



**Auditor of State
Betty Montgomery**

JACKSON COUNTY
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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 Jackson County, Ohio (the County) as of and for the year ended December 31, 2002. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Jackson County Airport Authority, a discretely presented component unit, did not provide sufficient records, documents, and evidential matter to support the accuracy, validity, existence, and completeness of recorded receipts and disbursements of the Airport Authority, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Because of the lack of supporting records, the scope of our work was not sufficient to express, and we do not express, an opinion on the financial statements of the Jackson County Airport Authority, a component unit.

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, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than 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.

In our opinion, except as we express no opinion on the financial statements of the Jackson County Airport Authority, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Jackson County, as of December 31, 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of County Commissioners and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 28, 2003

JACKSON COUNTY

**COMBINED STATEMENT OF CASH, INVESTMENTS
AND FUND CASH BALANCES
ALL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
AS OF DECEMBER 31, 2002**

Cash - Primary Government	\$5,278,350
Cash - Component Unit	<u>\$153,795</u>
Total Cash	5,432,145
Investments:	
U.S. Government Securities	1,300,000
STAROhio	62,841
Repurchase Agreements	<u>146,000</u>
Total Investments	<u>1,508,841</u>
Total	<u><u>\$6,940,986</u></u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$929,359
Special Revenue Funds	4,068,004
Debt Service Fund	1,912
Capital Projects Funds	(502)
Proprietary Funds:	
Enterprise Funds	13,300
Fiduciary Funds:	
Expendable Trust Funds	23,209
Agency Funds	<u>1,751,909</u>
Total - Primary Government	6,787,191
Component Unit:	
Jackson County Airport Authority	<u>153,795</u>
Total - Component Unit	<u>153,795</u>
Total - Reporting Entity	<u><u>\$6,940,986</u></u>

The notes to the financial statements are an integral part of this statement.

JACKSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Cash Receipts:			
Taxes	\$2,710,702	\$3,262,312	\$
Charges for Services	713,555	401,418	
Licenses and Permits	4,152	344,725	
Fines and Forfeitures	346,540	340,350	
Intergovernmental Receipts	826,221	10,931,591	
Rent Revenue			
Interest Revenue	236,710		
All Other Receipts	189,226	842,196	
	<u>5,027,106</u>	<u>16,122,592</u>	<u>0</u>
Total Cash Receipts			
Cash Disbursements:			
General Government:			
Executive and Legislative	2,458,717	485,199	
Judicial	762,212	430,485	
Public Safety	722,110	2,308,932	
Public Works		3,477,292	
Health	97,821	144,197	
Human Services	408,606	8,971,652	
Conservation-Recreation	135,725		
Miscellaneous	335,101		
Capital Outlay	487,108		
Debt Service:			
Principal Payment	12,282	19,518	3,031,392
Interest and Fiscal Charges	311	494	138,870
	<u>5,419,993</u>	<u>15,837,769</u>	<u>3,170,262</u>
Total Cash Disbursements			
Excess of Cash Receipts Over/ (Under) Cash Disbursements	<u>(392,887)</u>	<u>284,823</u>	<u>(3,170,262)</u>
Other Financing Receipts/(Disbursements):			
Proceeds of Notes		245,000	2,114,990
Operating Transfers-In	30,009	92,500	997,967
Operating Transfers-Out	(348,444)	(738,136)	
Other Financing Sources	2,042		57,306
Other Financing Uses			(68)
	<u>(316,393)</u>	<u>(400,636)</u>	<u>3,170,195</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing (Disbursements)	(709,280)	(115,813)	(67)
Fund Cash Balances, January 1, Restated - Note 18	<u>1,638,639</u>	<u>4,183,817</u>	<u>1,979</u>
Fund Cash Balances, December 31	<u>\$929,359</u>	<u>\$4,068,004</u>	<u>\$1,912</u>

The notes to the financial statements are an integral part of this statement.

<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only) Primary Government</u>	<u>Component Unit Jackson County Airport Authority</u>	<u>Totals (Memorandum Only) Reporting Entity</u>
\$	\$	\$5,973,014	\$	\$ 5,973,014
		1,114,973	79,732	1,194,705
		348,877		348,877
		686,890		686,890
308,766	38,043	12,104,621	207,916	12,312,537
		0	34,022	34,022
		236,710		236,710
	5,984	1,037,406		1,037,406
<u>308,766</u>	<u>44,027</u>	<u>21,502,491</u>	<u>321,670</u>	<u>21,824,161</u>
		2,943,916	70,753	3,014,669
		1,192,697		1,192,697
		3,031,042		3,031,042
325,872		3,803,164		3,803,164
		242,018		242,018
	43,096	9,423,354		9,423,354
		135,725		135,725
		335,101	938	336,039
177,840		664,948	167,980	832,928
		3,063,192		3,063,192
		139,675		139,675
<u>503,712</u>	<u>43,096</u>	<u>24,974,832</u>	<u>239,671</u>	<u>25,214,503</u>
<u>(194,946)</u>	<u>931</u>	<u>(3,472,341)</u>	<u>81,999</u>	<u>(3,390,342)</u>
174,830		2,534,820		2,534,820
18,500		1,138,976		1,138,976
(42,901)		(1,129,481)		(1,129,481)
		59,348		59,348
		(68)		(68)
<u>150,429</u>	<u>0</u>	<u>2,603,595</u>	<u>0</u>	<u>2,603,595</u>
(44,517)	931	(868,746)	81,999	(786,747)
44,015	22,278	5,890,728	71,796	5,962,524
<u>(\$502)</u>	<u>\$23,209</u>	<u>\$5,021,982</u>	<u>\$153,795</u>	<u>\$5,175,777</u>

JACKSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	Primary Government
Operating Cash Receipts:			
Total Operating Cash Receipts	\$	\$	\$
Operating Cash Disbursements:			
Personal Services - Salaries	21		21
Contract Services	3,220		3,220
Total Operating Cash Disbursements	3,241	0	3,241
Operating Income/(Loss)	(3,241)	0	(3,241)
Nonoperating Cash Receipts/(Disbursements):			
Transfers-Out		(9,495)	(9,495)
Other Nonoperating Receipts		29,437,517	29,437,517
Other Nonoperating Disbursements		(31,390,018)	(31,390,018)
Total Nonoperating Cash Receipts/ (Disbursements)	0	(1,961,996)	(1,961,996)
Net Income/(Loss)	(3,241)	(1,961,996)	(1,965,237)
Fund Cash Balances, January 1	16,541	3,713,905	3,730,446
Fund Cash Balances, December 31	\$13,300	\$1,751,909	\$1,765,209

The notes to the financial statements are an integral part of this statement.

JACKSON COUNTY

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
 ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2002

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$5,034,366	\$5,059,157	\$24,791
Special Revenue	17,528,207	16,460,092	(1,068,115)
Debt Service	3,133,146	3,170,263	37,117
Capital Projects	566,855	502,096	(64,759)
Proprietary			
Enterprise	18,500	0	(18,500)
Fiduciary			
Expendable Trust	74,473	44,027	(30,446)
Totals (Memorandum Only)	<u><u>\$26,355,547</u></u>	<u><u>\$25,235,635</u></u>	<u><u>(\$1,119,912)</u></u>

The notes to the financial statements are an integral part of this statement.

JACKSON COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2002

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
Governmental			
General	\$5,498	\$6,549,054	\$6,554,552
Special Revenue	10,637	18,416,999	18,427,636
Debt Service	0	3,170,330	3,170,330
Capital Projects	0	404,016	404,016
Proprietary			
Enterprise	0	7,650	7,650
Fiduciary			
Expendable Trust	0	71,796	71,796
Totals (Memorandum Only)	\$16,135	\$28,619,845	\$28,635,980

The notes to the financial statements are an integral part of this statement.

<u>Disbursements</u>	<u>Encumbrances Outstanding 12/31/02</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$5,768,437	\$11,572	\$5,780,009	\$774,543
16,575,905	21,038	16,596,943	1,830,693
3,170,330	0	3,170,330	0
546,613	0	546,613	(142,597)
3,241	0	3,241	4,409
43,096	0	43,096	28,700
<u>\$26,107,622</u>	<u>\$32,610</u>	<u>\$26,140,232</u>	<u>\$2,495,748</u>

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JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jackson County, Ohio (The County) is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Municipal Court Judge, a Probate/Juvenile Judge, and a Common Pleas Court Judge.

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

A. Reporting Entity

The County utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

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

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

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

The County has the following component units:

J-Vac Industries, Inc. – J-Vac Industries, Inc. (the Workshop) is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. J-Vac Industries, Inc., under contractual agreement with the Jackson County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Jackson County. Based on the significant services and resources provided by the County to J-Vac Industries, Inc. and their sole purpose of providing assistance to the retarded and handicapped adults of Jackson County, the Workshop is presented as a component unit of Jackson County. J-Vac Industries, Inc. operates on a fiscal year ending June 30. Separately issued financial statements can be obtained from J-Vac Industries, Inc., located at 202 S. Pennsylvania Avenue, Wellston, Ohio 45692.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Jackson County Airport Authority – The Jackson County Airport Authority (the Authority) operates on a year ending December 31. Therefore, the financial information reported in the Financial Statements is presented for the year January 1, 2002 through December 31, 2002. The eight member Board is appointed by the County Commissioners. The Commissioners also review the budget and have the ability to impose its will on the Authority. All the land and fixed assets of the Authority belong to the county. Jackson County also provides other support for the Authority. The Authority is located at 1802 Keystone Station Road CR 44, Jackson, Ohio 45640.

The County is involved in the following organization which is defined as a joint venture. Additional information concerning the joint venture is presented in Note 11.

South Central Ohio Regional Juvenile Detention, Training and Rehabilitation Center

The County is involved with the following organizations which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 12.

Gallia, Jackson, Meigs and Vinton Joint Solid Waste Management District
Gallia-Jackson-Meigs Counties Alcohol, Drug Addiction and Mental
Health Services Board
Southeastern Ohio Corrections Commission
Southeast Ohio Emergency Medical Services
Jackson-Vinton Community Action Agency
Ohio Valley Regional Development Commission
Gallia-Jackson Child Abuse and Neglect Advisory Board

The County is involved in the following organizations which are defined as public entity shared risk pools. Additional information concerning the public entity shared risk pools is presented in Note 13.

Buckeye Joint-County Self-Insurance Council
County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

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 districts listed below, the County serves as fiscal agent, but the districts are not fiscally dependent on the County. Accordingly, the activity of the following districts and agencies are presented as Agency Funds within the County's financial statements.

- Soil and Water Conservation District
- Jackson County Combined General Health District

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. County funds are maintained in several checking accounts as well as invested in certificates of deposit with terms of twelve months, a repurchase agreement, STAROhio, and U.S. Government Securities. Individual fund integrity is maintained through the County's records.

D. Fund Accounting

The County maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

1. Governmental Fund Types:

General Fund

The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required by law or contract 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.

Special Revenue Funds

These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to disbursements for specified purposes.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Debt Service Funds

These funds are used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs and special assessment long-term debt principal, interest and related costs.

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds and Trust Funds).

2. Proprietary Fund Type:

The proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Enterprise funds are the County's only proprietary fund type:

Enterprise Funds

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

3. Fiduciary Fund Types:

These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The following are the County's Fiduciary Fund Types:

Expendable Trust Fund

These funds are accounted for in essentially the same manner as governmental funds.

Agency Funds

These funds are purely custodial and thus do not involve measurement of results of operations.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolutions are subject amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than Agency Funds, legally are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners.

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the estimated beginning of year fund balance and projected receipts of each fund. Prior to December 31, the County must revise its budget so that the total contemplated disbursements from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriations. The amounts reported in the accompanying financial statements reflect the amounts in the final amended official certificate of estimated resources issued during 2002.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources as certified.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations (Continued)

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

4. Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Commissioners' appropriations are made to fund, department and object level (i.e., General Fund – Commissioners – personal services, fringe benefits, supplies and materials, contractual services and other expenditures).

5. Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are encumbered and recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Property, Plant and Equipment

Fixed assets acquired or constructed for the County are recorded as disbursements. Depreciation is not recorded for these fixed assets.

G. Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1B. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

H. Total Columns on Financial Statements

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

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. CHANGE IN REPORTING METHOD

The previous financial statements of the County were prepared in accordance with accounting principles generally accepted in the United States of America. Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the County chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with accounting principles generally accepted in the United States of America. 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

3. EQUITY IN POOLED CASH AND INVESTMENTS

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 or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. The County maintains a cash pool which is used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments and Fund Cash Balances" as "Cash Balances by Fund Type".

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

- A. 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;
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the 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;
- C. Written purchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,

JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

- G. The State Treasurer's investment pool (STAROhio);
- H. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value:
- I. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
- J. Certain Bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
- K. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At year-end, the County had \$47,207 in undeposited cash on hand which is included on the Combined Statement of Cash, Investments and Fund Cash Balances as part of Cash.

Deposits: At year-end, the carrying amount of the County's deposits was \$5,231,143, and the bank balance was \$6,873,681.

Of the bank balance:

- A. \$696,199 was covered by federal deposit insurance;
- B. \$6,177,482 was considered uninsured and uncollateralized even though securities for collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the collateralization of deposits had been followed. Non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

Investments:

Category 1 includes investments that are insured or registered for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>Category 2</u>	<u>Category 3</u>	<u>Unclassified</u>	<u>Market Value</u>
Repurchase Agreement	\$0	\$146,000	\$0	\$146,000
STAROhio			62,841	62,841
U.S. Government Securities:				
Federal Home Loan Bank Bonds	1,150,000			1,151,673
Federal National Mortgage Association Bonds	<u>150,000</u>			<u>150,563</u>
Total Investments	<u><u>\$1,300,000</u></u>	<u><u>\$146,000</u></u>	<u><u>\$62,841</u></u>	<u><u>\$1,511,077</u></u>

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund cash balances as of December 31, 2002:

Special Revenue Funds:

Litter Control	2,820
Youth Subsidy Grant	6,344
Formula Grant	237
Conduct of Business	38
Ohio Department of Youth Grant	422

Capital Projects Funds:

Green Acres EDA Grant	1,379
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Agency:

Undivided House Trailer Tax	7,501
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B. Compliance

The EMS Project Capital Projects Fund had expenditures plus encumbrances in excess of appropriations at year end in the amount of \$143,991, contrary to Section 5705.41, Ohio Revised Code.

5. PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2002 for real and public utility property taxes represents collection of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) is for 2002 taxes.

2002 real property taxes are levied after October 1, 2002 on the assessed value as of January 1, 2002 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are intended to finance 2003.

JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)

5. PROPERTY TAX (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility property is assessed at 35 percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value.

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

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

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to itself its share of the taxes collected. The County records receipt of these taxes in various funds. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

The full tax rate for all County operations for the year ended December 31, 2002, was \$10.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
<i>Real Property:</i>	
Residential/Agricultural	\$211,575,270
Commercial/Industrial	76,370,040
Public Utilities	135,350
Minerals	377,070
<i>Tangible Personal Property:</i>	
General	58,962,497
Public Utilities	35,022,360
Total Valuation	<u>\$382,442,587</u>

6. PERMISSIVE SALES TAX

In prior years, the County Commissioners, by resolution, imposed a one percent tax on certain retail sales made in the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

One half of the proceeds of the tax are credited to the General Fund. Sales and use tax revenue for 2002 amounted to \$1,315,775 for the General Fund. The other half of the proceeds of the tax is

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

6. PERMISSIVE SALES TAX (Continued)

credited to the Sales Tax Trust Fund. The proceeds are distributed to the various taxing districts within the County for community improvement projects. Sales and use tax revenue for 2002 amount to \$1,315,775 for the Sales Tax Trust Fund.

A one-half of one percent additional sales tax was passed by the voters of Jackson County on November 4, 1997. This tax is to be used for the purpose of constructing, equipping, and furnishing a new jail, courts, and Sheriff's office for Jackson County. It will also be used to pay debt service on bonds or notes issued for this project and provide revenue for the operation and maintenance of the jail. The sales and use tax revenue for 2002 amounted to \$1,316,379 for the Jail Special Revenue Fund.

7. 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. By contracting with Buckeye Joint-County Self-Insurance County for auto, crime, liability and property insurance, the County has addressed these various types of risk.

In the event of losses, the first \$250 to \$1,000 of any valid claim depending of the type of loss will be paid by the member. The next payment, with a maximum pay range from \$100,000 to \$2,000,000 per occurrence, will come from the self insurance pool based on the member's percentage of contribution. If the aggregate claims paid 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.

This jointly governed organization is a cost-sharing pool. Coverage provided to the County by the program is as follows:

Policy Type	Annual/Aggregate Coverage	Deductible
General Liability	\$ 2,000,000/\$4,000,000	\$ 1,000
Property Damage Liability	\$ 100,000/\$ 100,000	\$ 1,000
Public Officials Liability	\$ 2,000,000/\$4,000,000	\$ 1,000
Law Enforcement	\$ 2,000,000/\$4,000,000	\$ 1,000
Auto Liability	\$ 2,000,000 per Occurrence	\$ 0
Uninsured Motorists Insurance	\$ 25,000 per Occurrence	\$ 0
Pollution Liability	\$ 10,000	\$ 1,000
All Risk Blanket Property	Building and Contents per Schedule	\$ 500
Extra Expense	\$ 1,000,000	\$ 500
Personal Property of Others	\$ 100,000	\$ 500
Flood (No Coverage for Zone A)	\$10,000,000	\$ 5,000
Earthquake	\$10,000,000	\$25,000
Electronic Data Processing Equipment	\$ 500,000	\$ 500
Blanket Bond	\$ 250,000	\$ 0
Elected Officials Bond	Per Bond Schedule	\$ 0
Money and Securities (Food Stamps)	\$ 500,000	\$ 500
Boiler and Machinery	\$25,000,000	\$ 500
Inland Marine	Per Schedule	\$ 100
Auto Comprehensive	Per Schedule	\$ 100
Auto Collision	Per Schedule	\$ 250
Nurse Liability	\$ 1,000,000	\$ 1,000
EMT/EMTA – Paramedics	\$ 1,000,000/\$2,000,000	\$ 1,000

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Property	Building/Contents	Deductible
Courthouse	\$2,400,000/\$300,000	\$500
Heat Plant	\$ 140,000/\$ 15,000	\$500
Storage Building	\$ 41,000/\$ 10,000	\$500
Round House	\$ 16,000/\$ 0	\$500
Allison Health Building	\$ 650,000/\$100,000	\$500
Ambulance Garage – Jackson	\$ 120,000/\$ 50,000	\$500
New Sheriff and Prosecutor's Office	\$ 600,000/\$100,000	\$500
County Extension Office	\$ 98,000/\$ 25,000	\$500
Welfare Offices	\$ 0/\$238,000	\$500
Hope Haven School # 1	\$1,500,000/\$250,000	\$500
Veterans Office	\$ 0/\$ 7,500	\$500
Radio Tower	\$ 55,000/\$ 0	\$500
Transmitter Building	\$ 19,000/\$ 28,000	\$500
Mental Health Building # 1 J-VAC	\$ 672,000/\$100,000	\$500
J-VAC Industries # 2	\$ 940,000/\$200,000	\$500
Ambulance Garage – Oak Hill	\$ 113,000/\$ 20,000	\$500
Fairgrounds	\$1,301,600/\$ 1,000	\$500
County Engineer's Office	\$ 180,000/\$ 90,000	\$500
County Garage	\$ 648,000/\$ 75,000	\$500
Auto Repair – Old Garage	\$ 180,000/\$ 50,000	\$500
Asphalt Tanks	\$ 15,600/\$ 30,000	\$500
Night Watchman House	\$ 80,000/\$ 0	\$500
Lower Garage	\$ 58,000/\$ 10,000	\$500
Gas Tanks and Pumps	\$ 19,000/\$ 5,000	\$500
Airport Hangar	\$ 50,000/\$ 1,000	\$500
Airport Terminal	\$ 47,000/\$ 10,000	\$500
Airport – Outside Lighting	\$ 40,000/\$ 0	\$500
Airport – Open Shed	\$ 14,000/\$ 0	\$500
Airport – Sewage Plant	\$ 22,000/\$ 0	\$500
Airport – Fuel Tank & Pump	\$ 7,600/\$ 5,000	\$500
New EMS Building – Wellston	\$ 120,000/\$ 35,000	\$500
Dog Kennel	\$ 104,000/\$ 5,000	\$500
911 System	\$ 0/\$ 77,000	\$500
County Offices – Portsmouth Street	\$ 750,000/\$100,000	\$500
Job and Family Services	\$1,500,000/\$100,000	\$500
SEOMS Station – Jackson	\$ 327,000/\$ 0	\$500
Broadway Street Building	\$ 275,000/\$ 0	\$500

The County maintains comprehensive insurance coverage for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The County pays all elected officials' bonds by statute.

The County has not incurred significant reductions in insurance coverage from coverage in the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

The County has elected to provide employee medical/surgical benefits and prescription drug benefits through Anthem Blue Cross. Dental Insurance is being provided through Delta Insurance for the County's employees. The employees share the cost of the monthly premium with the County.

The County has elected to continue to provide vision benefits through a self-insured program with Vision Services Plan. The maintenance of these benefits is accounted for in the General Fund.

8. RETIREMENT SYSTEMS

Ohio Public Employees Retirement System (OPERS)

All County employees, other than certified teachers with the Board of Mental Retardation and Developmental Disabilities (MR/DD), participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)-222-6705 or 1-800-222-PERS (7377).

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Beginning in 2001, House Bill 416 divided the OPERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs and township police with an employee contribution rate of 10.1 percent. All other members of the OPERS law enforcement program were placed in a newly named public safety division and continue to contribute at 9.0 percent. For plan members, other than those classified in the law enforcement or public safety divisions, the County was required to contribute 13.55 percent of covered salary for 2002. The employer contribution rate for both the law enforcement and public safety divisions was 16.70 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to PERS for all employees for the years ended December 31, 2002, 2001, and 2000, were \$963,601, \$914,751, and \$611,389, respectively; 76.39 percent has been contributed for 2002 and 100 percent 2001 and 2000. Of the 2002 amount, \$227,495 was unpaid at December 31, 2002.

State Teachers Retirement System (STRS)

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614)-227-4090.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

8. RETIREMENT SYSTEMS (Continued)

State Teachers Retirement System (STRS) (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary to fund pension obligations and the County is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions to STRS for the years ended December 31, 2002, 2001, and 2000 were \$26,206, \$22,316, and \$14,025, respectively; 100 percent has been contributed for 2002, 2001 and 2000.

Social Security System:

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System or the appropriate state system. Two members of the Board of Elections, not otherwise covered by another retirement system, are covered by Social Security. Jackson County's liability is 6.2% of wages paid.

9. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an "Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2002 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 5 percent was the portion that was used to fund health care. The OPERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The employer contribution rate for law enforcement employees and public safety employees for 2002 was 16.7 percent; 5 percent was used to fund health care. The County's contributions for 2002, which were used to fund postemployment benefits, were \$350,458.

The assumptions and calculations below were based on OPERS' latest Actuarial Review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8 percent. An annual increase of 4 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4 percent base increase, were assumed to range from 0.5 percent to 6.3 percent. Health care costs were assumed to increase 4 percent annually.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (OPERS) (Continued)

As of December 31, 2001, the number of active contributing participants was 402,041. The actuarial value of the Retirement System's net assets available for OPEB was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

In December, 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage.

State Teachers Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

Benefits are funded on a pay-as-you-go basis. No premiums are currently paid by retirees or primary benefit recipients. However, monthly payments are required for covered spouses and other dependents. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For fiscal years ended June 30, 2002 and after, the Board allocated employer contributions will be 4.5 percent of covered payroll. For the County, this amount equaled \$8,423 for 2002. The balance in the Health Care Reserve Fund was \$3.011 billion at June 30, 2002. The net health care costs paid by the Plan were \$354,697,000 for the year ended June 30, 2001. Eligible benefit recipients totaled 105,300 at July 1, 2002.

10. DEBT OBLIGATIONS

Changes in the County's general long-term obligations during 2002 consisted of the following:

General Long Term Obligations:

	Outstanding 12/31/01	Additions	Reductions	Outstanding 12/31/02
County Garage General Obligation Bonds Payable	\$265,000	\$0	\$265,000	\$0
Waste Facility General Obligation Bonds Payable	270,000	0	20,000	250,000
<i>Total General Obligation Bonds</i>	535,000	0	285,000	250,000
EMS Note Payable	445,170	174,830	47,092	572,908
<i>Total General Obligation Notes</i>	445,170	174,830	47,092	572,908
<i>Total General Long-Term Obligations</i>	<u>\$980,170</u>	<u>\$174,830</u>	<u>\$332,092</u>	<u>\$822,908</u>

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

10. DEBT OBLIGATIONS (Continued)

The County Garage General Obligation Bonds were issued in 1992 for construction of the county Garage. The debt service is payable from the Debt Service Funds.

The Waste Facility General Obligation Bonds were issued in 1999 on behalf of the Gallia, Jackson, Meigs and Vinton Joint Solid Waste District. The District has agreed to make payments to the County to retire the debt as it becomes due.

The EMS Note Payable was issued in 2001 for the construction of a new EMS Station and the renovation of an existing station. This debt is being paid from the Capital Project Funds. The County was approved to draw up to \$620,000 on the EMS note. However, the County had only drawn \$445,170 as of January 1, 2002. By December 31, 2002 the full \$620,000 had been drawn.

The following is a summary of the County's future principal and interest requirements for the general obligation bonds and EMS Note:

For the Year Ended December 31,	Waste Facility G.O. Bonds	EMS Note
2003	\$32,375	\$84,180
2004	31,385	84,180
2005	30,395	84,180
2006	34,405	84,180
2007	33,168	84,180
2008-2012	161,532	336,721
Sub-total	323,260	757,621
Less: Interest	73,260	184,713
Total	\$250,000	\$572,908

Conduit Debt Obligation

Pursuant to Article VIII, Section 16 of the Constitution of Ohio, and Section 133.51 of the Ohio Revised Code, Jackson County has issued multifamily housing mortgage revenue bonds for Jackson Health Partners, LLC located within the County. The proceeds of the mortgage revenue bonds were used by the Jackson Health Partners, LLC for the acquisition, construction and equipping of an assisted living multifamily residential housing facility. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. On August 5, 1999, \$4,000,000 in Multifamily Housing Mortgage Revenue Bonds and \$500,000 Taxable Multifamily Housing Mortgage Revenue Bonds were issued. As of December 31, 2002, \$4,000,000 of Multifamily Housing Mortgage Revenue Bonds and \$470,000 of Taxable Multifamily Housing Mortgage Revenue Bonds remain outstanding.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

11. NOTES PAYABLE

A summary of the Note transactions for the year ended December 31, 2002, follows:

Issue Types	Interest Rate	Outstanding 12/31/01	Issued	Retired	Outstanding 12/31/02
<u>General Fund</u>					
Computer Equipment	2.54%	\$12,282	\$0	\$12,282	\$0
Building (YMCA)	2.54%	65,400	0	65,400	0
Building (YMCA)	1.95%	0	54,100	0	54,100
Regional Detention Center	2.54%	434,000	0	434,000	0
Regional Detention Center	1.95%	0	386,000	0	386,000
Job and Family Services Building	2.54%	1,500,000	0	1,500,000	0
Job and Family Services Building	1.95%	0	1,350,000	0	1,350,000
Jackson Publishing Building	2.54%	275,000	0	275,000	0
Total General Fund		<u>\$2,286,682</u>	<u>\$1,790,100</u>	<u>\$2,286,682</u>	<u>\$1,790,100</u>
<u>Special Revenue Funds</u>					
Computer Equipment	2.54%	\$19,518	\$0	\$19,518	\$0
MRDD Roof Replacement	2.54%	36,200	0	36,200	0
MRDD Roof Replacement	1.95%	0	27,700	0	27,700
Highway Garage	1.95%	0	245,000	0	245,000
Highway Equipment	2.54%	163,000	0	163,000	0
Highway Equipment	1.95%	0	107,130	0	107,130
Total Special Revenue Funds		<u>\$218,718</u>	<u>\$379,830</u>	<u>\$218,718</u>	<u>\$379,830</u>
<u>Capital Projects Funds</u>					
GIS Project	2.54%	\$225,700	\$0	\$225,700	\$0
GIS Project	1.95%	0	190,060	0	190,060
Total Capital Projects Funds		<u>\$225,700</u>	<u>\$190,060</u>	<u>\$225,700</u>	<u>\$190,060</u>
Total All Funds		<u>\$2,731,100</u>	<u>\$2,359,990</u>	<u>\$2,731,100</u>	<u>\$2,359,990</u>

All notes are bond anticipation notes and are backed by the full faith and credit of Jackson County. Each note liability is reflected in the fund which received the proceeds and each note will be retired from the respective revenues of the fund which originally received the proceeds. The County Issued Geographical Information Systems (GIS) Project Notes to provide necessary funding for the GIS system in Jackson County. The County and various local governments within Jackson County will be sharing the cost of paying off these notes. However, these notes are in the name of the County and the ultimate responsibility for payment resides with Jackson County. The Computer Equipment Note was paid off by both the General Fund and the Real Estate Assessment Fund. The General Fund's share was 40 percent and the Real Estate Assessment Fund's share was 60 percent. The information above and the payments are reflected in each of these funds accordingly.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

12. 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 the 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 2002, contributed \$89,999 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. The total cost is estimated at \$5,834,000. The County's equity interest in that Center is uncertain at this time. The Center is not accumulating significant financial resources or experiencing fiscal distress which would cause 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.

13. 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, which is 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 was created in 1989 as required by the Ohio Revised Code.

The Gallia, Jackson, Meigs and Vinton Solid Waste District is governed and operated through three groups. A twelve member Board of Directors, comprised of 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-nine member policy committee, comprised of six members from each County and one at-large member appointed by 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 number of members each appoints to the board. Continued existence of the District is not dependent on the county's continued participation, no equity interest exists, and no debt is outstanding.

B. Gallia-Jackson-Meigs Counties Alcohol, Drug Addiction and Mental Health Services Board (ADAMH)

The ADAMH Board (the Board) is a jointly governed organization. Participants are Gallia, Jackson, and Meigs counties. The Board provides no direct services but contracts for their delivery. The Board's function is to assess needs, and to plan, monitor, fund and evaluate the services. The Board is managed by eighteen members, five appointed by commissioners of Jackson County, two by commissioners of Gallia County, and three by commissioners of Meigs

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Gallia-Jackson-Meigs Counties Alcohol, Drug Addiction and Mental health Services Board (ADAMH) (Continued)

County 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, appropriation, contracting and management.

All of the Board's revenue is from state and federal grants awarded to the multi-county board. Gallia County serves as the fiscal agent for the Board. Continued existence of the Board is not dependent on the County's continued participation, no debt exists, and the County does not have an equity interest in the Board. During 2002, the County made no contributions to the Board.

C. Southeastern Ohio Corrections Commission

The Southeastern Ohio Corrections Commission (the Commission) was formed for the purpose of planning to build a community jail through State funding. The Commission consists of Gallia, Jackson, and Meigs counties. The State funding did not become available but the Commission has remained together in the case there would be any new grants to apply for in the future. The Commission consists of twelve members which includes the President of the Commissioners, the Common Pleas Judge, and Sheriff from each county. The Commission's fiscal agent will be the County Auditor of the county in which the jail is placed. The County made no contributions to the Commission in 2002, and the Commission is not dependent on the County's continued participation.

D. Southeast Ohio Emergency Medical Services District

Southeast Ohio Emergency Medical Services District (the EMS) was organized to provide emergency medical services in southeast Ohio. The EMS serves the following counties: Athens, Jackson and Lawrence. A nine member board of directors governs the service. 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 contract arrangement. Each county is billed on a monthly basis for the services provided to their county. In 2002, the County paid \$598,815 to the EMS for services provided to the County.

E. 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 2002, the County paid the Agency \$135,645 for services provided to the County.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

F. 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 existence. In 2002 the County made \$5,223 in contributions to the commission.

G. Gallia-Jackson Child Abuse and Neglect Advisory Board

The Child Abuse and Neglect Advisory Board (the Board) is controlled by a five member board. The purpose of the Board is to prevent child abuse and neglect. Each county's commissioners appoint two members and there is one at large member. The at large member currently is the Gallia-Jackson-Meigs Counties Alcohol Drug Addiction and Mental Health Services Board director. The organization receives \$20,000 a year through the state from birth registration fees of which \$19,400 is sent directly to the Ohio Children's Trust Fund Board. The Gallia-Jackson-Meigs Counties Alcohol Drug Addiction and Mental Health Services Board, a jointly governed organization, receives \$600 a year 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 and is not 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.

14. PUBLIC ENTITY SHARED RISK POOLS

A. Buckeye Joint-County Self-Insurance Council

The Buckeye Joint-County 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 composed 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 expenditures 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.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

14. PUBLIC ENTITY SHARED RISK POOLS (Continued)

A. Buckeye Joint-County Self-Insurance Council (Continued)

Jackson County does not have any ongoing financial interest or responsibility. The agreement between the County and the Council indicates that a voluntary withdrawal or termination by the County shall constitute a forfeiture of any pro rata share of the Council reserve fund. In the event of the termination of the Council, current members shall be paid in an amount they have contributed to the Council as of the last month of the Council's existence. Current calculation of the potential residual interest is therefore not possible. During 2002, Jackson County paid \$125,296 to the Council. \$123,996 was paid for basic insurance coverage, and \$1,300 was paid for claims.

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 of Ohio 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.

15. 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.

At December 31, 2002, there are several lawsuits pending against the County. The County's legal counsel is uncertain as to the exact outcome of the lawsuits, but does not estimate any liability on the County's part.

16. RELATED PARTY TRANSACTIONS

J-Vac Industries, Inc., a component unit of Jackson County, received contributions from the County for facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs. During the period January 1, 2002 through December 31, 2002, these contributions were \$3,450.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

17. CONTRACTUAL COMMITMENTS

As of December 31, 2002, the County had outstanding or planned contractual purchase commitments for the completion of several projects as follows:

Project	Original Contract Amount	Additions (Deletions)	Amount Expended	Balance at 12/31/02
Jones-Stuckey Ltd, Inc. Engineering	\$89,879	\$6,827	\$38,893	\$57,813
Chapman Martin Excavating & Grading Fairgreen Sanitary Sewer Phase 2	169,458	33,572	197,971	5,059
H.K. Contracting Group SEOMS Station #9 - General	259,182	0	246,223	12,959
A.J. Stockmeister, Inc. SEOMS Station #10 - HVAC	10,900	550	0	11,450
TNT-LLC Construction Wellston SR 93 Grady Lane Waterline	72,130	8,000	36,000	44,130
Stockmeister Enterprises DJFS Building - Remodel	118,697	15,114	48,635	85,176
R & R Construction Wood Avenue Bridge Replacement	41,802	0	0	41,802
Portco, Inc. DJFS Addition - General Construction	349,564	64,926	283,962	130,528
Portland Electric DJFS Addition - Electrical	40,452	0	14,158	26,294
A.J. Stockmeister, Inc. DJFS Addition - Plumbing	16,230	1,173	12,090	5,313
Airclaws DJFS Addition - Mechanical	33,570	0	11,750	21,820
Jackson Brothers Construction Wellston-Minnesota Ave Waterline	32,725	1,350	0	34,075
Jackson Brothers Construction City of Jackson - Sidewalk Improvements	31,185	0	24,495	6,690
Distel Construction Scioto/Liberty Township - Waterlines	41,979	0	0	41,979
Total	\$1,307,753	\$131,512	\$914,177	\$525,088

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

18. PRIOR PERIOD RESTATEMENT

The following restatements resulted from the reclassifications of several funds from one fund type to another:

	Fund Cash Balances Originally Stated <u>December 31, 2001</u>	Prior Period Restatement <u>Restatement</u>	Restated Fund Cash Balances <u>January 1, 2002</u>
General Fund	\$1,932,617	(\$293,978)	\$1,638,639
Special Revenue	3,861,049	322,768	4,183,817
Debt Service	338	1,641	1,979
Capital Projects	166,905	(122,890)	44,015
Expendable Trust	22,191	87	22,278
Enterprise	13,768	2,773	16,541
Agency	3,624,307	89,598	3,713,905

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JACKSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002

FEDERAL GRANTOR/ <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development.</i>			
Community Development Block Grant Program:			
Community Development Block Grant - State's Program	B-F-99-037-1	14.228	\$33,393
	B-F-00-037-1		197,900
	B-F-01-037-1		<u>49,895</u>
Total Community Development Block Grant - States Program			281,188
Community Housing Improvement Program (CHIP)	B-C-00-037-1	14.228	<u>119,042</u>
Total Community Development Block Grant Program			400,230
HOME Investment Partnerships Program	B-C-00-037-2	14.239	<u>170,447</u>
Total U.S. Department of Housing and Urban Development			<u>570,677</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Workforce Investment Act (WIA) Cluster:			
Workforce Investment Act - Adult	N/A	17.258	238,232
Workforce Investment Act - Adult Administrative	N/A		<u>29,767</u>
Workforce Investment Act - Adult Total			267,999
Workforce Investment Act - Youth	N/A	17.259	130,341
Workforce Investment Act - Youth Administrative	N/A		<u>37,545</u>
Workforce Investment Act - Youth Total			167,886
Workforce Investment Act - Dislocated Worker	N/A	17.260	102,925
Workforce Investment Act - Dislocated Worker Administrative	N/A		<u>23,270</u>
Workforce Investment Act - Dislocated Worker Total			<u>126,195</u>
Total Workforce Investment Act Cluster			562,080
Job Training Partnership Act:			
Job Training Partnership Act - Adult	N/A	17.250	3,728
Job Training Partnership Act - Adult Administrative	N/A		<u>753</u>
Job Training Partnership Act - Adult Total			<u>4,481</u>
Total U.S. Department of Labor			<u>566,561</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education.</i>			
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	066050-6B-SF-2002	84.027	12,433
	066050-6B-SF-2003		<u>7,768</u>
Total Special Education - Grants to States			20,201
Special Education - Preschool Grants (Handicapped Preschool)	066050-PG-S1-2002P	84.173	2,132
	066050-PG-S1-2003P		<u>2,076</u>
Total Special Education - Preschool Grants			<u>4,208</u>
Total Special Education Cluster			24,409

JACKSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>			
<i>Passed Through Ohio Department of Education (Continued)</i>			
Innovative Education Program Strategies	066050-C2-S1-2003	84.298	310
Total U.S. Department of Education			24,719
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant - Title XX	N/A	93.667	27,721
Medical Assistance Program - CAFS	N/A	93.778	179,205
Total U.S. Department of Health and Human Services			206,926
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
Terrorism Consequence Management Preparedness Assistance	EMC-2002-GR-7005	83.552	1,864
Emergency Management Performance Grant	J732 K305	83.552	13,842 4,949
Total Emergency Management Performance Grant			18,791
Total Federal Emergency Management Agency			20,655
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
State and Community Highway Safety	1947.0	20.600	23,455
<i>Passed Through Ohio Emergency Management Agency:</i>			
Hazardous Materials Emergency Preparedness Grant	N/A	20.703	1,521 1,410
Total Hazardous Materials Emergency Preparedness Grant			2,931
Total U.S. Department of Transportation			26,386
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
State Domestic Preparedness Equipment Support Program	2002-TE-CX-0049	16.007	24,167
Total U.S. Department of Justice			24,167
Total Federal Awards Expenditures			1,440,091

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

JACKSON COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES DECEMBER 31, 2002

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal award 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 Ohio Department of Job and Family Services to other 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 Federal 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) grants 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, 2002, the gross amounts of loans outstanding under this program were \$555,941. There were no delinquent amounts outstanding. Of the outstanding balance, \$500,000 represents a payment made by the City of Jackson from their Community Development Block Grant, which by agreement with the Office of Housing and Community Partnerships of the Ohio Department of Development, the City will repay to the County. Since the initial grant and payment of the funds was from the City of Jackson, the \$500,000 is not included as a disbursement on the County's Schedule of Federal Awards Expenditures.

NOTE D – MATCHING REQUIREMENTS

Certain Federal programs require that the County 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 2002.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL 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 Jackson County, Ohio (the County) as of and for the year ended December 31, 2002, and have issued our report thereon dated August 28, 2003, which noted the County prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). In addition, the scope of our work was not sufficient to support an opinion on the financial Statements of the Jackson County Airport Authority, a discretely presented component unit. Except for the restriction on the scope of our audit of the Airport Authority, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of 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 2002-001 through 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated August 28, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-002 and 2002-005 through 2002-007.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-005 and 2002-006 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated August 28, 2003.

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

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

Betty Montgomery
Auditor of State

August 28, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS 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, 2002. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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.

As described in items 2002-008 through 2002-012 and 2002-014 in the accompanying Schedule of Findings, the County did not comply with requirements regarding Equipment and Real Property Management, Reporting and Subrecipient Monitoring that are applicable to its Workforce Investment Act Grant, nor did the County comply with requirements regarding Cash Management and Reporting that are applicable to its Community Development Block Grants. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to management of the County in a separate letter dated August 28, 2003.

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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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted 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 County'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 2002-008, 2002-010, 2002-013 and 2002-014.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-008, 2002-010 and 2002-014 to be material weaknesses. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to management of the County in a separate letter dated August 28, 2003.

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



Betty Montgomery
Auditor of State

August 28, 2003

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified – Primary Government Disclaimed – Component Unit
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant – CFDA # 14.228 Workforce Investment Act Cluster – CFDA # 17.258, 17.259, and 17.260.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)

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

Finding Number 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Budgetary expenditures (disbursements plus encumbrances) exceeded appropriations in the EMS Project Capital Projects Fund in the amount of \$143,991 (467%) at December 31, 2002.

The County Auditor should deny payment requests exceeding appropriations. The County Auditor may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary and appropriate.

Finding Number 2002-002

Noncompliance Citation and Reportable Condition

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditures of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate: If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that, both at the time that the contract or order was made and at the time she is completing her certification, a sufficient sum was appropriated and free of any previous encumbrances, the Board of Commissioners may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than \$100, the fiscal officer may authorize it to be paid without the affirmation of the taxing authority, upon completion of the then and now certificate, provided that the expenditure is otherwise lawful.

Fifty percent of the vouchers tested did not contain a certificate of the fiscal officer which was dated prior to the obligation date. Additionally, there were no "Then and Now Certificates" utilized for these expenditures. This resulted in numerous unrecorded encumbrances as of the fiscal year end.

We recommend the County Auditor complete the required certificate prior to incurring any and all obligations of the County or make proper use of the Then and Now Certificates.

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)

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

Finding Number 2002-003

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

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 prepares 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 on a generally accepted accounting principles basis.

Finding Number 2002-004

Finding for Recovery

The Jackson County Airport Authority rented a plane from a private individual, Harold Adams, which the Airport Authority in turn rented to pilots or students with an instructor. A Monthly Flight Record was maintained to document the amount of the time the plane was used by each pilot. After the end of the month, the total hours used was calculated, and the Airport Authority remitted the rent to Mr. Adams.

Pursuant to an oral agreement between the parties, Robert Mayhew, as the President of the Airport Authority and sole signatory on the Aircraft Account paid Mr. Adams \$40 for each hour that the plane was rented during the months of January through May and \$35 for each hour that the plane was rented during the remainder of the year. A comparison of the Monthly Flight Record to the payments made to Mr. Adams in the subsequent month revealed that the Airport Authority paid for an additional 2 hours for the May rental of the plane, as well as an additional 8.2 hours for the months of June through November due to mathematical errors in calculating the total hours for the month. As a result, the Airport Authority paid \$367 (2 hours at \$40 per hour, plus 8.2 hours at \$35 per hour) in excess of the amount owed for the rental of the plane. All expenditures must be for a proper public purpose. The Airport Authority received no benefit from the payment of the additional amount.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Robert Mayhew, President of the Airport Authority Board, in the amount of three hundred sixty-seven dollars in favor of the Airport Authority.

JACKSON COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)**

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

Finding Number 2002-005

Material Weakness – Airport Authority - Receipts

The Airport Authority did not maintain adequate documentation to support the recorded receipts. The Airport Authority did not utilize duplicate receipts or pay-in orders to document receipt transactions. In addition to the lack of duplicate receipts/pay-ins, the Airport Authority did not maintain copies of the fuel sales information, remittance advices for grant receipts, etc. The Airport Authority did maintain a monthly flight record to document the use of the rental plane. However, we were unable to agree the receipts per the monthly flight record to the deposits on the bank statements in many instances.

The lack of receipt documentation resulted in the inability to assure the completeness of the recorded receipts. Additionally, due to the numerous unsupported receipts we could not determine that the receipts were always posted to the proper account.

We recommend the Airport Authority maintain supporting documentation for all of its receipts. Remittance advices should be maintained when provided. Prenumbered duplicate receipts/pay-ins should be utilized for over the counter receipts such as the receipts generated from renting the plane to pilots. Documentation of the receipts from the sale of fuel such as a daily summary of fuel sales from the credit card machine at the airport should be maintained on file. Each month, the daily sales summaries should be compared to the statement received from the fuel company to assure that the fuel company has properly credited the account of the Airport Authority. Receipts from the rental of the aircraft should be maintained for each flight. A duplicate receipt should be completed and a copy provided to each pilot when the rent fee is paid. Additionally, the monthly flight record should be compared to the receipts totals for the month and the bank deposits to ensure that all of the receipts are properly recorded and deposited.

Finding Number 2002-006

Material Weakness – Airport Authority - Accounting Records

The Airport Authority did not maintain adequate financial records. The Airport Authority did not maintain accounting ledgers which enabled management to properly classify receipts and disbursements. The only ledgers maintained were checkbook registers for the bank accounts. However, these were not complete. They did not include the receipts, or a running balance of the account. We noted a few instances where the checks were not posted to the records. As a result, management did not know the balances of the accounts. Additionally, deposit slips were not maintained for a majority of the deposits. The records maintained lacked the information necessary to prepare classified financial statements. This lack of financial information did not provide for the assurance of completeness or receipts and disbursements of the Airport Authority.

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)

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

Finding Number 2002-006 (Continued)

Material Weakness – Airport Authority - Accounting Records (Continued)

We recommend the Airport Authority maintain adequate financial records for all of its financial activities. Ledgers should be maintained which include all receipts, disbursements and a running balance. The receipts disbursements should be recorded in the ledgers in a manner that enables management to prepare properly classified financial statements at the end of each year. Bank reconciliations should be performed monthly to compare the information from the ledgers to the bank statements. The financial information should be presented to the Board monthly to enable management to make informed decisions.

Finding Number 2002-007

Reportable Condition – Segregation of Duties

Proper segregation of duties dictates that users can only access those computer functions and data necessary to do their jobs. To do this, each user’s system and application-level access rights need to be individually defined based upon their job duties.

In 1999, the County began using new Financial Management, Payroll and Treasurer Reconciliation applications. When these applications were first installed, the vendor showed the County how to setup passwords and access rights for individual employees. However, the County neglected to establish proper access rights for its employees resulting in each employee having full access to all of these applications. Thus, there was no proper segregation of duties between the Auditor’s and Treasurer’s offices. The Auditor’s employees have full access to functions that are solely the responsibility of the Treasurer’s employees and vice-versa.

This lack of proper segregation of duties/functions prevents the implementation of the proper checks and balances between these two departments. It also increases the risk that unauthorized users could enter, edit, or delete transactions on the County’s system.

Management needs to assign user access rights to functions and data based solely upon the employees’ job duties. In addition, application functions that are solely the responsibility of the Auditor’s office should be restricted from the Treasurer’s Office and vice-versa.

3. FINDINGS FOR FEDERAL AWARDS

1. Equipment and Real Property Management

Finding Number	2002-008
CFDA Title and Number	Workforce Investment Act – CFDA # 17.258, 17.259, and 17.260
Federal Award Number / Year	2001-2002
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2002-008 (Continued)

1. Equipment and Real Property Management (Continued)

Noncompliance Citation and Material Weakness

29 C.F.R. Section 97.32(d) states that procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, at a minimum, meet the following requirements:

1. Property Records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
2. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
3. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
4. Adequate maintenance procedures must be developed to keep the property in good condition.
5. If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

During 2002, the County spent \$65,720 of their Workforce Investment Act funding on the purchase of equipment. The County's property records did not include the source of the property, who holds the title, the acquisition date, percentage of Federal participation in the cost of the property, or the use and condition of the property. In addition, a review of the property records revealed that the serial number or other identification number and the location were not included for some of the assets. Further, there was no documentation of the performance of a physical inventory and subsequent reconciliation to the property records.

We recommend the County update the property records to include the required information as listed above for the existing assets as well as all assets obtained in the future. We further recommend that the County perform a physical inventory at least once every two years. The County should maintain documentation of the performance of the physical inventory. The physical inventory could be documented through the use of count sheets or the use of the property record on hand with documentation of which assets were located and which, if any, could not be located. The results of the physical inventory should be reconciled to the property records. Any differences should be investigated.

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

2. Reporting

Finding Number	2002-009
CFDA Title and Number	Workforce Investment Act – CFDA # 17.258, 17.259, and 17.260
Federal Award Number / Year	2001-2002
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance Citation

20 C.F.R. Section 667.300(c)(3) states that reported expenditures and program income, including any profits earned, must be on the accrual basis of accounting and cumulative by fiscal year of appropriation. If the recipient's accounting records are not normally kept on the accrual basis of accounting, the recipient must develop accrual information through an analysis of the documentation on hand.

The County reported accrual information as part of the monthly ODJFS 2827 Reports which were submitted to the Ohio Department of Job and Family Services. Our testing revealed \$82,230 in expenditures that should have been reported as accrued expenditures at December 31, 2002 but were not included in the reported accruals. This is likely due to the County's closeout process in which no bills are paid by the County after mid December, until the year has been closed out in the system. As a result of this process, the Department reviewed the documentation on hand noting that vouchers were prepared and therefore not included as accruals. However, the County had not actually disbursed the funds until after the beginning of the following year. This process contributed to inaccurate reporting of the accrual amounts.

We recommend that the County more closely review expenditures to determine a more accurate method for compiling the accrual amounts for the Workforce Investment Act program. The expenditures immediately following the end of the period for which the report is being prepared should be reviewed to determine whether the goods were received or services provided prior to the end of the reporting period. Expenditures for goods received or services provided as of the end of the reporting period should be included as accruals and reported to the Ohio Department of Job and Family Services.

3. Subrecipient Monitoring

Finding Number	2002-010
CFDA Title and Number	Workforce Investment Act – CFDA # 17.259
Federal Award Number / Year	2001-2002
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2002-010 (Continued)

3. Subrecipient Monitoring (Continued)

Noncompliance Citation and Material Weakness

Per OMB Circular A-133 §___,400(d), a pass-through entity is responsible for:

1. Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.
2. Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
3. Monitor the activities of subrecipients as necessary to ensure 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.
4. Ensure that subrecipients expending \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
5. Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
6. Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.
7. Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

The contracts between the Jackson County Department of Job and Family Services and Buckeye Vocational Services and Gallia-Jackson-Vinton Joint Vocational School District, the subrecipients, did not clearly document that the abovementioned requirements had been met. The contracts with the subrecipients did not identify the federal requirements that the subrecipients must follow, although the request for proposals did identify the program as a part of the Workforce Investment Act of 1998. The contracts also did not include a description of the program and program number for the program as stated in the Catalog of Federal Domestic Assistance (CFDA) or the pass-through program information. Additionally, there was no statement signed by officials of the subrecipients stating that the subrecipients had been informed of, understand, and agreed to comply with the applicable compliance requirements. It was further noted that Buckeye Vocational Services never provided a copy of any audit reports. To the knowledge of management of the Jackson County Department of Job and Family Services, Buckeye Vocational Services has not had an audit completed, despite the contract requirement for the subrecipient to provide a copy of the latest audit report within 5 days of the execution of the contract. The contract also required Buckeye Vocational Services to provide to the County, copies of all subsequent audits which were completed prior to the payment of the final invoice under the contract.

We recommend the County Department of Job and Family Services explicitly identify the appropriate federal award information (e.g., CFDA title and number, award name, name of the Federal Agency, etc.) and applicable compliance requirements to the subrecipients of Federal Program monies. The contracts with the subrecipients should be modified to include language for the subrecipient to document that they

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

understand what Federal requirements apply and obtain a written statement that they have been informed of these requirements and agree to comply with them.

4. Cash Management

Finding Number	2002-011
CFDA Title and Number	Community Development Block Grant – CFDA # 14.228
Federal Award Number / Year	B-F-99-037-1, B-F-00-037-1, B-C-00-037-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Citation

According to the *State of Ohio Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(f)*, the grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to the prompt disbursement of funds. This rule states that fund draw downs should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of the receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the Fifteen Day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

The funds that were drawn down were not disbursed to a balance of less than \$5,000 within fifteen days of receipt. A comparison of the draws to the expenditures for each of the funds revealed the following:

From Grant B-F-99-037-1:

Draw number 192 dated December 13, 2001 was requested from Grant B-F-99-037-1 in the amount of \$33,300. The County received the funding on January 17, 2002, however the subsequent disbursement was not made until March 7, 2002. Therefore the money was not expended within fifteen days of receipt, as required, and the balance exceeded \$5,000.

From Grant B-F-00-037-1:

Draw number 193 dated December 17, 2001 was requested from Grant B-F-00-037-1 in the amount of \$41,000. The County received the funding on January 17, 2002, and a subsequent disbursement of \$5,000 was made April 11, 2002. The money was not expended within fifteen days of receipt, as required, and the remaining balance exceeded \$5,000.

Draw number 200 dated May 9, 2002 was requested from Grant B-F-00-037-1 in the amount of \$10,000. The County received the funding on July 15, 2002, and a subsequent disbursement was not made until September 12, 2002. Therefore, the money was not expended within fifteen days of receipt, as required, and the remaining balance exceeded \$5,000.

Draw number 204 dated October 7, 2002 was requested from Grant B-F-00-037-1 in the amount of \$61,283. The County received the funding on October 24, 2002, and a subsequent disbursement was not made until November 21, 2002. Therefore, the money was not expended within fifteen days of receipt, as required, and the remaining balance exceeded \$5,000.

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2002-011 (Continued)

4. Cash Management (Continued)

Noncompliance Citation (Continued)

From Grant B-C-00-037-1:

Draw number 195 dated March 14, 2002 was requested from Grant B-C-00-037-1 in the amount of \$10,825. The County received the funding on April 15, 2002. However, the subsequent disbursement was not made until May 30, 2002. Therefore, the money was not expended within fifteen days of receipt, as required, and the balance exceeded \$5,000.

Draw number 201 dated July 11, 2002 was requested from Grant B-C-00-037-1 in the amount of \$33,392. The County received the funding on August 2, 2002. However, the subsequent disbursement was not made until August 29, 2002. Therefore, the money was not expended within fifteen days of receipt, as required, and the balance exceeded \$5,000.

Draw number 205 dated October 10, 2002 was requested from Grant B-C-00-037-1 in the amount of \$9,468. the County received the funding on November 5, 2002. However, the subsequent disbursement was not made until November 27, 2002. Therefore, the money was not expended within fifteen days of receipt, as required, and the balance exceeded \$5,000.

We recommend the County establish separate funds for each grant with cash management requirement. The County should monitor the cash balances in these funds to determine when and how much cash to request. This will help ensure that the monies drawn down are expended within fifteen days as required by the Fifteen Day Rule

5. Reporting

Finding Number	2002-012
CFDA Title and Number	Community Development Block Grant – CFDA # 14.228
Federal Award Number / Year	B-F-99-037-1, B-F-00-037-1, B-F-01-037-1, and B-C-00-037-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Citation

All Community Development Block Grant Program funds are required to be reported to the State of Ohio, Department of Development. There are two required reports: the Status Report and the Final Performance Report. The Status Report compares amounts expended-to-date with the approved budget. The Final Performance Report makes the same comparisons. It must be completed and submitted to OHCP as part of the close-out requirements. The grant agreements require the County to submit to the Ohio Department of Development a Status Report beginning six months after the effective date of the agreements and a Final Performance Report at the conclusion of the program.

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2002-012 (Continued)

5. Reporting (Continued)

Noncompliance Citation (Continued)

The County did not submit timely Final Performance Reports as required by the Grant Agreements. For Grant B-F-99-037-1, the Ohio Department of Development had requested the report on February 28, 2002. The County submitted the required Final Performance Report to the Ohio Department of Development's satisfaction on April 18, 2002. For Grant B-F-00-031-1, the Ohio Department of Development had requested the report on October 31, 2002. The County submitted the required Final Performance Report to the Ohio Department of Development's satisfaction on December 30, 2002

The County did not submit timely status reports as required by the Grant agreements. For Grant number B-F-00-037-1, the Status Report dated February 11, 2002, which was required to be returned by March 11, 2002, was not submitted until April 17, 2002. For grant number B-F-01-037-1, the Status Report dated February 11, 2002, which was required to be returned by March 11, 2002, was not submitted until March 25, 2002. For Grant number B-C-00-037-1, the Status Report dated January 18, 2002, which was required to be returned by February 18, 2002, was not submitted until March 7, 2002.

In addition, for both the Final Performance Report and the Status Reports, there was no documentation to support how these reports had been calculated.

We recommend the County prepare and submit the required reports accurately and timely to prevent possible sanction to Jackson County. Additionally, we recommend that a tracking system be developed to help management identify when reports are due. This can help to ensure that the reports are completed timely.

6. Cash Management

Finding Number	2002-013
CFDA Title and Number	Workforce Investment Act – CFDA # 17.258, 17.259, and 17.260
Federal Award Number / Year	2001-2002
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2002-013

6. Cash Management (Continued)

Reportable Condition

The State changed the process by which the County could obtain Workforce Investment Act funding from a quarterly request and monthly advance process to a weekly draw down process in July, 2002. A review of the draw down requests from the Jackson County Department of Job and Family Services indicated that the County continued to request funding on a monthly basis. Requesting funding on a monthly basis results in inaccurate estimates of the needed funding which could result in excess cash on hand or not enough funds with which to operate. Our review of the financial records of the Jackson County Department of Job and Family Services indicated that insufficient funding was received from the State to cover all of the costs of the Department, resulting in negative fund balances for several months throughout the year.

Discussions with management revealed that while the County Department of Job and Family Services requested sufficient funding to cover their costs, the state's system did not disburse the requested funding. Additionally, during the audit, it was noted that the Department had implemented a weekly draw process during 2003 to better enable accurate estimates of current needs.

We recommend the Department continue to utilize the weekly draw process as well as develop realistic estimates of current needs to help ensure compliance with Cash Management requirements.

Finding Number 2002-014

Noncompliance Citation and Material Weakness – Federal Schedule

OMB Circular A-133 §.300(d) states that the auditee shall prepare appropriate financial statements including the schedule of expenditures of Federal awards in accordance with §.310(b). **OMB Circular A-133 §.310(b)** states that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institute of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2002-014 (Continued)

Noncompliance Citation and Material Weakness – Federal Schedule (Continued)

OMB Circular A-133 §.300(d) (Continued)

- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

The County, in addition to being responsible for the fair presentation of the Schedule of Federal Awards Expenditures (the Federal Schedule), is responsible for ensuring compliance with applicable laws and regulations related to the grants. The County did not have the necessary information readily available to prepare the Federal Schedule. The preparation required consultation with the various individual departments of the County. Upon inquiry with the various departments of the County regarding the grants received, we received incomplete information that required additional research and inquiries with various outside agencies to gain information. In some cases, it was noted that the department was unaware of the source of the grant either state or federal.

The County's inability to provide a comprehensive list of grants received during the year is indicative of a weakness in the County's ability to properly present the information on the Federal Schedule. Additionally the County's inability to identify a grant as either federal or state is indicative of a weakness in the County's ability to ensure compliance with applicable laws, regulations, and/or individual grant requirements. If the County cannot identify the grant as a federal or state award, it is unlikely that the County's management is aware of all of the applicable requirements associated with the grant.

New auditor independence standards adopted by the United States General Accounting Office (GAO) limit an independent auditor's ability to provide nonaudit services to audit clients for financial statement periods beginning January 1, 2003. While the Auditor of State is still analyzing the requirements of the new standards, the audit team may no longer be able to compile the information to prepare the schedule of federal awards expenditures for the County as of the audit of the financial statements for 2003.

We recommend that County appoint a person or office to serve as a grant coordinator or a central repository for grant information. Since the Commissioners authorize and approve grant applications, perhaps all grant information including a copy of the application, grant agreement, any status reports, etc. should be filed with the Commissioners' office. We further recommend that office receiving the grant requires the necessary information to determine whether or not the grant is a federal or state grant. Since many federal grants are passed through a state agency, inquiring with personnel at the state agency would likely enable the County to determine whether the grant is considered to be a federal or state grant at the County level. If the grant is determined to be a federal grant, the County should obtain documentation regarding the Catalog of Federal Domestic Assistance (CFDA) number for each of the federal grants, as well as the grant number assigned by the state pass through agency, if applicable. The County should maintain documentation of the total receipts and expenditures from each of the various grants. The County's collection and maintenance of such information would help enable management to ensure the fair presentation of the Schedule of Federal Awards Expenditures as well as compliance with applicable laws, regulations, and/or individual grant requirements.

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JACKSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A -133 §.315 (b)
 DECEMBER 31, 2002

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-60740-001	Finding for Recovery – Overpayment of Commissioner Salary	No	Partially Corrected – Patrick Bailey has made arrangements to make payments to repay the finding.
2001-60740-002	Finding for Recovery – Overpayment of Commissioner Salary	Yes	
2001-60740-003	Finding for Recovery – Overpayment of former County Prosecutor Salary	No	The County Prosecutor has sent a letter in an attempt to recover the overpayment.
2001-60740-004	Finding for Recovery – Overpayment of former Sheriff Salary	No	The County Prosecutor has sent a letter in an attempt to recover the overpayment.
2001-60740-005	Lack of Segregation of Duties for users of the Computer system in the Treasurer and Auditor's Office	No	Not corrected. Reissued as Finding Number 2002-007.
2001-60740-006	Services under contract with Economic Development were not properly documented.	No	The issue was not fully corrected as of December 31, 2002. However, the Department did immediately institute some corrections and has since required Economic Development to provide appropriate documentation. The comment was not reissued.
2001-60740-007	Finding for Recovery – Frances Spencer – Overpayment of leave balances upon severance.	No	Partially Corrected – Frances Spencer has made arrangements to make payments to repay the finding.
2001-60740-008	Finding for Recovery – Loretta Jones – Overpayment of leave balances upon severance.	No	The County Prosecutor has sent a letter in an attempt to recover the overpayment.
2001-60740-009	Finding for Recovery – Martha Perkins – Overpayment of leave balances upon severance.	No	The County Prosecutor has sent a letter in an attempt to recover the overpayment.
2001-60740-010	Finding for Recovery – Roxie Brown – Overpayment of leave balances upon severance.	No	The County Prosecutor has sent a letter in an attempt to recover the overpayment.
2001-60740-011	Jackson County Airport Authority did not maintain adequate financial records.	No	Not corrected. Reissued as Finding Number 2002-006.

JACKSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A -133 §.315 (b)
 DECEMBER 31, 2002
 (Continued)

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-60740-012	WIA – Reporting Citation – GAAP information not reported.	No	Accrual information was reported. However, the accrual amounts reported were not compiled correctly. Reissued as Finding # 2002-009.
2001-60740-013	WIA – Cash Management Citation – Excessive funds were drawn down.	Yes	
2001-60740-014	WIA – Activities Allowed or Unallowed – ITA Ledger was not maintained.	Yes	
2001-60740-015	WIA – Subrecipient Monitoring – Insufficient documentation of monitoring activities.	No	No fully corrected. Reissued as Finding Number 2002-010.
2001-60740-016	CDBG – Reporting – Required reports were not completed and filed timely.	No	Not corrected. Reissued as Finding Number 2002-012
2001-60740-017	CDBG – Allowable Costs/Cost Principles – Insufficient documentation for Fair Housing Services	Yes	
2001-60740-018	CDBG – Cash Management – Excessive Funds were drawn down.	No	Not corrected. Reissued as Finding Number 2002-011.
2001-60740-019	The County did not have appropriate federal grant documentation readily available for the compilation of the Schedule of Federal Awards Expenditures.	No	Not corrected. Reissued as Finding Number 2002-014.

JACKSON COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
DECEMBER 31, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-001	E.M.S. Project is complete therefore this should not occur again.	In effect.	Denver Wolford, County Commissioner
2002-002	County Auditor is determining how to correct.	December 31, 2003	Clyde Holdren, County Auditor
2002-003	No planned corrective action.	N/A	Denver Wolford, County Commissioner
2002-004	The Airport Authority plans to bill Mr. Adams or deduct from future payments to him the amount of the finding.	December 31, 2003	Robert Mayhew, Airport Authority President
2002-005	The Airport Authority has established a spreadsheet tracking all receipts and is maintaining support for the receipts.	In effect.	Robert Mayhew, Airport Authority President
2002-006	The Airport Authority is using a spreadsheet for recording its financial activity.	In effect.	Robert Mayhew, Airport Authority President
2002-007	County Auditor is checking with software vendor to correct this situation.	November 1, 2003	Clyde Holdren, County Auditor
2002-008	In the process of developing a new inventory program and procedure policy to meet requirements.	December 31, 2003	Denver Wolford, County Commissioner
2002-009	The process of compiling accruals has been changed to comply with requirements.	In effect.	Denver Wolford, County Commissioner
2002-010	Will include the federal requirements and information in all future contracts. Will amend all existing contracts to include these requirements and have the provider certify compliance.	December 31, 2003	Denver Wolford, County Commissioner
2002-011	Commissioners will work with the County Auditor to disburse funds to a balance of less than \$5,000 within 15 days of the receipt of funds.	December 31, 2003	Denver Wolford, County Commissioner and Clyde Holdren, County Auditor
2002-012	Commissioners will require CDC of Ohio, the CDBG manager, to complete all status and final performance reports timely.	December 31, 2003	Denver Wolford, County Commissioner
2002-013	Now requesting cash on a weekly basis.	In effect.	Denver Wolford, County Commissioner
2002-014	The Commissioners' Administrative Assistant and Clerk are preparing the schedule for 2003.	In effect.	Denver Wolford, County Commissioner



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JACKSON COUNTY 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
OCTOBER 16, 2003**