Year
<b>Governmental Activities:</b>					
1998 Wastewater Treatment Facility, General Obligation Bonds - 4.95%	\$210,000	\$0	\$20,000	\$190,000	\$25,000
2000 EMS Note - 4.75%	188,740	0	75,091	113,649	78,782
2004 Health Department Roof Loan - 3.25%	50,125	0	9,399	40,726	9,700
<b>Total Governmental Activities</b>	<b>\$448,865</b>	<b>\$0</b>	<b>\$104,490</b>	<b>\$344,375</b>	<b>\$113,482</b>

Principal and interest requirements to retire the Wastewater Treatment Facility General Obligation Bonds outstanding at December 31, 2005, are as follows:

Year Ended December 31,	Principal	Interest	Total
2006	\$25,000	\$9,405	\$34,405
2007	25,000	8,169	33,169
2008	25,000	6,930	31,930
2009	25,000	5,693	30,693
2010	30,000	4,455	34,455
2011 - 2012	60,000	4,455	64,455
	<u>\$190,000</u>	<u>\$39,107</u>	<u>\$229,107</u>

The 1998 Wastewater Treatment Facility General Obligation Bonds, originally issued for \$337,500, represents amounts issued on behalf of the Gallia, Jackson, Meigs, and Vinton Joint Solid Waste District to finance the construction of a solid waste recycling facility for the District. The District has agreed to make payments to the County to retire the debt as it becomes due.

Principal and interest requirements to retire Emergency Medical Services note outstanding at December 31, 2005, are as follows:

Year Ended December 31,	Principal	Interest	Total
2006	\$78,782	\$5,398	\$84,180
2007	34,867	1,656	36,523
	<u>\$113,649</u>	<u>\$7,054</u>	<u>\$120,703</u>

The Emergency Medical Services note, originally issued in the amount of \$620,000, represents amounts borrowed for the construction of a new emergency medical services station and will be retired from property tax receipts in the Emergency Medical Services Special Revenue Fund.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

Principal and interest requirements to retire the Health Department Roof Loan liability at December 31, 2005, are as follows:

Year Ended December 31,	Principal	Interest	Total
2006	\$9,700	\$1,324	\$11,024
2007	10,015	1,009	11,024
2008	10,339	685	11,024
2009	10,672	347	11,019
	<u>\$40,726</u>	<u>\$3,365</u>	<u>\$44,091</u>

The Health Department roof loan was issued for the purpose of replacing the roof on the County Health Department building and is backed by the full faith and credit of the County.

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1 percent of the total assessed valuation of the County. The Revised Code further provides that the total voted and unvoted not debt of the County less the same exempt debt shall never exceed a sum equal to 3 percent of the first \$100,000,000 of assessed valuation, plus 1.5 percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus 2.5 percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2005, were an overall legal debt margin of \$44,096,168 and an unvoted legal debt margin of \$419,964.

**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, 2005, aggregate principal outstanding on the bonds was \$5,333,087.

**Note 14 – Contractual Commitments**

As of December 31, 2005, the County had contractual purchase commitments as follows:

Project	Fund	Contract Amount	Amount Expended	Balance at 12/31/05
Radio Repeater System	Homeland Security	\$ 25,000	\$ 0	\$ 25,000
Courthouse Ramp and Sidewalk Improvements	Community Development Block Grant	43,281	0	43,281
Road and Bridge Improvements	Motor Vehicle Gasoline Tax Fund	784,841	70,025	714,816
Total		<u>\$828,122</u>	<u>\$70,025</u>	<u>\$758,097</u>

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

**Note 15 – Interfund Transfers**

During 2005, the following transfers were made:

<b>Transfer to</b>	<b>Transfer from Major Funds</b>			Other Nonmajor Governmental	Total
	General Fund	Motor Vehicle and Gasoline Tax	Computer/ Equipment		
Major Funds:					
General Fund	\$0	\$0	\$17,158	\$31,910	\$49,068
Motor Vehicle Gasoline Tax	0	0	0	86,010	86,010
Bond Retirement	1,570,183	536,681	1,534,404	159,879	3,801,147
Other Nonmajor Governmental	50,000	0	0		50,000
<b>Total All Funds</b>	<b>\$1,620,183</b>	<b>\$536,681</b>	<b>\$1,551,562</b>	<b>\$277,799</b>	<b>\$3,986,225</b>

The above mentioned 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; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 16 – Jointly Governed Organizations**

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

The County is a member of the Gallia, Jackson, Meigs and Vinton Joint 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, comprised 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, comprised 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 2005.

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

The Gallia, Jackson, and Meigs Counties Alcohol, Drug Addiction, and Mental Health Services Board (ADAMH), is a jointly governed organization of the three named counties. The ADAMH provides no direct services but contracts for their delivery. The ADMAH'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 comprised 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.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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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 2005, the County made \$9,880 in payments to the Board.

***C. Southeast Ohio Emergency Medical Services District***

The Southeast Ohio Emergency Medical Services District (the EMS) was organized to provide emergency medical services to the resident of the southeast Ohio. The EMS serves Athens, Jackson, and Lawrence Counties. A nine member Board of Directors governs the EMS. Each County appoints three members to the Board of Directors, upon approval of the current board members. The Board of Directors, in conjunction with the Finance Director, budget and approve expenditures, retain responsibility for surpluses and deficits, and are responsible for any debt incurred. The EMS is not dependent upon Jackson County for its continued existence, and the County does not maintain an equity interest. Emergency medical services are provided to each county under a contractual agreement. Each county is billed on a monthly basis for the services provided to their county. In 2005, the County paid \$807,255 to the EMS for services provided to the County.

***D. 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 comprised 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. In 2005, the County made no payments to the Agency.

***E. 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 comprised 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. In 2005, the County made \$5,292 in contributions to the Commission.

***F. 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 Counties Alcohol, Drug Addiction, and Mental Health Services Board 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.



**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 17 – Joint Venture**

***South Central Ohio Regional Juvenile Detention, Training and Rehabilitation Center***

The County is a participant with Highland, Pike, Ross, Vinton, and Fayette counties in the South Central Ohio Regional Juvenile Detention, Training and Rehabilitation 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 2005, contributed \$121,952 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. Buckeye Joint-County Self-Insurance Council***

The Buckeye Joint-Council Self-Insurance Council (the Council) is a public entity shared risk pool that serves Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton and Washington Counties. The Council was formed as an Ohio non-profit corporation for the purpose of establishing a shared risk pool to provide general liability, law enforcement, professional, and fleet insurance. Member counties provide operating resources to the corporation based on actuarially determined rates.

The degree of control exercised by any participating government is limited to its representation on the Board. The Governing Board is comprised of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers which include a President, Vice President, Second Vice President and two Governing Board Members. The expenses and investment of funds by the officers must be approved by the Governing Board unless specific limits have been set by the Governing Board to permit otherwise.

***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.

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.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 19 – Federal Food Stamp Program**

The County's Department of Job and Family Services distributes federal food stamps to the entitled recipients within Jackson County. The receipt and issuance of food stamps have the characteristics of federal "grants"; however, the Department of Job and Family Services merely acts in an intermediary capacity. The inventory value of these stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rests with the ultimate recipient. The County's Department of Job and Family Services had on hand for distribution approximately \$2,719 of federal food stamps at December 31, 2005.

**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 – Component Unit Disclosures**

**A. 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, 2005:

***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.

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

Cash and Cash Equivalents

At December 31, 2005, the carrying amount of the Authority's deposits was \$96,807 and the bank balance was \$96,807. The bank balance was covered by federal depository insurance.

**B. J-Vac Industries, Inc.**

The following are the J-Vac Industries, Inc. (the Workshop) notes to the financial statements for the year ended June 30, 2005:

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Nature of Activities**

J-Vac Industries, Inc. (the organization) provides job training for the mentally handicapped in Jackson County, Ohio. Work training includes providing janitorial services for the local industry, state and local organizations, the making of crafts and other services to local industry. The Jackson County Board of Mental Retardation and Developmental Disabilities provides the facilities and managerial staff. The revenues earned by the facility fund the operation.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Financial Statement Presentation**

In 1997, the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by this statement, the Organization, discontinued its use of fund accounting and has accordingly, reclassified its financial statements to present the three classes of net assets required. This reclassification had no effect on the change in net assets in 2005.

**Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under 501(c)(3) of the Internal Revenue Code.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**NOTE A – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Equipment	\$	39,233
Vehicles		36,735
Accumulated Depreciation		<u>(65,029)</u>
	\$	10,939

Assets are depreciated on the basis of their economic life ranging from three years to five years on the straight line method.

**NOTE B – LONG TERM DEBT**

On July 14, 2003, the Board entered into an agreement with Oak Hill Banks to borrow \$7,696 for the purchase of a mower. The loan is secured with payments of \$237.15 for a term of 36 months. The interest rate is 6.75 percent. As of June 30, 2005, the breakdown of the balance of the loan is as follows:

Current portion	\$	2,521
Long term portion		<u>0</u>
	\$	2,521

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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On March 28, 2005, the board entered into an agreement with OIH, Inc. to borrow \$30,877 to have working capital to purchase golf course accessory products. The loan is secured by all equipment, inventory and accounts receivable. The payments are \$589.79 for a term of 60 months. The interest rate is 5.50 percent. As of June 30, 2005, the breakdown of the balance of the loan is as follows:

Current portion	\$	5,593
Long term portion		<u>23,933</u>
	\$	29,526

**NOTE C – UNACCOUNTED EXPENSE**

According to Organization personnel \$2,250 of expenditures were made in cash for the benefit of the Organization. Receipts amounting to \$75 were presented in support of this claim. This account represents the balance of those funds. It is not known for what the funds were expended. See Schedule of Audit Findings for more information.

JACKSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005

FEDERAL GRANTOR / Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant - State's Program	B-F-03-037-1	14.228	\$ 169,396
	B-F-04-037-1		129,633
	B-F-05-037-1		9,000
	B-W-03-037-1		93,807
	B-C-03-037-1		<u>45,896</u>
Total Community Development Block Grant - State's Program			447,732
HOME Investment Partnerships Program	B-C-03-037-2	14.239	<u>94,534</u>
Total United States Department of Housing and Urban Development			<u>542,266</u>
<b><u>UNITED STATES DEPARTMENT OF LABOR</u></b>			
<i>Passed Through Workforce Investment Act, Area 7:</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult	N/A	17.258	209,485
Workforce Investment Act - Adult Administrative			<u>7,555</u>
Workforce Investment Act - Adult Total			217,040
Workforce Investment Act - Youth Activities	N/A	17.259	204,568
Workforce Investment Act - Youth Activities Administrative			<u>7,377</u>
Workforce Investment Act - Youth Activities Total			211,945
Workforce Investment Act - Dislocated Workers	N/A	17.260	89,223
Workforce Investment Act - Dislocated Workers Administrative			<u>3,218</u>
Workforce Investment Act - Dislocated Workers Total			<u>92,441</u>
Total Workforce Investment Act Cluster			521,426
Reed Act	N/A	17.225	<u>45,119</u>
Total United States Department of Labor			<u>566,545</u>
<b><u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Direct From the Federal Government:</i>			
Airport Improvement Program:			
Airport Improvement Program 3-39-0041-0102	N/A	20.106	12,392
Airport Improvement Program 3-39-0041-0203			155,794
Airport Improvement Program 3-39-0041-0304			26,226
Airport Improvement Program 3-39-0041-0405			<u>16,288</u>
Total Airport Improvement Program			<u>210,700</u>
Total United States Department of Transportation			<u>210,700</u>
<b><u>UNITED STATES DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	6B-SF-2005	84.027	26,059
Special Education - Preschool Grants	PG-S1-2005	84.173	<u>5,666</u>
Total Special Education Cluster			31,725
State Grants for Innovative Programs	C2-S1-2004	84.298	<u>122</u>
Total United States Department of Education			<u>31,847</u>

JACKSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)

FEDERAL GRANTOR / Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>ELECTION ASSISTANCE COMMISSION</u></b>			
<i>Pass through the Ohio Secretary of State:</i>			
Election Reform Payments	E05-0129-40	39.011	5,477
Help America Vote Act Requirements Payments	E05-0129-40	90.401	330,723
Total Election Assistance Commission			336,200
<b><u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant	N/A	93.667	23,949
State Childrens Insurance Program	N/A	93.767	1,565
Medical Assistance Program - Community Alternative Funding System	N/A	93.778	85,646
Medical Assistance Program - Target Case Management	N/A	93.778	20,632
Total Medical Assistance Program			106,278
Total United States Department of Health and Human Services			131,792
<b><u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
Homeland Security Cluster:			
Emergency Management Performance Grants	2005-EM-T5-0001	97.042	22,638
State Homeland Security Program	2005-GE-T5-0001	97.073	48,304
Total Homeland Security Cluster		97.067	70,942
State Domestic Preparedness Equipment Support Program	2003-MU-T3-0015	97.004	2,486
	2004-GE-T4-0025	97.004	29,942
Total State Domestic Preparedness Equipment Support Program			32,428
Citizens Corps Program Grant	2004-GC-T4-0025	97.053	11,741
Total United States Department of Homeland Security			115,111
<b>Total Federal Awards Expenditures</b>			<b>\$ 1,934,461</b>

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

## JACKSON COUNTY

### NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES DECEMBER 31, 2005

#### **NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

#### **NOTE B – SUBRECIPIENTS**

The County passes-through certain Federal assistance received from the U.S. Department of Housing and Urban Development and the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under OMB Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

#### **NOTE C- COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

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

These loans are collateralized by machinery and equipment. At December 31, 2005, the gross amounts of loans outstanding under this program were \$417,968. There were no delinquent amounts outstanding.

#### **NOTE D – MATCHING REQUIREMENTS**

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

#### **NOTE E- TITLE XX**

The expenditures for Title XX were determined by using the actual reimbursements received for expenditures during 2005.

#### **NOTE F – AIRPORT IMPROVEMENT PROGRAM**

The Airport Improvement Program grant recorded on the County's Schedule of Federal Awards Expenditures was awarded to the Jackson County Commissioners (the County) and the Jackson County Airport Authority (the Authority). The Authority handles all grant functions including cash requests, expenditures, reporting, etc. The Authority expended less than \$500,000 in federal revenue and was not required to have a single audit. As described in Note 1 to the financial statements, the Authority was not audited for the year ended December 31, 2005; however, the Airport Improvement Grant expenditures, as reported on the County's Schedule of Federal Awards Expenditures, were subjected to auditing procedures applied in our audit of the County's basic financial statements.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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 the financial statements of the governmental activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 21, 2006, wherein we noted that (except for the J-Vac Industries, Inc.), the County uses a comprehensive basis of accounting other than generally accepted accounting principles. Other auditors audited the financial statements of the J-Vac Industries, Inc in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit. In addition, we did not express an opinion on the Jackson County Airport Authority, a component unit of the County, because the Authority's financial statements have not been audited. Except as discussed in the preceding two sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-007, 2005-012 and 2005-013.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2005-007, 2005-012 and 2005-013 listed above to be material weaknesses. In a separate letter to the County's management dated December 21, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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### Compliance and Other Matters

As part of reasonably assuring about whether the County's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-011. In a separate letter to the County's management dated December 21, 2006, we reported other matters related to compliance we deemed immaterial.

We intend this report solely for the information and use of management, the Board of County Commissioners, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

December 21, 2006



**Auditor of State  
Betty Montgomery**

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

Jackson County  
226 East Main Street  
Jackson, Ohio 45640

To the Board of County Commissioners:

**Compliance**

We have audited the compliance of Jackson County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The Summary of Auditor's Results Section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying Schedule of Findings as items 2005-014 and 2005-015. In a separate letter to the County's management dated December 21, 2006, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

### **Internal Control over Compliance**

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Government's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-012, 2005-013, and 2005-015.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider items 2005-012, 2005-013, and 2005-015 to be material weaknesses.

We intend this report solely for the information and use of management, the Board of County Commissioners, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

December 21, 2006

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2005**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Workforce Investment Act Cluster - CFDA # 17.258, # 17.259, and # 17.260  Airport Improvement Program - CFDA # 20.106  Help America Vote Act - CFDA # 90.401  Medical Assistance Program - CFDA # 93.778
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2005**  
**(Continued)**

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

**FINDING NUMBER 2005-001**

**Finding for Recovery**

In a letter dated October 18, 2006, Jackson County Prosecuting Attorney Jonathan Blanton provided that the Board of Mental Retardation and Developmental Disabilities (MR/DD) has determined that severance pay for MRDD Board administrative employees should be calculated based upon a work year of 242 days. This determination is based on the Adult Workshop being open 232 days per year plus ten paid Holidays per year as recognized in the Board's policies and procedures. The employee's pay is then spread over the 260 day calendar year.

MD/DD Superintendent Ann Ogletree's regular salary was \$66,642.54 per year. Her last payroll and severance pay was based on a 232 day work year (\$287.25 per day, \$35.91 per hour) instead of the Board approved 242 day work year (\$275.38 per day, \$34.42 per hour). Ms. Ogletree was paid \$892.59 on check number 56044 for the difference in pro-rated days worked vs. days paid and \$30,536.54 on check number 56045 for amounts claimed as severance pay. Based on the number of days worked and the leave balances in the original severance calculation, the difference between the Board approved 242 day work year and the 232 day work year paid resulted in an overpayment as follows:

**Pro-rated Days Calculation**

	<b># of Days</b>	<b>Recalculated Total</b>	<b>Total Paid Check # 56044</b>	<b>Amount of Overpayment</b>
Amounts Due	62 Days	\$ 17,073.56	\$ 17,809.50	\$ (735.94)
Previous Payments		(16,916.91)	(16,916.91)	-
		156.65	892.59	(735.94)

**Severance Calculation**

	<b># of Hours</b>	<b>Recalculated Total</b>	<b>Total Paid Check # 56045</b>	<b>Amount of Overpayment</b>
Sick Leave	250 Hours	8,605.70	8,975.00	(369.30)
Vacation	600.6 Hours	20,674.33	21,561.54	(887.21)
		29,280.03	30,536.54	(1,256.51)

Total Overpayment \$ (1,992.45)

This resulted in public monies being illegally expended.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against former Superintendent, Ann Ogletree, in the amount of \$1,992.45, in favor of the Jackson County Mental Retardation and Developmental Disabilities Fund.

**Officials' Response:**

This will be referred to the Prosecuting Attorney.

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2005**  
**(Continued)**

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

**FINDING NUMBER 2005-002**

**Finding for Recovery**

In a letter dated October 18, 2006, Jackson County Prosecuting Attorney Jonathon Blanton provided that the Board of Mental Retardation and Developmental Disabilities (MR/DD) has determined that severance pay for MRDD Board administrative employees should be calculated based upon a work year of 242 days. This determination is based on the Adult Workshop being open 232 days per year plus ten paid Holidays per year as recognized in the Board's policies and procedures. The employee's pay is then spread over the 260 day calendar year.

MR/DD Administrative Assistant, Lori Bailey's regular salary was \$29,782.38 per year. Her last payroll and severance pay was based on a 232 day work year (\$128.37 per day, \$16.05 per hour) instead of the Board approved 242 day work year (\$123.07 per day, \$15.38 per hour). Ms. Bailey was paid \$854.52 on check number 61839 for the difference in pro-rated days worked vs. days paid and \$2,730.91 on check number 61840 for amounts claimed as severance pay. Based on the number of days worked and the leave balances in the original severance calculation, the difference between the Board approved 242 day work year and the 232 day work year paid resulted in an overpayment as follows:

**Pro-rated Days Calculation**

	<b># of Days</b>	<b>Recalculated Total</b>	<b>Total Paid Check # 61839</b>	<b>Amount of Overpayment</b>
Amounts Due	194 Days	\$ 23,875.13	\$ 24,909.60	\$ (1,034.47)
Previous Payments		(24,055.08)	(24,055.08)	-
		(179.95)	854.52	(1,034.47)

**Severance Calculation**

	<b># of Hours</b>	<b>Recalculated Total</b>	<b>Total Paid Check # 61840</b>	<b>Amount of Overpayment</b>
Vacation	170.15 Hours	2,617.50	2,730.91	(113.41)
Total Overpayment				\$ (1,147.88)

This resulted in public monies being illegally expended.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against former MRDD Administrative Assistant, Lori Bailey, in the amount of \$1,147.88, in favor of the Jackson County Mental Retardation and Developmental Disabilities Fund.

**Officials' Response:**

This will be referred to the Prosecuting Attorney.

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2005**  
**(Continued)**

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

**FINDING NUMBER 2005-003**

**Finding for Recovery**

In a letter dated October 18, 2006, Jackson County Prosecuting Attorney Jonathon Blanton provided that the Board of Mental Retardation and Developmental Disabilities (MR/DD) has determined that severance pay for MRDD Board administrative employees should be calculated based upon a work year of 242 days. This determination is based on the Adult Workshop being open 232 days per year plus ten paid Holidays per year as recognized in the Board's policies and procedures. The employee's pay is then spread over the 260 day calendar year.

MD/DD Service Support Administrator, Catherine Rippeth's regular salary was \$38,827.29 per year. Her last payroll and severance pay was based on a 232 day work year (\$167.36 per day, \$20.92 per hour) instead of the Board approved 242 day work year (\$160.44 per day, \$20.06 per hour). Ms. Rippeth was paid \$309.04 on check number 58784 for the difference in pro-rated days worked vs. days paid and \$9,486.00 on check number 58785 for amounts claimed as severance pay. Based on the number of days worked and the leave balances in the original severance calculation, the difference between the Board approved 242 day work year and the 232 day work year paid resulted in an overpayment as follows:

**Pro-rated Days Calculation**

	<b># of Days</b>	<b>Recalculated Total</b>	<b>Total Paid Check # 58784</b>	<b>Amount of Overpayment</b>
Amounts Due	101 Days	\$ 16,204.78	\$ 16,903.36	\$ (698.58)
Previous Payments		(16,594.32)	(16,594.32)	-
		(389.54)	309.04	(698.58)

**Severance Calculation**

	<b># of Hours</b>	<b>Recalculated Total</b>	<b>Total Paid Check # 58785</b>	<b>Amount of Overpayment</b>
Vacation	453.47 Hours	9,094.53	9,486.00	(391.47)

Total Overpayment \$ (1,090.05)

This resulted in public monies being illegally expended.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against former MRDD Service Support Administrator, Catherine Rippeth, in the amount of \$1,090.05, in favor of the Jackson County Mental Retardation and Developmental Disabilities Fund.

**Officials' Response:**

This will be referred to the Prosecuting Attorney.



**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2005**  
**(Continued)**

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

**FINDING NUMBER 2005-004**

**Finding for Recovery**

J-VAC Industries is a component unit of Jackson County. As a non-profit organization, it received funds from the United Fund of Jackson County. The following checks were cashed but not deposited to the J-VAC Industries bank accounts:

Source	Check Number	Check Date	Cashed Date	Amount	Endorser
United Fund of Jackson	2805	10/1/2004	11/23/2004	\$ 750.00	Richard Moore
United Fund of Jackson	2228	12/31/2004	3/21/2005	750.00	Richard Moore
United Fund of Jackson	3171	3/31/2005	4/11/2005	750.00	Richard Moore
United Fund of Jackson	3195	6/30/2005	7/25/2005	750.00	Richard Moore
United Fund of Jackson	3221	10/1/2005	10/7/2005	750.00	Richard Moore and Penny Blackburn
Total				<u><u>\$ 3,750.00</u></u>	

Per inquiry of employees of J-VAC Industries, these checks were cashed and the cash was held in the office to be used for purchases to benefit the facility. The following receipts were provided to support the cash purchases:

Receipt Date	Vendor	Amount	Purpose
3/22/2005	Wayne Wilbur	\$ 75.00	Purchase of Band Saw
8/16/2005	Franklin Valley Carpet	166.33	Purchase of Carpet
8/19/2005	John Willis	163.32	Contract Labor to Lay Carpet
Purchases made from checks endorsed by Richard Moore		<u>404.65</u>	
3/20/2006	Glass Garage Inc.	8.05	Purchase of Glass
4/3/2006	Unknown	60.00	Flea Market Booth Rental
5/15/2006	Unknown	50.00	Purchase of Ceramic Molds
Purchases made from checks endorsed by Richard Moore and Penny Blackburn		<u>118.05</u>	
Total purchases made with cash		<u><u>\$ 522.70</u></u>	

The remaining cash was not properly secured and there was no supporting documentation for purchases in the amount of \$3,227.30. This resulted in receipts collected and unaccounted for.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for receipts collected and unaccounted for against former J-VAC Director, Richard Moore, and Western Surety Company, his bonding company, jointly and severally, in the amount of \$3,227.30, in favor of the J-VAC Industries General fund.

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2005**  
**(Continued)**

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

**FINDING NUMBER 2005-004 (Continued)**

**Finding for Recovery (Continued)**

Additionally, in accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for receipts collected and unaccounted for against, Administrative Secretary Penny Blackburn, and Western Surety Company, her bonding company, jointly and severally, in the amount of \$631.95, in favor of the J-VAC Industries General fund.

**Officials' Response:**

This will be referred to the Prosecuting Attorney.

**FINDING NUMBER 2005-005**

**Noncompliance Citation**

Ohio Rev. Code Section 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 Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 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. 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 Section 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

**Officials' Response:**

Jackson County can not afford to file our financial statement by the generally accepted accounting principles basis. The last time we filed in this method it cost \$18,000 for conversion plus your additional audit costs. As you know, the economic condition of the County is extremely tight.

**FINDING NUMBER 2005-006**

**Noncompliance Citation**

Ohio Rev. Code Section 149.351(A) requires that all records which are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under sections 149.38 to 149.42 of the Ohio Revised Code.

**JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
DECEMBER 31, 2005  
(Continued)**

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

**FINDING NUMBER 2005-006 (Continued)**

**Noncompliance Citation- Ohio Rev. Code Section 149.351(A) (Continued)**

During 2005, twenty-five percent of Airport Authority expenditures had no supporting documentation. Due to a lack of supporting documentation, it could not be determined whether these expenditures were for a proper public purpose.

We recommend the Airport Authority maintain all records as required by the Ohio Revised Code.

**Officials' Response:**

We did not receive a response from Airport Authority Officials to this finding.

**FINDING NUMBER 2005-007**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 321.15 states no money shall be paid from the county treasury, or transferred to any person for disbursement, except on the warrant of the county auditor, including an electronic warrant authorizing direct deposit, in accordance with division (F) of section 9.37 of the Revised Code, for payment of county obligations.

In addition, Ohio Rev. Code Section 9.38 states public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt.

During 2005 and the first tax settlement of 2006, there was no procedure in place to allow posting of overpayments of tax settlements to the County ledgers. Cash in the amount of the overpayment was removed from the cash drawer and placed in an envelope with the name of the taxpayer and the parcel number. This envelope was placed in the vault until the completion of the tax settlement. After the completion of the tax settlement, the deputy treasurer deposited the cash from the envelopes, filled out a "Refund of Tax Information" form, and wrote the refund checks from the County's primary bank account. There was no method in place to track the amount of the cash held in envelopes in the vault and the amounts were not included on the daily reconciliations. It was often two months before the cash was deposited into the account and the refund checks were written. The overpayments and subsequent refund amounts were not included on the county's financial statements.

This procedure resulted in noncompliance with Ohio Revised Code Sections 321.15 and 9.38. It also resulted in refunds not being made to the taxpayers in a timely manner since they were required to wait until the conclusion of the tax settlement to receive their refunds. It also could have resulted in misappropriation of funds since there was no method in place to determine the accumulated number or amount of refunds which should have been on hand at the end of the tax settlement when the refunds were made and taxpayers were often not aware that they were due a refund.

We recommend all refund checks should be issued through the County Auditor's office per Ohio Revised Code Section 321.15. We further recommend all tax receipts be deposited to the County Treasury as received per Ohio Revised Code Section 9.38.

**JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
DECEMBER 31, 2005  
(Continued)**

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

**FINDING NUMBER 2005-007 (Continued)**

**Noncompliance Citation/Material Weakness- Ohio Rev. Code Section 321.15 (Continued)**

**Officials' Response:**

The procedure to handle refunds of tax overpayments was changed with the second half real estate tax collection in 2006. Overpayments are now posted in the real estate tax system and refunds are handled by the County Auditor as recommended in this finding.

In calendar years 2005 and prior, there was no known way for overpayments to be posted in the real estate tax system. The version of software in use at that time did not, to the best of my knowledge, permit overpayments to be posted in the computer system.

The real estate tax system was upgraded in late 2005 and the new software version does permit posting of overpayments. However, the Treasurer's office did not realize that the system had this capability until after the first half collection was settled in the calendar year 2006. Upon learning of this capability, the Treasurer's office immediately began using this feature. All overpayments received during the second half of 2006 were processed as recommended in this finding.

Prior to this however, it was not practical for the Treasurer's office to follow the recommended procedure. The office did not have adequate manpower to handle the overpayments in the manner recommended in this finding.

During tax collection the Treasurer's office is overwhelmed by tax payments. Most payments are mailed and the remainder is paid in person at the Treasurer's office. Our general procedure is to collect the money first and deposit it at the bank immediately. We post the payments when time permits. This means that when the money is collected, processed and deposited, it is likely that we are not yet aware that an overpayment may exist. Any overpayment will not be detected until the payment is posted. By that time, the money has already been deposited in the bank.

Since the computer system, when the old software version was in use, would not accept overpayments, and in order to balance the books for that day, an employee pulled the overpayment out of the days work and placed it in an envelope temporarily until the overpayment could be processed for refund. The refunds were not normally processed until some time after tax collection was over and settled. It always has been completed as soon as time permitted. This time could be several weeks or months.

When issuing the refund, a check was normally written by an employee of the Treasurer's office and mailed to the taxpayer. The employee also completed a "Refund of Tax Information" form in order to create a paper trail of each refund. This was the most expedient method to handle the refunds. In a few instances, the refunds were made in cash to taxpayers who came into the Treasurer's office seeking their refund. In addition to completing the "Refund of Tax Information" form for these cash refunds, the signature of the taxpayer was also obtained acknowledging their receipt of the cash refund.

The overpayment was not paid-in to the County Auditor, and no voucher was subsequently created to process the refund payment. This process was very cumbersome and time consuming and was deemed impractical by the County Treasurer. The Treasurer's office simply did not have the manpower to process overpayment

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2005**  
**(Continued)**

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

**FINDING NUMBER 2005-007 (Continued)**

**Noncompliance Citation/Material Weakness- Ohio Rev. Code Section 321.15 (Continued)**

refunds in this manner. There are many overpayments and processing them as recommended, and in a timely manner, would not have been possible with the number of employees currently working in the Treasurer's office.

Now that the upgraded real estate tax software permits overpayments, the payment is processed normally and posted in the system. The balance "owed" by the taxpayer is negative. The County Auditor can use this information to issue a refund payment. It is not necessary to create a "pay-in" of the overpayment nor is it necessary to create a voucher for payment. The new procedure is less time consuming and works well for the Treasurer's office.

**FINDING NUMBER 2005-008**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10 (H) provides that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative balance indicates that money from one fund was used to cover the expenses of another fund.

A review of fund balances throughout fiscal year 2005 indicated negative fund balances in the following funds:

Month	Fund	Amount
January	101 General Fund	\$ (133,403)
February	101 General Fund	(328,383)
February	219 MRDD	(33,792)
June	101 General Fund	(92,339)
June	206 Public Assistance Fund	(505,128)
July	101 General Fund	(163,316)
July	219 MRDD	(22,647)
August	101 General Fund	(457,909)
August	219 MRDD	(102,466)
September	101 General Fund	(610,878)
September	219 MRDD	(230,395)
October	101 General Fund	(118,231)
October	219 MRDD	(91,660)

We recommend the County Auditor and County Commissioners monitor fund balances monthly and utilize advances to prevent funds from having negative balances.

**Officials' Response:**

The negative fund balances could have been avoided by advancing money to the funds, but the mountain of paper to accomplish this did not seem justified as all funds were in the positive by year end.

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2005**  
**(Continued)**

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

**FINDING NUMBER 2005-009**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 provides that the total appropriation from each fund shall not exceed the total estimated revenue.

Appropriations exceeded estimated resources at December 31, 2005 in the following major funds:

Fund	Estimated Resources	Appropriation	Variance	Percent Variance
202 MVGT	\$3,669,212	\$4,070,725	(\$401,513)	-10.9%
206 Public Assistance	6,748,771	7,283,750	(534,979)	-7.9%

This could allow the County to expend monies which may not be available.

We recommend the County closely monitor estimated resources vs. appropriations and obtain amendments when necessary.

**Officials' Response:**

We will do a better job of monitoring our various funds to see the appropriations do not exceed the estimated revenue during the year.

**FINDING NUMBER 2005-010**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. Auditor of State Bulletin 97-010 states that when short-term notes mature, many local governments issue new notes for the same or a slightly smaller amount than the old one. The local government is required to budget for the payment of the principal of the old note and should budget for the receipt of the proceeds of the new note.

The County renewed Bond Anticipation Notes in the amount of \$3,373,000 during the audit period. The County Commissioners did not amend appropriations for the note debt and the County Auditor did not record the resulting payoff of the old note debt. An audit adjustment was made to the financial statements to reflect the correct debt principal payments.

We recommend that prior to the County renewing its note debt each year the County Commissioners amend appropriations. The County Auditor should then record the corresponding payoff of the old debt.

**Officials' Response:**

It seems like such a waste of precious time to go through all the steps to accomplish these actions. We have previously paid the principal and interest and never cleared the note issue as it is renewed each year and we have all the paper work to back up our actions. We have already completed the 2006 issue, but can look at changing 2007.

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2005**  
**(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 2005-011**

**Noncompliance Citation**

Ohio Rev. Code Section 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.

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

**1. "Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer 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 may be paid by the fiscal officer without a resolution or ordinance 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 or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. 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.

**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 fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Forty percent of the transactions tested were not certified by the fiscal officer 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. Additionally, we noted instances where more than one blanket certificate was outstanding at one particular time for one particular line item appropriation and various blanket certificates exceeded the established amount of \$5,000.

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2005**  
**(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 2005-011 (Continued)**

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

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.

We recommend the County Auditor obtain the certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Auditor should sign the certification at the time the County incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Auditor should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**Officials' Response:**

This can be accomplished with the Commissioners approving the hiring of a purchase order clerk in my office, but due to budget issues, this has never been a priority with them. My current staff of five employees cannot take on the additional work to comply with this action.

**FINDING NUMBER 2005-012**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should ensure all transactions are authorized in accordance with management's policies, ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Furthermore, the Jackson County Airport Authority, (the Authority), should maintain an accounting system and accounting records sufficient to enable the Authority to identify, assemble, analyze, classify, record and report its transactions, as indicated in Ohio Admin. Code Section 117-2-02 (A).

In addition, as further explained in Ohio Rev. Code Section 308.12, the Secretary-Treasurer of the authority shall be the Fiscal Officer of the Authority and the custodian of its funds and records. All funds coming into the hands of the Secretary-Treasurer shall be deposited by him to the account of the Authority in one or more such depositories as are qualified to receive deposits of county funds, which deposits shall be secured in the same manner as county funds are required to be secured. Furthermore, no disbursements shall be made from such funds except in accordance with rules and regulations adopted by the Board of Trustees.

In addition to the items removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part as listed in Finding Number 2005-006, the Secretary-Treasurer was unable to provide the following:



**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2005**  
**(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 2005-012 (Continued)**

**Material Weakness – System of Internal Controls (Continued)**

1. Documentation to indicate the amount of bond required by the Board of Trustees;
2. Rules and regulations adopted by the Board of Trustees which governed the Authority's expenditures;
3. The reverse side of canceled checks;
4. Documentation to support receipt or expenditure classifications;
5. Documentation that reflected month-to-date or year-to-date receipts and/or expenditures; and
6. Documentation to support monthly bank reconciliations.

Deposit tickets were not maintained by the Authority; however, we were able to obtain copies from the bank, with the exception of the Aircraft Account. Duplicate receipts were also not utilized by the Authority.

The Authority maintained three checking accounts: an Operation Account, Fuel Account and Aircraft Account. Although expenditures were recorded on each checking account's check register there was no system to track all expenditures of the Authority without adding the activities of the check registers together. There were no processes in place to ensure transactions were posted in the proper period or procedures to identify unusual fluctuations between accounts or between fiscal years.

The lack of supporting documentation resulted in the inability to verify the source of numerous non-grant related receipts or determine completeness of non-grant related receipts.

We recommend the Airport Authority obtain and utilize pre-numbered duplicate receipt books. Duplicate receipts should be issued, in sequential order, for all monies received and the duplicate should be maintained, along with deposit tickets. Monthly bank reconciliations should be completed and retained, along with the reverse side of canceled checks. Furthermore, we recommend the Board of Trustees monitor the financial activity of the Authority and adopt rules and regulations governing expenditures, which among other things, require dual signatures on all checks.

**Officials' Response:**

Authority will work with Engineer firm and FAA to resolve issue.

**FINDING NUMBER 2005-013**

**Material Weakness**

The Jackson County Airport Authority, (the Authority), should maintain accounting records in a manual or computerized format as indicated in Ohio Admin. Code Section 117-2-02(D). The records should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, purchase order number, and any other information necessary to properly classify the transaction.

**JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
DECEMBER 31, 2005  
(Continued)**

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

**FINDING NUMBER 2005-013 (Continued)**

**Material Weakness – Accounting Records (Continued)**

- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriations ledger, which may assemble and classify disbursements or expenditures/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

During 2005, the Authority did not maintain a cash journal, receipts ledger, or appropriation ledger. This resulted in the inability to appropriately monitor financial activity and the inability to support receipt and expenditure classifications and verify the source of numerous receipts or determine completeness of receipts as noted in Finding Number 2005-012 above.

We recommend the Authority maintain the required ledgers in order to monitor financial information, classify receipts and expenditures, verify the source of receipts and disbursements, and determine completeness of receipts and disbursements.

**Officials' Response:**

Authority will work with Engineer firm and FAA to resolve issue.

**JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
DECEMBER 31, 2005  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2005-012
<b>CFDA Title and Number</b>	Airport Improvement Program CFDA # 20.106
<b>Federal Award Number/Year</b>	3-39-0041-0102, 3-39-0041-0203, 3-39-0041-0304, 3-39-0041-0405
<b>Federal Agency</b>	United States Department of Transportation
<b>Pass-Through Agency</b>	Not Applicable

**System of Internal Controls – Material Weakness**

See GAGAS finding number 2005-012 on page 64; this finding is also required to be reported in accordance with OMB Circular A-133.

<b>Finding Number</b>	2005-013
<b>CFDA Title and Number</b>	Airport Improvement Program CFDA # 20.106
<b>Federal Award Number/Year</b>	3-39-0041-0102, 3-39-0041-0203, 3-39-0041-0304, 3-39-0041-0405
<b>Federal Agency</b>	United States Department of Transportation
<b>Pass-Through Agency</b>	Not Applicable

**Accounting Records – Material Weakness**

See GAGAS finding number 2005-013 on page 65; this finding is also required to be reported in accordance with OMB Circular A-133.

<b>Finding Number</b>	2005-014
<b>CFDA Title and Number</b>	Airport Improvement Program CFDA # 20.106
<b>Federal Award Number/Year</b>	3-39-0041-0102, 3-39-0041-0203, 3-39-0041-0304, 3-39-0041-0405
<b>Federal Agency</b>	United States Department of Transportation
<b>Pass-Through Agency</b>	Not Applicable

**Cash Management Noncompliance**

The Airport Improvement Program Handbook, Chapter 13, Section 1302, 49 C.F.R. Section 18.21 and 2 C.F.R. Section 215.22 state payments should be made on a reimbursable basis for actual work completed, material delivered to the site, or land acquired. Per inquiry of the Federal Aviation Administration, an informal policy exists permitting grant sponsors to request and receive payments prior to payment of invoices. However, invoices must be paid the same day funds are received or no later than the next business day. Late payment of invoices cannot be permitted.

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2005**  
**(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	2005-014
<b>CFDA Title and Number</b>	Airport Improvement Program CFDA # 20.106
<b>Federal Award Number/Year</b>	3-39-0041-0102, 3-39-0041-0203, 3-39-0041-0304, 3-39-0041-0405
<b>Federal Agency</b>	United States Department of Transportation
<b>Pass-Through Agency</b>	Not Applicable

**Cash Management Noncompliance (Continued)**

Seventy-nine percent of Airport Improvement Program expenditures made by the Jackson County Airport Authority (the Authority) during 2005 had not been expended prior to request for reimbursement and were not expended the same day or the next business day after receipt of the reimbursement. Some of these expenditures were not made until two or three months after receipt of reimbursement funds. This is contrary to the grant requirements.

We recommend the Authority only request reimbursement for those invoices actually expended. If request is made for invoices not yet paid, invoices should be paid no later the next business day after funds are received.

**Officials' Response:**

Authority will work with Engineer firm and FAA to resolve issue.

<b>Finding Number</b>	2005-015
<b>CFDA Title and Number</b>	Airport Improvement Program CFDA # 20.106
<b>Federal Award Number/Year</b>	3-39-0041-0102, 3-39-0041-0203, 3-39-0041-0304, 3-39-0041-0405
<b>Federal Agency</b>	United States Department of Transportation
<b>Pass-Through Agency</b>	Not Applicable

**Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Procurement and Suspension and Debarment, Real Property Acquisition and Relocation Assistance, Reporting, and Special Tests and Provisions – Revenue Diversion – Noncompliance/Material Weakness**

49 C.F.R. Section 18.20(b)(3) and 2 C.F.R. Section 215.21(b)(3) requires non-Federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with laws, regulations, and program compliance requirements.

As noted in Finding Number 2005-012, the Jackson County Airport Authority (the Authority) does not have an effective internal control structure in place to provide reasonable assurance that the Authority is managing Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements. No ledgers were maintained during the audit period. Bank reconciliations were not performed. There were no processes or procedures in place to ensure transactions were posted in the proper period or to the proper award year.

**JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
DECEMBER 31, 2005  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	2005-015 (Continued)
<b>CFDA Title and Number</b>	Airport Improvement Program CFDA # 20.106
<b>Federal Award Number/Year</b>	3-39-0041-0102, 3-39-0041-0203, 3-39-0041-0304, 3-39-0041-0405
<b>Federal Agency</b>	United States Department of Transportation
<b>Pass-Through Agency</b>	Not Applicable

**Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Procurement and Suspension and Debarment, Real Property Acquisition and Relocation Assistance, Reporting, and Special Tests and Provisions – Revenue Diversion – Noncompliance/Material Weakness (Continued)**

The Authority hired an engineering firm to assist with the administration of the program. Project cash request forms were completed and signed by the engineering firm, then forwarded to the Authority where they were signed by the Secretary-Treasurer, but no evidence was available supporting his review of the forms for completeness or accuracy. The project close-out report for the 3-39-0041-0102 grant was prepared by the engineering firm but no evidence exists to support review of that report by the Authority. Additionally, the Authority's Secretary-Treasurer was responsible for disbursing federal funds, but there was no evidence of any monitoring by the Authority's Board of Trustees or the engineering firm, other than the invoices being attached to the project cash requests completed by the firm. However, as indicated in Finding Number 2005-014, the engineering firm did not first ensure that the disbursements had actually been made prior to requesting reimbursement. All records for the Real Property Acquisition and Relocation Assistance were maintained by the engineering firm indicating a general lack of control by the Authority for monitoring of compliance with that section.

The Authority's Secretary-Treasurer performed all accounting functions, including receipting, depositing, and disbursing federal funds. It is therefore important that the Authority's Board of Trustees monitor financial activity closely. Additionally, since this grant was awarded to both the Jackson County Airport Authority and the Jackson County Commissioners, monitoring of activities should have been performed by the County Commissioners.

We recommend the Authority create and enforce policies and procedures to ensure compliance with laws, regulations and program compliance requirements. These policies could include the following:

- Requiring the Authority's Board of Trustees and the County Commissioners to review detailed financial reports and bank reconciliations on a monthly basis. This should be documented in the minute record of each legislative body.
- Requiring the Secretary-Treasurer and other designated personnel to review the project cash request forms for completeness and accuracy prior to submission to the Federal Aviation Administration.
- Requiring the Authority to monitor performance of real property acquisition and relocation assistance procedures performed by the engineering firm.
- Requiring the Authority to review Project Close-Out Reports and to maintain copies of such reports.

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 §.505**  
**DECEMBER 31, 2005**  
**(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2005-015 (Continued)
<b>CFDA Title and Number</b>	Airport Improvement Program CFDA # 20.106
<b>Federal Award Number/Year</b>	3-39-0041-0102, 3-39-0041-0203, 3-39-0041-0304, 3-39-0041-0405
<b>Federal Agency</b>	United States Department of Transportation
<b>Pass-Through Agency</b>	Not Applicable

**Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Procurement and Suspension and Debarment, Real Property Acquisition and Relocation Assistance, Reporting, and Special Tests and Provisions – Revenue Diversion – Noncompliance/Material Weakness (Continued)**

- Requiring the engineering firm administering the grant to initial invoices as being allowable per grant requirements and require the Authority to pay those invoices prior to requesting reimbursement.
- Developing written policies for handling compliance over each program requirement.

**Officials' Response:**

Authority will work with Engineer firm and FAA to resolve issue.

**JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315(b)  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2004-001	A material noncompliance citation was issued under Ohio Admin. Code Section 117-2-03(B) for failing to prepare and file financial statements pursuant to GAAP.	No	Not Corrected - See Finding Number 2005-005 in the accompanying Schedule of Findings
2004-002	A material noncompliance citation was issued under Ohio Revised Code Section 149.351(A) for lack of supporting documentation for Jackson County Airport Authority expenditures.	No	Not Corrected - See Finding Number 2005-006 in the accompanying Schedule of Findings
2004-003	A material noncompliance citation was issued under Ohio Revised Code Section 5705.10 for negative fund balances throughout the year	No	Not Corrected - See Finding Number 2005-008 in the accompanying Schedule of Findings
2004-004	A material noncompliance citation was issued under Ohio Revised Code Section 5705.36(A) for not obtaining amended certificates of estimated resources as required	Yes	
2004-005	A material noncompliance citation was issued under Ohio Revised Code Section 5705.41(D) for vouchers tested not containing a certificate of the fiscal officer dated prior to the obligation date and no Then and Now Certificates being utilized.	No	Not Corrected - See Finding Number 2005-011 in the accompanying Schedule of Findings
2004-006	A material noncompliance citation was issued under Ohio Revised Code Section 5705.41(B) and Auditor of State Bulletin 97-010 for not recording renewal of Bond Anticipation Notes and related pay off of the old note debt	No	Not Corrected - See Finding Number 2005-010 in the accompanying Schedule of Findings
2004-007	A material weakness was issued for lack of internal control policies and lack of required record keeping by the Jackson County Airport Authority	No	Not Corrected – See Finding Number 2005-012 in the accompanying Schedule of Findings

**JACKSON COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 §.315(c)  
DECEMBER 31, 2005**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-001	This matter will be referred to the County Prosecuting Attorney.	December 31, 2006	Kay Michael, MR/DD Superintendent
2005-002	This matter will be referred to the County Prosecuting Attorney.	December 31, 2006	Kay Michael, MR/DD Superintendent
2005-003	This matter will be referred to the County Prosecuting Attorney.	December 31, 2006	Kay Michael, MR/DD Superintendent
2005-004	This matter will be referred to the County Prosecuting Attorney.	December 31, 2006	Kay Michael, MR/DD Superintendent
2005-005	The County does not believe the benefits associated with filing GAAP statements outweigh the costs associated with preparing them.	Unknown	Clyde Holdren, County Auditor
2005-006	No corrective action plan was provided by the Jackson County Airport Authority.	Unknown	Bob Mayhew, Secretary-Treasurer of the Jackson County Airport Authority
2005-007	The procedure to handle refunds of tax overpayments was changed with the second half real estate tax collection in 2006. Overpayments are now posted in the real estate tax system and refunds are handled by the County Auditor as recommended in this finding.	April 2006	Lee Hubbard, County Treasurer
2005-008	Will continue to review fund balances	December 31, 2006	Clyde Holdren, County Auditor
2005-009	Will review appropriations vs. estimated resources	December 31, 2006	Clyde Holdren, County Auditor
2005-010	County Auditor will record the proceeds of new debt and payoff old debt	December 31, 2006	Clyde Holdren, County Auditor
2005-011	Would have to hire a purchase order clerk, however, budget constraints have prohibited this.	Unknown	Clyde Holdren, County Auditor
2005-012	Authority will work with Engineer firm and FAA to resolve issue.	Unknown	Bob Mayhew, Secretary-Treasurer of the Jackson County Airport Authority
2005-013	Authority will work with Engineer firm and FAA to resolve issue.	Unknown	Bob Mayhew, Secretary-Treasurer of the Jackson County Airport Authority
2005-014	Authority will work with Engineer firm and FAA to resolve issue.	Unknown	Bob Mayhew, Secretary-Treasurer of the Jackson County Airport Authority
2005-015	Authority will work with Engineer firm and FAA to resolve issue.	Unknown	Bob Mayhew, Secretary-Treasurer of the Jackson County Airport Authority





**Mary Taylor, CPA**  
Auditor of State

**FINANCIAL CONDITION**

**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  
JANUARY 23, 2007**