



**Auditor of State
Betty Montgomery**

JACKSON COUNTY
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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Jackson County
226 East Main Street
Jackson, Ohio 45640

To the Board of County Commissioners:

We have audited the accompanying financial statements of Jackson County, Ohio (the County), as of and for the year ended December 31, 2003. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

The Basis of Accounting described in Note 1 requires referencing to the availability of the County's audited component unit financial statements. The Jackson County Airport Authority is a County component unit. The Jackson County Airport Authority's financial statements for the year ending December 31, 2003 have not been audited.

In our opinion, except for the unavailability of audited financial statements for the Jackson County Airport Authority, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Jackson County, as of December 31, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

September 30, 2004

JACKSON COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF DECEMBER 31, 2003

Cash	4,802,616.00
Investments:	
U.S. Government Securities	950,000
STAROhio	<u>63,618</u>
Total Investments	<u>1,013,618</u>
Total	<u><u>\$5,816,234</u></u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$545,738
Special Revenue Funds	3,759,816
Debt Service Fund	5,948
Capital Projects Funds	40,877
Proprietary Funds:	
Enterprise Funds	0
Fiduciary Funds:	
Expendable Trust Funds	13,871
Agency Funds	<u>1,449,984</u>
Total	<u><u>\$5,816,234</u></u>

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

JACKSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Cash Receipts:			
Taxes	\$2,741,323	\$2,858,601	\$
Charges for Services	821,960	2,403,880	
Licenses and Permits	4,125	73,147	
Fines and Forfeitures	430,043	475,924	
Intergovernmental Receipts	747,151	11,201,111	
Rent Revenue	200,326	900	
Interest Revenue	118,809	25,459	
All Other Receipts	11,557	361,225	
Total Cash Receipts	5,075,294	17,400,247	0
Cash Disbursements:			
General Government:			
Executive and Legislative	2,594,765	565,481	
Judicial	836,078	379,419	
Public Safety	775,687	2,539,948	
Public Works		3,703,070	
Health	92,647	184,852	
Human Services	466,842	9,787,880	
Conservation-Recreation	141,128		
Economic Development		5,694	
Miscellaneous	275,350		34
Capital Outlay	555,147	112,315	
Debt Service:			
Principal Payment			2,754,542
Interest and Fiscal Charges			88,258
Total Cash Disbursements	5,737,644	17,278,659	2,842,834
Excess of Cash Receipts Over/ (Under) Cash Disbursements	(662,350)	121,588	(2,842,834)
Other Financing Receipts/(Disbursements):			
Proceeds of Notes	100,000	70,000	2,100,680
Proceeds from Sale of Assets	200		
Operating Transfers-In	407,886	404,280	689,874
Operating Transfers-Out	(317,472)	(933,075)	
Other Financing Sources	120,889		56,316
Total Other Financing Receipts/(Disbursements)	311,503	(458,795)	2,846,870
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing (Disbursements)	(350,847)	(337,207)	4,036
Fund Cash Balances, January 1, Restated - Note 18	896,585	4,097,023	1,912
Fund Cash Balances, December 31	\$545,738	\$3,759,816	\$5,948

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

<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only) Primary Government</u>
\$	\$	\$5,599,924
		3,225,840
		77,272
		905,967
132,670	35,688	12,116,620
		201,226
		144,268
	3,809	376,591
<u>132,670</u>	<u>39,497</u>	<u>22,647,708</u>
		3,160,246
		1,215,497
		3,315,635
144,829		3,847,899
		277,499
	48,823	10,303,545
		141,128
		5,694
		275,384
		667,462
		2,754,542
		88,258
<u>144,829</u>	<u>48,823</u>	<u>26,052,789</u>
<u>(12,159)</u>	<u>(9,326)</u>	<u>(3,405,081)</u>
40,000		2,310,680
		200
13,538		1,515,578
	(12)	(1,250,559)
		177,205
<u>53,538</u>	<u>(12)</u>	<u>2,753,104</u>
41,379	(9,338)	(651,977)
<u>(502)</u>	<u>23,209</u>	<u>5,018,227</u>
<u>\$40,877</u>	<u>\$13,871</u>	<u>\$4,366,250</u>

JACKSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	Primary Government
Operating Cash Receipts:			
Total Operating Cash Receipts	\$	\$	\$
Operating Cash Disbursements:			
Total Operating Cash Disbursements	0	0	0
Operating Income/(Loss)	0	0	0
Nonoperating Cash Receipts/(Disbursements):			
Transfers-Out	(13,321)	(251,699)	(265,020)
Other Nonoperating Receipts		30,667,763	30,667,763
Other Nonoperating Disbursements		(30,572,514)	(30,572,514)
Total Nonoperating Cash Receipts/ (Disbursements)	(13,321)	(156,450)	(169,771)
Net Income/(Loss)	(13,321)	(156,450)	(169,771)
Fund Cash Balances, January 1	13,321	1,606,434	1,619,755
Fund Cash Balances, December 31	\$0	\$1,449,984	\$1,449,984

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

JACKSON COUNTY

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
 ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$5,702,467	\$5,704,269	\$1,802
Special Revenue	19,707,379	17,874,527	(1,832,852)
Debt Service	746,274	2,846,870	2,100,596
Capital Projects	186,208	186,208	0
Proprietary			
Enterprise	0	0	0
Fiduciary			
Expendable Trust	57,874	39,497	(18,377)
Totals (Memorandum Only)	<u>\$26,400,202</u>	<u>\$26,651,371</u>	<u>\$251,169</u>

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

JACKSON COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
Governmental			
General	\$11,572	\$6,188,786	\$6,200,358
Special Revenue	21,038	19,857,949	19,878,987
Debt Service	0	742,155	742,155
Capital Projects	0	144,829	144,829
Proprietary			
Enterprise	0	0	0
Fiduciary			
Expendable Trust	0	70,514	70,514
Totals (Memorandum Only)	\$32,610	\$27,004,233	\$27,036,843

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

<u>Disbursements</u>	<u>Encumbrances Outstanding 12/31/03</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$6,055,116	\$24,846	\$6,079,962	\$120,396
18,211,734	38,722	18,250,456	1,628,531
2,842,834	0	2,842,834	(2,100,679)
144,829	0	144,829	0
13,321	0	13,321	(13,321)
48,835	0	48,835	21,679
<u>\$27,316,669</u>	<u>\$63,568</u>	<u>\$27,380,237</u>	<u>(\$343,394)</u>

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JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

The County has the following component units:

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

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Jackson County Airport Authority – The Jackson County Airport Authority (the Authority) operates on a year ending December 31. Therefore, the financial information reported in the Financial Statements is presented for the year January 1, 2002 through December 31, 2003. The eight member Board is appointed by the County Commissioners. The Commissioners also review the budget and have the ability to impose its will on the Authority. All the land and fixed assets of the Authority belong to the county. Jackson County also provides other support for the Authority. The Authority is located at 1802 Keystone Station Road CR 44, Jackson, Ohio 45640. The Authority's financial statements for the year ended December 31, 2003 have not been audited.

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

South Central Ohio Regional Juvenile Detention, Training and Rehabilitation Center

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

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

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

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

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the districts listed below, the County serves as fiscal agent, but the districts are not fiscally dependent on the County. Accordingly, the activity of the following districts and agencies are presented as Agency Funds within the County's financial statements.

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

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Fund Accounting

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

1. Governmental Fund Types:

General Fund

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

Special Revenue Funds

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

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Debt Service Funds

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

Capital Projects Funds

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

2. Proprietary Fund Type:

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

Enterprise Funds

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

3. Fiduciary Fund Types:

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

Expendable Trust Fund

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

Agency Funds

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

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the estimated beginning of year fund balance and projected receipts of each fund. Prior to December 31, the County must revise its budget so that the total contemplated disbursements from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriations. The amounts reported in the accompanying financial statements reflect the amounts in the final amended official certificate of estimated resources issued during 2003.

3. Appropriations

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

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations (Continued)

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

4. Budgeted Level of Expenditures

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

5. Encumbrances

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

F. Property, Plant and Equipment

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

G. Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 13. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

H. Total Columns on Financial Statements

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

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. The County maintains a cash pool which is used by all funds. Each fund type's portion of this pool is displayed on the Combined Statement of Cash, Investments and Fund Cash Balances as "Cash Balances by Fund Type".

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

- A. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- C. Written purchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

Cash on Hand: At year-end, the County had \$35,501 in undeposited cash on hand which is included on the Combined Statement of Cash, Investments and Fund Cash Balances as part of Cash.

Deposits: At year-end, the carrying amount of the County's deposits was \$4,767,115, and the bank balance was \$5,733,124.

Of the bank balance:

- A. \$725,863 was covered by federal deposit insurance;
- B. \$5,007,261 was considered uninsured and uncollateralized even though securities for collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the collateralization of deposits had been followed. Non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

Investments:

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

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>Category 2</u>	<u>Category 3</u>	<u>Unclassified</u>	<u>Market Value</u>
STAROhio			\$63,618	\$63,618
U.S. Government Securities:				
Federal Home Loan Bank Bonds	\$950,000			949,797
Total Investments	<u>\$950,000</u>	<u>\$0</u>	<u>\$63,618</u>	<u>\$1,013,415</u>

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund cash balances as of December 31, 2003:

Special Revenue Funds:

FEMA FY 2002 Supplemental Planning Grant	\$953
SVAA Grant	\$416

Agency:

Undivided House Trailer Tax	\$1,398
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B. Compliance

Numerous funds within the Debt Service Fund Type had expenditures plus encumbrances in excess of appropriations at year end contrary to Section 5705.41(B), Ohio Revised Code.

4. PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2003 for real and public utility property taxes represents collection of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are intended to finance 2004.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility property is assessed at 35 percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value.

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

JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

4. PROPERTY TAX (Continued)

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

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

The full tax rate for all County operations for the year ended December 31, 2003, was \$10.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
<i>Real Property:</i>	
Residential/Agricultural	\$236,107,570
Commercial/Industrial	70,397,440
Public Utilities	127,580
Minerals	378,200
<i>Tangible Personal Property:</i>	
General	49,097,797
Public Utilities	38,421,400
Total Valuation	<u>\$394,529,987</u>

5. PERMISSIVE SALES TAX

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

One half of the proceeds of the tax are credited to the General Fund. Sales and use tax revenue for 2003 amounted to \$1,337,234 for the General Fund. The other half of the proceeds of the tax is credited to the Sales Tax Trust Fund. The proceeds are distributed to the various taxing districts within the County for community improvement projects. Sales and use tax revenue for 2003 amounted to \$1,337,234 for the Sales Tax Trust Fund.

A one-half of one percent additional sales tax was passed by the voters of Jackson County on November 4, 1997. This tax is to be used for the purpose of constructing, equipping, and furnishing a new jail, courts, and Sheriff's office for Jackson County. It will also be used to pay debt service on bonds or notes issued for this project and provide revenue for the operation and maintenance of the jail. The sales and use tax revenue for 2003 amounted to \$1,337,615 for the Jail Special Revenue Fund.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. By contracting with Buckeye Joint-County Self-Insurance County for auto, crime, liability and property insurance, the County has addressed these various types of risk.

In the event of losses, the first \$250 to \$1,000 of any valid claim depending of the type of loss will be paid by the member. The next payment, with a maximum pay range from \$100,000 to \$2,000,000 per occurrence, will come from the self insurance pool based on the member's percentage of contribution. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments. Jackson County does not have any ongoing financial interest or responsibility.

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

Property Coverage	Coverage Limits
Blanket Building and Personal Property	\$15,721,143
Valuations Method	Replacement Cost
Level of Protection	Causes of Loss – Special
Agreed Value	Yes
Business Income with Extra Expense	\$1,000,000
Legal Liability – Real Property	\$1,000,000
Location	Per Schedule filed with The Ohio Plan
Deductible	\$1,000
Boiler & Machinery	\$15,721,143
Deductible – All Other Property	\$1,000
Deductible – Deep Well Pumps	\$10,000

Crime Coverage	Coverage Limits
Theft, Disappearance and Destruction	\$50,000
Public Employees Dishonesty	\$250,000
Forgery and Alteration	\$5,000
Deductible for each of the above	\$0
Computer Fraud	\$50,000
Deductible	\$100

Inland Marine	Coverage Limits
Special Property Coverage	
Scheduled Equipment Limit	\$1,362,060
Description	Per Schedule filed with The Ohio Plan
Deductible	\$1,000
Electronic Equipment/Media Coverage Form	
Electronic Equipment Limit	\$500,000
Electronic Media Limit	\$5,000
Extra Expense Limit	\$5,000
Description	Per Schedule filed with The Ohio Plan
Deductible	\$1,000

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. RISK MANAGEMENT (Continued)

Automotive	Coverage Limits
Schedule of Coverage and Covered Autos	
Liability	\$1,000,000
Auto Medical Coverage	Not Applicable
Uninsured Motorists Coverage	Not Covered
Physical Damage Coverage	Actual Cash Value or Cost of Repair which ever is less
Comprehensive Coverage	Minus \$ Deductible Per Schedule on file with The Ohio Plan for Each Covered Auto for all Loss Except Fire or Lightning
Collision Coverage	Minus \$ Deductible Per Schedule on file with The Ohio Plan for Each Covered Auto
Emergency Auto Physical Damage	Replacement Cost, Cost of Repair or Replacement Cost limit whichever is less
Comprehensive Coverage	Minus \$ Deductible Per Schedule on file with The Ohio Plan for Each Covered Emergency Auto for all Loss Except Fire or Lightning
Collision Coverage	Minus \$ Deductible Per Schedule on file with The Ohio Plan for Each Covered Emergency Auto
Schedule of Hired or Borrowed Covered Autos	
Comprehensive Coverage	Actual Cash Value, Cost or Repair or \$50,000 which ever is less , Minus \$ Deductible for Each Covered Auto for all Loss Except Fire or Lightning
Collision Coverage	Actual Cash Value, Cost or Repair or \$50,000 whichever is Less, Minus \$ Deductible for Each Covered Auto
Schedule of Hired or Borrowed Covered Emergency Autos	
Comprehensive Coverage	Actual Cash Value, Cost or Repair or \$100,000 which ever is less , Minus \$ Deductible for Each Covered Emergency Auto for all Loss Except Fire or Lightning
Collision Coverage	Actual Cash Value, Cost or Repair or \$100,000 whichever is Less, Minus \$ Deductible for Each Covered Emergency Auto

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. RISK MANAGEMENT (Continued)

Liability Coverage	Coverage Limits
Governmental General Liability	
Each Occurrence	\$1,000,000
Personal and Advertising Injury	\$1,000,000
General Aggregate	\$3,000,000
Medical Expense Limit – Per Person	\$10,000
Medical Expense Limit Annual Aggregate	\$50,000
Employer’s Liability (Ohio Stop Gap)	
Bodily Injury by Accident – Each Accident	\$1,000,000
Bodily Injury by Disease – Each Employee	\$1,000,000
Bodily Injury by Accident – Aggregate Limit	\$1,000,000
Employee Benefit Liability	
Each Incident	\$1,000,000
Annual Aggregate	\$3,000,000
Public Officials Liability	
Each Wrongful Act	\$1,000,000
Annual Aggregate	\$3,000,000
Medical Expenses Limit - Per Person	\$10,000
Medical Expenses Annual Aggregate	\$50,000
Deductible	\$5,000
Retroactive Date	5/1/1994
Law Enforcement Liability	
Each Wrongful Act	\$1,000,000
Annual Aggregate	\$3,000,000
Medical Expense Limit – Per Person	\$10,000
Medical Expense Annual Aggregate	\$50,000
Deductible	\$5,000
Retroactive Date	5/1/1997

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

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

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

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

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

7. RETIREMENT SYSTEMS

Ohio Public Employees Retirement System (OPERS)

All County employees, other than certified teachers with the Board of Mental Retardation and Developmental Disabilities (MR/DD), participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. OPERS provides basic retirement, disability, survivor and death benefits and annual cost of living adjustments to plan members and beneficiaries. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing OPERS, 277 East Town St., Columbus, Ohio 43215-4642 or by calling (614)-222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$917,401, \$963,601, and \$914,751, respectively; 91.86 percent has been contributed for 2003 and 100 percent 2002 and 2001. Of the 2003 amount, \$74,665 was unpaid at December 31, 2003.

State Teachers Retirement System (STRS)

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

Plan members are required to contribute 9.3 percent of their annual covered salary to fund pension obligations and the County is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions to STRS for the years ended December 31, 2003, 2002, and 2001 were \$27,751, \$26,206, and \$22,316, respectively; 100 percent has been contributed for 2003, 2002 and 2001.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

7. RETIREMENT SYSTEMS(Continued)

Social Security System (Continued)

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

8. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$333,246. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

8. POST EMPLOYMENT BENEFITS (Continued)

State Teachers Retirement System

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

Benefits are funded on a pay-as-you-go basis. No premiums are currently paid by retirees or primary benefit recipients. However, monthly payments are required for covered spouses and other dependents. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For fiscal years ended June 30, 2002 and after, the Board allocated employer contributions will be 4.5 percent of covered payroll. For the County, this amount equaled \$8,920 for 2003. The balance in the Health Care Reserve Fund was \$3.011 billion at June 30, 2002. The net health care costs paid by the Plan were \$354,697,000 for the year ended June 30, 2001. Eligible benefit recipients totaled 105,300 at July 1, 2002.

9. DEBT OBLIGATIONS

Changes in the County's general long-term obligations during 2003 consisted of the following:

General Long Term Obligations:

	<u>Outstanding 12/31/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/03</u>
Waste Facility General Obligation Bonds Payable	\$250,000	\$0	\$20,000	\$230,000
<i>Total General Obligation Bonds</i>	250,000	0	20,000	230,000
EMS Note Payable	560,243	0	304,552	255,691
<i>Total General Obligation Notes</i>	560,243	0	304,552	255,691
<i>Total General Long-Term Obligations</i>	<u>\$810,243</u>	<u>\$0</u>	<u>\$324,552</u>	<u>\$485,691</u>

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

The EMS Note Payable was issued in 2001 for the construction of a new EMS Station and the renovation of an existing station. This debt is being paid from the Capital Project Funds. The County made an additional payment of \$250,000 on July 30, 2003 to reduce the debt owed. A new amortization schedule was drawn up at that time reflecting a lower interest rate of 4.75%.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

9. DEBT OBLIGATIONS (Continued)

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

For the Year Ended December 31,	Waste Facility G.O. Bonds	EMS Note
2004	\$31,385	\$84,180
2005	30,395	84,180
2006	34,405	84,180
2007	33,168	30,965
2008	31,930	0
2009-2012	129,602	0
Sub-total	290,885	283,505
Less: Interest	60,885	27,814
Total	\$230,000	\$255,691

Conduit Debt Obligations

Pursuant to Article VIII, Section 16 of the Constitution of Ohio, and Section 133.51 of the Ohio Revised Code, Jackson County has issued multifamily housing mortgage revenue bonds for Jackson Health Partners, LLC located within the County. The proceeds of the mortgage revenue bonds were used by the Jackson Health Partners, LLC for the acquisition, construction and equipping of an assisted living multifamily residential housing facility. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. On August 5, 1999, \$4,000,000 in Multifamily Housing Mortgage Revenue Bonds and \$500,000 Taxable Multifamily Housing Mortgage Revenue Bonds were issued. As of December 31, 2003, \$4,000,000 of Multifamily Housing Mortgage Revenue Bonds and \$370,000 of Taxable Multifamily Housing Mortgage Revenue Bonds remain outstanding.

Pursuant to Article VIII, Section 16 of the Constitution of Ohio, and Section 133.51 of the Ohio Revised Code, Jackson County has issued healthcare facilities revenue bonds for the Jenkins Memorial Health Facility located within the County. The proceeds of the revenue bonds were used by the Jenkins Memorial Health Facility for the acquisition, construction and equipping of hospital facilities. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. On March 28, 2003, \$1,100,000 in Healthcare Facilities Revenue Bonds Series 2003A and \$1,100,000 Healthcare Facilities Revenue Bonds Series 2003B were issued. As of December 31, 2003, \$1,100,000 of Healthcare Facilities Revenue Bonds Series 2003A and \$1,100,000 of Healthcare Facilities Revenue Bonds Series 2003B remain outstanding.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

10. NOTES PAYABLE

A summary of the Note transactions for the year ended December 31, 2003, as follows:

Issue Types	Interest Rate	Outstanding 12/31/02	Issued	Retired	Outstanding 12/31/03
<u>General Fund</u>					
Building (YMCA)	1.95%	\$54,100	\$0	\$54,100	\$0
Building (YMCA)	1.55%	0	42,800	0	42,800
Regional Detention Center	1.95%	386,000	0	386,000	0
Regional Detention Center	1.55%	0	338,000	0	338,000
Job and Family Services Building	1.95%	1,350,000	0	1,350,000	0
Job and Family Services Building	1.55%	0	1,200,000	0	1,200,000
Jackson County Building Improvements	2.50%	0	100,000	0	100,000
Total General Fund		<u>\$1,790,100</u>	<u>\$1,680,800</u>	<u>\$1,790,100</u>	<u>\$1,680,800</u>
<u>Special Revenue Funds</u>					
MRDD Roof Replacement	1.95%	\$27,700	\$0	\$27,700	\$0
MRDD Roof Replacement	1.55%	0	19,200	0	19,200
Highway Garage	1.95%	245,000	0	245,000	0
Highway Garage	1.55%	0	225,000	0	225,000
Road and Bridge	2.75%	0	70,000	70,000	0
Road and Bridge	1.55%	0	70,000	0	70,000
Highway Equipment	1.95%	107,130	0	107,130	0
Highway Equipment	1.55%	0	51,260	0	51,260
Total Special Revenue Funds		<u>\$379,830</u>	<u>\$435,460</u>	<u>\$449,830</u>	<u>\$365,460</u>
<u>Capital Projects Funds</u>					
GIS Project	1.95%	\$190,060	\$0	\$190,060	\$0
GIS Project	1.55%	0	194,420	0	194,420
Total Capital Projects Funds		<u>\$190,060</u>	<u>\$194,420</u>	<u>\$190,060</u>	<u>\$194,420</u>
Total All Funds		<u>\$2,359,990</u>	<u>\$2,310,680</u>	<u>\$2,429,990</u>	<u>\$2,240,680</u>

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

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

11. 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 2003, contributed \$102,131 toward the operation of this facility. During 2001, the Board of Trustees for the Center determined that it was necessary to improve the Center by constructing a new facility and making related improvements to the existing facility. The total cost is estimated at \$5,834,000. The County's equity interest in that Center is uncertain at this time. The Center is not accumulating significant financial resources or experiencing fiscal distress which would cause additional financial benefit to or burden on the County. The Ross County Auditor is the fiscal agent for the Center. Complete financial statements of the joint venture can be obtained from the Ross county Auditor, Ross County Courthouse, 2 North Paint Street, Suite G, Chillicothe, Ohio 45601.

12. JOINTLY GOVERNED ORGANIZATIONS

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

The County is a member of the Gallia, Jackson, Meigs and Vinton Joint Solid Waste Management District, which is a jointly governed organization of the four-named counties. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989 as required by the Ohio Revised Code.

The Gallia, Jackson, Meigs and Vinton Solid Waste District is governed and operated through three groups. A twelve member Board of Directors, comprised of three commissioners from each County, is responsible for the District's financial matters. Financial records are maintained by the District. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. A twenty-nine member policy committee, comprised of six members from each County and one at-large member appointed by policy committee, is responsible for preparing the solid waste management plan of the district in conjunction with a Technical Advisory Council whose members are appointed by the policy committee. Each participating County's influence is limited to the number of members each appoints to the board. Continued existence of the District is not dependent on the county's continued participation, no equity interest exists, and no debt is outstanding.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS

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

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

County which are proportionate to population, four by the Ohio Department of Drug and Alcohol and four by the State Department of Mental Health. Each participating county's influence is limited to the number of members each appoints to the Board. The Board exercises total control of the budgeting, appropriation, contracting and management.

All of the Board's revenue is from state and federal grants awarded to the multi-county board. Gallia County serves as the fiscal agent for the Board. Continued existence of the Board is not dependent on the County's continued participation, no debt exists, and the County does not have an equity interest in the Board. During 2003, the County made no contributions to the Board.

C. Southeastern Ohio Corrections Commission

The Southeastern Ohio Corrections Commission (the Commission) was formed for the purpose of planning to build a community jail through State funding. The Commission consists of Gallia, Jackson, and Meigs counties. The State funding did not become available but the Commission has remained together in the case there would be any new grants to apply for in the future. The Commission consists of twelve members which includes the President of the Commissioners, the Common Pleas Judge, and Sheriff from each county. The Commission's fiscal agent will be the County Auditor of the county in which the jail is placed. The County made no contributions to the Commission in 2003, and the Commission is not dependent on the County's continued participation.

D. Southeast Ohio Emergency Medical Services District

Southeast Ohio Emergency Medical Services District (the EMS) was organized to provide emergency medical services in southeast Ohio. The EMS serves the following counties: Athens, Jackson and Lawrence. A nine member board of directors governs the service. Each county appoints three members to the Board of Directors, upon approval of the current board members. The Board of Directors, in conjunction with the finance director, budget and approve expenditures, retain responsibility for surpluses and deficits, and are responsible for any debt incurred. The EMS is not dependent upon Jackson County for its continued existence, and the County does not maintain an equity interest. Emergency medical services are provided to each county under a contract arrangement. Each county is billed on a monthly basis for the services provided to their county. In 2003, the County paid \$654,742 to the EMS for services provided to the County.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. Jackson-Vinton Community Action Agency

The Jackson-Vinton Community Action Agency (the Agency) is a non-profit corporation organized to plan, conduct and coordinate programs designed to combat social and economic problems and to help eliminate conditions of poverty within Jackson and Vinton counties. The Agency is governed by a Board comprised of public officials from Jackson and Vinton counties, representatives of the poor in the area served and officials or members of the private sector of the community. The Agency controls its own operations and budget. In 2003, the County paid the Agency \$47,001 for services provided to the County.

F. Ohio Valley Regional Development Commission

The Ohio Valley Regional Development Commission (the Commission) is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio. The commission was formed to influence favorably the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The Commission is not dependent upon Jackson County for its existence. In 2003 the County made \$5,223 in contributions to the commission.

G. Gallia-Jackson Child Abuse and Neglect Advisory Board

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

13. PUBLIC ENTITY SHARED RISK POOLS

A. Buckeye Joint-County Self-Insurance Council

The Buckeye Joint-County Self-Insurance Council (the Council) is a public entity shared risk pool that serves Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton, and Washington counties. The Council was formed as an Ohio non-profit corporation for the purpose of establishing a shared risk pool to provide general liability, law enforcement, professional, and fleet insurance. Member counties provide operating resources to the corporation based on actuarially determined rates. The degree of control exercised by any participating government is limited to its representation on the Board. The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers which include a President, Vice President, Second Vice President and two Governing Board Members.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

13. PUBLIC ENTITY SHARED RISK POOLS (Continued)

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

The expenditures and investment of funds by the officers must be approved by the Governing Board unless specific limits have been set by the Governing Board to permit otherwise.

Jackson County does not have any ongoing financial interest or responsibility. The agreement between the County and the Council indicates that a voluntary withdrawal or termination by the County shall constitute a forfeiture of any pro rata share of the Council reserve fund. In the event of the termination of the Council, current members shall be paid in an amount they have contributed to the Council as of the last month of the Council's existence. Current calculation of the potential residual interest is therefore not possible. During 2003, Jackson County paid \$147,795 to the Council. \$143,836 was paid for basic insurance coverage, and \$3,959 was paid for claims.

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

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

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

14. CONTINGENT LIABILITIES

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

At December 31, 2003, there are two lawsuits pending against the County. The County's legal counsel states that the case of Burchett vs. Keifer has been settled without any monies due or owed by Jackson County. The other case of Adkins vs. Jackson County was granted a summary judgment. The plaintiff has filed a request with the Supreme Court, which has yet to be decided.

15. RELATED PARTY TRANSACTIONS

J-Vac Industries, Inc., a component unit of Jackson County, received contributions from the County for facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs. During the period January 1, 2003 through December 31, 2003, these contributions were \$16,992.

JACKSON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

16. CONTRACTUAL COMMITMENTS

As of December 31, 2003, the County had outstanding or planned contractual purchase commitments for the completion of several projects as follows:

Project	Original Contract Amount	Additions (Deletions)	Amount Expended	Balance at 12/31/03
Ohio Bridge Corp. 2003 Bridge Rehab Project	\$349,902	\$0	\$0	\$349,902
Jackson Brothers Construction Wellston - W. Broadway Park Parking Lot	28,500	0	0	28,500
Bill Enyart & Sons Oak Hill - Monroe St. Waterline Improvement	56,679	16,177	0	72,856
Stockmeister Enterprises Jackson - Streetscape Improvement	33,515	0	0	33,515
B & C Communications Communications Equipment	12,138	0	0	12,138
Total	\$480,734	\$16,177	\$0	\$496,911

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JACKSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

FEDERAL GRANTOR / Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>UNITED STATES DEPARTMENT OF COMMERCE</u>			
<i>Direct from Federal Government.</i>			
Economic Adjustment Assistance	N/A	11.307	\$18,745
Total United States Department of Commerce			18,745
<u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant - State's Program	B-F-01-037-1 B-F-02-037-1 B-C-00-037-1	14.228	170,197 55,093 10,968
Total Community Development Block Grant - State's Program			236,258
HOME Investment Partnerships Program	B-C-00-037-2	14.239	26,674
Total United States Department of Housing and Urban Development			262,932
<u>UNITED STATES DEPARTMENT OF JUSTICE</u>			
<i>Passed Through Ohio Office of Criminal Justice Services:</i>			
Byrne Formula Grant Program	2000-DG-G01-7139	16.579	49,725
Local Law Enforcement Block Grants Program	2002-LE-LEB-3571	16.592	2,250
Total United States Department of Justice			51,975
<u>UNITED STATES DEPARTMENT OF LABOR</u>			
<i>Passed Through Ohio Department of Job and Family Services.</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult			186,714
Workforce Investment Act - Adult Administrative			23,531
Workforce Investment Act - Adult Total	N/A	17.258	210,245
Workforce Investment Act - Youth			291,532
Workforce Investment Act - Youth Administrative			29,391
Workforce Investment Act - Youth Total	N/A	17.259	320,923
Workforce Investment Act - Dislocated Worker			130,944
Workforce Investment Act - Dislocated Worker Administrative			21,098
Workforce Investment Act - Dislocated Worker Total	N/A	17.260	152,042
Total Workforce Investment Act Cluster			683,210
Total United States Department of Labor			683,210
<u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
Highway Planning and Construction	GR-1-3249.0	20.205	22,655
<i>Passed Through Ohio Emergency Management Agency:</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants		20.703	1,391
Total United States Department of Transportation			24,046

JACKSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

FEDERAL GRANTOR / <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department Education.</i>			
Special Education Cluster:			
Special Education - Grants to States	6B-SF-2003-P 6B-SF-2004-P	84.027	11,065 12,922
Special Education - Preschool Grants	PG-S1-2003-P PG-S1-2004-P	84.173	2,456 <u>4,526</u>
Total Special Education Cluster			30,969
Innovative Education Program Strategies	C2-S1-2004	84.298	<u>344</u>
Total United States Department of Education			<u>31,313</u>
<u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant	N/A	93.667	32,612
Medical Assistance Program	N/A	93.778	<u>138,283</u>
Total United States Department of Health and Human Services			<u>170,895</u>
<u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
State Domestic Preparedness Equipment Support Program	2001-TE-CX-0016 2002-TE-CX-0049 2002-TE-CX-0106 2002-TE-TX-0199	97.004	1,405 39,818 14,488 <u>2,200</u>
Total State Domestic Preparedness Equipment Support Program			57,911
Public Assistance Grants	1453-DR-079-UE 1453-DR-079-UXV	97.036	188,946 <u>2,854</u>
Total Public Assistance Grants			191,800
Emergency Management Performance Grants	EMC-2003-GR-7006	97.042	14,548
State and Local All Hazards Emergency Operations Planning	EMC-2003-GR-7026	97.051	<u>23,368</u>
Total United States Department of Homeland Security			<u>287,627</u>
Total Federal Awards Expenditures			<u>\$ 1,530,743</u>

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

JACKSON COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES DECEMBER 31, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

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

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

These loans are collateralized by machinery and equipment. At December 31, 2003, the gross amounts of loans outstanding under this program were \$514,271. There were no delinquent amounts outstanding. Of the outstanding balance, \$500,000 represents a payment made by the City of Jackson from their Community Development Block Grant, which by agreement with the Office of Housing and Community Partnerships of the Ohio Department of Development, the City will repay to the County. Since the initial grant and payment of the funds was from the City of Jackson, the \$500,000 is not included as a disbursement on the County's Schedule of Federal Awards Expenditures.

NOTE D - MATCHING REQUIREMENTS

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

NOTE E - TITLE XX

The expenditures for Title XX were determined by using the actual reimbursements received for expenditures during 2003.

JACKSON COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003
(Continued)**

NOTE F – UNITED STATES DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the County previously received from other Federal agencies. The accompanying Schedule of Federal Awards Expenditures reports all such 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirements of these programs has not changed. A comparison of the Federal agencies' and CFDA numbers the County reported in its 2002 Schedule of Federal Awards Expenditures compared with the Department's CFDA numbers reported in the 2003 Schedule follows:

<u>Previous Federal Agency</u>	<u>CFDA No. used In 2002</u>	<u>Homeland Security CFDA No. used for 2003</u>
Federal Emergency Management Agency	83.552	97.042
U.S. Department of Justice	16.007	97.004



**Auditor of State
Betty Montgomery**

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

Jackson County
226 East Main Street
Jackson, Ohio 45640

To the Board of County Commissioners:

We have audited the financial statements of Jackson County, Ohio (the County), as of and for the year ended December 31, 2003, and have issued our report thereon dated September 30, 2004, wherein we noted the County prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). In addition, we noted the unavailability of audited financial statements for the Jackson County Airport Authority, a component unit of the County. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated September 30, 2004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 30, 2004.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

September 30, 2004



Auditor of State Betty Montgomery

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

Jackson County
226 East Main Street
Jackson, Ohio 45640

To the Board of County Commissioners:

Compliance

We have audited the compliance of Jackson County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings as item 2003-006. 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 30, 2004.

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Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over 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. The reportable condition is described in the accompanying Schedule of Findings as item 2002-005.

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, we believe the reportable condition described above is not a material weakness. 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 30, 2004.

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



Betty Montgomery
Auditor of State

September 30, 2004

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS
--

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

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

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

Finding Number 2003-001

Noncompliance Citation

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

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the County take the necessary steps to ensure the annual financial report is prepared in accordance with generally accepted accounting principles.

Finding Number 2003-002

Noncompliance Citation

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

- A. Then and Now Certificates: If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that, both at the time that the contract or order was made and at the time he is completing his certification, a sufficient sum was appropriated and free of any previous encumbrances, the Board of Commissioners may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less that \$100, the fiscal officer may authorize it to be paid without the affirmation of the taxing authority, upon completion of the then and now certificate, provided that the expenditure id otherwise lawful.

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

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

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

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

Finding Number 2003-003

Noncompliance Citation

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

A review of fund balances throughout fiscal year 2003 indicated that there were negative fund balances in the following funds:

Fund	June 30, 2003	October 31, 2003	December 31, 2003
Public Assistance	(\$147,502.29)	(\$362,923.17)	
Litter Control & Recycling	(\$2,820.11)		
Youth Subsidy Grant	(\$6,344.23)		
CDBG Formula Grant	(\$237.04)		
Youth and Communities in Partnership Grant	(\$421.79)		
Homeland Security Grant	(\$250.00)		
County Wide OIBRS Transition Plan Grant		(\$2,408.33)	
FEMA FY-2002 Supplemental Planning Grant	(\$87.38)		(\$952.99)
SVAA Grant			(\$416.18)
Bond Retirement – EMS	(\$84,180.19)		
Und. House Trailer Tax			(\$1,398.38)
Help Me Grow	(\$39,314.78)	(\$43,558.23)	
Public Health Inf.		(\$10,487.34)	

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

Finding Number 2003-004

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

Budgetary expenditures (disbursements plus encumbrances) exceeded appropriations in the Bond Retirement Garage Fund by \$225,000 (909%), Bond Retirement Justice Center Fund by \$338,000 (609%), Bond Retirement Clinic Building Fund by \$1,200,000 (681%), Bond Retirement Annex Building Fund by \$42,800 (347%), Bond Retirement Equipment Fund by \$154,420 (393%), Bond Retirement Road/Bridge Improvement Fund by \$70,000 (19,251%), Bond Retirement MRDD Roof Fund by \$19,200 (212%), and the Bond Retirement Equipment/Building Fund by \$51,260 (88%). This resulted due to the County renewing its note debt during the year. The County Commissioners did not amend estimated receipts and appropriations for the note debt and the County Auditor did not record the proceeds of the note debt renewals and the resulting payoff of the old note debt. An audit adjustment was made to the financial statements to reflect the correct note proceeds and debt principal payments.

We recommend the County Auditor periodically monitor appropriations and expenditures to ensure budgetary expenditures do not exceed appropriations. Also, prior to the County renewing its note debt each year, we recommend the County Commissioners amend the estimated receipts and appropriations. The County Auditor should then record the proceeds of the renewal note debt and the corresponding payoff of the old note debt.

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2003-005
CFDA Title and Number	Workforce Investment Act – CFDA # 17.258, 17.259, and 17.260
Federal Award Number / Year	2001-2002-2003
Federal Agency	United States Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

Reportable Condition - Cash Management

A review of the CORE Over/Under Advance Reports indicated the County expended more for the WIA programs than the funding received. As a result, money from other funding sources was used to cover the shortage. Further, a review of the monthly financial reports for the Public Assistance Fund, which includes the WIA funding, indicated that the Fund had a deficit fund balance for several months during 2003. This was an indication that other funds of the County were used to cover the shortages of the Public Assistance Fund.

Since many of the funds of the County and many of the Programs administered by the Jackson County Department of Job and Family Services are restricted for specific purposes, such instances of deficit fund balances could result in the use of restricted funds for unallowable purposes.

Discussions with management concerning the abovementioned situation and reviews of draw requests revealed the funds received from the State were not always the amounts requested by the County. This contributed to the situation disclosed above.

We recommend the Jackson County Department of Job and Family Services contact ODJFS regarding the situation to determine the reasons for the discrepancies between the funding requests and the amounts received. The County should monitor the fund balances and work to ensure that fund deficits do not occur in the future. This will help to ensure that restricted funds are used only for allowable purposes.

Finding Number	2003-006
CFDA Title and Number	Community Development Block Grant – CFDA # 14.228
Federal Award Number / Year	B-F-02-037-1, B-F-01-037-1, and B-C-00-037-1
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Citation - Reporting

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 agreement requires the County to submit to the Ohio Department of Development a Status Report beginning six months after the effective date of the agreements and a Final Performance Report at the conclusion of the Program.

JACKSON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2003-006 (Continued)

The County did not submit a timely Final Performance Report as required by the Grant Agreements. For Grant #B-C-00-037-1, the Ohio Department of Development had requested the report on March 31, 2003. The County submitted the required Final Performance Report to the Ohio Department of Development's satisfaction on May 5, 2003.

The County did not submit timely Status Reports as required by the Grant Agreements. For Grant #B-F-01-037-1, the Status Report dated February 10, 2003, which was required to be returned by March 10, 2003, was not submitted until March 13, 2003. For Grant #B-F-02-037-1, the Status Report dated February 10, 2003, which was required to be returned by March 10, 2003, was not submitted until March 13, 2003. For Grant #B-F-02-037-1, the Status Report dated September 17, 2003, which was required to be returned by October 17, 2003, was not submitted until October 20, 2003.

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

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

JACKSON COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <i>Explain:</i>
2002-001	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations	No	Reissued as Finding Number 2003-004
2002-002	Ohio Rev. Code Section 5705.41(D) – Not certifying the availability of funds prior to making commitments	No	Reissued as Finding Number 2003-002
2002-003	Ohio Rev. Code Section 117.38 – Not reporting on the GAAP basis.	No	Reissued as Finding Number 2003-001
2002-004	Finding for Recovery for the rental of airplane at Airport	Yes	
2002-005	Airport Authority – Receipts		Due to records of the Airport not being presented for audit, we are unable to determine if this finding has been corrected.
2002-006	Airport Authority – Accounting Records		Due to records of the Airport not being presented for audit, we are unable to determine if this finding has been corrected.
2002-007	Lack of Segregation of Duties for users of the Computer system in the Treasurer and Auditor's Office	Yes	
2002-008	Workforce Investment Act (WIA) – Noncompliance with Equipment and Real Property Management requirements – property records incomplete	Yes	
2002-009	WIA – Noncompliance with Reporting requirements – inaccurate reporting of expenditures	No	Partially corrected: Reissued as a Management Letter Comment
2002-010	WIA – Noncompliance with Subrecipient Monitoring requirements – contracts with subrecipients did not identify federal requirements	Yes	
2002-011	Community Development Block Grant (CDBG) – Noncompliance with Cash Management requirements – funds not disbursed with fifteen days of receipt	Yes	
2002-012	CDBG – Noncompliance with Reporting requirements – reports not submitted timely	No	Reissued as Finding Number 2003-006
2002-013	WIA – Cash Management – negative fund balances throughout the year	Yes	
2002-014	County did not prepare the Schedule of Federal Awards Expenditures	Yes	

JACKSON COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FOR THE YEAR ENDED DECEMBER 31, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	Plan to report on cash basis that substantially conforms to GASB 34 for the year ending December 31, 2004	December 31, 2004	Clyde Holdren, County Auditor
2003-002	Would have to hire a purchase order clerk, however, budget constraints have prohibited this. The Commissioners would have to approve this.	Unknown	Clyde Holdren, County Auditor
2003-003	Will continue to review fund balances to assure they are not negative.	December 31, 2004	Clyde Holdren, County Auditor
2003-004	County Auditor Will record the proceeds of new debt and payoff of old debt and Commissioners will approved budget amendments for this.	December 31, 2004	Clyde Holdren, County Auditor and Denver Wolford, County Commissioner
2003-005	The Jackson County Department of Job and Family Services will continue to work with the State Department of Job and Family Services to determine the reasons for the funding shortages and plan a course of corrective action.	December 31, 2004	Lynn Rice-Blair, Director of Jackson County Job and Family Services
2003-006	Commissioners will require CDC of Ohio, the CDBG manager, to complete all status and final performance reports timely.	December 31, 2004	Denver Wolford, County Commissioner



**Auditor of State
Betty Montgomery**

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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 18, 2004**