



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



JACKSON COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Jackson County  
228 East Main Street  
Jackson, Ohio 45640

To the Board of County Commissioners:

We have audited the accompanying general-purpose financial statements of Jackson County, Ohio (the County), as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of J-Vac Industries, Inc., which represent 37 percent and 78 percent, respectively, of the assets and revenues of the component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the general-purpose financial statements, insofar as it relates to the amounts included for J-Vac Industries, Inc., is based upon the report of the other auditors.

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 and the report of other auditors provide a reasonable basis for our opinion.

The financial statements for the Jackson County Airport Authority, a discrete component unit, are presented on the basis of cash receipts and disbursements. Those statements do not include assets, other than cash, or liabilities that are required by accounting principles generally accepted in the United States of America. We are unable to determine the effect of the departures from generally accepted accounting principles on the financial statements of the Authority. The Authority's recorded assets and revenues represent 63% and 22% of the component unit columns.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above for the Jackson County Airport Authority do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2001 or the results of its operations for the year then ended. Also in our opinion, based on our audit and the report of the other auditors, except for the Jackson County Airport Authority, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Jackson County, as of December 31, 2001, and the results of its operations and the cash flows of its propriety fund type and discretely presented component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 5, during the year ended December 31, 2001, the County adopted Governmental Accounting Statements No. 33 and No. 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2002 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.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the County, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

September 26, 2002

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**JACKSON COUNTY, OHIO**  
**Combined Balance Sheet**  
*All Fund Types, Account Groups and Discretely Presented Component Units*  
**December 31, 2001**

	<b>GOVERNMENTAL FUND TYPES</b>				<b>PROPRIETARY FUND TYPE</b>
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<b>Assets and Other Debits:</b>					
<b>Assets:</b>					
Cash and Cash Equivalents	\$1,965,540	\$3,883,051	\$185	\$167,056	\$13,767
Cash and Cash Equivalents in Segregated Accounts	0	31,962	0	0	0
<b>Receivables:</b>					
Taxes	0	0	0	0	0
Accounts	0	13,151	0	2,821	0
Interest	12,348	0	0	0	0
Due from Other Funds	31,359	11,749	0	0	0
Due from Other Funds - Taxes	1,399,056	1,460,272	0	0	0
Due from Other Governments	388,684	1,516,245	270,000	0	0
Materials and Supplies Inventory	2,603	317,101	0	0	0
Notes Receivable	0	15,582	0	0	0
Prepaid Items	19,168	6,861	0	0	0
Fixed Assets, (Net where applicable of Accumulated Depreciation)	0	0	0	0	287,071
<b>Other Debits:</b>					
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0
<b>Total Assets and Other Debits</b>	<u>\$3,818,758</u>	<u>\$7,255,974</u>	<u>\$270,185</u>	<u>\$169,877</u>	<u>\$300,838</u>

See accompanying notes to the general purpose financial statements.

<i><b>FIDUCIARY FUND TYPES</b></i>	<i><b>ACCOUNT GROUPS</b></i>		Totals (Memorandum Only)	<i><b>COMPONENT UNITS</b></i>		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	Primary Government	Jackson County Airport Authority	J-Vac Industries, Inc.	Reporting Entity
\$3,092,941	\$0	\$0	\$9,122,540	\$0	\$0	\$9,122,540
514,971	0	0	546,933	71,817	26,558	645,308
15,055,756	0	0	15,055,756	0	0	15,055,756
0	0	0	15,972	0	8,866	24,838
0	0	0	12,348	0	0	12,348
0	0	0	43,108	0	0	43,108
0	0	0	2,859,328	0	0	2,859,328
1,660,260	0	0	3,835,189	0	0	3,835,189
0	0	0	319,704	0	4,059	323,763
0	0	0	15,582	0	0	15,582
0	0	0	26,029	0	0	26,029
0	14,360,986	0	14,648,057	0	3,216	14,651,273
0	0	185	185	0	0	185
0	0	1,753,359	1,753,359	0	0	1,753,359
<u>\$20,323,928</u>	<u>\$14,360,986</u>	<u>\$1,753,544</u>	<u>\$48,254,090</u>	<u>\$71,817</u>	<u>\$42,699</u>	<u>\$48,368,606</u>

(Continued)

**JACKSON COUNTY, OHIO**  
**Combined Balance Sheet**  
*All Fund Types, Account Groups and Discretely Presented Component Units*  
**December 31, 2001**

	<b>GOVERNMENTAL FUND TYPES</b>				<b>PROPRIETARY FUND TYPE</b>
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<b>Liabilities:</b>					
Accounts Payable	\$27,742	\$260,050	\$0	\$0	\$0
Contracts Payable	1,292	14,724	0	0	0
Accrued Wages and Benefits	37,509	103,963	0	0	0
Compensated Absences Payable	0	6,667	0	0	0
Due to Other Funds	0	9,499	0	0	0
Due to Other Funds - Taxes	0	0	0	0	0
Due to Other Governments	48,894	11,697	0	0	19
Deferred Revenue	1,399,056	1,493,221	270,000	0	0
Undistributed Monies	0	0	0	0	0
Accrued Interest Payable	26,213	1,233	0	1,272	0
Notes Payable	2,286,682	218,718	0	225,700	0
Insurance Claims Payable	7,394	0	0	0	0
Capital Leases Payable	0	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	0
<b>Total Liabilities</b>	<b>3,834,782</b>	<b>2,119,772</b>	<b>270,000</b>	<b>226,972</b>	<b>19</b>
<b>Fund Equity and Other Credits:</b>					
Investment in General Fixed Assets	0	0	0	0	0
Contributed Capital	0	0	0	0	102,710
<b>Retained Earnings:</b>					
Unreserved	0	0	0	0	198,109
<b>Fund Balance:</b>					
Reserved for Encumbrances	5,498	10,637	0	0	0
Reserved for Inventory	2,603	317,101	0	0	0
Reserved for Unclaimed Monies	293,978	0	0	0	0
<b>Unreserved:</b>					
Undesignated	(318,103)	4,808,464	185	(57,095)	0
<b>Total Fund Equity and Other Credits</b>	<b>(16,024)</b>	<b>5,136,202</b>	<b>185</b>	<b>(57,095)</b>	<b>300,819</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$3,818,758</b>	<b>\$7,255,974</b>	<b>\$270,185</b>	<b>\$169,877</b>	<b>\$300,838</b>

See accompanying notes to the general purpose financial statements.

<b><i>FIDUCIARY FUND TYPES</i></b>	<b><i>ACCOUNT GROUPS</i></b>		Totals (Memorandum Only)	<b><i>COMPONENT UNITS</i></b>		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	Primary Government	Jackson County Airport Authority	J-Vac Industries, Inc.	Reporting Entity
\$0	\$0	\$0	\$287,792	\$0	\$1,231	\$289,023
0	0	0	16,016	0	0	16,016
0	0	0	141,472	0	1,363	142,835
0	0	498,995	505,662	0	0	505,662
33,609	0	0	43,108	0	0	43,108
2,859,328	0	0	2,859,328	0	0	2,859,328
16,927,439	0	249,113	17,237,162	0	0	17,237,162
0	0	0	3,162,277	0	0	3,162,277
481,362	0	0	481,362	0	0	481,362
0	0	0	28,718	0	0	28,718
0	0	445,170	3,176,270	0	2,152	3,178,422
0	0	0	7,394	0	0	7,394
0	0	25,266	25,266	0	0	25,266
0	0	535,000	535,000	0	0	535,000
<u>20,301,738</u>	<u>0</u>	<u>1,753,544</u>	<u>28,506,827</u>	<u>0</u>	<u>4,746</u>	<u>28,511,573</u>
0	14,360,986	0	14,360,986	0	0	14,360,986
0	0	0	102,710	0	0	102,710
0	0	0	198,109	0	37,953	236,062
0	0	0	16,135	0	0	16,135
0	0	0	319,704	0	0	319,704
0	0	0	293,978	0	0	293,978
22,190	0	0	4,455,641	71,817	0	4,527,458
<u>22,190</u>	<u>14,360,986</u>	<u>0</u>	<u>19,747,263</u>	<u>71,817</u>	<u>37,953</u>	<u>19,857,033</u>
<u>\$20,323,928</u>	<u>\$14,360,986</u>	<u>\$1,753,544</u>	<u>\$48,254,090</u>	<u>\$71,817</u>	<u>\$42,699</u>	<u>\$48,368,606</u>

**JACKSON COUNTY, OHIO**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - All Governmental Fund Types**  
**Expendable Trust Funds and Discretely Presented Component Unit**  
**For the Year Ended December 31, 2001**

	<b>GOVERNMENTAL FUND TYPES</b>			
	General	Special Revenue	Debt Service	Capital Projects
<b>Revenues:</b>				
Taxes	\$2,549,993	\$2,859,760	\$0	\$0
Charges for Services	742,611	1,236,901	0	45,984
Licenses and Permits	4,126	49,206	0	0
Fines and Forfeitures	346,881	270,425	0	0
Intergovernmental	872,438	11,293,077	34,355	275,496
Interest Earnings	388,381	24,909	0	2,683
Other	104,886	780,118	0	21,131
<i>Total Revenues</i>	<u>5,009,316</u>	<u>16,514,396</u>	<u>34,355</u>	<u>345,294</u>
<b>Expenditures:</b>				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	2,850,567	269,181	0	0
Judicial	826,688	383,403	0	0
Public Safety	1,330,666	1,986,744	0	0
Public Works	0	3,135,179	0	0
Health	141,489	1,396,639	0	0
Human Services	395,589	7,615,793	0	0
Conservation and Recreation	0	13,250	0	0
Economic Development and Assistance	0	354,756	0	0
Other	81,659	50,959	0	0
Capital Outlay	309,742	0	0	727,343
<i>Debt Service:</i>				
Principal Retirement	66,924	0	35,000	3,032
Interest and Fiscal Charges	46,845	10,558	33,217	22,971
<i>Total Expenditures</i>	<u>6,050,169</u>	<u>15,216,462</u>	<u>68,217</u>	<u>753,346</u>
Excess of Revenues Over (Under) Expenditures	(1,040,853)	1,297,934	(33,862)	(408,052)
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Notes	0	0	0	445,170
Operating Transfers - In	73,670	226,900	33,862	270,000
Operating Transfers - Out	(58,900)	(545,532)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>14,770</u>	<u>(318,632)</u>	<u>33,862</u>	<u>715,170</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,026,083)	979,302	0	307,118
Fund Balances (Deficit) at Beginning of Year, As Restated	1,019,436	4,151,986	185	(364,213)
Increase (Decrease) in Reserve for Inventory	(9,377)	4,914	0	0
Fund Balances (Deficit) at End of Year	<u>(\$16,024)</u>	<u>\$5,136,202</u>	<u>\$185</u>	<u>(\$57,095)</u>

See accompanying notes to the general purpose financial statements.

<i><b>FIDUCIARY FUND TYPE</b></i>	Totals (Memorandum Only)	<i><b>COMPONENT UNIT</b></i>	Totals (Memorandum Only)
Expendable Trust	Primary Government	Jackson County Airport Authority	Reporting Entity
\$0	\$5,409,753	\$0	\$5,409,753
0	2,025,496	112,642	2,138,138
0	53,332	0	53,332
0	617,306	0	617,306
24,097	12,499,463	20,000	12,519,463
0	415,973	0	415,973
7,471	913,606	0	913,606
31,568	21,934,929	132,642	22,067,571
0	3,119,748	70,258	3,190,006
0	1,210,091	0	1,210,091
0	3,317,410	0	3,317,410
0	3,135,179	0	3,135,179
0	1,538,128	0	1,538,128
20,001	8,031,383	0	8,031,383
0	13,250	0	13,250
0	354,756	0	354,756
4,752	137,370	5,113	142,483
0	1,037,085	3,662	1,040,747
0	104,956	0	104,956
0	113,591	0	113,591
24,753	22,112,947	79,033	22,191,980
6,815	(178,018)	53,609	(124,409)
0	445,170	0	445,170
0	604,432	0	604,432
0	(604,432)	0	(604,432)
0	445,170	0	445,170
6,815	267,152	53,609	320,761
15,375	4,822,769	18,208	4,840,977
0	(4,463)	0	(4,463)
\$22,190	\$5,085,458	\$71,817	\$5,157,275

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

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
Taxes	\$2,542,441	\$2,546,565	\$4,124
Charges for Services	740,126	761,562	21,436
Licenses and Permits	4,051	4,126	75
Fines and Forfeitures	323,728	344,152	20,424
Intergovernmental	753,509	755,129	1,620
Interest Earnings	373,300	373,300	0
Other	157,304	147,533	(9,771)
<i>Total Revenues</i>	<u>4,894,459</u>	<u>4,932,367</u>	<u>37,908</u>
<b>Expenditures:</b>			
<i>Current:</i>			
<i>General Government:</i>			
Legislative and Executive	3,050,153	2,891,978	158,175
Judicial	855,648	787,341	68,307
Public Safety	1,435,058	1,423,285	11,773
Public Works	0	0	0
Health	143,414	141,489	1,925
Human Services	411,553	398,361	13,192
Conservation and Recreation	0	0	0
Economic Development and Assistance	0	0	0
Other	100,295	98,577	1,718
Capital Outlay	973,899	309,659	664,240
<i>Debt Service:</i>			
Principal Retirement	580,722	580,722	0
Interest and Fiscal Charges	17,323	17,323	0
<i>Total Expenditures</i>	<u>7,568,065</u>	<u>6,648,735</u>	<u>919,330</u>
Excess of Revenues Over (Under) Expenditures	(2,673,606)	(1,716,368)	957,238
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Notes	2,768,682	2,768,682	0
Operating Transfers - In	73,670	73,670	0
Operating Transfers - Out	(58,900)	(58,900)	0
<i>Total Other Financing Sources (Uses)</i>	<u>2,783,452</u>	<u>2,783,452</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	109,846	1,067,084	957,238
Fund Balances (Deficit) at Beginning of Year	763,010	763,010	0
Prior Year Encumbrances Appropriated	<u>60,129</u>	<u>60,129</u>	<u>0</u>
Fund Balances (Deficit) at End of Year	<u>\$932,985</u>	<u>\$1,890,223</u>	<u>\$957,238</u>

See accompanying notes to the general purpose financial statements.

**GOVERNMENTAL FUND TYPES**

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,857,230	\$2,857,230	\$0	\$0	\$0	\$0
1,220,304	1,233,741	13,437	0	0	0
47,702	49,206	1,504	0	0	0
239,226	259,823	20,597	0	0	0
10,654,759	10,711,105	56,346	34,355	34,355	0
13,125	13,125	0	0	0	0
745,320	751,029	5,709	0	0	0
<u>15,777,666</u>	<u>15,875,259</u>	<u>97,593</u>	<u>34,355</u>	<u>34,355</u>	<u>0</u>
366,865	266,706	100,159	0	0	0
461,168	405,758	55,410	0	0	0
2,113,017	1,944,420	168,597	0	0	0
3,257,086	3,150,574	106,512	0	0	0
1,683,543	1,419,952	263,591	0	0	0
8,206,094	7,797,873	408,221	0	0	0
13,250	13,250	0	0	0	0
411,990	410,795	1,195	0	0	0
52,765	50,959	1,806	0	0	0
0	0	0	0	0	0
245,578	245,578	0	35,000	35,000	0
11,951	11,951	0	33,217	33,217	0
<u>16,823,307</u>	<u>15,717,816</u>	<u>1,105,491</u>	<u>68,217</u>	<u>68,217</u>	<u>0</u>
(1,045,641)	157,443	1,203,084	(33,862)	(33,862)	0
218,718	218,718	0	0	0	0
226,900	226,900	0	33,862	33,862	0
(563,571)	(545,532)	18,039	0	0	0
<u>(117,953)</u>	<u>(99,914)</u>	<u>18,039</u>	<u>33,862</u>	<u>33,862</u>	<u>0</u>
(1,163,594)	57,529	1,221,123	0	0	0
3,655,697	3,655,697	0	185	185	0
52,262	52,262	0	0	0	0
<u>\$2,544,365</u>	<u>\$3,765,488</u>	<u>\$1,221,123</u>	<u>\$185</u>	<u>\$185</u>	<u>\$0</u>

(Continued)

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

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$0	\$0	\$0
Charges for Services	39,189	43,164	3,975
Licenses and Permits	0	0	0
Fines and Forfeitures	0	0	0
Intergovernmental	275,496	275,496	0
Interest Earnings	2,683	2,683	0
Other	18,119	18,119	0
<i>Total Revenues</i>	<u>335,487</u>	<u>339,462</u>	<u>3,975</u>
<b>Expenditures:</b>			
<i>Current:</i>			
<i>General Government:</i>			
Legislative and Executive	0	0	0
Judicial	0	0	0
Public Safety	0	0	0
Public Works	0	0	0
Health	0	0	0
Human Services	0	0	0
Conservation and Recreation	0	0	0
Economic Development and Assistance	0	0	0
Other	0	0	0
Capital Outlay	760,890	727,343	33,547
<i>Debt Service:</i>			
Principal Retirement	571,500	571,500	0
Interest and Fiscal Charges	27,812	27,812	0
<i>Total Expenditures</i>	<u>1,360,202</u>	<u>1,326,655</u>	<u>33,547</u>
Excess of Revenues Over (Under) Expenditures	(1,024,715)	(987,193)	37,522
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Notes	670,870	670,870	0
Operating Transfers - In	270,000	270,000	0
Operating Transfers - Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>940,870</u>	<u>940,870</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(83,845)	(46,323)	37,522
Fund Balances (Deficit) at Beginning of Year	213,379	213,379	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances (Deficit) at End of Year	<u>\$129,534</u>	<u>\$167,056</u>	<u>\$37,522</u>

See accompanying notes to the general purpose financial statements.

Expendable Trust Funds			Totals (Memorandum Only) Primary Government		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$5,399,671	\$5,403,795	\$4,124
0	0	0	1,999,619	2,038,467	38,848
0	0	0	51,753	53,332	1,579
0	0	0	562,954	603,975	41,021
24,005	24,097	92	11,742,124	11,800,182	58,058
0	0	0	389,108	389,108	0
7,471	7,471	0	928,214	924,152	(4,062)
<u>31,476</u>	<u>31,568</u>	<u>92</u>	<u>21,073,443</u>	<u>21,213,011</u>	<u>139,568</u>
0	0	0	3,417,018	3,158,684	258,334
0	0	0	1,316,816	1,193,099	123,717
0	0	0	3,548,075	3,367,705	180,370
0	0	0	3,257,086	3,150,574	106,512
0	0	0	1,826,957	1,561,441	265,516
27,044	20,001	7,043	8,644,691	8,216,235	428,456
0	0	0	13,250	13,250	0
0	0	0	411,990	410,795	1,195
7,700	4,752	2,948	160,760	154,288	6,472
0	0	0	1,734,789	1,037,002	697,787
0	0	0	1,432,800	1,432,800	0
0	0	0	90,303	90,303	0
<u>34,744</u>	<u>24,753</u>	<u>9,991</u>	<u>25,854,535</u>	<u>23,786,176</u>	<u>2,068,359</u>
(3,268)	6,815	10,083	(4,781,092)	(2,573,165)	2,207,927
0	0	0	3,658,270	3,658,270	0
0	0	0	604,432	604,432	0
0	0	0	(622,471)	(604,432)	18,039
<u>0</u>	<u>0</u>	<u>0</u>	<u>3,640,231</u>	<u>3,658,270</u>	<u>18,039</u>
(3,268)	6,815	10,083	(1,140,861)	1,085,105	2,225,966
15,375	15,375	0	4,647,646	4,647,646	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>112,391</u>	<u>112,391</u>	<u>0</u>
<u>\$12,107</u>	<u>\$22,190</u>	<u>\$10,083</u>	<u>\$3,619,176</u>	<u>\$5,845,142</u>	<u>\$2,225,966</u>

**JACKSON COUNTY, OHIO**  
**Combined Statement of Revenues,**  
**Expenses and Changes in Fund Equity**  
**Enterprise Funds and Discretely Presented Component Unit**  
**For the Year Ended December 31, 2001**

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>	Totals (Memorandum Only)
	Enterprise	J-Vac Industries, Inc.	Reporting Entity
<b>Operating Revenues:</b>			
Charges for Services	\$8,537	\$103,716	\$112,253
Contributed Services from County	0	357,636	357,636
Other Operating Revenues	50,002	0	50,002
<i>Total Operating Revenues</i>	<u>58,539</u>	<u>461,352</u>	<u>519,891</u>
<b>Operating Expenses:</b>			
Personal Services	3,675	70,384	74,059
Contractual Services	3,330	358,989	362,319
Operational Expenses	0	10,582	10,582
Materials and Supplies	66	13,035	13,101
Other Operating Expenses	895	0	895
Depreciation	4,497	1,072	5,569
<i>Total Operating Expenses</i>	<u>12,463</u>	<u>454,062</u>	<u>466,525</u>
Operating Income (Loss)	46,076	7,290	53,366
<b>Nonoperating Revenues (Expenses):</b>			
Interest Income	0	481	481
Capital Contributions	141,008	0	141,008
Interest and Fiscal Charges	0	(459)	(459)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>141,008</u>	<u>22</u>	<u>141,030</u>
Net Income (Loss)	187,084	7,312	194,396
Retained Earnings at Beginning of Year, As Restated	11,025	30,641	41,666
Retained Earnings at End of Year	198,109	37,953	236,062
Contributed Capital at End of Year	102,710	0	102,710
Total Fund Equity at End of Year	<u>\$300,819</u>	<u>\$37,953</u>	<u>\$338,772</u>

See accompanying notes to the general purpose financial statements.

**JACKSON COUNTY, OHIO**  
**Combined Statement of Cash Flows**  
**Enterprise Funds and Discretely Presented Component Unit**  
**For the Year Ended December 31, 2001**

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>	Totals (Memorandum Only)
	Enterprise	J-Vac Industries, Inc.	Reporting Entity
<b>Cash Flows from Operating Activities:</b>			
Cash Receipts from Customers	\$11,215	\$101,810	\$113,025
Other Operating Receipts	50,002	0	50,002
Cash Payments to Employees	(4,181)	(71,330)	(75,511)
Cash Payments for Contractual Services	(3,330)	(1,353)	(4,683)
Cash Payments for Supplies and Materials	(66)	(11,360)	(11,426)
Cash Payments for Operational Expenses	0	(5,390)	(5,390)
Cash Payments for Other Operating Expenses	(895)	(4,533)	(5,428)
Other Nonoperating Payments	0	(12)	(12)
<i>Net Cash from Operating Activities</i>	<u>52,745</u>	<u>7,832</u>	<u>60,577</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal Paid on Loan	0	(1,881)	(1,881)
Interest Paid on Loan	0	(447)	(447)
Cash Received from Capital Grants	141,008	0	141,008
Acquisition of Capital Assets	(211,837)	0	(211,837)
<i>Net Cash from Capital and Related Financing Activities</i>	<u>(70,829)</u>	<u>(2,328)</u>	<u>(73,157)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest Received on Investments	0	486	486
<i>Net Cash from Investing Activities</i>	<u>0</u>	<u>486</u>	<u>486</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(18,084)	5,990	(12,094)
Cash and Cash Equivalents at Beginning of Year	<u>31,851</u>	<u>20,568</u>	<u>52,419</u>
Cash and Cash Equivalents at End of Year	<u><u>\$13,767</u></u>	<u><u>\$26,558</u></u>	<u><u>\$40,325</u></u>
<b>Reconciliation of Operating Income (Loss) to</b>			
<b>Net Cash from Operating Activities:</b>			
Operating Income (Loss)	\$46,076	\$7,290	\$53,366
<b>Adjustments to Reconcile Operating Income (Loss) to</b>			
<b>Net Cash from Operating Activities:</b>			
Depreciation Expense	4,497	1,072	5,569
Nonoperating Cash Payments	0	(12)	(12)
<b>Changes in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivable	2,678	(1,906)	772
(Increase) Decrease in Inventory	0	1,675	1,675
Increase (Decrease) in Accounts Payable	0	659	659
Increase (Decrease) in Accrued Wages and Benefits	(148)	(946)	(1,094)
Increase (Decrease) in Due to Other Governments	(358)	0	(358)
<i>Net Cash from Operating Activities</i>	<u><u>\$52,745</u></u>	<u><u>\$7,832</u></u>	<u><u>\$60,577</u></u>

**Schedule of Noncash Investing, Capital and Financing Activities:**

During fiscal year 2001, J-Vac Industries, Inc. received \$357,636 of in-kind for facilities, equipment, transportation, and salaries.

See accompanying notes to the general purpose financial statements.

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

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION**

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 operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

**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 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 for which the County approves the budget, the issuance of debt or levying of taxes.

**Discretely Presented Components Units:** The component units column in the combined financial statements identifies the financial data of the County's component units, J-Vac Industries, Inc. and the Jackson County Airport Authority. J-Vac Industries, Inc. and the Jackson County Airport Authority are reported separately to emphasize that they are legally separate from the County.

**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. Therefore, the financial information reported in the General Purpose Financial Statements is presented for the fiscal year July 1, 2000 through June 30, 2001. Separately issued financial statements can be obtained from J-Vac Industries, Inc., located at 202 S. Pennsylvania Avenue, Wellston, Ohio 45692.

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

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)**

Jackson County Airport Authority - Jackson County Airport Authority (the Authority) operates on a fiscal year ending December 31. Therefore, the financial information reported in the General Purpose Financial Statements is presented for the fiscal year January 1, 2001 through December 31, 2001. 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 belongs 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 associated with certain organizations which are defined as either a joint venture or jointly governed organizations. These organizations are presented in Notes 21 and 22 to the General Purpose Financial Statements. These organizations are:

- South Central Ohio Regional Juvenile Detention, Training and Rehabilitation Center
- Gallia, Jackson, Meigs and Vinton Joint Solid Waste Management District
- Buckeye Joint-County Self Insurance Council

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 Health District

**Basis of Presentation - Fund Accounting:** The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes herein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**Governmental Fund Types:** Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in Enterprise Funds) are accounted for through Governmental Funds. The following are the County's Governmental Fund Types:

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

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

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION** (Continued)

**Special Revenue Funds:** These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

**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.

**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).

**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. The following is the Proprietary Fund Type utilized by the County:

**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 (expenses, including depreciation) 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.

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

**Expendable Trust Funds:** These funds are accounted for in essentially the same manner as Governmental Funds.

**Agency Funds:** These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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

**General Fixed Assets Account Group:** The General Fixed Assets Account Group is used to account for all fixed assets of the County, other than those fixed assets accounted for in the Enterprise Funds.

**General Long-Term Obligations Account Group:** The General Long-Term Obligations Account Group is used to account for all long-term debt of the County, except that accounted for in the Enterprise Funds.

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

**Measurement Focus and Basis of Accounting:** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental and Expendable Trust Funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Agency Funds are purely custodial in nature (assets equal liabilities) and thus do not focus on the measurement of operations.

The Enterprise Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise Fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the Governmental, Expendable Trust and Agency Funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. The accrual basis of accounting is followed for the Enterprise Funds.

**Revenues - Exchange and Nonexchange Transactions:** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, and entitlements. Revenue from property taxes is recognized in the fiscal year in which the taxes are levied and revenue from sales taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: earnings on investments, permissive sales tax, federal and state grants and entitlements, charges for services, licenses and permits, and fines and forfeitures.

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

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

**Deferred Revenue:** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses / Expenditures:** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of Governmental and Expendable Trust Fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental or Expendable Trust Funds.

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting", the County has elected not to apply Financial Accounting Standards Boards Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

**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 resolution are subject to 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.

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

**Estimated Resources:** The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The 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 revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual 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 amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

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

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

**Appropriations:** A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the 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.

**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).

**Encumbrances:** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for Governmental Funds.

**Lapsing of Appropriations:** 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 is not reappropriated.

**Cash and Cash Equivalents:** Cash balances of the County's funds, except cash held by a trustee or fiscal agent and in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Each fund type's share of the pool is presented on the balance sheet in the account "Cash and Cash Equivalents." For purposes of the combined statement of cash flows and for presentation on the Combined Balance Sheet, proprietary funds included within the Treasurer's cash management pool that can access their share of the cash management pool without penalty or prior notification to a financial institution are deemed cash equivalents.

Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts." Interest is distributed to the General Fund, Motor Vehicle Fund and Gasoline Tax Fund, Community Development Block Grant (Revolving Loan) Fund and Correction Facility Project Fund. Interest earned during 2001 amounted to \$415,973. Of this amount, \$323,489 represents interest assigned from other funds to the General Fund.

During 2001, the County invested its funds in interest bearing demand accounts, certificates of deposit, sweep accounts with local commercial banks and STAROhio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating contracts such as certificates of deposit and sweep accounts are reported at cost.

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

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2001.

**Materials and Supplies Inventory:** Inventories of Governmental Funds are stated at cost while inventories of Enterprise Funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the Governmental Fund Types when purchased and as expenses in the Enterprise Funds when used. Reported supplies inventory is equally offset by a fund balance reserve in the Governmental Funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

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

**Interfund Assets and Liabilities:** Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

**Fixed Assets and Depreciation:** The fixed asset values initially were determined at December 31, 1996, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at estimated fair market value on the date donated. The County has established \$1,000 as the threshold for which fixed assets are to be reported. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

**General Fixed Assets:** General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in Governmental Funds, and the related assets are reported in the General Fixed Assets Account Group at historical cost or estimated historical cost. Assets in the General Fixed Assets Account Group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the County.

**Enterprise Fund Fixed Assets:** Fixed assets reflected in the Enterprise Funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Sewer treatment plants	25 years
Sewer lines	30 - 40 years

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

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

**Compensated Absences:** The County uses the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end.

County employees earn vacation and sick leave at varying rates depending on length of service and departmental policy. Accumulated, unused vacation time is paid upon separation according to the Employee Handbook, Union Agreement, or Board Policy, whichever is applicable, if the employee has at least one year of service. Accumulated, unused sick leave is paid at various percentages up to various maximum hours according to the Employee Handbook, Union Agreement, or Board Policy, whichever is applicable, depending on the length of service.

For Governmental Funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded as "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. There were no material compensated absences to report as a fund liability in the Enterprise Funds.

**Contributed Capital:** Contributed capital represents resources from other funds, other governments, private sources, and tap-in fees, to the extent they exceed the cost of physical connection to the system, which have been provided to the Enterprise Funds and are not subject to repayment. Those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements. Capital contributions received after December 31, 2000 are recorded as nonoperating revenue in the Enterprise Funds.

**Reserves of Fund Equity:** The County records reservations for those portions of fund balance which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, unclaimed monies, and inventory of supplies.

**Long-term Debt:** Long-term debt is recognized as a liability of a Governmental Fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental Fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group.

**Interfund Transactions:** During the course of normal operations, the County has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

Nonrecurring and non-routine transfers of equity between funds and the transfer of residual balances of discontinued funds or projects to the General Fund or Capital Projects Funds are classified as residual equity transfers.

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

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

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

**Pensions and Postemployment Benefits:** The County has implemented the footnote disclosure requirements of GASB Statement Numbers 12 and 27 which are reflected in Notes 13 and 14 to the financial statements.

**Total Columns on General Purpose Financial Statements:** Total columns on the General Purpose Financial Statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates that a component unit is included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "Reporting Entity" and includes the activity and operations of the County's legally separate discretely presented component units (see Note 1).

**Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - (Budget Basis) - All Governmental Fund Types and Expendable Trust Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for Governmental Fund Types (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The difference in transfers-in and transfers-out on the budget basis statements is due to a transfer to the Enterprise Funds of \$50,000.

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

**NOTE 3 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS (Continued)**

Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses - All Governmental Fund Types			
Description	General	Special Revenue	Capital Projects
Budget Basis	\$1,067,084	\$57,529	(\$46,323)
<b>Revenues - Increase (Decrease) from:</b>			
Taxes	3,428	2,530	0
Charges for Services	(18,951)	3,160	2,820
Fines & Forfeitures	2,729	10,602	0
Intergovernmental	117,309	581,972	0
Interest Earnings	15,081	11,784	0
Other	(42,647)	29,089	3,012
<b>Expenditures - Increase (Decrease) from:</b>			
Legislative & Executive	41,411	(2,475)	0
Judicial	(39,347)	22,355	0
Public Safety	92,619	(42,324)	0
Public Works	0	15,395	0
Health	0	23,313	0
Human Services	2,772	182,080	0
Economic Development and Assistance	0	56,039	0
Other	16,918	0	0
Capital Outlay	(83)	0	0
Debt Service - Principal	513,798	245,578	568,468
Debt Service - Interest	(29,522)	1,393	4,841
Other Sources (Uses)	(2,768,682)	(218,718)	(225,700)
GAAP Basis	<u>(\$1,026,083)</u>	<u>\$979,302</u>	<u>\$307,118</u>

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

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**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

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

<u>General Fund</u>	\$16,024
<u>Special Revenue Funds:</u>	
Litter Control	2,733
Youth Services Grant	6,344
Youth and Community Partnerships/AmeriCorps Program	422
<u>Capital Projects Funds:</u>	
GIS Project	225,627
EMS Project	445,170
<u>Enterprise Funds:</u>	
Green Acres	53,029

These deficits do not exist on the cash basis and are the result of applying generally accepted accounting principles. These deficits will be eliminated through either future revenues or interfund transfers. Interfund transfers are made on a cash basis as cash is needed and not when expenditures/expenses are accrued.

**B. Compliance**

The following funds and accounts had expenditures plus encumbrances in excess of appropriations at year end, contrary to Section 5705.41, Ohio Revised Code:

Special Revenue Funds:

Youth and Community Partnerships/AmeriCorps Program	
Judicial	\$344

**NOTE 5 - CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS**

The County has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues."

GASB Statement No. 33 establishes accounting and financial reporting guidelines about when to report the results of nonexchange transactions. GASB Statement No. 36 is a modification to the provisions of GASB Statement No. 33 for certain specific nonexchange revenues. The implementation of these statements required prior period adjustments to accrue intergovernmental receivables in the Special Revenue Funds, which increased the fund balance.

Previously, the County received grant revenue of \$18,000 in the Enterprise Funds, that was used for capital improvement projects. A prior period adjustment was made to reclassify this receipt to contributed capital. This adjustment had the effect of decreasing retained earnings and increasing contributed capital in the Enterprise Funds. The prior period changes had a net effect of \$186,189 for the Special Revenue Funds and \$42,640 for the Enterprise Funds on the excess of revenues over expenses.

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

**NOTE 5 - CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS (Continued)**

	Special Revenue	Enterprise
Fund Balance/Retained Earnings as Previously Stated at December 31, 2000	\$3,965,797	(\$31,615)
Net Adjustment Due to Implementation of GASB Statement No. 33	186,189	0
Adjustment Due to Error in Recording Fixed Assets in Prior Period	0	60,640
Net Adjustment Due to Reclassification of Contributed Capital	0	(18,000)
Fund Balance/Retained Earnings as Restated at January 1, 2001	\$4,151,986	\$11,025

The implementation of GASB Statement No. 33 and GASB Statement No. 36 also resulted in prior period adjustments that did not affect the fund balances. These adjustments affected the prior period intergovernmental receivable and deferred revenue balances by increasing each \$28,391 and \$561,046 in the General Fund and Special Revenue Funds, respectively. Adjustments were also made to the Agency Funds which had the affect of increasing the prior period intergovernmental receivable and due to other governments balances by \$1,009,068.

**NOTE 6 - CASH, DEPOSITS AND INVESTMENTS**

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

Moneys held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
4. Bond 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;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

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

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**NOTE 6 - CASH, DEPOSITS AND INVESTMENTS (Continued)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. 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;
9. High grade commercial paper with a maturity that does not exceed 180 days and an amount that does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; and
10. Bankers acceptances with a maturity that does not exceed 180 days and that are eligible for purchase by the Federal Reserve System.

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.

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

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

At year end, the County had \$60,794 in undeposited cash on hand which is included on the balance sheet as part of "cash and cash equivalents".

The bank balances of deposit and investments are as follows:

* Cash and Cash Equivalents (carrying amounts):	
- Pooled	\$9,122,540
- Segregated	546,933
- Component Units	98,375
* Reconciling Items (Net) to Arrive at Bank Balances of Deposits	855,612
Total Available for Deposit and Investment (Bank Balance of Deposits/Carrying Amount of Investments)	\$10,623,460

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

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**NOTE 6 - CASH, DEPOSITS AND INVESTMENTS** (Continued)

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

A public depository may, at its option, pledge a single pool of eligible securities to secure the repayment of all public monies held by depository. The pool of securities so pledged must have a current fair value at least equal to 105% of all public monies on deposit with the depository including the amount covered by federal insurance.

GASB Statement No. 9 requires the County to report cash flows for its Enterprise Funds and Component Unit. For purposes of the Statement of Cash Flows, the County defines cash and cash equivalents in the Enterprise Funds and Component Unit as demand deposit accounts and all highly liquid investments with an original maturity of three months or less.

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

Category 1: Investments that are insured or registered, or securities held by the County or its agent in the County's name;

Deposits that are insured or collateralized with securities held by the County or its agent in the County's name.

Category 2: Investments that are uninsured and unregistered, with securities held by the counter-party's trust department or agent in the County's name;

Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

Category 3: Investments that are uninsured and unregistered, with securities held by the counter-party or its trust department or agent but not in the County's name;

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

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

**NOTE 6 - CASH, DEPOSITS AND INVESTMENTS (Continued)**

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

	Category		Bank	Carrying	Fair
	1	3	Balance	Amount	Value
<i>Deposits:</i>					
Demand Deposits	\$556,614	\$606,251	\$1,162,865	\$246,459	
Certificates of Deposit	66,761	4,452,654	4,519,415	4,519,415	
Component Units	98,375	0	98,375	98,375	
Total Deposits	<u>\$721,750</u>	<u>\$5,058,905</u>	<u>\$5,780,655</u>	<u>\$4,864,249</u>	
<i>Investments:</i>					
Sweep Account	\$0	\$703,000		\$703,000	\$703,000
STAROhio*	<u>0</u>	<u>0</u>		<u>4,139,805</u>	<u>4,139,805</u>
Total Investments	<u>\$0</u>	<u>\$703,000</u>		<u>\$4,842,805</u>	<u>\$4,842,805</u>

\* STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash & Cash Equivalents	Investments
GASB Statement No. 9	\$9,767,848	\$0
Undeposited Cash on Hand	(60,794)	0
Investments:		
Sweep Account	(703,000)	703,000
STAROhio	<u>(4,139,805)</u>	<u>4,139,805</u>
GASB Statement No. 3	<u>\$4,864,249</u>	<u>\$4,842,805</u>

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

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed for tax year 1999. The last update was completed for tax year 1996. Real property taxes are payable annually or semiannually. The first payment is due April 27, with the remainder payable by October 29.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due November 30. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by November 30. Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2001. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2001 operations. The receivable is therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2001, was \$10.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Category	Assessed Value
<i>Real Property:</i>	
Residential/Agricultural	\$207,936,070
Commercial/Industrial	64,583,310
Public Utilities	45,020
Minerals	361,100
<i>Tangible Personal Property:</i>	
General	51,516,782
Public Utilities	41,808,550
Total Valuation	\$366,250,832

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

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**NOTE 8 - 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.

Proceeds of the tax are credited to the General Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2001 amounted to \$1,291,697 for the General 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 2001 amounted to \$1,276,663 for the Jail Special Revenue Fund.

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

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**NOTE 9 - INTERGOVERNMENTAL REVENUE**

The following is a summary of major intergovernmental revenues:

General Fund:

Local Government	\$514,060
State Property Tax Reimbursements	232,177
Other	126,201

<i>Total General Fund</i>	\$872,438
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Special Revenue Funds:

Motor Vehicle Gas Tax	\$3,164,579
Public Assistance	5,710,873
Child Support Enforcement	349,801
Children's Services	599,969
Emergency Medical Services	162,935
Board of MRDD	888,551
Family Resources	23,345
CDBG	181,720
SVAA	57,094
Felony Delinquent Care	114,636
Other	39,574

<i>Total Special Revenue Funds</i>	\$11,293,077
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Debt Service Funds:

Bond Retirement Waste Facility	\$34,355
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<i>Total Debt Service Funds</i>	\$34,355
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Capital Projects Funds:

Issue II	\$275,496
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<i>Total Capital Projects Funds</i>	\$275,496
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Expendable Trust Funds:

Foster Care	\$24,097
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<i>Total Expendable Trust Funds</i>	\$24,097
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**JACKSON COUNTY, OHIO**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2001**

**NOTE 10 - INTERFUND TRANSFERS**

A summary of operating transfers by fund type follows:

Transfers From	Transfers To				Total
	General	Special Revenue	Debt Service	Capital Projects	
General	\$0	\$58,900	\$0	\$0	\$58,900
Special Revenue	73,670	168,000	33,862	270,000	545,532
Total	<u>\$73,670</u>	<u>\$226,900</u>	<u>\$33,862</u>	<u>\$270,000</u>	<u>\$604,432</u>

**NOTE 11 - FIXED ASSETS**

A summary of the Enterprise Fund fixed assets at December 31, 2001 are as follows:

	Enterprise
Sewer Plants	\$42,000
Sewer Lines	103,350
Construction in Progress	211,837
Total Fund Fixed Assets	357,187
Less: Accumulated Depreciation	(70,116)
Total Fund Fixed Assets (net of accumulated depreciation)	<u>\$287,071</u>

A summary of the changes in general fixed assets during 2001 is as follows:

Asset Category	Balance at 12/31/00	Additions	Deletions	Balance at 12/31/01
Land	\$159,216	\$47,418	\$0	\$206,634
Buildings	8,414,700	519,101	0	8,933,801
Machinery & Equipment	4,617,445	288,165	274,779	4,630,831
Plant Facilities	144,550	0	0	144,550
Construction in Progress	0	445,170	0	445,170
Totals	<u>\$13,335,911</u>	<u>\$1,299,854</u>	<u>\$274,779</u>	<u>\$14,360,986</u>

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

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**NOTE 12 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2001, the County contracted with the Buckeye Joint-County Self-Insurance Council, a jointly governed organization, for liability, auto and crime insurance. This jointly governed organization is a cost-sharing pool. The program has a \$0 to \$25,000 deductible per occurrence.

Coverage provided by the program is as follows:

<u>TYPE OF COVERAGE</u>	<u>ANNUAL-AGGREGATE</u>	<u>DEDUCTIBLE</u>
General Liability	\$1,000,000 / \$3,000,000	\$1,000
Property Damage Liability	100,000 / 100,000	1,000
Public Official Liability	1,000,000 / 2,000,000	1,000
Law Enforcement	1,000,000 / 2,000,000	1,000
Auto Liability	1,000,000 per occurrence	0
Uninsured Motorists Insurance	1,000,000 per occurrence	0
Pollution Liability	10,000	1,000
All Risk Blanket Property	Bldg. & Cont. per Schedule	500
Extra Expense	1,000,000	500
Personal Property of Others	100,000	500
Flood (No coverage in 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 (Inc. Food Stamps)	500,000	500
Boiler and Machinery (Total for all members)	25,000,000	500
Inland Marine	Per Scheduled Activity	100
Auto Comprehensive	Per Scheduled Activity	100
Auto Collision	Per Scheduled Activity	250
Nurse Liability	1,000,000	1,000
EMT / EMTA / PARAMEDIC	1,000,000 / 3,000,000	1,000

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

**NOTE 12 - RISK MANAGEMENT (Continued)**

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% 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.

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 are accounted for in the General Fund. Incurred but not reported claims of \$7,394 have been accrued as a liability based on a review of January - March 2002 billings provided by the County Auditor's Office. The remaining claims reflected in the schedule below relate to the vision self insurance plan which continued in effect for all of 2001.

	2001	2000
Incurred but Not Reported Claims	\$4,312	\$2,839
Estimated Current Year Claims	30,733	33,473
Actual Paid Claims - Current and Prior Year	(27,651)	(32,000)
Incurred but Not Reported Claims	\$7,394	\$4,312

**NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS**

**Public Employees Retirement System:** All Jackson County full-time employees, other than certified teachers with the Board of Mental Retardation and Developmental Disabilities (MR/DD), participate in the Public Employees Retirement System of Ohio (the "System"), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

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

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**NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS (Continued)**

The Ohio Revised Code provides statutory authority for employee and employer contributions rates. Plan members, other than those engaged by law enforcement, are required to contribute 8.5% of their annual covered salary and for 2001, the County is required to contribute 13.55%. In January 2001, House Bill 416 divided the PERS 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%. All other members of the PERS law enforcement programs were placed in the newly named public safety division and continued to contribute at 9%. For 2001, the County contributed for law enforcement employees at a rate of 16.70%. The County's required contributions to PERS for the years ending December 31, 2001, 2000, and 1999 were \$914,571, \$611,389 and \$741,480, respectively; 77% has been contributed for 2001 and 100% for years 2000 and 1999. Of the 2001 amounts, \$146,477 was unpaid at December 31, 2001 and is recorded as a liability in the respective funds or in the General Long-Term Obligations Account Group.

**State Teachers Retirement System:** The Jackson County Board of Mental Retardation and Developmental Disabilities contributes to the State Teachers Retirement System of Ohio (STRS) for all certified teachers, a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit 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 for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (674) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's required contributions to STRS for the years ended December 31, 2001, 2000, and 1999 were \$22,316, \$14,025, and \$19,893, respectively; 100% has been contributed for each of the years 2001, 2000, and 1999.

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System or the State Teachers Retirement System have an option to choose social security or the Public Employees Retirement System/State Teachers Retirement System.

**Social Security System:** Two members of the Board of Elections and one Veterans Service member, not otherwise covered by another retirement system, are covered by Social Security. Jackson County's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**Public Employees Retirement System:** The Public Employees Retirement System of Ohio (the System) provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the System is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. For local government employer units that rate was 13.55% of covered payroll; 4.30% was the portion used to fund health care for the year. The 2001 employer rate was 16.70% and 4.30% was used to fund health care to both the law enforcement and public safety divisions.

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

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**NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)**

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2000. 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 2000 was 7.75%. An annual increase of 4.75% 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 4.75% base increase, were assumed to range from 0.54% to 5.10%. Health care costs were assumed to increase 4.75% annually.

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2000, the number of active contributing participants was 411,076. The County contributions actually made to fund postemployment benefits during fiscal year 2001 were \$286,073. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2000 was \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

**State Teachers Retirement System:** The State Teachers Retirement System provides comprehensive health care benefits to retired teachers and their dependents. Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The State Teachers Retirement System is funded on a pay-as-you-go basis. All STRS benefit recipients and sponsored dependents are eligible for health coverage. The State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the County, this amount equaled \$7,173 during the 2001 fiscal year. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001. For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

**NOTE 15 - DEFERRED COMPENSATION**

Jackson County employees and elected officials may participate in either the Ohio Public Employees Deferred Compensation Program or the County Commissioners' Association of Ohio Deferred Compensation Program, both created in accordance with Internal Revenue Service Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, death or in the case of an unforeseeable emergency.

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

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

**NOTE 16 - LONG-TERM OBLIGATIONS**

The County's long-term obligations at year end consisted of the following:

Type/Issues	Interest Rate	Maturity Date	Balance at 12/31/00	Additions	Reductions	Balance at 12/31/01
County Garage General Obligation Bonds Payable	6.50%- 6.75%	9/15/11	\$280,000	\$0	\$15,000	\$265,000
Waste Facility General Obligation Bonds Payable	4.95%	12/1/12	290,000	0	20,000	270,000
<i>Total General Obligation Bonds</i>			570,000	0	35,000	535,000
EMS Note Payable	5.90%	5/30/11	0	445,170	0	445,170
<i>Total General Obligation Notes</i>			0	445,170	0	445,170
Compensated Absences			470,115	28,880	0	498,995
Due to Other Governments			290,304	249,113	290,304	249,113
Capital Leases			92,190	0	66,924	25,266
<i>Total General Long-Term Obligations</i>			<u>\$1,422,609</u>	<u>\$723,163</u>	<u>\$392,228</u>	<u>\$1,753,544</u>

The County Garage General Obligation Bonds were issued in 1992 for construction of the County Garage and 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. As a result, the County has reflected bond payments due from the Waste District as intergovernmental receivable and deferred revenue in the Debt Service Funds. 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 has been approved to draw up to \$620,000 on the EMS note, however, only \$445,170 has been drawn at year end.

The compensated absences and due to other governments will be paid from the fund from which the employees are paid. Additions and reductions of accrued vacation and sick leave are shown net since it is impractical for the County to determine these amounts separately. The capital lease obligation is being retired through the General Fund.

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

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

The following is a summary of the County's future principal and interest requirements for the general obligation bonds. The EMS Note Payable has not been included in the amortization schedule since the entire note has not been drawn at year end. If the County does draw the entire \$620,000 on the note, it is anticipated that principal and interest payments will be \$84,180 annually through the year ended December 31, 2011.

For the Year Ended December 31,	County Garage G.O. Bonds	Waste Facility G.O. Bonds
2002	\$37,888	\$33,365
2003	36,537	32,375
2004	35,188	31,385
2005	38,838	30,395
2006	37,150	34,405
2007-2011	188,075	163,215
2012-2016	0	31,485
Sub-total	373,676	356,625
Less: Interest	108,676	86,625
Total	\$265,000	\$270,000

**Compensated Absences:** Upon retirement, employees with credited service are paid twenty-five (25) percent, up to a maximum of thirty (30) days, of their accrued sick leave. Vacation time is vested for employees after a minimum of one (1) year of credited service. Unused vacation may be accumulated up to three (3) years according to Ohio law. All sick leave and vacation time is compensated at the employee's current rate of pay at the time of retirement or termination. The liability reflected above as part of the General Long-Term Obligations Account Group represents the long-term portion of accumulated sick leave and vacation time. The current portion of this liability is reflected within each of the appropriate funds.

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

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

**Capital Leases:** The County has entered into lease agreements as lessee for financing the acquisition of 2 photocopiers and certain sheriff's cruiser's. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates in the General Fixed Assets Account Group. The assets acquired through capital leases are machinery and equipment valued at \$203,663. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2001 are as follows:

For the Year Ended December 31,	General Long-Term Obligations
2002	\$21,000
2003	3,847
2004	1,105
Total Minimum Lease Payments	25,952
Less: Amount Representing Interest	(686)
Present Value of Minimum Lease Payments	\$25,266

**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 are 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. As of December 31, 2001, \$4,000,000 of Multifamily Housing Mortgage Revenue Bonds and \$500,000 of Taxable Multifamily Housing Mortgage Revenue Bonds had been issued, and \$4,500,000 of those remain outstanding.

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

**NOTE 17 - NOTES PAYABLE**

A summary of the note transactions for the year ended December 31, 2001 follows:

Type/Issues	Interest Rate	Maturity Date	Balance at 12/31/00	Additions	Reductions	Balance at 12/31/01
<i>General Fund:</i>						
Computer Equipment	4.88%	10/11/01	\$24,022	\$0	\$24,022	\$0
Computer Equipment	2.54%	10/10/02	0	12,282	0	12,282
Building (YMCA)	4.88%	10/11/01	74,700	0	74,700	0
Building (YMCA)	2.54%	10/10/02	0	65,400	0	65,400
Justice Center	4.25%	10/10/01	0	482,000	482,000	0
Justice Center	2.54%	10/10/02	0	434,000	0	434,000
County Building Imp.	2.80%	10/10/02	0	275,000	0	275,000
Job & Family Services Building	2.54%	10/10/02	0	1,500,000	0	1,500,000
Total General Fund			<u>\$98,722</u>	<u>\$2,768,682</u>	<u>\$580,722</u>	<u>\$2,286,682</u>
<i>Special Revenue Funds:</i>						
Computer Equipment	4.88%	10/11/01	\$38,178	\$0	\$38,178	\$0
Computer Equipment	2.54%	10/10/02	0	19,518	0	19,518
MRDD Roof Replacement	4.88%	10/11/01	44,400	0	44,400	0
MRDD Roof Replacement	2.54%	10/10/02	0	36,200	0	36,200
Highway Equipment	4.88%	10/11/01	163,000	0	163,000	0
Highway Equipment	2.54%	10/10/02	0	163,000	0	163,000
Total Special Revenue Funds			<u>\$245,578</u>	<u>\$218,718</u>	<u>\$245,578</u>	<u>\$218,718</u>
<i>Capital Projects Funds:</i>						
GIS Project	4.88%	10/11/01	\$251,500	\$0	\$251,500	\$0
GIS Project	2.54%	10/10/02	0	225,700	0	225,700
Correction Facility Project	4.88%	10/11/01	320,000	0	320,000	0
Total Capital Projects Funds			<u>\$571,500</u>	<u>\$225,700</u>	<u>\$571,500</u>	<u>\$225,700</u>
Total All Funds			<u>\$915,800</u>	<u>\$3,213,100</u>	<u>\$1,397,800</u>	<u>\$2,731,100</u>

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

**NOTE 17 - NOTES PAYABLE (Continued)**

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 reporting the liability. The County issued the 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 is being paid off by both the General Fund and the Real Estate Assessment Fund. The General Fund's share is 40% and the Real Estate Assessment Fund's share is 60%. The liabilities and respective principal payments are reflected in each of these funds accordingly.

**NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The County maintains two Enterprise Funds which are intended to be self-supporting through user fees charged for services provided to consumers for sewage services. Financial segment information as of and for the year ended December 31, 2001, is as follows:

	Green Acres Sewer	Fisher Sewer	Total Enterprise Funds
Operating Revenues	\$58,539	\$0	\$58,539
Operating Expenses Before Depreciation	7,966	0	7,966
Depreciation Expense	4,497	0	4,497
Operating Income (Loss)	46,076	0	46,076
Capital Contributions	141,008	0	141,008
Net Income (Loss)	187,084	0	187,084
Net Working Capital	12,742	1,006	13,748
Total Assets	299,832	1,006	300,838
Total Fund Equity	299,813	1,006	300,819

**Discontinued Operations:** The County discontinued operations of the Green Acres Sewer in March 2001. The County relinquished the operation of the Green Acres Sewer to the City of Wellston. The City now handles the billing however, as of the end of the year the County still carries the fixed assets on their books. The County will relinquish the assets and liabilities of the Green Acres Sewer to the City of Wellston in 2002. Net income, assets, and liabilities pertaining to the discontinued operations are shown in the above table.

**NOTE 19 - CONTRIBUTED CAPITAL**

During 2001, there were no changes in contributed capital. As of December 31, 2001 the County had a contributed capital balance in the Green Acres Sewer of \$102,710.

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

**NOTE 20 - INTERFUND TRANSACTIONS**

Interfund balances at December 31, 2001 consist of the following individual fund receivables and payables:

Fund Type/Fund	Due from Other Funds	Due to Other Funds	Due from Other Funds - Taxes	Due to Other Funds - Taxes
General Fund	\$31,359	\$0	\$1,399,056	\$0
<i>Special Revenue Funds:</i>				
Motor Vehicle & Gasoline Tax	1,881	0	0	0
Marriage License	374	0	0	0
Board of MRDD	0	0	500,000	0
Emergency Medical Services	0	0	960,272	0
Indigent Drivers Alcohol Treatment	266	0	0	0
Probate Court Conduct of Business	212	0	0	0
Indigent Guardianship	760	0	0	0
Electronic House Arrest	10	0	0	0
Litter Control	0	2,733	0	0
Youth Services Grant	0	6,344	0	0
Youth & Community Partnership/AmeriCorps Program	0	422	0	0
Jail	2,213	0	0	0
Court Computerization	1,983	0	0	0
Computer - Common Pleas Court	4,050	0	0	0
<b>Total Special Revenue Funds</b>	<b>11,749</b>	<b>9,499</b>	<b>1,460,272</b>	<b>0</b>
<i>Agency Funds:</i>				
Agency Tax	0	0	0	2,859,328
Court Agency	0	33,609	0	0
<b>Total Agency Funds</b>	<b>0</b>	<b>33,609</b>	<b>0</b>	<b>2,859,328</b>
<b>Total All Funds</b>	<b>\$43,108</b>	<b>\$43,108</b>	<b>\$2,859,328</b>	<b>\$2,859,328</b>

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

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**NOTE 21 - 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 2001, contributed \$62,485 toward the operation of this facility. During 2001, the Board of Trustees for the Center determined that it is 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 the 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.

**NOTE 22 - JOINTLY GOVERNED ORGANIZATIONS**

**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.

**Buckeye Joint-County Self Insurance Council**

The Buckeye Joint-County Self Insurance Council is a jointly governed organization that serves Athens, Hocking, Jackson, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton, and Washington Counties and was formed as an insurance pool for the purpose of providing general liability, law enforcement, professional and fleet insurance. Member counties provide operating resources to the organization base on actuarially determined rates.

The degree of control exercised by any participating government is limited to its representation on the Board. Jackson County does not have any ongoing interest or responsibility in the organization.

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

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**NOTE 23 - RELATED PARTY TRANSACTION**

**J-Vac Industries, Inc.**

J-Vac Industries, Inc., a discretely presented component unit of Jackson County, received contributions from the County for facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its program. These contributions are reflected as operating revenues and operating expenses at cost or fair market value as applicable, in the General Purpose Financial Statements. During the fiscal year of J-Vac Industries, Inc. which runs from July 1, 2000 through June 30, 2001, these contributions were \$357,636.

**NOTE 24 - 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.

The County had several pending litigation cases at December 31, 2001. Management believes that the financial impact of these cases, if any would not be material to the financial statements of the County.

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

**NOTE 25 - CONTRACTUAL COMMITMENTS**

As of December 31, 2001, the County had outstanding or planned contractual purchase commitments for the completion of several projects:

Project	Original Contract Amount	Additions/ (Deletions)	Amount Expended	Balance at 12/31/01
Jones-Stuckley Ltd., Inc. Engineering	\$89,879	\$0	\$29,976	\$59,903
Chapman Martin Excavating and Grading Fairgreen Sanitary Sewer Phase 2	169,458	22,302	184,555	7,205
H. K. Contracting Group SEOMS Station #9 - General	259,182	0	246,223	12,959
United Plumbing SEOMS Station #9 - Mechanical	46,152	0	31,239	14,913
J. R. & M. Construction SEOMS Station #10 - General	128,866	1,376	0	130,242
A. J. Stockmeister SEOMS Station #10 - HVAC	10,900	0	0	10,900
United Plumbing SEOMS Station #10 - Plumbing	16,925	0	0	16,925
Portland Electric SEOMS Station #10 - Electrical	14,949	0	0	14,949
TNT-LLC Construction Wellston SR 93 / Grady Lane Waterline	80,130	0	0	80,130
Southern Ohio Trenching & Excavating Wellston West End Restroom Project	80,130	0	0	80,130
<b>Total</b>	<b>\$896,571</b>	<b>\$23,678</b>	<b>\$491,993</b>	<b>\$428,256</b>

**NOTE 26 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS**

**Nature of Activities**

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

The Jackson County Airport Authority (the Authority) operates the airport in Jackson County. Operating activities include sale of fuel and airplane rental fees. The revenues earned by the facility and contributions from the County fund the operation. During 2001, the County contributed \$20,000 to the Authority.

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

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**NOTE 26 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

**Estimates**

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

**Income Taxes**

The Organization is a nonprofit organization that is exempt from income taxes under 501 (c)(3) of the Internal Revenue Code.

**Measurement Focus and Basis of Accounting**

The Organization uses fund accounting to report on their operations and uses the full accrual basis of accounting set forth in SFAS No. 117 for non-profit corporations. The Authority uses fund accounting to report on their operations and uses the cash basis of accounting that is then converted to accrual accounting at year end.

**Budgetary Basis of Accounting**

Budgetary basis of accounting for the discretely presented component units is not presented because they are not included in the entity for which the “appropriated budget” is adopted and do not maintain separate budgetary financial records.

**Cash and Cash Equivalents**

The Organization and the Authority consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As shown in Note 6, all deposits are insured by FDIC.

**Fixed Assets**

The Organization’s fixed assets consist of the following:

Equipment	\$32,235
Vehicles	27,587
Less: Accumulated Depreciation	<u>(56,606)</u>
Total Fixed Assets	<u><u>\$3,216</u></u>

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

The Authority’s fixed assets are owned by the County and are included in the County’s general fixed assets.

**Segment Information**

Net working capital for the Organization as of June 30, 2001 was \$34,737. Other segment information can be obtained in the General Purpose Financial Statements.

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

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant - State's Program	B-F-98-037-1 B-F-99-037-1 B-F-00-037-1 B-W-99-037-1	14.228	\$ 6,513 32,000 12,100 <u>153,814</u>
Total Community Development Block Grant			<u>204,427</u>
Community Housing Improvement Program (CHIP)	B-C-98-037-1 B-C-00-037-1	14.228	28,188 <u>51,190</u>
Total Community Housing Improvement Program (CHIP)			<u>79,378</u>
HOME Investment Partnerships Program	B-C-98-037-2 B-C-00-037-2	14.239	76,472 <u>17,714</u>
Total HOME Investment Partnerships Program			<u>94,186</u>
Total U.S. Department of Housing and Urban Development			<u>377,991</u>
<b><u>U.S. DEPARTMENT OF COMMERCE</u></b>			
<i>Direct from the Federal Government</i>			
Economic Adjustment Assistance Grant	N/A	11.307	<u>141,008</u>
Total U.S. Department of Commerce			<u>141,008</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through State Department of Health:</i>			
Special Education Cluster: Special Education - Grants to States (Title VI-B)	066050-6B-SF-01P 066050-6B-SF-02P	84.027	12,671 <u>7,234</u>
Total Special Education-Grants to States			<u>19,905</u>
Special Education - Preschool Grants (Handicapped Preschool)	066050-PG-S1-2001P	84.173	<u>2,853</u>
Total Special Education Cluster			<u>22,758</u>
Total U.S. Department of Education			<u>22,758</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through State Department of Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant - Title XX	MR-82	93.667	27,455
Medical Assistance Program - CAFS	N/A	93.778	<u>95,677</u>
Total U.S. Department of Health and Human Services			<u>123,132</u>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>			
<i>Passed Through Ohio Department of Job and Family Services</i>			
Workforce Investment Act (WIA):			
SFY 2001 WIA Adult Program	N/A	17.255	27,872
SFY 2001 WIA Youth Program	N/A	17.255	36,132
SFY 2001 WIA Dislocated Worker Program	N/A	17.255	71,684
Rapid Response	N/A	17.255	21,229
Administration	N/A	17.255	1,006
SFY 2002 WIA Adult Program	N/A	17.258	23,317
SFY 2002 WIA Youth Program	N/A	17.259	163,525
SFY 2002 WIA Dislocated Worker Program	N/A	17.260	<u>71,113</u>
Total Workforce Investment Act			<u>415,878</u>
Total U.S. Department of Labor			<u>415,878</u>

JACKSON COUNTY

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

FEDERAL GRANTOR/ <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u></b>			
<i>Passed Through Ohio Department of Public Safety</i>			
Emergency Management Performance Grant	H418	83.552	13,421
Total Federal Emergency Management Agency			13,421
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>			
<i>Passed Through Ohio Department of Youth Services</i>			
AmeriCorps Grant	YPC-032-01	94.006	2,753
Total Corporation for National and Community Service			2,753
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Direct from the Federal Government</i>			
Emergency Watershed Protection Grant	N/A	10.904	18,383
Total U.S. Department of Agriculture			18,383
<b>Total Federal Awards Expenditures</b>			<b>\$ 1,115,324</b>

*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, 2001

#### **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, except expenditures of assistance passed through the Ohio Department of Job and Family Services Workforce Investment Act Programs are presented on an accrual basis.

#### **NOTE B – SUBRECIPIENTS**

The County passes-through certain Federal assistance received from the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As described in Note A, the Government records expenditures of Federal awards to subrecipients when paid in cash, except expenditures paid to Workforce Investment Act subrecipients are recognized on an accrual basis.

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 mortgages on the property and by equipment. At December 31, 2001, the gross amount of loans outstanding under this program were \$15,582. Delinquent amounts due are \$2,970.

#### **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 2001.

#### **NOTE F – TRANSFERS OUT OF JTPA CLUSTER TO WORKFORCE INVESTMENT ACT (WIA)**

The expenditures made from the JTPA Cluster under WIA were included in the total expenditures of WIA. The amount of expenditures from the JTPA Cluster under WIA was \$35,659.

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

Jackson County  
228 East Main Street  
Jackson, Ohio 45640

To the Board of County Commissioners:

We have audited the general-purpose financial statements of Jackson County, Ohio (the County), as of and for the year ended December 31, 2001, and have issued our report thereon dated September 26, 2002, wherein we issued an adverse opinion on the Jackson County Airport Authority component unit and wherein we noted the County adopted Governmental Accounting Standards Board Statements 33 and 36. In addition, we did not audit the financial statements of J-Vac Industries, Inc., the County's other discretely presented component unit.

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 and Questioned Costs as items 2001-60740-001 through 2001-60740-004 and items 2001-60740-007 through 2001-60740-010. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated September 26, 2002.

**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 and Questioned Costs as items 2001-60740-005, 2001-60740-006, and 2001-60740-011.

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 item 2001-60740-011 to be a material weakness. 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 September 26, 2002.

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

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

**Jim Petro**  
Auditor of State

September 26, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Jackson County  
228 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 its major federal programs for the year ended December 31, 2001. Jackson County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 generally accepted auditing standards; 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 2001-60740-012, 2001-60740-013, and 2001-60740-016 through 2001-60740-019 of the accompanying Schedule of Findings and Questioned Costs, Jackson County did not comply with requirements regarding Reporting, Cash Management, and Allowable Costs/Cost Principles that are applicable to its Community Development Block Grants and Workforce Investment Act Grant. Compliance with such requirements is necessary, in our opinion, for Jackson County to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Jackson 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, 2001. We also 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 September 26, 2002.

### Internal Control Over Compliance

The management of Jackson 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 and Questioned Costs as items 2001-60740-014 through 2001-60740-016, 2001-60740-018, and 2001-60740-019.

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 2001-60740-016, 2001-60740-018, and 2001-60740-019 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 September 26, 2002.

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.



**Jim Petro**  
Auditor of State

September 26, 2002

**JACKSON COUNTY**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d)(1)(i)	Type of Financial Statement Opinion	Adverse
(d)(1)(ii)	Were there any material control weakness conditions reported at 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 noncompliance 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 Section .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant – CFDA # 14.228 Workforce Investment Act – CFDA #17.255, 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 AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
DECEMBER 31, 2001  
(Continued)**

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

**FINDING NUMBER 2001-60740-001**

**Finding for Recovery**

Ohio Rev. Code §325.10 and §325.18 provide for the salaries to be paid to County Commissioners. Patrick Bailey, a former Jackson County Commissioner, was elected to a four year term beginning January 1, 1997. During those four years he was paid correctly according to the Ohio Revised Code. As of December 22, 2000, Mr. Bailey had been paid the full amount of his salary for 2000 per the Ohio Revised Code. He was paid an additional amount on January 12, 2001, in the amount of \$804.77, despite the fact he had already received his total authorized compensation during his term, thereby being overpaid by \$804.77.

	<b>Per ORC</b>	<b>Per W2'S</b>	<b>Overpayment</b>
<b>1997</b>	\$ 28,307.00	\$ 28,307.00	\$ -
<b>1998</b>	\$ 29,157.00	\$ 29,157.00	\$ -
<b>1999</b>	\$ 30,031.00	\$ 30,031.00	\$ -
<b>2000</b>	\$ 30,932.00	\$ 30,932.00	\$ -
<b>2001</b>	\$ -	\$ 804.77	\$ (804.77)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for money illegally expended is hereby issued against Patrick Bailey, former County Commissioner, and American States Insurance Company, his bonding company, in the amount of eight hundred four dollars and seventy-seven cents (\$804.77), in favor of Jackson County's General Fund.

**FINDING NUMBER 2001-60740-002**

**Finding for Recovery – Repaid Under Audit**

Ohio Rev. Code §325.10 and §325.18 provide for the salaries to be paid to County Commissioners. Ponney Cisco, former Jackson County Commissioner, was elected to a four year term beginning January 2, 1997. During those four years he was paid correctly according to the Ohio Revised Code. As of December 22, 2000, Mr. Cisco had been paid the full amount of his salary for 2000 per the Ohio Revised Code. He was paid an additional amount on January 12, 2001 in the amount of \$938.90, despite the fact he had already received his total authorized compensation during his term, thereby being overpaid by \$938.90.

	<b>Per ORC</b>	<b>Per W2'S</b>	<b>Overpayment</b>
<b>1997</b>	\$ 28,307.00	\$ 28,307.00	\$ -
<b>1998</b>	\$ 29,157.00	\$ 29,157.00	\$ -
<b>1999</b>	\$ 30,031.00	\$ 30,031.00	\$ -
<b>2000</b>	\$ 30,932.00	\$ 30,932.00	\$ -
<b>2001</b>	\$ -	\$ 938.90	\$ (938.90)

JACKSON COUNTY

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

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

**FINDING NUMBER 2001-60740-002 (Continued)**

**Finding for Recovery – Repaid Under Audit (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for money illegally expended is hereby issued against Ponney Cisco, former County Commissioner, and American States Insurance Company, his bonding company, in the amount of nine hundred thirty-eight dollars and ninety cents (\$938.90), in favor of Jackson County’s General Fund. The finding was paid by Ponney Cisco on September 11, 2002, in the amount of \$938.90. The receipt was posted to Jackson County’s General Fund per receipt number 49025.

**FINDING NUMBER 2001-60740-003**

**Finding for Recovery**

Ohio Rev. Code §325.11 and §325.18 provide for the salaries to be paid to a County Prosecuting Attorney. Mark A. Ochsenbein, former Jackson County Prosecuting Attorney, was elected to a four year term beginning January 1, 1997. During those four years he was paid correctly according to the Ohio Revised Code. As of December 22, 2000, Mr. Ochsenbein had been paid the full amount of his salary for 2000 per the Ohio Revised Code. He was paid an additional amount on January 12, 2001 in the amount of \$1,708.13, despite the fact he had already received his total authorized compensation during his term, thereby being overpaid by \$1,708.13.

	Per ORC	Per W2'S	Overpayment
<b>1997</b>	\$ 70,147.00	\$ 70,147.00	\$ -
<b>1998</b>	\$ 72,251.00	\$ 72,251.00	\$ -
<b>1999</b>	\$ 74,419.00	\$ 74,419.00	\$ -
<b>2000</b>	\$ 76,652.00	\$ 76,652.00	\$ -
<b>2001</b>	\$ -	\$ 1,708.13	\$ (1,708.13)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for money illegally expended is hereby issued against Mark A. Ochsenbein, former Prosecuting Attorney, and American States Insurance Company, his bonding company, in the amount of one thousand seven hundred eight dollars and thirteen cents (\$1,708.13), in favor of Jackson County’s General Fund.

**FINDING NUMBER 2001-60740-004**

**Finding for Recovery**

Ohio Rev. Code §325.06 and §325.18 provide for the salaries to be paid to a County Sheriff. Gregg Keifer, former Jackson County Sheriff, was elected to a four year term beginning January 1, 1997. During those four years he was paid correctly according to the Ohio Revised Code. As of December 22, 2000, Mr Keifer had been paid the full amount of his salary for 2000 per the Ohio Revised Code. He was paid an additional amount on January 12, 2001 in the amount of \$939.50, despite the fact he had already received his total authorized compensation during his term, thereby being overpaid by \$939.50.

JACKSON COUNTY

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

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

**FINDING NUMBER 2001-60740-004 (Continued)**

	Per ORC	Per W2'S	Overpayment
1997	\$ 40,838.00	\$ 40,838.00	\$ -
1998	\$ 42,063.00	\$ 42,063.00	\$ -
1999	\$ 43,325.00	\$ 43,325.00	\$ -
2000	\$ 44,625.00	\$ 44,625.00	\$ -
2001	\$ -	\$ 939.50	\$ (939.50)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for money illegally expended is hereby issued against Gregg Keifer, former Jackson County Sheriff, and American States Insurance Company, his bonding company, in the amount of nine hundred thirty-nine dollars and fifty cents (\$939.50), in favor of Jackson County's General Fund.

**FINDING NUMBER 2001-60740-005**

**Reportable Condition**

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 prevented the implementation of the proper checks and balances between these two departments. It also increased 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.

JACKSON COUNTY

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

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

FINDING NUMBER 2001-60740-006

**Reportable Condition**

Jackson County Job and Family Services and the Jackson County Economic Development Office entered into a \$150,000 contract for the period of July 1, 2000 through June 30, 2001. This contract was approved by the Jackson County Commissioners on July 31, 2000. A similar contract, in the amount of \$200,000, was entered into for the period of July 1, 2001 through June 30, 2002. That contract was signed by the County Commissioners on June 21, 2001. Neither of these contracts indicated they were reviewed and/or approved by the County Prosecutor.

During the audit period of January 1, 2001 through December 31, 2001, a total of \$179,845 was paid by Jackson County on these two contracts. During our review of these contracts, the services which were to be provided to the Jackson County Job and Family Services by the Jackson County Economic Development Office were extremely vague. The invoices from Jackson County Economic Development, for the contract payments, were also very vague.

Typically, the invoices only provided even-dollar amounts, in various categories, such as salaries/payroll expenses, travel/short term training, consumable supplies, occupancy, indirect costs, contract/professional services, equipment, and other/miscellaneous. No actual documentation, other than the vague monthly invoice, was provided to the Jackson County Job and Family Services or to the Jackson County Commissioners, for the services performed by Jackson County Economic Development. This indicates that charges may not have been for actual services performed.

Documentation was requested from Jackson County Economic Development to support the charges and services performed during 2001 on the contracts. After some delay, Jackson County Economic Development Director Sherrie Lanier provided support totaling \$181,495.80. The information provided was unorganized, vague, and did not reconcile to the various categories billed on the invoices. However, the billed amounts generally reflected the budget amounts in the contract.

The documentation presented for the services provided to Jackson County Job and Family Services indicated the following:

\$87,040.25 was paid for payroll-related items. This included \$74,743.90 paid to/for Sherrie Lanier: \$40,615.40 for wages, \$18,634.25 for "commissions", \$7,631.63 for family health, dental, and vision insurance via the City of Jackson, \$7,862.12 for P.E.R.S., Social Security, Medicare, and Workers Compensation via the City of Jackson. \$12,296.35 was paid to/for Jennifer Jacobs: \$10,001.88 for wages, \$1,441.56 for family health insurance, \$852.92 for Social Security, Medicare, Workers Compensation, and FUTA/SUTA.

\$21,780.20 was paid for advertising. \$21,000 of the advertising was for a one-time, one-sixth of a page ad, in Forbes Magazine. The remaining \$780.20 was related to the Jackson Area Chamber of Commerce.

\$21,600.00 was paid for a GIS grant for the Jackson County Engineer's GIS system. This included GIS internet design, source and data application.

JACKSON COUNTY

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

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

FINDING NUMBER 2001-60740-006 (Continued)

Reportable Condition (Continued)

\$17,568.88 was paid to Jackson County Economic Development Board Members. Todd Fowler was paid \$7,733.01 for creating materials, attending meetings, and conducting a seminar. Eric Anderson was paid \$5,400 for maintaining a web site for both the Jackson County Economic Development Office and the Jackson

Area Chamber of Commerce. Alan Stockmeister was paid \$4,361.32 for property taxes and building insurance; A.J. Stockmeister PHC, Inc. was paid \$74.55 for a commode handle replacement.

\$11,750.00 was paid for 235 hours of entrepreneurial / business training. No documentation was submitted as to who was paid, who was trained, who performed the training, what they were trained for, when they were trained, where they were trained, why they were trained, and how they were trained.

\$6,036.50 was paid for printing charges. These included business cards, pocket folders, letterhead, and envelopes. The additional \$900 was directly related to the Jackson Area Chamber of Commerce.

\$4,594.97 was paid for city utilities and natural gas.

\$3,641.23 was paid for telephone expenses. Of this, \$1,927.47 was for the Jackson Area Chamber of Commerce's regular phone bill.

\$2,237.87 was paid for a Xerox machine lease and various office supplies. Only \$215.22 was for the Jackson County Economic Development. The other \$2,022.65 was for the Jackson Area Chamber of Commerce.

\$2,513.30 was paid for mileage reimbursement. There was no documentation to support this amount.

\$2,146.10 was paid for miscellaneous expenses. This included the purchase of a county-level tourism economic report for 2000, Rotary Club dues, auto insurance, refreshments, preparation of IRS Form 990 for 2000, server space on "JacWeb", and special handling charges from FedEx. Amounts attributed to the Jackson Area Chamber of Commerce included window cleaning from a company in South Shore, Kentucky, "JacWeb" server space, bulk mail permit, flowers, light bulbs, and Lions Club flags.

\$586.50 was paid for meals and other undocumented expenses.

From the minimal benefit the documented services appears to have provided, it is difficult to determine exactly what, if any, actual benefit was received by the Jackson County Job and Family Services for the \$179,845 paid to Jackson County Economic Development during 2001. Our review of expenditures before, and after 2001 also indicated the same documentation problems.

Other areas of the contracts that were not complied with or performance documented by Jackson County Economic Development included:

Jackson County Economic Development did not "maintain accounting records and practices which document all direct and indirect costs expended in the performance of the contract". This was evidenced by the documentation provided not being in an organized and reconcilable manner.

**JACKSON COUNTY**

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

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

**FINDING NUMBER 2001-60740-006 (Continued)**

**Reportable Condition (Continued)**

Jackson County Economic Development did not “maintain and preserve all financial and service delivery records related to this contract, including any other documentation used in the administration of this contract”. This was evidenced by contracts for services (if any), and lack of detailed services provided by Economic Development Board members, not being presented.

Jackson County Economic Development “agrees to provide Jackson County Job and Family Services a copy of its most recent audit report, including the management report, within 5 days of the execution of the contract”. Economic Development Director Sherrie Lanier indicated an audit had never been performed, thus making it impossible to furnish such reports as indicated in the contract.

Jackson County Economic Development and Jackson County Job and Family Services did not “monitor the manner in which the terms of the contract are being carried out and evaluate the extent to which the program’s objectives are being met”. The only documentation provided was a two-page brochure which contained one paragraph relating to Jackson County Economic Development. The remainder of the brochure described other contract provider highlights.

Concerning publicity, “In any publicity release or other public references, including media releases, information pamphlets, and similar materials on the services provided under this contract, it will be clearly stated that the funds for services are supervised by the Ohio Department of Job and Family Services and administered by the Jackson County Job and Family Services”. The \$21,000 ad which was placed in Forbes Magazine did not mention either the Ohio Department of Job and Family Services or the Jackson County Job and Family Services. Per review of the web-sites, there was no mention of the Ohio Department of Job and Family Services or Jackson County Job and Family Services.

We recommend the County Prosecutor review all contracts for inclusion of specific performance indicators and other legal requirements as he deems necessary. We also recommend the Jackson County Job and Family Services inspect, on a monthly basis, documentation concerning exactly what benefit is derived from the contract to support the expenditure. This inspection should be clearly documented as to what was received and reviewed on the invoice that is submitted to the County Commissioners for payment. This will also help ensure Jackson County Economic Development is maintaining the required documentation. We further recommend the County Commissioners closely review documentation submitted, to ensure services are actually being provided and/or received. In addition, the contract should be reviewed periodically to ensure all aspects are being complied with.

On August 29, 2002, Jackson County Economic Development Director Sherrie Lanier submitted a letter of resignation to the Economic Development Board.

JACKSON COUNTY

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

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

**FINDING NUMBER 2001-60740-007**

**Finding for Recovery**

The Agreement between the Jackson County Sheriff's Office and The Fraternal Order of Police, Ohio Labor Council, Inc. provided for the compensation for employee's sick leave and vacation balances upon severance. A severance payment was made to Frances Spencer, former Sheriff's Department employee, upon her resignation for her accumulated vacation balance. Also, she was compensated \$1,227.60 for an additional 120 hours for which there was no supporting accumulated leave balance. This resulted in Ms. Spencer being overpaid by \$1,227.60.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money that has been illegally expended is hereby issued against Frances Spencer and Buckeye Administrators, Inc., the County's bonding company, jointly and severally, in the amount of one thousand two hundred twenty seven dollars and sixty cents (\$1,227.60), and in favor of the County General Fund.

**FINDING NUMBER 2001-60740-008**

**Finding for Recovery**

The Jackson County Board of MR/DD's policy manual provided for the compensation for employee's sick leave and vacation balances upon severance. A severance payment was made to Loretta Jones, former MR/DD employee, upon her retirement for her accumulated vacation and sick leave balances. According to the MR/DD policy, upon retirement, an employee is entitled to compensation for only one fourth (25%) of unused sick leave up to 30 days. Ms. Jones was compensated \$2,039.73 for 100% of her accumulated sick leave balance (207.29 hours), when she should have only been compensated \$509.91 for 25% of her accumulated sick leave balance (51.82 hours). This resulted in Ms. Jones being overpaid by \$1,529.82.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money that has been illegally expended is hereby issued against Loretta Jones and the Buckeye Administrators, Inc., the County's bonding company, jointly and severally, in the amount of one thousand five hundred twenty nine dollars and eighty-two cents (\$1,529.82), and in favor of the Mental Retardation and Developmental Disabilities Fund.

**FINDING NUMBER 2001-60740-009**

**Finding for Recovery**

The Agreement between the Jackson County Board of County Commissioners and United Mine Workers of America, AFL-CIO, provided for the compensation for employee's sick leave and vacation balances upon severance. A severance payment was made to Martha Perkins, former County employee, upon her retirement, for her accumulated vacation and sick leave balances. According to the agreement, upon retirement, an employee is entitled to compensation for only one fourth (25%) of unused sick leave up to 30 days. Ms. Perkins was compensated \$1,670.40 for 30 days (240 hours) of her accumulated sick leave balance (324.46 hours), when she should have only been compensated \$564.60 for 25% of her accumulated sick leave balance (81.12 hours). This resulted in Ms. Perkins being overpaid by \$1,105.80.

JACKSON COUNTY

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

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

**FINDING NUMBER 2001-60740-009 (Continued)**

**Finding for Recovery (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money that has been illegally expended is hereby issued against Martha Perkins and Buckeye Administrators, Inc., the County's bonding company, jointly and severally, in the amount of one thousand one hundred five dollars and eighty cents (\$1,105.80), and in favor of the County General Fund.

**FINDING NUMBER 2001-60740-010**

**Finding for Recovery**

The Jackson County Employee Handbook provided for the compensation for employee's sick leave and vacation balances upon severance. A severance payment was made to Roxie Brown, former County employee, for her accumulated vacation balance. The Handbook indicated that any excess over three (3) year accumulation shall be eliminated from an employees vacation leave balance. The Handbook also stipulated an employee is to be compensated for this 3 year accumulation plus the current year accumulation, upon severance. Ms. Brown was compensated \$3,479.61 for 397.67 hours of vacation, when she should have only been compensated \$2,262.75 for the 3 year accumulation limit (240 hours) plus the current year accumulation (18.6 hours), for a total of 258.60 hours. This resulted in Ms. Brown being overpaid by \$1,216.86.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money that has been illegally expended is hereby issued against Roxie Brown and Buckeye Administrators, Inc., the County's bonding company, jointly and severally, in the amount of one thousand two hundred sixteen dollars and eighty-six cents (\$1,216.86), and in favor of the County General Fund.

**FINDING NUMBER 2001-60740-011**

**Material Weakness**

The Jackson County Airport Authority did not maintain adequate financial records. The check book registers for the bank accounts did not have running balances documented, deposits posted, and occasionally checks were not posted. Bank reconciliations were not prepared monthly for any of the bank accounts. Duplicate receipts were not prepared and deposit slips were not maintained. Also, a fixed asset listing was not maintained. Also, there was no compilation of other assets or liabilities required by generally accepted accounting principles.

This lack of adequate financial records did not provide for the assurance of completeness of revenues, expenditures, assets, and liabilities.

We recommend that running balances, deposits and checks be posted to the check book registers; bank reconciliations be prepared monthly; and duplicate receipts be prepared and deposit slips maintained. Also, a fixed asset listing should be maintained.

JACKSON COUNTY

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

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS**

**1. Reporting**

<b>Finding Number</b>	<b>2001-60740-012</b>
<b>CFDA Title and Number</b>	<b>Work Force Investment Act - CFDA# 17.255, 17.258, 17.259 and 17.260</b>
<b>Federal Award Number/Year</b>	<b>2000- 2001</b>
<b>Federal Agency</b>	<b>U.S. Department of Labor</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Jobs and Family Services</b>

**Noncompliance Citation**

Section 185 (e) of the Workforce Investment Act (WIA) requires each local board in the State to submit quarterly financial reports to the Governor with respect to programs and activities carried out under this title. Such reports shall include information identifying all program and activity costs by cost category in accordance with generally accepted accounting principles and by year of the appropriation involved.

WIA Regulations 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's financial management system did not provide for the tracking and reporting of obligations, expenditures, program income and stand-in costs on accrual basis by year of appropriation as required. The County is following the prescribed state financial management system that has been used by the County's health and human services programs for many years. Although the County was not in compliance with the above referenced sections of the regulations during 2001, they could not implement corrective measures until the state system was updated.

The state modified its system that required the County to submit monthly accrual information beginning in January, 2002. It was noted that the County developed accrual information for December 31, 2001, during the early part of 2002. We obtained the County's worksheet with the obligations and accrual numbers. However, the County did not maintain documentation in support of the amounts reported.

We recommend the County continue to report the obligations and accrual information to the state on a monthly basis. We further recommend the County maintain supporting documentation for the amounts reported as obligations and accruals.

**2. Cash Management**

<b>Finding Number</b>	<b>2001-60740-013</b>
<b>CFDA Title and Number</b>	<b>Work Force Investment Act - CFDA# 17.255, 17.258, 17.259 and 17.260</b>
<b>Federal Award Number/Year</b>	<b>2000- 2001</b>
<b>Federal Agency</b>	<b>U.S. Department of Labor</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Jobs and Family Services</b>

JACKSON COUNTY

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

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)**

**2. Cash Management (Continued)**

**Noncompliance Citation**

29 C.F.R. Section 97.20(a)(7) states that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the subgrantees.

29 C.F.R. Section 97.21(b) states that methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee and subgrantee, in accordance with Treasury regulations at 31 C.F.R. Part 205.

The County's cash management system did not minimize the time elapsing between cash drawdowns and disbursements as required by the Uniform Administrative requirements. The County is following the prescribed state system that has been used by the County's health and human services programs for years. Although the County is not in compliance with the above referenced provisions of the law, they cannot implement corrective measures until the state system has been updated. The State is working to make the needed adjustments to their system that will allow Counties to be in compliance.

We recommend the County work to develop reasonable estimates to minimize the time elapsing between the drawdown and the disbursements of the funds as made possible by the cash management procedures required by the state.

**3. Activities Allowed or Unallowed**

<b>Finding Number</b>	<b>2001-60740-014</b>
<b>CFDA Title and Number</b>	<b>Work Force Investment Act - CFDA# 17.255, 17.258 and 17.260</b>
<b>Federal Award Number/Year</b>	<b>2000- 2001</b>
<b>Federal Agency</b>	<b>U.S. Department of Labor</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Jobs and Family Services</b>

**Reportable Condition**

The Workforce Development Agency established individual training accounts (ITA's) for eligible participants in the Workforce Investment Act (WIA) Adult and Dislocated Worker programs. These individual ITAs represent the amount of funds that an eligible participant is allowed to spend to accomplish their training goals. The Jackson County Department of Job and Family Services administered the WIA Programs. ITA vouchers documenting the obligated amounts were included in the individual participant case files. A comprehensive ledger of the ITA's was not maintained for the year ended December 31, 2001. The information maintained was included in each of the individual case files.

Since there was no comprehensive ledger of the ITAs, the department was not able to effectively reconcile the actual recorded disbursements per the department's ledgers to the disbursements per the ITAs to ensure that all of the disbursements were properly recorded to the ITAs.

**JACKSON COUNTY**

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

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)**

**3. Activities Allowed or Unallowed (Continued)**

**Reportable Condition (Continued)**

The case files that contained documentation of the disbursements and the ITA account balance did not contain adequate documentation to allow the department to effectively match the disbursements recorded in the ITA to the financial ledgers of the department. The disbursements detail was listed, but there was no specific identification such as date, warrant #, etc. Only the amount was listed. Further, 75% of the tested case files containing a detail of the ITA disbursements and calculation of the balance, included an incorrect calculation of the balance. The formula used in the spreadsheet to calculate the balance was incorrectly written in each of the instances resulting in the overstatement of the ITA balance, which could lead to a participant spending more than was actually authorized for the ITA.

The Jackson County Department of Job and Family Services implemented the use of a comprehensive manual ITA ledger during January 2002. However, no monthly reconciliation to the financial ledgers of the department is performed to help ensure that all disbursements are properly recorded to the ITA's.

We recommend the department more clearly document the disbursements information in the ITA ledgers. The ledgers should contain some sort of information to enable specific identification of the disbursement posted to the ITA ledger as a disbursement recorded in the financial ledgers of the department. For instance, including the warrant number, date, voucher number, etc., would enable management and staff to easily identify a transaction posted to the ITA in the financial ledgers. We further recommend that a monthly reconciliation process be implemented, to reconcile the disbursements recorded in the ITA ledgers to the disbursements recorded in the financial ledgers. This process would help the department to assure that all transactions are recorded in the ITA ledgers. Additionally, the spreadsheets used to calculate the balance remaining in the ITAs should be reviewed to ensure that the formulas used to calculate the remaining balance are correct.

**4. Subrecipient Monitoring**

<b>Finding Number</b>	<b>2001-60740-015</b>
<b>CFDA Title and Number</b>	<b>Work Force Investment Act - CFDA# 17.255 and 17.259</b>
<b>Federal Award Number/Year</b>	<b>2000- 2001</b>
<b>Federal Agency</b>	<b>U.S. Department of Labor</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Jobs and Family Services</b>

**Reportable Condition**

The Jackson County Department of Job and Family Services did maintain documents that indicated some subrecipient monitoring procedures were performed. However, the documentation was not sufficient to indicate the extent of the procedures. In order to ensure compliance with Subrecipient Monitoring requirements, detailed documentation of the dates of site visits as well as a description of what was reviewed, who the monitor spoke with, as well as detailing the results of the review should be maintained.

We recommend the Jackson County Department of Job and Family Services more clearly document subrecipient monitoring activities. The Department should document who performed the monitoring activities, the date, who they spoke with, what was reviewed, and the results of the review. This would help the department document that they are complying with the subrecipient monitoring requirements.

JACKSON COUNTY

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

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)

5. Reporting

Finding Number	2001-60740-016
CFDA Title and Number	Community Development Block Grant – CFDA# 14.228
Federal Award Number/Year	BF-99-037-01, BF-00-037-01, BW-99-037-01, BF-98-037-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Citation and Material Weakness

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.

The County did not submit a timely Final Performance Report for Grant #B-F-98-037-1. The Ohio Department of Development had requested the report on October 16, 2000, again on January 19, 2001, and again on March 9, 2001. As of April 20, 2001, the report had not been received. This resulted in a hold being placed on funds granted by the Community Development Division's Office of Housing and Community Partnerships (OHCP). The County submitted the required Final Performance Report to the Ohio Department of Development's satisfaction on June 20, 2001, at which time the funds that had been placed on hold were released.

The County did not timely complete status reports as required by the Grant agreements. For Grant number B-F-99-037-1, the Status Report dated February 14, 2001, which was required to be returned by March 14, 2001, was not submitted until April 26, 2001. The Status Report dated August 10, 2001, which was required to be returned by September 10, 2001, was not submitted until October 4, 2001. For Grant number B-F-00-037-1, the Status Report dated February 14, 2001, which was required to be returned by March 14, 2001, was not submitted until April 23, 2001. The Status Report dated September 13, 2001, which was required to be returned by October 13, 2001, was not submitted until November 8, 2001. For Grant number B-W-99-037-1, the Status Report dated September 13, 2000, which was required to be returned by October 13, 2000, was not submitted until February 8, 2001.

In addition, for both of 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 sanctions 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.

JACKSON COUNTY

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

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)

6. Allowable Costs/Cost Principles

<b>Finding Number</b>	<b>2001-60740-017</b>
<b>CFDA Title and Number</b>	<b>Community Development Block Grant – CFDA# 14.228</b>
<b>Federal Award Number/Year</b>	<b>BF-99-037-01</b>
<b>Federal Agency</b>	<b>U.S. Department of Housing and Urban Development</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Development</b>

**Noncompliance Citation and Questioned Cost**

Jackson County and Jackson County Economic Development entered into a contract on May 8, 2000, in the amount of \$11,000. Jackson County Economic Development was to provide Fair Housing services under Grant Number B-F-99-037-1. The services were to be completed by August 31, 2000. In June, 2000, Jackson County Economic Development submitted an invoice for \$11,000. When Jackson County Economic Development was asked to provide documentation for their work, only a copy of an out-dated brochure was provided. Without any further documentation, Jackson County paid the \$11,000 invoice in May, 2001.

The County was found not to be in compliance with CDBG regulations in regard to the proper expenditure of funds per the applicable grant agreement and 24 C.F.R. Part 85 and OMB Circular A-87 as set forth in the Financial Management Handbook for the Ohio CDBG Small Cities Program. This contract for services between Jackson County and Jackson County Economic Development did not meet OHCP/HUD procurement requirements. Lump sum amounts for services are not permitted. The expenditure was not supported by appropriate documentation, indicating exactly what service had been performed, and to whom/when it was provided. The charges did not represent actual costs, but only a budgeted or projected amount. The services were to be completed by August 31, 2000, but could not be documented long after that date. Hence, the expenditure did not benefit the grant period of September 1, 1999 through August 31, 2000.

Due to the lump sum payment, lack of documentation, charges not representing actual costs, and not benefiting the grant period, the \$11,000 for this expenditure is therefore considered to be a questioned cost.

We recommend the County require and maintain documentation of the actual work performed, and ensure that it benefits the prescribed grant period. It is important to substantiate any and all charges to the Community Development Block Grants to ensure compliance with applicable requirements.

**JACKSON COUNTY**

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

<b>3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)</b>
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**7. Cash Management**

<b>Finding Number</b>	<b>2001-60740-018</b>
<b>CFDA Title and Number</b>	<b>Community Development Block Grant – CFDA# 14.228</b>
<b>Federal Award Number/Year</b>	<b>B-F-99-037-01, B-W-99-037-01, B-C-98-037-02, B-C-00-037-01, B-C-00-037-02</b>
<b>Federal Agency</b>	<b>U.S. Department of Housing and Urban Development</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Development</b>

**Noncompliance Citation and Material Weakness**

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 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 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 182 dated January 8, 2001 was requested from Grant B-F-99-037-1 in the amount of \$10,100 for Administration costs. The County received the funding on February 21, 2001, however the subsequent disbursement was not made until April 12, 2001. Therefore, the money was not expended within fifteen days of receipt, as required, and the balance exceeded \$5,000.

**From Grant B-W-99-037-1:**

Draw number 181 dated December 5, 2000 was requested from Grant B-W-99-037-1 in the amount of \$61,200 for Water & Sewer Facilities costs. The County received the funding on January 3, 2001, and a subsequent disbursement of \$53,839 was made January 9, 2001. The money was expended within 15 days of receipt, as required, however the remaining balance exceeded \$5,000.

Draw number 182 dated January 8, 2001 was requested from Grant B-W-99-037-1 in the amount of \$3,100 for Water & Sewer Facilities costs. The County received the funding on February 21, 2001, however the subsequent disbursement was not made until April 19, 2001. Therefore, the money was not expended within fifteen days of receipt, as required.

**From Grant B-C-98-037-2:**

Draw number 179 dated October 26, 2000 and draw number 180 dated November 30, 2000 were requested from Grant B-C-98-037-2 in the amounts of \$26,748 and \$49,268 for Administration and Private Rehabilitation (HOME) costs. The County received the funding of \$76,016 on January 11, 2001. Disbursements of \$67,213 were made within 15 days of receipt, however the balance exceeded \$5,000. Subsequent disbursements of \$5,945 on January 31, 2001 and \$3,314 on April 5, 2001 were not expended within fifteen days of receipt, as required.

JACKSON COUNTY

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

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)**

**7. Cash Management - Noncompliance Citation and Material Weakness (Continued)**

**Community Development Block Grant – CFDA# 14.228 (Continued)**

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

Draw number 183 dated February 8, 2001 was requested from Grant B-C-00-037-1 in the amount of \$16,500 for Administration costs. The County received the funding on February 26, 2001, however the subsequent disbursement was not made until March 15, 2001. Therefore, the money was not expended within fifteen days of receipt, as required, and the balance exceeded \$5,000.

Draw number 187 dated July 19, 2001 was requested from Grant B-C-00-037-1 in the amount of \$14,435 for Home/Building Repair (CDBG) costs. The County received the funding on August 24, 2001, however the subsequent disbursement was not made until October 11, 2001. Therefore, the money was not expended within fifteen days of receipt, as required, and the balance exceeded \$5,000.

Draw number 189 dated October 11, 2001 was requested from Grant B-C-00-037-1 in the amount of \$27,000 for Home/Building Repair and Administration (CDBG) costs. The County received the funding on November 8, 2001, however the subsequent disbursement was not made until November 30, 2001. Therefore, the money was not expended within fifteen days of receipt, as required, and the balance exceeded \$5,000.

**From Grant B-C-00-037-2:**

Draw number 183 dated February 8, 2001 was requested from Grant B-C-00-037-2 in the amount of \$6,500 for Administration (HOME) costs. The County received the funding on February 26, 2001, however the subsequent disbursement was not made until March 15, 2001. 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 requirements. 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.

**FINDING NUMBER 2001-60740-019**

**Noncompliance Citation and Material Weakness**

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. 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 expended for each award year separately. At a minimum, the schedule shall:

JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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DECEMBER 31, 2001  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)**

**FINDING NUMBER 2001-60740-019 (Continued)**

**Noncompliance Citation and Material Weakness (Continued)**

- (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 Institutes 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.
- (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 inquires 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. Additionally, we noted an instance when a grant agreement could not be provided for audit.

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 grant 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. The inability to locate documents such as the grant agreement is also indicative of such a weakness.

Since many of the requirements of the various grants are outlined in the grant agreements, it is essential for management to be able to refer to such documents in administering the grant to ensure compliance. If the document cannot be located, management cannot refer to it.

JACKSON COUNTY

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

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)

FINDING NUMBER 2001-60740-019 (Continued)

**Noncompliance Citation and Material Weakness (Continued)**

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. As a result of the new standards, the audit team will 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 the 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 Commissioner's office. We further recommend the office receiving the grant request 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 form each of the various grants. The County's collection and maintenance of such information would help to enable management to ensure the fair presentation of the Federal Schedule as well as compliance with applicable laws, regulations, and/or individual grant requirements.

JACKSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 OMB CIRCULAR A-133 §.315(b)  
 DECEMBER 31, 2001

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
2000-60740-001	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 2001-60740-005.
2000-60740-002	County Treasurer did not perform bank reconciliations timely	Yes	Fully Corrected.
2000-60740-003	County did not comply with Community Development Block Grant 15 day rule	No	Not Corrected – Reissued as Finding Number 2001-60740-018.
2000-60740-004	County did not comply with Community Development Block Grant reporting requirements	No	Not Corrected – Reissued as Finding Number 2001-60740-016.

**JACKSON COUNTY**

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
<b>2001-60740-001</b>	Turned over to County Prosecutor.	January 2, 2003	Jonathan Blanton, County Prosecutor
<b>2001-60740-002</b>	Repaid under audit.	N/A	N/A
<b>2001-60740-003</b>	Turned over to County Prosecutor.	January 2, 2003	Jonathan Blanton, County Prosecutor
<b>2001-60740-004</b>	Turned over to County Prosecutor.	January 2, 2003	Jonathan Blanton, County Prosecutor
<b>2001-60740-005</b>	Turned over to County Auditor and County Treasurer.	December 1, 2002	Ed Jarvis, County Auditor
<b>2001-60740-006</b>	Employee has been hired to oversee and review documentation and services and report to County Commissioners.	In effect.	Lloyd White, County Commissioner
<b>2001-60740-007</b>	Turned over to County Prosecutor.	January 2, 2003	Jonathan Blanton, County Prosecutor
<b>2001-60740-008</b>	Turned over to County Prosecutor.	January 2, 2003	Jonathan Blanton, County Prosecutor
<b>2001-60740-009</b>	Turned over to County Prosecutor.	January 2, 2003	Jonathan Blanton, County Prosecutor
<b>2001-60740-010</b>	Turned over to County Prosecutor.	January 2, 2003	Jonathan Blanton, County Prosecutor
<b>2001-60740-011</b>	A meeting with the Airport Board will be arranged by the County Commissioners to correct this situation.	December 1, 2002	Lloyd White, County Commissioner
<b>2001-60740-012</b>	The County Commissioners will abide by the recommendations of the State Auditor.	In effect.	Lloyd White, County Commissioner
<b>2001-60740-013</b>	The County Commissioners will abide by the recommendations of the State Auditor.	In effect.	Lloyd White, County Commissioner
<b>2001-60740-014</b>	The County Commissioners will abide by the recommendations of the State Auditor.	In effect.	Lloyd White, County Commissioner
<b>2001-60740-015</b>	The County Commissioners will abide by the recommendations of the State Auditor.	In effect.	Lloyd White, County Commissioner
<b>2001-60740-016</b>	The County Commissioners will meet with Grant Administrator to follow recommendations.	November 1, 2002	Lloyd White, County Commissioner
<b>2001-60740-017</b>	The County will pay in quarterly installments and ensure proper documentation is submitted.	In effect.	Lloyd White, County Commissioner
<b>2001-60740-018</b>	The County Commissioners will abide by the recommendations of the State Auditor.	In effect.	Lloyd White, County Commissioner
<b>2001-60740-019</b>	The County will explore the avenues to hire a firm or person to serve as a Grant Coordinator.	January 2, 2003	Lloyd White, County Commissioner



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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## 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 17, 2002