

**FINANCIAL CONDITION
JACKSON COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

FINANCIAL CONDITION
JACKSON COUNTY

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OFFICE OF THE AUDITOR

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Report of Independent Accountants

Board of County Commissioners
Jackson County
226 Main Street
Jackson, Ohio 45640

We have audited the accompanying general purpose financial statements of Jackson County, as of and for the year ended December 31, 1998. These general purpose financial statements are the responsibility of the Jackson County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of J-Vac Industries, Inc., the County's only discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for J-Vac Industries, Inc., is based on the report of other auditors.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Jackson County, as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 1999, on our consideration of Jackson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

The accompanying Schedule of Federal Awards Expenditures replaces the Schedule in Jackson County's fiscal year ended December 31, 1998, report package. The Schedule was revised to include Community Development Block Grant B-D-96-037-1, for \$288,000, which was previously omitted from the Schedule.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

JIM PETRO
Auditor of State

July 30, 1999, except for the last two paragraphs, which are dated March 2, 2000.

JACKSON COUNTY, OHIO
Combined Balance Sheet
All Fund Types, Account Groups and Discretely Presented Component Unit
December 31, 1998

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Assets and Other Debits:					
Assets:					
Cash and Cash Equivalents	\$707,230	\$3,151,970	\$186	\$4,070,117	\$22,011
Cash and Cash Equivalents in Segregated Accounts	29,180	123,658	0	0	0
Receivables:					
Taxes	0	0	0	0	0
Accounts	0	0	0	0	2,309
Due from Other Funds	26,098	26,111	0	2,605	0
Due from Other Funds - Taxes	1,243,930	1,248,989	0	0	0
Due from Other Governments	16,450	338,098	0	0	0
Materials and Supplies Inventory	0	302,102	0	0	0
Notes Receivable	0	80,814	0	0	0
Prepaid Items	681	7,611	0	0	0
Fixed Assets, (Net where applicable of Accumulated Depreciation)	0	0	0	0	25,053
Other Debits:					
Debt Service for Retirement of					
General Obligation Bonds	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0
Total Assets and Other Debits	\$2,023,569	\$5,279,353	\$186	\$4,072,722	\$49,373

See accompanying notes to the general purpose financial statements.

<i>FIDUCIARY FUND TYPES</i>	<i>ACCOUNT GROUPS</i>		<i>Totals (Memorandum Only)</i>	<i>COMPONENT UNIT</i>	<i>Totals (Memorandum Only)</i>
	<i>General Fixed Assets</i>	<i>General Long-Term Obligations</i>	<i>Primary Government</i>	<i>J-Vac Industries, Inc.</i>	<i>Reporting Entity</i>
\$2,010,738	\$0	\$0	\$9,962,252	\$0	\$9,962,252
425,119	0	0	577,957	17,514	595,471
12,584,799	0	0	12,584,799	0	12,584,799
0	0	0	2,309	8,496	10,805
0	0	0	54,814	0	54,814
0	0	0	2,492,919	0	2,492,919
788,795	0	0	1,143,343	0	1,143,343
0	0	0	302,102	4,235	306,337
0	0	0	80,814	0	80,814
0	0	0	8,292	0	8,292
0	8,540,346	0	8,565,399	8,911	8,574,310
0	0	186	186	0	186
0	0	1,428,693	1,428,693	0	1,428,693
<u>\$15,809,451</u>	<u>\$8,540,346</u>	<u>\$1,428,879</u>	<u>\$37,203,879</u>	<u>\$39,156</u>	<u>\$37,243,035</u>

(Continued)

JACKSON COUNTY, OHIO
Combined Balance Sheet
All Fund Types, Account Groups and Discretely Presented Component Unit
December 31, 1998

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Liabilities:					
Accounts Payable	\$26,248	\$96,643	\$0	\$0	\$0
Contracts Payable	495	8,291	0	10,250	0
Accrued Wages and Benefits	96,711	178,180	0	0	415
Compensated Absences Payable	12,979	33,145	0	0	0
Due to Other Funds	0	0	0	0	0
Due to Other Funds - Taxes	0	0	0	0	0
Due to Other Governments	79,536	5,063	0	0	549
Deferred Revenue	991,403	1,170,168	0	0	0
Undistributed Monies	0	0	0	0	0
Accrued Interest Payable	1,271	3,982	0	37,379	0
Notes Payable	125,316	423,084	0	4,097,000	0
Insurance Claims Payable	1,494	0	0	0	0
Capital Leases Payable	0	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	0
Total Liabilities	1,335,453	1,918,556	0	4,144,629	964
Fund Equity and Other Credits:					
Investment in General Fixed Assets	0	0	0	0	0
Contributed Capital	0	0	0	0	84,710
Retained Earnings:					
Unreserved	0	0	0	0	(36,301)
Fund Balance:					
Reserved for Encumbrances	22,200	0	0	0	0
Reserved for Inventory	0	302,102	0	0	0
Reserved for Unclaimed Monies	272,129	0	0	0	0
Unreserved:					
Undesignated	393,787	3,058,695	186	(71,907)	0
Total Fund Equity and Other Credits	688,116	3,360,797	186	(71,907)	48,409
Total Liabilities, Fund Equity and Other Credits	\$2,023,569	\$5,279,353	\$186	\$4,072,722	\$49,373

See accompanying notes to the general purpose financial statements.

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)	COMPONENT UNIT	Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	Primary Government	J-Vac Industries, Inc.	Reporting Entity
\$0	\$0	\$0	\$122,891	\$1,317	\$124,208
0	0	0	19,036	0	19,036
0	0	0	275,306	1,780	277,086
0	0	411,205	457,329	0	457,329
54,814	0	0	54,814	0	54,814
2,492,919	0	0	2,492,919	0	2,492,919
12,885,080	0	375,245	13,345,473	0	13,345,473
0	0	0	2,161,571	0	2,161,571
370,305	0	0	370,305	0	370,305
0	0	0	42,632	0	42,632
0	0	0	4,645,400	0	4,645,400
0	0	0	1,494	0	1,494
0	0	7,429	7,429	0	7,429
0	0	635,000	635,000	0	635,000
15,803,118	0	1,428,879	24,631,599	3,097	24,634,696
0	8,540,346	0	8,540,346	0	8,540,346
0	0	0	84,710	0	84,710
0	0	0	(36,301)	0	(36,301)
0	0	0	22,200	0	22,200
0	0	0	302,102	0	302,102
0	0	0	272,129	0	272,129
6,333	0	0	3,387,094	36,059	3,423,153
6,333	8,540,346	0	12,572,280	36,059	12,608,339
\$15,809,451	\$8,540,346	\$1,428,879	\$37,203,879	\$39,156	\$37,243,035

JACKSON COUNTY, OHIO
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Funds
For the Year December 31, 1998

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	\$2,056,440	\$2,064,540	\$0	\$0
Charges for Services	629,720	1,026,852	0	0
Licenses and Permits	4,410	37,662	0	0
Fines and Forfeitures	293,280	178,051	0	34,467
Intergovernmental	774,551	7,330,030	0	617,877
Interest Earnings	279,522	25,432	0	186,174
Other	318,260	691,718	23,081	117,241
<i>Total Revenues</i>	<u>4,356,183</u>	<u>11,354,285</u>	<u>23,081</u>	<u>955,759</u>
Expenditures:				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	2,028,651	414,331	0	0
Judicial	715,495	209,704	0	0
Public Safety	1,049,565	678,204	0	0
Public Works	0	3,238,859	0	0
Health	116,427	1,362,372	0	0
Human Services	328,563	4,191,975	0	0
Economic Development and Assistance	0	503,102	0	0
Other	391,665	32,189	0	0
Capital Outlay	0	0	0	1,245,400
<i>Debt Service:</i>				
Principal Retirement	466	0	27,500	0
Interest and Fiscal Charges	5,736	19,685	32,183	149,138
<i>Total Expenditures</i>	<u>4,636,568</u>	<u>10,650,421</u>	<u>59,683</u>	<u>1,394,538</u>
Excess of Revenues Over (Under) Expenditures	(280,385)	703,864	(36,602)	(438,779)
Other Financing Sources(Uses):				
Inception of Capital Lease	7,895	0	0	0
Proceeds of Bonds	337,500	0	0	0
Operating Transfers - In	109,006	131,813	36,788	543,212
Operating Transfers - Out	(78,756)	(742,063)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>375,645</u>	<u>(610,250)</u>	<u>36,788</u>	<u>543,212</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	95,260	93,614	186	104,433
Fund Balances (Deficit) at Beginning of Year, As Restated	604,088	3,133,081	0	(176,340)
Increase (Decrease) in Reserve for Inventory	(11,232)	134,102	0	0
Fund Balances (Deficit) at End of Year	<u>\$688,116</u>	<u>\$3,360,797</u>	<u>\$186</u>	<u>(\$71,907)</u>

See accompanying notes to the general purpose financial statements.

<i>FIDUCIARY FUND TYPE</i>	Totals (Memorandum Only)	
	Expendable Trust	Primary Government
	\$0	\$4,120,980
	0	1,656,572
	0	42,072
	0	505,798
	27,883	8,750,341
	0	491,128
	2,437	1,152,737
	<u>30,320</u>	<u>16,719,628</u>
	0	2,442,982
	0	925,199
	0	1,727,769
	0	3,238,859
	0	1,478,799
	25,731	4,546,269
	0	503,102
	8,008	431,862
	0	1,245,400
	0	27,966
	0	206,742
	<u>33,739</u>	<u>16,774,949</u>
	(3,419)	(55,321)
	0	7,895
	0	337,500
	0	820,819
	0	(820,819)
	<u>0</u>	<u>345,395</u>
	(3,419)	290,074
	9,752	3,570,581
	0	122,870
	<u>\$6,333</u>	<u>\$3,983,525</u>

JACKSON COUNTY, OHIO
Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 1998

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$2,043,435	\$2,045,958	\$2,523
Charges for Services	587,282	593,458	6,176
Licenses and Permits	4,510	4,510	0
Fines and Forfeitures	298,850	298,850	0
Intergovernmental	773,540	773,540	0
Interest Earnings	170,728	170,728	0
Other	65,468	307,925	242,457
<i>Total Revenues</i>	<u>3,943,813</u>	<u>4,194,969</u>	<u>251,156</u>
Expenditures:			
<i>Current:</i>			
<i>General Government:</i>			
Legislative and Executive	2,130,290	2,039,854	90,436
Judicial	709,490	714,922	(5,432)
Public Safety	1,076,486	1,037,475	39,011
Public Works	0	0	0
Health	116,743	116,427	316
Human Services	392,228	369,411	22,817
Economic Development and Assistance	0	0	0
Other	431,669	420,622	11,047
Capital Outlay	0	0	0
<i>Debt Service:</i>			
Principal Retirement	18,334	18,334	0
Interest and Fiscal Charges	4,216	4,216	0
<i>Total Expenditures</i>	<u>4,879,456</u>	<u>4,721,261</u>	<u>158,195</u>
Excess of Revenues Over (Under) Expenditures	(935,643)	(526,292)	409,351
Other Financing Sources (Uses):			
Proceeds of Notes	143,650	143,650	0
Proceeds of Bonds	337,500	337,500	0
Operating Transfers - In	109,006	109,006	0
Operating Transfers - Out	(78,149)	(78,756)	(607)
<i>Total Other Financing Sources (Uses)</i>	<u>512,007</u>	<u>511,400</u>	<u>(607)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(423,636)	(14,892)	408,744
Fund Balances (Deficit) at Beginning of Year	532,365	532,365	0
Prior Year Encumbrances Appropriated	20,196	20,196	0
Fund Balances (Deficit) at End of Year	<u>\$128,925</u>	<u>\$537,669</u>	<u>\$408,744</u>

See accompanying notes to the general purpose financial statements.

GOVERNMENTAL FUND TYPES

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,971,565	\$1,867,337	(\$104,228)	\$0	\$0	\$0
1,145,250	1,027,140	(118,110)	0	0	0
37,072	38,327	1,255	0	0	0
264,676	179,877	(84,799)	0	0	0
7,798,285	7,485,082	(313,203)	0	0	0
6,422	7,399	977	0	0	0
730,919	723,448	(7,471)	22,895	23,081	186
11,954,189	11,328,610	(625,579)	22,895	23,081	186
498,382	411,176	87,206	0	0	0
260,205	218,382	41,823	0	0	0
691,452	678,707	12,745	0	0	0
3,312,959	3,235,273	77,686	0	0	0
1,537,077	1,350,765	186,312	0	0	0
4,700,876	4,157,543	543,333	0	0	0
801,108	601,050	200,058	0	0	0
32,472	32,189	283	0	0	0
0	0	0	0	0	0
146,266	146,266	0	27,500	27,500	0
19,422	19,422	0	32,183	32,183	0
12,000,219	10,850,773	1,149,446	59,683	59,683	0
(46,030)	477,837	523,867	(36,788)	(36,602)	186
161,850	161,850	0	0	0	0
0	0	0	0	0	0
131,489	131,813	324	36,788	36,788	0
(743,928)	(742,063)	1,865	0	0	0
(450,589)	(448,400)	2,189	36,788	36,788	0
(496,619)	29,437	526,056	0	186	186
3,102,833	3,102,833	0	0	0	0
17,575	17,575	0	0	0	0
\$2,623,789	\$3,149,845	\$526,056	\$0	\$186	\$186

(Continued)

JACKSON COUNTY, OHIO
Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 1998

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$0	\$0	\$0
Charges for Services	0	0	0
Licenses and Permits	0	0	0
Fines and Forfeitures	40,000	31,862	(8,138)
Intergovernmental	617,877	617,877	0
Interest Earnings	0	0	0
Other	117,241	117,241	0
<i>Total Revenues</i>	<u>775,118</u>	<u>766,980</u>	<u>(8,138)</u>
Expenditures:			
<i>Current:</i>			
General Government:			
Legislative and Executive	0	0	0
Judicial	0	0	0
Public Safety	0	0	0
Public Works	0	0	0
Health	0	0	0
Human Services	0	0	0
Economic Development and Assistance	0	0	0
Other	0	0	0
Capital Outlay	1,316,357	1,239,571	76,786
<i>Debt Service:</i>			
Principal Retirement	433,000	433,000	0
Interest and Fiscal Charges	150,364	150,364	0
<i>Total Expenditures</i>	<u>1,899,721</u>	<u>1,822,935</u>	<u>76,786</u>
Excess of Revenues Over (Under) Expenditures	(1,124,603)	(1,055,955)	68,648
Other Financing Sources (Uses):			
Proceeds of Notes	350,000	350,000	0
Proceeds of Bonds	0	0	0
Operating Transfers - In	543,212	543,212	0
Operating Transfers - Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>893,212</u>	<u>893,212</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(231,391)	(162,743)	68,648
Fund Balances (Deficit) at Beginning of Year	4,046,686	4,046,686	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balances (Deficit) at End of Year	<u>\$3,815,295</u>	<u>\$3,883,943</u>	<u>\$68,648</u>

See accompanying notes to the general purpose financial statements.

Expendable Trust Funds			Totals (Memorandum Only) Primary Government		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$4,015,000	\$3,913,295	(\$101,705)
0	0	0	1,732,532	1,620,598	(111,934)
0	0	0	41,582	42,837	1,255
0	0	0	603,526	510,589	(92,937)
29,225	27,883	(1,342)	9,218,927	8,904,382	(314,545)
0	0	0	177,150	178,127	977
5,000	2,437	(2,563)	941,523	1,174,132	232,609
34,225	30,320	(3,905)	16,730,240	16,343,960	(386,280)
0	0	0	2,628,672	2,451,030	177,642
0	0	0	969,695	933,304	36,391
0	0	0	1,767,938	1,716,182	51,756
0	0	0	3,312,959	3,235,273	77,686
0	0	0	1,653,820	1,467,192	186,628
30,024	25,731	4,293	5,123,128	4,552,685	570,443
0	0	0	801,108	601,050	200,058
13,000	8,008	4,992	477,141	460,819	16,322
0	0	0	1,316,357	1,239,571	76,786
0	0	0	625,100	625,100	0
0	0	0	206,185	206,185	0
43,024	33,739	9,285	18,882,103	17,488,391	1,393,712
(8,799)	(3,419)	5,380	(2,151,863)	(1,144,431)	1,007,432
0	0	0	655,500	655,500	0
0	0	0	337,500	337,500	0
0	0	0	820,495	820,819	324
0	0	0	(822,077)	(820,819)	1,258
0	0	0	991,418	993,000	1,582
(8,799)	(3,419)	5,380	(1,160,445)	(151,431)	1,009,014
9,752	9,752	0	7,691,636	7,691,636	0
0	0	0	37,771	37,771	0
\$953	\$6,333	\$5,380	\$6,568,962	\$7,577,976	\$1,009,014

JACKSON COUNTY, OHIO
Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type and Discretely Presented Component Unit
For the Year Ended December 31, 1998

	<i>PROPRIETARY FUND TYPE</i>	Totals (Memorandum Only)	<i>COMPONENT UNIT</i>	Totals (Memorandum Only)
	Enterprise	Primary Government	J-Vac Industries, Inc.	Reporting Entity
Operating Revenues:				
Charges for Services	\$28,941	\$28,941	\$103,495	\$132,436
Contributed Services from County	0	0	14,589	14,589
Other Operating Revenues	642	642	0	642
Total Operating Revenues	29,583	29,583	118,084	147,667
Operating Expenses:				
Personal Services	9,181	9,181	74,806	83,987
Contractual Services	9,009	9,009	16,694	25,703
Operational Expenses	0	0	10,286	10,286
Materials and Supplies	1,296	1,296	16,880	18,176
Other Operating Expenses	2,987	2,987	2,695	5,682
Depreciation	2,981	2,981	15,200	18,181
Total Operating Expenses	25,454	25,454	136,561	162,015
Operating Income (Loss)	4,129	4,129	(18,477)	(14,348)
Nonoperating Revenues (Expenses):				
Interest Income	0	0	200	200
Interest and Fiscal Charges	0	0	(869)	(869)
Total Nonoperating Revenues (Expenses)	0	0	(669)	(669)
Net Income (Loss)	4,129	4,129	(19,146)	(15,017)
Retained Earnings at Beginning of Year	(40,430)	(40,430)	55,205	14,775
Retained Earnings at End of Year	(36,301)	(36,301)	36,059	(242)
Contributed Capital at End of Year	84,710	84,710	0	84,710
Total Fund Equity at End of Year	\$48,409	\$48,409	\$36,059	\$84,468

See accompanying notes to the general purpose financial statements.

JACKSON COUNTY, OHIO
Combined Statement of Cash Flows
Proprietary Fund Type and Discretely Presented Component Unit
For the Year Ended December 31, 1998

	PROPRIETARY FUND TYPE	Totals (Memorandum Only)	COMPONENT UNIT	Totals (Memorandum Only)
	Enterprise	Primary Government	J-Vac Industries, Inc.	Reporting Entity
<i>Cash Flows from Operating Activities:</i>				
Cash Receipts From Customers	\$28,938	\$28,938	\$106,912	\$135,850
Cash From Other Operating Receipts	642	642	0	642
Cash Payments to Employees	(8,999)	(8,999)	(79,500)	(88,499)
Cash Payments for Contractual Services	(9,688)	(9,688)	(2,105)	(11,793)
Cash Payments for Supplies & Materials	(1,296)	(1,296)	(12,008)	(13,304)
Cash Payments for Operational Expenses	0	0	(10,677)	(10,677)
Cash Payments for Other Operating Expenses	(3,141)	(3,141)	(2,695)	(5,836)
Other Nonoperating Payments	0	0	(212)	(212)
<i>Net Cash from Operating Activities</i>	<u>6,456</u>	<u>6,456</u>	<u>(285)</u>	<u>6,171</u>
<i>Cash Flows from Capital & Related Financing Activities:</i>				
Principal Paid on Notes	0	0	(2,608)	(2,608)
Interest Paid on Notes	0	0	(657)	(657)
<i>Net Cash from Capital & Related Financing Activities</i>	<u>0</u>	<u>0</u>	<u>(3,265)</u>	<u>(3,265)</u>
<i>Cash Flows from Investing Activities:</i>				
Interest Received on Investments	0	0	200	200
<i>Net Cash from Investing Activities</i>	<u>0</u>	<u>0</u>	<u>200</u>	<u>200</u>
Net Increase (Decrease) in Cash & Cash Equivalents	6,456	6,456	(3,350)	3,106
Cash & Cash Equivalents at Beginning of Year	15,555	15,555	20,864	36,419
Cash & Cash Equivalents at End of Year	<u>\$22,011</u>	<u>\$22,011</u>	<u>\$17,514</u>	<u>\$39,525</u>

See accompanying notes to the general purpose financial statements.

(Continued)

JACKSON COUNTY, OHIO
Combined Statement of Cash Flows
Proprietary Fund Type and Discretely Presented Component Unit
For the Year Ended December 31, 1998

	<u>PROPRIETARY FUND TYPE</u>	<u>Totals (Memorandum Only)</u>	<u>COMPONENT UNIT</u>	<u>Totals (Memorandum Only)</u>
	Enterprise	Primary Government	J-Vac Industries, Inc.	Reporting Entity
<i>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:</i>				
Operating Income (Loss)	\$4,129	\$4,129	(\$18,477)	(\$14,348)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:</i>				
Depreciation Expense	2,981	2,981	15,200	18,181
Nonoperating Cash Payments	0	0	(212)	(212)
<i>Changes in Assets & Liabilities:</i>				
(Increase) Decrease in Accounts Receivable	(3)	(3)	3,417	3,414
(Increase) Decrease in Inventory	0	0	4,872	4,872
Increase (Decrease) in Accounts Payable	(574)	(574)	(391)	(965)
Increase (Decrease) in Contracts Payable	(259)	(259)	0	(259)
Increase (Decrease) in Accrued Wages and Benefits	30	30	(4,694)	(4,664)
Increase (Decrease) in Due to Other Governments	152	152	0	152
<i>Net Cash from Operating Activities</i>	<u>\$6,456</u>	<u>\$6,456</u>	<u>(\$285)</u>	<u>\$6,171</u>

See accompanying notes to the general purpose financial statements.

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

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

Reporting Entity: The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Jackson County, this includes the Jackson County Board of Mental Retardation and Developmental Disabilities, Jackson County Children Services Board, Jackson County Child Support Enforcement Agency, and departments and activities that are directly operated by the elected County officials.

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

Discretely Presented Components Units: The component units column in the combined financial statements identifies the financial data of one of the County's component units, J-Vac Industries, Inc. The Jackson County Airport Authority financial data for the year ended December 31, 1998 is deemed immaterial; therefore, no financial information is presented in the accompanying general purpose financial statements. J-Vac Industries, Inc. is reported separately to emphasize that they are legally separate from the County.

J-Vac Industries, Inc. - J-Vac Industries, Inc. (the Workshop) is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. J-Vac Industries, Inc., under contractual agreement with the Jackson County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Jackson County. Based on the significant services and resources provided by the County to J-Vac Industries, Inc. and their sole purpose of providing assistance to the retarded and handicapped adults of Jackson County, the Workshop is presented as a component unit of Jackson County. J-Vac Industries, Inc. operates on a fiscal year ending June 30. Therefore, the financial information reported in the general purpose financial statements is presented for the fiscal year July 1, 1997 through June 30, 1998. Separately issued financial statements can be obtained from J-Vac Industries, Inc., located at 202 S. Pennsylvania Avenue, Wellston, Ohio 45692.

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

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

Jackson County Airport Authority - Jackson County Airport Authority operates on a fiscal year ending December 31. The eight member Board is appointed by the County Commissioners. The Commissioners also review the budget and have the authority to impose its will on the Airport Authority. All the land and fixed assets of the airport belongs to the County. Jackson County also provides other support for the Airport Authority. The Airport Authority is located at 1802 Keystone Station Road CR 44, Jackson, Ohio 45640.

The County is associated with certain organizations which are defined as Jointly Governed Organizations. These organizations are presented in Note 20 to the General Purpose Financial Statements. These organizations are:

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

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

- Soil and Water Conservation District
- Jackson County Health District

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

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

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

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

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

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (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).

Proprietary Fund Type: The proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following is the proprietary fund type utilized by the County:

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. All enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the County is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: earnings on investments, permissive sales tax (see Note 8), federal and state grants and entitlements, charges for current services, licenses and permits, and fines and forfeitures.

The County reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 1998, and delinquent property taxes, whose availability is indeterminable and which are intended to finance 1999 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Principal and interest on general long-term debt is recorded as fund liabilities when due, and costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The enterprise funds are reported using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized at the time they are incurred, if measurable. There were no unbilled service charges receivable at year end. Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting", the County has elected not to apply Financial Accounting Standards Boards Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Estimated Resources: The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1998.

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

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

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

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Lapsing of Appropriations: At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

Cash and Cash Equivalents: Cash balances of the County's funds, except cash held by a trustee or fiscal agent and in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Each fund type's share of the pool is presented on the balance sheet in the account "Cash and Cash Equivalents." For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts." Interest is distributed to the General Fund, Motor Vehicle and Gasoline Tax Fund, Community Development Block Grant (Revolving Loan) Fund and Correction Facility Project Fund. Interest earned during 1998 amounted to \$491,128.

During 1998, the County invested its funds in interest bearing demand accounts, certificates of deposit and sweep accounts with local commercial banks. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating contracts such as certificates of deposit and sweep accounts are reported at cost.

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

Prepaid Items: Payments made to vendors for services that will benefit periods beyond December 31, 1998, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

County employees earn vacation and sick leave at varying rates depending on length of service and departmental policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service. Accumulated, unused sick leave is paid up to a maximum of 240 hours depending on the length of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded as "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. There were no material compensated absences to report as a fund liability in the Enterprise Funds.

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intergovernmental Revenues: For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for enterprise fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

Contributed Capital: Contributed capital represents resources from other funds, other governments, private sources, and tap-in fees, to the extent they exceed the cost of physical connection to the system, which have been provided to the enterprise funds and are not subject to repayment. Those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements.

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

Long-term Debt: Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

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

Nonrecurring and non-routine transfers of equity between funds and the transfer of residual balances of discontinued funds or projects to the general fund or capital projects funds are classified as residual equity transfers.

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

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

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE 3 - PRIOR PERIOD ADJUSTMENTS AND CHANGE IN ACCOUNTING PRINCIPLES

For the year ended December 31, 1998, the following adjustments resulted in the restatement of the beginning fund balances in the General and Special Revenue Funds, the beginning retained earnings balance in the Internal Service Fund and the beginning asset and liability amounts in both the Agency Funds and General Long-Term Obligations Account Group. The table below provides the adjustments and the resulting effect on each fund or account group.

	Balance 12-31-97	Adjustments	Restated Balance 1-1-98
General Fund	\$457,291	\$146,797	\$604,088
Special Revenue Funds	2,882,338	250,743	3,133,081
Internal Service Fund	31,679	(31,679)	0
Agency Funds	16,453,022	219,550	16,672,572
General Long-Term Obligations Account Group	743,398	255,789	999,187

The County has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."

GASB Statement No. 31 establishes accounting and reporting guidelines for government investments and investment pools. The implementation of this statement required no change in the prior period balances of the County's financial statements.

GASB Statement No. 32 establishes accounting and reporting guidelines for eligible deferred compensation plans that are now required to be held in trust for the exclusive benefit of plan participants and their beneficiaries. The implementation of this statement required no change in the prior period balances of the County's financial statements. However, it did require the removal of \$1,274,773 in plan assets during the current period, from both the funds on deposit with the deferred compensation boards and the deferred compensation payable in the Agency Funds.

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 4 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS

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

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

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

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 4 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS (Continued)

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

Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses - All Governmental Fund Types			
Description	General	Special Revenue	Capital Projects
Budget Basis	(\$14,892)	\$29,437	(\$162,743)
<i>Revenues - Increase (Decrease) from:</i>			
Taxes	10,482	197,203	0
Charges for Services	36,262	(288)	0
Licenses & Permits	(100)	(665)	0
Fines & Forfeitures	(5,570)	(1,826)	2,605
Intergovernmental	1,011	(155,052)	0
Interest Earnings	108,794	18,033	186,174
Other	10,335	(31,730)	0
<i>Expenditures - Increase (Decrease) from:</i>			
Legislative & Executive	11,203	(3,155)	0
Judicial	(573)	8,678	0
Public Safety	(12,090)	503	0
Public Works	0	(3,586)	0
Health	0	(11,607)	0
Human Services	40,848	(34,432)	0
Economic Development	0	97,948	0
Other	28,957	0	0
Capital Outlay	0	0	(5,829)
Debt Service - Principal	17,868	146,266	433,000
Debt Service - Interest	(1,520)	(263)	1,226
Other Sources (Uses)	(135,755)	(161,850)	(350,000)
GAAP Basis	<u>\$95,260</u>	<u>\$93,614</u>	<u>\$104,433</u>

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances/retained earnings as of December 31, 1998:

Special Revenue Funds:

Dog & Kennel	\$3,454
Litter Control	2,733
Youth Services Grant	6,344
Board of MRDD	28,225

Capital Projects Funds:

GIS Project	371,021
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Enterprise Funds:

Green Acres	37,307
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These deficits do not exist on the cash basis and are the result of applying generally accepted accounting principles. These deficits will be eliminated through either future revenues or interfund transfers. Interfund transfers are made on a cash basis as cash is needed and not when expenditures/expenses are accrued.

B. Compliance

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

General Fund:

General Government	
Judicial	\$5,432
Operating Transfers - Out	607

Special Revenue Funds:

Marriage License	
Health	6,779

Capital Project Funds:

Issue II Money	
Capital Outlay	329,877

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 6 - CASH, DEPOSITS AND INVESTMENTS

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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.

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 6 - CASH, DEPOSITS AND INVESTMENTS (Continued)

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

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

The amounts available for deposit and investment are as follows:

* Cash and Cash Equivalents (carrying amounts):	
- Pooled	\$9,962,252
- Segregated	577,957
- Component Unit	17,514
* Reconciling items (net) to arrive at bank balances of deposits	(147,897)
Total available for deposit and investment (Bank balance of deposits/carrying amount of investments)	\$10,409,826

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

A public depository may, at its option, pledge a single pool of eligible securities to secure the repayment of all public monies held by depository. The pool of securities so pledged must have a current fair value at least equal to 110% of all public monies on deposit with the depository including the amount covered by federal insurance.

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

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

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

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 6 - CASH, DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

Based on this criteria, the County deposits and investments at December 31, 1998 are classified as follows:

	1	Category 2	3	Bank Balance	Carrying Amount	Fair Value
<i>Deposits:</i>						
Demand Deposits	\$550,632	\$0	\$189,435	\$740,067	\$887,964	
Certificates of Deposit	111,046	0	7,055,199	7,166,245	7,166,245	
Component Unit	17,514	0	0	17,514	17,514	
Total Deposits	<u>\$679,192</u>	<u>\$0</u>	<u>\$7,244,634</u>	<u>\$7,923,826</u>	<u>\$8,071,723</u>	
<i>Investments:</i>						
Sweep Account	\$0	\$2,486,000	\$0		\$2,486,000	\$2,486,000
Total Investments	<u>\$0</u>	<u>\$2,486,000</u>	<u>\$0</u>		<u>\$2,486,000</u>	<u>\$2,486,000</u>

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 6 - CASH, DEPOSITS AND INVESTMENTS (Continued)

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

	Cash & Cash Equivalents	Investments
GASB Statement No. 9	\$10,557,723	\$0
Investments:		
Sweep Account	(2,486,000)	2,486,000
GASB Statement No. 3	<u>\$8,071,723</u>	<u>\$2,486,000</u>

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed for tax year 1993. The last update was completed for tax year 1996. Real property taxes are payable annually or semiannually. The first payment is due February 15, with the remainder payable by July 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due October 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by October 20. Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to itself its share of the taxes collected. The County records receipt of these taxes in various funds.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 1998. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 1998 operations. The receivable is therefore offset by a credit to deferred revenue.

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 7 - PROPERTY TAXES (Continued)

The full tax rate for all County operations for the year ended December 31, 1998, was \$9.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1998 property tax receipts were based are as follows:

Category	Assessed Value
Real Property:	
Residential/Agricultural	\$167,548,060
Commercial/Industrial	49,766,560
Public Utilities	73,590
Minerals	350,300
Tangible Personal Property:	
General	42,549,333
Public Utilities	42,834,540
Total Valuation	\$303,122,383

NOTE 8 - PERMISSIVE SALES TAX

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

Proceeds of the tax are credited to the General Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 1998 amounted to \$1,318,850 for the General Fund.

A one-half of one percent additional sales tax was passed by the voters of Jackson County on November 4, 1997. This tax is to be used for the purpose of constructing, equipping, and furnishing a new jail, courts, and Sheriff's office for Jackson County. It will also be used to pay debt service on bonds or notes issued for this project and provide revenue for the operation and maintenance of the jail. The sales and use tax revenue for 1998 amounted to \$1,005,989 for the Jail Fund. Collection began on January 1, 1998 and the County began receiving these taxes in March of 1998.

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 9 - INTERGOVERNMENTAL REVENUE

The following is a summary of major intergovernmental revenues:

General Fund:

Local Government	\$477,771
State Property Tax Reimbursements	97,978
Other	198,802
<i>Total General Fund</i>	<u>\$774,551</u>

Special Revenue Funds:

Motor Vehicle Gas Tax	\$2,544,048
Public Assistance	2,210,123
Child Support Enforcement	384,214
Children's Services	500,692
Emergency Medical Services	52,620
Board of MRDD	815,266
Family Resources	21,887
CDBG	581,090
SVAA	26,939
Felony Delinquent	139,329
FEMA	21,698
Other	32,124
<i>Total Special Revenue Funds</i>	<u>\$7,330,030</u>

Capital Projects Funds:

Issue II	\$329,877
Department of Public Works	288,000
<i>Total Capital Project Funds</i>	<u>\$617,877</u>

Expendable Trust Funds:

Foster Care	\$27,883
<i>Total Expendable Trust Funds</i>	<u>\$27,883</u>

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 10 - INTERFUND TRANSFERS

A summary of operating transfers by fund type follows:

Transfers From	Transfers To				Total
	General	Special Revenue	Debt Service	Capital Projects	
General	\$0	\$78,756	\$0	\$0	\$78,756
Special Revenue	109,006	53,057	36,788	543,212	742,063
	<u>\$109,006</u>	<u>\$131,813</u>	<u>\$36,788</u>	<u>\$543,212</u>	<u>\$820,819</u>

NOTE 11 - FIXED ASSETS

A summary of the Enterprise Funds' fixed assets at December 31, 1998 are as follows:

	Enterprise
Sewer Plants	\$42,000
Sewer Lines	42,710
Total Fund Fixed Assets	84,710
Less: Accumulated Depreciation	(59,657)
Total Fund Fixed Assets (net of accumulated depreciation)	<u>\$25,053</u>

A summary of the changes in general fixed assets during 1998 is as follows:

Asset Category	Balance at 12/31/97	Additions	Deletions	Balance at 12/31/98
Land	\$158,216	\$1,000	\$0	\$159,216
Buildings	4,135,222	132,669	0	4,267,891
Machinery & Equipment	3,323,580	537,975	129,632	3,731,923
Construction in Progress	0	381,316	0	381,316
Totals	<u>\$7,617,018</u>	<u>\$1,052,960</u>	<u>\$129,632</u>	<u>\$8,540,346</u>

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 12 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 1998, the County contracted with the Buckeye Joint-County Self-Insurance Council, a jointly governed organization, for liability, auto and crime insurance. This jointly governed organization is a cost-sharing pool. The program has a \$0 to \$25,000 deductible per occurrence.

Coverage provided by the program is as follows:

TYPE OF COVERAGE	ANNUAL-AGGREGATE	DEDUCTIBLE
General Liability	\$1,000,000 / \$2,000,000	\$1,000
Public Official Liability	1,000,000 / 2,000,000	1,000
Law Enforcement	1,000,000 / 2,000,000	1,000
Auto Liability	1,000,000 per occurrence	0
Pollution Liability	10,000	1,000
All Risk Blanket Property	Bldg. & Cont. per Schedule	500
Flood (No coverage in Zone A)	Included	5,000
Earthquake (No coverage in Zone A)	Included	25,000
Electronic Data Processing Equipment	175,000	500
Blanket Bond	250,000	0
Elected Officials Bond	Per Bond Schedule	0
Money and Securities (Inc. Food Stamps)	500,000	500
Boiler and Machinery	Included	500
Inland Marine	Per Scheduled Activity	100
Auto Comprehensive	Per Scheduled Activity	100
Auto Collision	Per Scheduled Activity	250
Nurse Liability	1,000,000	1,000
EMT / EMTA / PARAMEDIC	1,000,000 / 2,000,000	1,000

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

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

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 12 - RISK MANAGEMENT (Continued)

Medical/surgical, dental and vision insurance were offered to employees through a self-insurance program until September 30, 1995. Effective October 1, 1995, a group policy was entered into with United Healthcare of Ohio, Inc., a for-profit health maintenance organization, United Health and Life Insurance Company of Ohio and Jackson County. In addition, an agreement was entered into between the Commissioners of Jackson County and Business Administrators and Consultants, Inc., effective for a twelve month period beginning October 1, 1995, to supervise the self-insurance program for funds remaining in the accounts to pay outstanding claims. To this date, all outstanding medical/surgical claims have been paid. Any additional activity related to the medical/surgical account strictly relate to ex-employees who continue with coverage through COBRA. The County only acts in a custodial capacity by collecting the premium payment and remitting the premium payment to the insurance company. The County does not retain any liability for payment of claims on these employees.

The County has elected to continue to provide vision benefits through a self-insured program with Vision Services Plan. The maintenance of these benefits are accounted for in the General Fund. Incurred but not reported claims of \$1,494 have been accrued as a liability based on a review of January - March 1999 billings provided by the County Auditor's Office. The remaining claims reflected in the schedule below relate to the vision self insurance plan which continued in effect for all of 1998.

	1998	1997
Incurring but Not Reported Claims	\$3,172	\$2,402
Estimated Current Year Claims	22,322	21,819
Actual Paid Claims - Current and Prior Year	(24,000)	(21,049)
Incurring but Not Reported Claims	\$1,494	\$3,172

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. Law enforcement employees contribute 9.0% of covered salary. The 1998 employer contribution rate for local government employers was 13.55% of covered payroll. The law enforcement employer rate was 16.70% of covered payroll. The County's required contributions to PERS for the years ended December 31, 1998, 1997, and 1996 were \$748,040, \$709,565 and \$676,806, respectively; 71% has been contributed for 1998 and 100% for years 1997 and 1996. Of the 1998 amount, \$217,096 was unpaid at December 31, 1998 and is recorded as a liability within the respective funds.

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS (Continued)

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

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's required contributions to STRS for the years ended December 31, 1998, 1997, and 1996 were \$20,362, \$20,578, and \$20,992, respectively; 68% has been contributed for 1998 and 100% for years 1997 and 1996. Of the 1998 amount, \$6,503 was unpaid at December 31, 1998 and is recorded as a liability within the Board of MRDD Fund.

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System or the State Teachers Retirement System have an option to choose social security or the Public Employees Retirement System/State Teachers Retirement System. As of December 31, 1998, none of the elected officials had elected social security.

NOTE 14 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System: The Public Employees Retirement System of Ohio (the System) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the System is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1998 employer contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for 1998. The law enforcement employer rate for 1998 was 16.7% of covered payroll and 4.2% was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investments earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

During 1998, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

State Teachers Retirement System: Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by the State Teachers Retirement System. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

The Ohio Revised Code grants authority to the State Teachers Retirement System to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from State Teachers Retirement System funds shall be included in the employer contribution rate, currently 14% of covered payroll. The State Teachers Retirement Board currently allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. However, for the fiscal year ended June 30, 1998, the Board allocated employer contributions equal to 3.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million at June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999, will be 8% of covered payroll.

For the year ended June 30, 1998, the net health care costs paid by the State Teachers Retirement System were \$219,224,000. There were 91,999 eligible benefit recipients.

NOTE 15 - OTHER EMPLOYEE BENEFITS

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

Under the Ohio Public Employees Deferred Compensation Program and the County Commissioners' Association of Ohio Deferred Compensation Program, all plan assets are now being held in a trust arrangement by January 1, 1999. As a result, the assets of these plans are no longer reflected in the combined financial statements of the County.

Health Care Benefits

The County has elected to provide employee medical/surgical benefits and prescription drug benefits through Medical Mutual Insurance. 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.

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 16 - LONG-TERM OBLIGATIONS

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

Type/Issues	Interest Rate	Maturity Date	Balance at 12/31/97	Additions	Reductions	Balance at 12/31/98
County Garage General Obligation Bonds	6.50%-6.75%	9/15/11	\$325,000	\$0	\$15,000	\$310,000
Waste Facility General Obligation Bonds	4.95%	12/1/12	0	337,500	12,500	325,000
Total General Obligation Bonds			325,000	337,500	27,500	635,000
Compensated Absences			418,398	0	7,193	411,205
Due to Other Governments			255,789	119,456	0	375,245
Capital Leases			0	7,895	466	7,429
Total General Long-Term Obligations			<u>\$999,187</u>	<u>\$464,851</u>	<u>\$35,159</u>	<u>\$1,428,879</u>

The County Garage General Obligation Bonds were issued in 1992 for construction of the County Garage and the debt service is payable from the Debt Service Funds. The Waste Facility General Obligation Bonds were issued in 1998 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 County retires the debt through the Debt Service Funds. The compensated absences and due to other governments will be paid from the fund from which the employees are paid. Additions and reductions of accrued vacation and sick leave are shown net since it is impractical for the County to determine these amounts separately. The capital lease obligation will be retired through the General Fund. The following is a summary of the County's future principal and interest requirements for general obligation bonds and the capital lease:

For the Year Ended December 31,	County Garage G.O. Bonds	Waste Facility G.O. Bonds	Capital Lease
1999	\$35,813	\$31,088	\$2,146
2000	34,838	35,345	2,146
2001	33,863	34,355	2,146
2002	37,888	33,365	2,146
2003	36,537	32,375	2,146
2004-2008	185,413	161,283	0
2009-2012	113,838	129,603	0
Sub-total	<u>478,190</u>	<u>457,414</u>	<u>10,730</u>
Less: Interest	168,190	132,414	3,301
Total	<u>\$310,000</u>	<u>\$325,000</u>	<u>\$7,429</u>

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

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

NOTE 17 - NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 1998 follows:

Type/Issues	Interest Rate	Maturity Date	Balance at 12/31/97	Additions	Reductions	Balance at 12/31/98
<i>General Fund:</i>						
Computer Equipment	5.10%	10/15/99	\$0	\$43,650	\$10,234	\$33,416
Building (YMCA)	4.70%	10/15/99	0	100,000	8,100	91,900
Total General Fund			\$0	\$143,650	\$18,334	\$125,316
<i>Special Revenue Funds:</i>						
Computer Equipment	5.10%	10/15/99	\$0	\$101,850	\$16,266	\$85,584
MRDD Roof Replacement	4.30%	10/15/99	0	60,000	0	60,000
Highway Equipment	4.30%	10/15/99	190,000	0	60,000	130,000
MRDD School Buses	4.30%	10/15/99	217,500	0	70,000	147,500
Total Special Revenue Funds			\$407,500	\$161,850	\$146,266	\$423,084
<i>Capital Project Funds:</i>						
GIS Project	4.30%	10/15/99	\$400,000	\$0	\$43,000	\$357,000
GIS Project	4.30%	10/15/99	0	350,000	0	350,000
Correction Facility Project	4.33%	10/15/99	3,780,000	0	390,000	3,390,000
Total Capital Projects Funds			\$4,180,000	\$350,000	\$433,000	\$4,097,000

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 17 - NOTES PAYABLE (Continued)

All notes are bond anticipation notes and are backed by the full faith and credit of Jackson County. Each note liability is reflected in the fund which received the proceeds and each note will be retired from the respective revenues of the fund reporting the liability. The County issued the Geographical Information Systems (GIS) Project Notes to provide necessary funding for the GIS system in Jackson County. The County and various local governments within Jackson County will be sharing the cost of paying off these notes. However, these notes are in the name of the County and the ultimate responsibility for payment resides with Jackson County. The Computer Equipment Note is being paid off by both the General Fund and the Real Estate Assessment Fund. The General Fund's share is 30% and the Real Estate Assessment Fund's share is 70%. The liabilities and respective principal payments are reflected in each of these funds accordingly.

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains two Enterprise Funds which are intended to be self-supporting through user fees charged for services provided to consumers for sewage services. Financial segment information as of and for the year ended December 31, 1998, is as follows:

	Green Acres	Fisher Sewer	Total Enterprise Funds
Operating Revenues	\$29,181	\$402	\$29,583
Operating Expenses Before Depreciation	22,473	0	22,473
Depreciation Expense	2,981	0	2,981
Operating Income (Loss)	3,727	402	4,129
Net Income (Loss)	3,727	402	4,129
Net Working Capital	22,350	1,006	23,356
Total Assets	48,367	1,006	49,373
Total Fund Equity	47,403	1,006	48,409

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 19 - INTERFUND TRANSACTIONS

Interfund balances at December 31, 1998 consist of the following individual fund receivables and payables:

Fund Type/Fund	Due From Other Funds	Due To Other Funds	Due From Other Funds - Taxes	Due to Other Funds - Taxes
General Fund	\$26,098	\$0	\$1,243,930	\$0
<i>Special Revenue Funds:</i>				
Motor Vehicle & Gasoline Tax	\$2,043	\$0	\$197,203	\$0
Marriage License	340	0	0	0
Board of MRDD	0	0	519,646	0
Emergency Medical Services	0	0	532,140	0
Indigent Guardianship	260	0	0	0
Indigent Drivers Alcohol Treatment	127	0	0	0
Probate Court Conduct of Business	190	0	0	0
County Recorder Equipment	2,916	0	0	0
Certificate of Title Administration	11,202	0	0	0
Court Computerization	3,799	0	0	0
Computerized Legal Research	1,919	0	0	0
Electronically Monitored House Arrest	390	0	0	0
Jail	2,925	0	0	0
Total Special Revenue Funds	\$26,111	\$0	\$1,248,989	\$0
<i>Capital Projects Funds:</i>				
Municipal Court Capital Improvements	\$2,605	\$0	\$0	\$0
<i>Agency Funds:</i>				
Agency Tax	\$0	\$0	\$0	\$2,492,919
Recorder's Agency	0	15,959	0	0
County Courts Agency	0	38,855	0	0
Total Agency Funds	\$0	\$54,814	\$0	\$2,492,919
Total All Funds	\$54,814	\$54,814	\$2,492,919	\$2,492,919

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

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

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

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

South Central Regional Juvenile Detention Center

The South Central Regional Juvenile Detention Center is a jointly governed organization that was created as a holding place for juvenile offenders waiting for disposition by the respective Juvenile Courts of the member counties. The current members include Pike, Pickaway, Ross, Jackson, Hocking, Athens, Fayette, Vinton and Highland Counties. The Center's Board consists of one member from each participating county that is appointed by the Juvenile Court Judge or a County Commissioner from each county. The joint Board selects the superintendent as the Center's administrator.

The Center's revenue is from per diem charges for inmates to the respective counties and a percent of the county tax base to the total tax base. Ross County is the fiscal officer of the Center. Jackson County does not have any financial interest or responsibility. During 1998, Jackson County contributed \$39,865 to the Center.

Buckeye Joint-County Self Insurance Council

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

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

NOTE 21 - RELATED PARTY TRANSACTION

J-Vac Industries, Inc.

J-Vac Industries, Inc. a discretely presented component unit of Jackson County, received contributions from the County for facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its program. These contributions are reflected as operating revenues and operating expenses at cost or fair market value as applicable, in the general purpose financial statements. During the fiscal year of J-Vac Industries, Inc. which runs from July 1, 1997 through June 30, 1998, these contributions were \$14,589.

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 22 - FEDERAL FOOD STAMP PROGRAM

The County's Department of Human Services distributes federal food stamps through contracting issuance centers to entitled recipients within Jackson County. The receipt and issuance of these stamps have been characteristics of federal "grants". However, the Department of Human Services merely acts in an intermediary capacity. The inventory value of these stamps is not reflected in the accompanying financial statements, as the only economic interest related to these stamps rests with the ultimate recipient. Federal food stamps activity for the year is as follows:

	<u>1998</u>
Balance at Beginning of Year	\$571,020
Amount Received for Distribution	2,634,661
Amount Distributed to Entitled Recipients	<u>2,810,528</u>
Balance at End of Year	<u>\$395,153</u>

NOTE 23 - CONTINGENT LIABILITIES

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

The County had several pending litigation cases at December 31, 1998. Management believes that the financial impact of these cases, if any would not be material to the financial statements of the County.

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 24 - COMPONENT UNIT - J-VAC INDUSTRIES, INC.

Nature of Activities

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

Estimates

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

Income Taxes

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As shown in Note 6, all deposits are insured by FDIC.

Fixed Assets

Fixed assets consist of the following:

Equipment	\$32,235
Vehicles	22,228
Less: Accumulated Depreciation	(45,552)
Total Fixed Assets	<u>\$8,911</u>

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

JACKSON COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1998

NOTE 25 - YEAR 2000 ISSUES

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the governments operations as early as fiscal year 1999. Many computer systems were designed to use two digits rather than four to define a year. For example, some computer software may interpret a date using the two digit representation "00" as the year 1900 instead of the year 2000. If not corrected, such misinterpretations could result in outright system failures or in miscalculations causing operational or financial processing disruptions.

The County's financial reporting, payroll, and tax collection systems were remediated during 1998. Since then the systems have been tested and validated. All County departments are currently addressing the year 2000 issue and each has contacted their various computer and software vendors to remediate any issues with these systems.

The County operates a 911 emergency system for police and fire emergencies within the County. The County has completed the assessment for changes to this system. The County has not remediated any problems with this system.

The County has also attempted to solicit information from other entities such as vendors and service agents whose year 2000 compliance could effect the operations of the County (i.e. electric, telephone, banking institutions, etc.). Although the County does not have full and complete knowledge, we have received no responses to date that would indicate problems with third-party year 2000 compliance that would have a materially negative impact on the County.

The County is responsible for collecting and distributing child support payments. Collections and payments during 1998 were approximately \$3,186,840. To comply with the 1998 Federal Family Support Act, the Ohio Department of Human Resources (ODHS) assumed responsibility for developing the Support Enforcement Tracking System (SETS) software which all counties must use to account for child support activity. ODHS is responsible for all costs (which are significantly reimbursed by federal matching dollars) and programming for SETS development.

As of December 31, 1998, SETS was ninety eight percent implemented, and is scheduled for full implementation by September, 1999, at which time they intend to discontinue the use of the current system, for which it has not assessed Year 2000 compliance. The County has not developed a contingency plan in the event the upgrade is not fully implemented prior to December 31, 1999.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that Jackson County is or will be 2000 ready, that Jackson County's remediation efforts will be successful in whole or in part, or that parties with whom Jackson County does business will be year 2000 ready.

FINANCIAL CONDITION
JACKSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1998

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through Ohio Department of Development:			
Community Development Block Grant - State's Program:	B-C-96-037-1	14.228	\$332,400
	B-D-96-037-1		288,000
	B-F-96-037-1		198,139
	B-F-97-037-1		<u>22,313</u>
Total U.S. Department of Housing and Urban Development			840,852
<u>U.S. Department of Justice</u>			
Passed Through Office of Criminal Justice Services:			
Juvenile Justice and Delinquency Prevention Act	97-DG-DO1-7180	16.540	47,969
Public Safety and Community Policing Grant	97-CFWX-1066	16.710	<u>34,168</u>
Total U.S. Department of Justice			82,137
<u>Federal Emergency Management Agency</u>			
Passed Through Ohio Emergency Management Agency:			
FEMA - Special Project Grant	N/A		6,351
Hazardous Materials Grant	OH-97-003-HM	83.534	2,023
Disaster Assistance Grant	97-FEMA-1164	83.534	52,340
	98-FEMA-1227	83.544	<u>23,599</u>
Total Disaster Assistance Grant			<u>75,939</u>
Total Federal Emergency Management Agency			84,313

FINANCIAL CONDITION
JACKSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
<u>U.S. Department of Education</u>			
Passed Through Ohio Department of Education:			
Special Education Grants to States:			
Title VI-B	66050-6B-SF-98	84.027	5,002
	66050-6B-SF-99		<u>4,933</u>
Total Title VI-B			9,935
Preschool Grant	66050-PG-S1-99	84.173	<u>2,423</u>
Total U.S. Department of Education			12,358
<u>U.S. Department of Health and Human Services</u>			
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:			
Social Service Block Grant - Title XX Training		93.667	<u>37,763</u>
Total U.S. Department of Health and Human Services			<u>37,763</u>
Total Federal Awards Expenditures			<u>\$1,057,423</u>

Note A - Significant Accounting Policies

The accompanying Schedule of Federal Awards Expenditures is a summary of the activity of the County's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

FINANCIAL CONDITION
JACKSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)

Note B - 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 would be recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures, however, there were no initial loans during this audit period. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the schedule. These loans are collateralized by mortgages on the property. At December 31, 1998, the gross amount of loans outstanding under this program was \$81,478.

Note C - Revision to the Schedule

This Schedule amends the Schedule originally issued with auditor's reports dated July 30, 1999. That Schedule inadvertently omitted Community Development Block Grant B-D-96-037-1, for \$ 288,000. This Schedule now includes that grant.



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**Report on Compliance and on Internal Control
Required by *Government Auditing Standards***

Board of County Commissioners
Jackson County
226 Main Street
Jackson, Ohio 45640

We have audited the general purpose financial statements of Jackson County, as of and for the year ended December 31, 1998, and have issued our report thereon dated July 30, 1999. We did not audit the financial statements of J-Vac Industries, Inc., the County's only discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for J-Vac Industries, Inc., is based on the report of the other auditors. We conducted our audit in accordance with generally accepted auditing standards 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 Jackson County's general purpose 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1998-60740-001. We also noted certain immaterial instances of noncompliance that we have reported to management of Jackson County in a separate letter dated July 30, 1999.

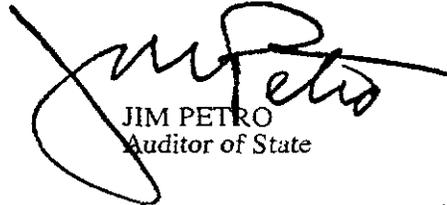
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jackson County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 1998-60740-002, 1998-60740-003, 1998-60740-004, and 1998-60740-005.

Financial Condition
Jackson County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1998-60740-002, 1998-60740-003 and 1998-60740-004 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of Jackson County in a separate letter dated July 30, 1999.

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



JIM PETRO
Auditor of State

July 30, 1999



STATE OF OHIO
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**Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
over Compliance with OMB Circular A-133**

Board of County Commissioners
Jackson County
226 Main Street
Jackson, Ohio 45640

Compliance

We have audited the compliance of Jackson County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1998. Jackson County's major federal program is 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 its major federal program is the responsibility of Jackson County's management. Our responsibility is to express an opinion on Jackson County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson County's compliance with those requirements and performing such other procedures as we consider 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 Jackson County's compliance with those requirements.

In our opinion, Jackson County complied, in all material respects, with the requirements referred to above that are applicable to its major program for the year ended December 31, 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with these 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 1998-60740-001.

Internal Control Over Compliance

The management of Jackson County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jackson 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.

Financial Condition
Jackson County
Report on Compliance with Requirements
Applicable to Each Major Federal Program and Internal Control
over Compliance with OMB Circular A-133
Page -2-

Our consideration of the internal control over compliance would not necessarily disclose all matter in the internal control 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 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. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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



JIM PETRO
Auditor of State

July 30, 1999

FINANCIAL CONDITION
 JACKSON COUNTY
 FOR THE YEAR ENDED DECEMBER 31, 1998

SCHEDULE OF FINDINGS
 OMB CIRCULAR A-133, SECTION .505

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 financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major programs?	No
(d)(1)(iv)	Were there any reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	Yes
(d)(1)(vii)	Major Programs (list):	CDBG - States Program CFDA # 14.228
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	\$300,000
(d)(1)(ix)	Low Risk Auditee?	Yes

FINANCIAL CONDITION
JACKSON COUNTY
FOR THE YEAR ENDED DECEMBER 31, 1998

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133, SECTION .505
(Continued)

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

Finding Number	1998-60740-001
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Ohio Rev. Code Section 9.38 requires that funds be deposited in the County Treasury within twenty-four hours of receipt. Ohio Rev. Code Section 321.07 states that the Treasurer keep an accurate record of all funds of the County. Ohio Rev. Code Section 319.16 requires all disbursements of County funds to be by warrant signed by the Auditor and that these warrants be redeemed by the Treasurer.

The County Commissioners maintained the County's self insurance funds through two separate checking accounts. Monies in these accounts were expended by the Commissioners and not deposited with the County Treasurer. The County Treasurer had no control over these funds.

The County Sheriff maintained a separate checking account through which several purchases were made. The monies in this account were not deposited with the County Treasurer and were not reported on the County's financial records. The County Treasurer had no control over these funds.

The County Auditor maintained a separate checking account for the Community Development Block Grant Funds. These funds were expended by the County Auditor and not deposited with the County Treasurer. The County Treasurer had no control over these funds.

We recommend that the Commissioner, Sheriff, and the Auditor close these accounts and deposit these monies with the County Treasurer so that he can keep an accurate record of these fund s' activities. We further recommend that all disbursements from these funds be made on a warrant signed by the County Auditor and redeemed by the County Treasurer.

Finding Number	1998-60740-002
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Municipal Court Criminal Account Reconciliation

During the audit for 1995, the Criminal Division of the Municipal Court did not maintain an actual cashbook balance. They did not attempt to reconcile the monthly bank balance to the open items and undistributed collections because they were behind in making postings to the cashbook. The audit reconciliation indicated a shortage of \$ 1,329.90. A finding for recovery was not issued because the Court indicated they were computerizing their records and felt they could reconcile any differences shortly thereafter. At that time, a recommendation was made to maintain a cashbook balance, catch up the cashbook posting, and perform monthly bank reconciliations.

During the audit for 1996, the Criminal Division of the Municipal Court did not make any progress in record keeping or in the reconciliation process. The audit reconciliation indicated an overage of \$ 1,061.46. A recommendation for maintaining a monthly cashbook balance, reconciled to open items and undistributed collections, was again made in the management letter.

FINANCIAL CONDITION
JACKSON COUNTY
FOR THE YEAR ENDED DECEMBER 31, 1998

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133, SECTION .505
(Continued)

During the audit for 1997, the Municipal Court maintained a Criminal Division cashbook on the computer and prepared bank reconciliations. The audit reconciliation indicated a shortage of \$ 3,140.30. A finding for recovery was not issued because of the past difficulty that the Court had in reconciling this account. A recommendation was made to reconcile the cashbook to the open items and undistributed collections. It was also recommended that the posting differences be identified and corrected.

During the audit for 1998, the Municipal Court had made no progress in identifying the posting differences and correcting any errors on the reconciliation of the Criminal Division account. The audit reconciliation indicated a shortage of \$3,369.30.

We recommend that the Clerk prepare monthly bank reconciliations of the Criminal Division account. Any differences between the bank balance and the cashbook balance (undistributed collections and open items) should be immediately identified and corrected. We further recommend that the Municipal Court Judge periodically review the bank reconciliations to help ensure their accuracy and timeliness.

Finding Number	1998-60740-003
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Year 2000 Compliance

Jackson County has not assessed Year 2000 compliance for their current child support software system. Jackson County anticipates full implementation of the Support Enforcement Tracking System (SETS), developed by the Ohio Department of Human Resources (ODHS), by September, 1999, at which time they intend to discontinue the use of the current system.

We recommend the County Child Support Enforcement Agency consider a contingency plan for their current child support software system in case the SETS system is not fully implemented on time.

Finding Number	1998-60740-004
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The County Treasurer did not prepare monthly bank reconciliations on a timely basis. Even though computer and manual financial statements were prepared and maintained monthly, the reconciliation with the County's depositories were prepared in January 1999, for the last six months of 1998. As of the date of this report, the Treasurer has reconciled through May, 1999.

We recommend the Treasurer prepare reconciliations with the County's depositories on a monthly basis to verify the outstanding warrants and the accuracy of the treasury balance reported on the County's monthly financial statements.

FINANCIAL CONDITION
JACKSON COUNTY
FOR THE YEAR ENDED DECEMBER 31, 1998

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133, SECTION .505
(Continued)

Finding Number	1998-60740-005
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Estimated receipts exceeded actual receipts, in 1998, in the following funds:

Fund	Amount	Percent
Human Services Fund	\$ 356,447	12%
Emergency Management Services Fund	68,219	14%
Municipal Court Capital Improvement Fund	8,138	25%
Green Acres Fund	801	27%

We recommend that when the County Auditor realizes that actual receipts will not reach the level of the estimates by a significant amount, that a reduced amended certificate of estimated resources be obtained from the Budget Commission. We further recommend that the County Commissioners consider corresponding reductions in appropriations.

3. FINDINGS FOR FEDERAL AWARDS

I. Title of Finding Financial Record Keeping

Finding Number	1998-60740-001
CFDA Title and Number	Community Development Block Grant - State Program - CFDA # 14.228
Federal Award Number / Year	B-C 96-037-1 / B-F-96-037-1 / B-F 97-037-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

The Community Development Block Grant Funds are to be deposited with the County Treasurer and the accounting records are to be maintained by the County Treasurer rather than the County Auditor. See additional detail reported in Section 2., *Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS.*

FINANCIAL CONDITION
JACKSON COUNTY
FOR THE YEAR ENDED DECEMBER 31, 1998

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133, SECTION 315(b)

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	
1997-60740-001	Y2K Compliance	Yes	The County's Cole, Layer, and Turnbull (CLT) and the Clerk of Courts, WRITS applications are now Y2K compliant

FINANCIAL CONDITION
JACKSON COUNTY
FOR THE YEAR ENDED DECEMBER 31, 1998

CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133, SECTION .315(c)

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1998-60740-001	The County Commissioners will pay the insurance funds into the County treasury effective immediately.	8/30/99	Ponney Cisco, Chairman Board of County Commissioners
	The Sheriff will pay the litter control grant funds into the County treasury effective immediately.	8/30/99	Greg Keifer, Sheriff
	The County Auditor will pay the Community Development Block Grant funds into the County treasury effective immediately.	8/30/99	Ed Jarvis, County Auditor
1998-60740-002	The Municipal Court has acknowledged the difficulties in the reconciliation process and has agreed to correct the process before the end of the year.	12/31/99	Mary Callahan, Municipal Court Clerk
1998-60740-003	The remainder of the CSEA cases are expected to be fully implemented on the SETS system.	9/30/99	Cindy Davis, Jackson County Department of Human Services
1998-60740-004	The Treasurer will complete the reconciliations monthly.	8/30/99	Tim Coll, County Treasurer
1998-60740-005	The County Auditor will monitor actual receipts and compare them to budget estimates. If necessary, reduced amended certificates will be obtained and the County Commissioners will make reductions in appropriations.	8/30/99	Ponney Cisco, Chairman Board of County Commissioners
			Ed Jarvis, County Auditor



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OFFICE OF THE AUDITOR

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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.

By: Susan Babbitt
Clerk of the Bureau

Date: MAR 23 2000