



Mary Taylor, CPA  
Auditor of State



**JACKSON COUNTY**  
**TABLE OF CONTENTS**

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Modified Cash Basis – Primary Government and Jackson County Airport Authority.....	11
Statement of Activities – Modified Cash Basis – Primary Government and Jackson County Airport Authority.....	12
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds.....	14
Statement of Modified Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances – Governmental Funds.....	16
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	18
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – Motor Vehicle and Gasoline Tax Fund.....	19
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – Court/Corrections Fund.....	20
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – Job and Family Services Fund.....	21
Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds.....	22
J- Vac Industries, Inc. – Statement of Financial Position.....	23
J- Vac Industries, Inc. – Statement of Activities.....	24
Notes to the Basic Financial Statements.....	25
Schedule of Federal Awards Expenditures.....	51
Notes to the Schedule of Federal Awards Expenditures.....	53
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	55
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	57
Schedule of Findings – OMB Circular A-133 §.505.....	59
Schedule of Prior Audit Findings – OMB Circular A-133 §.315(b).....	67
Corrective Action Plan – OMB Circular A-133 §.315(c).....	69

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jackson County  
226 East Main Street  
Jackson, Ohio 45640

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Ohio (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of J-Vac Industries, Inc., a discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for J-Vac Industries, Inc., on the report of the other auditors.

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

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, except for J-Vac Industries, Inc., the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

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

In our opinion, based on the report of the other auditors, the financial statements of J-Vac Industries, Inc., present fairly, in all material respects, its financial position, as of June 30, 2006, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Motor Vehicle Gasoline Tax, Court/Corrections, and Job and Family Services Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2007, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Mary Taylor, CPA**  
Auditor of State

December 6, 2007

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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The discussion and analysis of Jackson County's (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the County's financial performance.

## **FINANCIAL HIGHLIGHTS**

**Key financial highlights for fiscal year 2006 are as follows:**

- Net cash assets of governmental activities increased \$499,256.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$6,362,745, an increase of \$499,256 from the prior year.

## **USING THIS ANNUAL FINANCIAL REPORT**

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

### ***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets – Modified Cash Basis* presents information on all of the County's modified cash assets, presented as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the cash position of Jackson County is improving or deteriorating.

The *Statement of Activities – Modified Cash Basis* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs.

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

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

*Governmental Activities* – Most of the County's programs or services are reported here, including general government, judicial, public safety, public works, health, human services, and economic development. These services are funded primarily by taxes and intergovernmental receipts, including federal and state grants and other shared revenues.

*Component Units* – The County's financial statements include financial data of the Jackson County Airport Authority and J-Vac Industries, Inc.. These component units are described in the notes to the financial statements. Component units are separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. Fund financial statements provide detailed information about the County's major funds. Based on the restriction on the use of moneys, the County has established many funds that account for the multitude of services provided to our residents. The County's major governmental funds are the General Fund; the Motor Vehicle and Gasoline Tax, Court/Corrections, and Job and Family Services Special Revenue Funds; the Bond Retirement Debt Service Fund; and the Computer/Equipment Capital Projects Fund.

**Governmental Funds** Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year end balances available for spending.

The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund *Statement of Modified Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances* for the major funds, which were identified earlier. Data from other governmental funds are combined into a single, aggregated presentation.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the County's programs.

**Notes to the Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets – modified cash basis may serve over time as a useful indicator of a government's financial position. The County has chosen to report on an *Other Comprehensive Basis of Accounting* in a format similar to that required by Governmental Accounting Standard No. 34. This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis (MD&A) section.

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

Table 1 provides a summary of the County's net assets – modified cash basis for 2006 compared to 2005:

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

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$1,104,886	\$900,088
Investments	5,257,859	4,963,402
<i>Total Assets</i>	<u>\$6,362,745</u>	<u>\$5,863,490</u>
<b>Net Assets</b>		
Restricted for:		
Unclaimed Monies	\$103,167	\$113,296
Other Purposes	4,375,917	4,013,457
Capital Projects	963,447	1,166,210
Debt Service	15,057	10,093
Unrestricted	905,157	560,434
<i>Total Net Assets</i>	<u>\$6,362,745</u>	<u>\$5,863,490</u>

A portion of the County's net assets, \$5,457,588, or 86 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of net assets, \$905,157, or 14 percent, is unrestricted and is to be used to meet the County's ongoing obligations to citizens and creditors.

Total governmental activities assets increased \$499,256. Cash and cash equivalents increased \$204,798 and investments increased \$294,457.

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

Table 2 reflects the change in net assets for the year ended December 31, 2006.

(Table 2)  
 Changes in Net Assets

	Governmental Activities	
	2006	2005
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$4,304,889	\$3,998,305
Operating Grants, Contributions and Interest	12,634,090	12,994,963
Capital Grants and Contributions	547,490	1,172,864
<i>Total Program Revenues</i>	17,486,469	18,166,132
General Revenues		
Property Taxes	3,592,722	2,648,260
Sales Taxes	3,019,052	2,970,390
Grants and Entitlements	718,857	671,673
Interest	338,941	240,198
Note Proceeds	3,159,000	3,373,000
Other	593,657	748,598
<i>Total General Revenues</i>	11,422,229	10,652,119
<b>Total Revenues</b>	28,908,698	28,818,251
<b>Program Expenses</b>		
General Government:		
Legislative and Executive	2,122,626	2,430,760
Judicial	2,068,250	1,968,083
Public Safety	3,742,566	3,691,811
Public Works	4,564,711	3,840,453
Health	2,625,677	2,550,927
Human Services	8,166,178	8,250,157
Economic Development	498,314	728,972
Capital Outlay	983,965	1,464,911
Debt Service:		
Principal Retirement	3,486,482	3,752,990
Interest and Fiscal Charges	150,673	104,791
<i>Total Program Expenses</i>	28,409,442	28,783,855
<i>Increase (Decrease) in Net Assets</i>	499,256	34,396
Net Assets at Beginning of Year	5,863,489	5,829,093
Net Assets at End of Year	\$6,362,745	\$5,863,489

**Governmental Activities**

Program revenues accounted for 60 percent of total revenues for governmental activities in 2006, therefore, governmental activities services are primarily funded through these program revenues, with operating grants accounting for \$12,634,090 or 44% of total revenues. The major recipients of these intergovernmental receipts were the Motor Vehicle and Gasoline Tax, Job and Family Services, and Mental Retardation and Developmental Disabilities Special Revenue Funds.

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

General revenues, primarily property and sales taxes, and proceeds from the sale of notes, accounted for the remaining 40% of total revenues. This highlights the County's continued dependence upon its citizens and taxpayers to fund those programs most important to them.

The County's direct charges to users of governmental services made up \$4,304,889 or 15 percent of total governmental revenues. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human service programs accounted for \$8,166,178 or 28 percent of total expenses for governmental activities. During 2006, expenses for Job and Family Services and Mental Retardation and Developmental Disabilities amounted to \$6,499,648 and \$2,057,051, respectively. These activities are entirely paid from program revenues. These grants and entitlements allow the County to continue to offer a wide variety of quality services to its citizens without increasing the tax burden on our citizens.

Public safety programs are a major activity of the County, accounting for \$3,742,566 or 13 percent of all governmental expenses. These activities are funded primarily through property and sales taxes. The County attempts to supplement the income and activities of the sheriff department to enable the department to widen the scope of its activity.

Public works programs accounted for \$4,564,711 or 16 percent of all governmental activities. These activities are paid predominately with program revenues, with \$581,812 or 13 percent of the public works expenses being supported with the County's general revenues.

General government, health, economic development, capital outlay, and principal and interest expenditures account for the remaining 43 percent of governmental expenses.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
 Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
<b>Program Expenses</b>				
General Government:				
Legislative and Executive	\$2,122,626	\$1,465,551	\$2,430,760	\$1,474,839
Judicial	2,068,250	960,010	1,968,083	726,633
Public Safety	3,742,566	3,255,281	3,691,811	3,291,473
Public Works	4,564,711	581,812	3,840,453	42,114
Health	2,625,677	965,889	2,550,927	965,167
Human Services	8,166,178	139,015	8,250,157	(74,690)
Economic Development	498,314	(174,097)	728,972	(124,675)
Capital Outlay	983,965	92,357	1,464,911	459,080
Debt Service:				
Principal Retirement	3,486,482	3,486,482	3,752,990	3,752,990
Interest and Fiscal Charges	150,673	150,673	104,791	104,791
<b>Total</b>	<b>\$28,409,442</b>	<b>\$10,922,973</b>	<b>\$28,783,855</b>	<b>\$10,617,722</b>

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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Charges for services, operating grants, and capital grants of \$17,486,469 or 62 percent of the total costs of services, are received and used to fund the governmental operations of the County. The remaining \$11,422,229 in governmental expenses are funded by property taxes, permissive sales taxes, unrestricted intergovernmental revenues, interest, note proceeds, and miscellaneous revenues.

For example, the \$965,889 in net cost of services for Health demonstrates the costs of services that are not supported by state and federal resources. As such, the taxpayers of the County have approved a property tax levy for Mental Retardation and Developmental Disabilities in order to fully fund this program.

## **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

As of December 31, 2006, the County's governmental funds reported a combined ending fund balance of \$6,362,745, an increase of \$499,256 in comparison with the prior year. Approximately \$6,259,578, or 98 percent of this total, constitutes unreserved undesignated fund balance. The remaining \$103,167 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for unclaimed monies. While the bulk of governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expenditure restrictions mandated by the source of the resource, such as the state or federal government.

The General Fund is the primary operating fund of the County. At the end of 2006, unreserved fund balance was \$905,157, while total fund balance was \$1,008,324. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17 percent of total General Fund expenditures, while total fund balance represents 19 percent of that same amount.

The fund balance of the County's General Fund increased \$334,594 during 2006. The primary cause of the increase is attributable to increases in property taxes and investment income coupled with a decrease in spending.

The fund balance of the Motor Vehicle and Gasoline Tax Special Revenue Fund decreased \$283,209, attributable to increases in spending related to county road projects. The Motor Vehicle and Gasoline Tax Fund's unreserved fund balance of \$231,067 represented 5 percent of current year expenditures.

The Court/Correction Special Revenue Fund's balance increased \$120,186 during 2006. The Court/Corrections Special Revenue Fund's unreserved undesignated fund balance of \$956,551 represented 53% of current year expenditures.

The fund balance of the Job and Family Services Special Revenue Fund decreased \$13,417. The Job and Family Services Special Revenue Fund's unreserved undesignated fund balance of \$376,583 represented 6 percent of current year expenditures.

The fund balance of the Bond Retirement Debt Service Fund increased \$4,964. The Bond Retirement Debt Service Fund's unreserved undesignated fund balance of \$15,057 represented 0.4 percent current year expenditures.

**Jackson County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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The fund balance of the Computer/Equipment Capital Projects Fund decreased \$165,665 during 2006. This decrease is due the debt payments for the purchase and renovation of a new Municipal Court complex. The Computer/Equipment Capital Projects Fund's unreserved undesignated fund balance of \$949,725 represented 222 percent of current year end expenditures.

### **BUDGETARY HIGHLIGHTS**

The County's budget is prepared according to Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Board of County Commissioners adopts a permanent operating budget for the County on or about January 1.

During the course of 2006, the County amended its General Fund budget several times, none were significant. All recommendations for a budget change came from either the County Auditor or departmental managers to the Finance Committee of the County Commissioners for review before going to the whole Commission for Ordinance enactment on the change. The allocation of appropriations among the departments and objects within a fund may be modified during the year with approval from the County Commissioners. With the General Fund supporting many of our major activities such as our sheriff department, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, an increase of \$584,001 was made to the original budgeted revenues. Final budgeted expenditures also increased \$402,803 over the original amount. Jackson County's ending unencumbered cash balance in the General Fund was \$398,602 above the final budgeted amount.

### **CURRENT ISSUES**

As the preceding information shows, the County depends heavily on its taxpayers and grants and entitlements. Stress on the County's finances is ongoing. Although the County has tightened spending to better bring expenses in line with revenues, and carefully watched financial planning, this must continue if the County hopes to remain on firm financial footing.

Various economic factors were considered in the preparation of the County's 2006 budget, and will be considered in the preparation of future budgets. Appropriate measures will be taken to ensure spending is within available resources.

### **CONTACTING THE COUNTY AUDITOR'S DEPARTMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Clyde Holdren, Jackson County Auditor, 226 East Main Street, Jackson, Ohio 45640.

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**Jackson County, Ohio**  
*Statement of Net Assets - Modified Cash Basis - Primary Government  
and Jackson County Airport Authority  
December 31, 2006*

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Jackson County Airport Authority
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$1,104,886	\$73,377
Investments	5,257,859	0
<i>Total Assets</i>	<u>\$6,362,745</u>	<u>\$73,377</u>
<b>Net Assets</b>		
Restricted for:		
Unclaimed Monies	\$103,167	\$0
Other Purposes	4,375,917	0
Capital Projects	963,447	0
Debt Service	15,057	0
Unrestricted	905,157	73,377
<i>Total Net Assets</i>	<u>\$6,362,745</u>	<u>\$73,377</u>

See accompanying notes to the basic financial statements

**Jackson County, Ohio**  
*Statement of Activities - Modified Cash Basis - Primary Government  
and Jackson County Airport Authority  
For the Year Ended December 31, 2006*

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government:				
Legislative and Executive	\$2,122,626	\$609,773	\$1,159	\$46,143
Judicial	2,068,250	1,045,879	62,361	0
Public Safety	3,742,566	182,161	305,124	0
Public Works	4,564,711	418,938	3,563,961	0
Health	2,625,677	76,619	1,583,169	0
Human Services	8,166,178	1,183,497	6,843,666	0
Economic Development	498,314	397,761	274,650	0
Capital Outlay	983,965	390,261	0	501,347
Debt Service:				
Principal Retirement	3,486,482	0	0	0
Interest and Fiscal Charges	150,673	0	0	0
<i>Total Governmental Activities</i>	<u>28,409,442</u>	<u>4,304,889</u>	<u>12,634,090</u>	<u>547,490</u>
<b>Component Unit:</b>				
Jackson County Airport Authority	<u>\$390,406</u>	<u>\$157,247</u>	<u>\$0</u>	<u>\$209,729</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Other Purposes

Sales Taxes Levied for:

General Purposes

Other Purposes

Grants and Entitlements not Restricted to Specific Programs

Interest

Note Proceeds

Miscellaneous

*Total General Revenues*

*Change in Net Assets*

*Net Assets at Beginning of Year*

*Net Assets at End of Year*

See accompanying notes to the basic financial statements

Total	Component Unit Jackson County Airport Authority
(\$1,465,551)	\$0
(960,010)	0
(3,255,281)	0
(581,812)	0
(965,889)	0
(139,015)	0
174,097	0
(92,357)	0
(3,486,482)	0
(150,673)	0
(10,922,973)	0
0	(23,430)
1,428,288	0
2,164,434	0
1,510,491	0
1,508,561	0
718,857	0
338,941	0
3,159,000	0
593,657	0
11,422,229	0
499,256	(23,430)
5,863,489	96,807
\$6,362,745	\$73,377

**Jackson County, Ohio**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2006*

	General	Motor Vehicle Gasoline Tax	Court/ Corrections	Job and Family Services
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$206,933	\$82,298	\$74,580	\$89,899
Restricted Cash and Cash Equivalents	103,167	0	0	0
Cash and Cash Equivalents in				
Segregated Accounts	25,562	6	0	0
Investments	672,662	148,763	881,971	286,684
<i>Total Assets</i>	<u>\$1,008,324</u>	<u>\$231,067</u>	<u>\$956,551</u>	<u>\$376,583</u>
<b>Fund Balances</b>				
Reserved for Unclaimed Monies	\$103,167	\$0	\$0	\$0
Unreserved, Undesignated, Reported in:				
General Fund	905,157	0	0	0
Special Revenue Funds	0	231,067	956,551	376,583
Debt Service Funds	0	0	0	0
Capital Projects Fund	0	0	0	0
<i>Total Fund Balances</i>	<u>\$1,008,324</u>	<u>\$231,067</u>	<u>\$956,551</u>	<u>\$376,583</u>

See accompanying notes to the basic financial statements

<u>Bond Retirement</u>	<u>Computer/ Equipment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$495	\$57,357	\$283,787	\$795,349
0	0	0	103,167
0	0	180,802	206,370
14,562	892,368	2,360,849	5,257,859
<u>\$15,057</u>	<u>\$949,725</u>	<u>\$2,825,438</u>	<u>\$6,362,745</u>
\$0	\$0	\$0	\$103,167
0	0	0	905,157
0	0	2,811,716	4,375,917
15,057	0	0	15,057
0	949,725	13,722	963,447
<u>\$15,057</u>	<u>\$949,725</u>	<u>\$2,825,438</u>	<u>\$6,362,745</u>

**Jackson County, Ohio**  
*Statement of Modified Cash Receipts, Cash Disbursements and  
 Changes in Modified Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2006

	General	Motor Vehicle Gasoline Tax	Court/ Corrections	Job and Family Services
<b>Revenues</b>				
Property Taxes	\$1,428,288	\$0	\$0	\$0
Sales Taxes	1,510,491	0	1,508,561	0
Intergovernmental	741,306	3,563,961	195,619	5,691,950
Charges for Services	1,124,194	340,200	0	789,447
Fines, Licenses, and Permits	374,202	78,738	210,888	0
Rent	198,000	0	0	0
Loan Revenue	0	0	0	0
Donations	0	0	0	0
Investment Income	339,932	0	0	0
Other	182,827	31,196	8,248	4,834
<i>Total Revenues</i>	<u>5,899,240</u>	<u>4,014,095</u>	<u>1,923,316</u>	<u>6,486,231</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	1,729,593	0	0	0
Judicial	1,538,323	0	204,980	0
Public Safety	1,148,661	0	1,598,150	0
Public Works	295,089	4,269,622	0	0
Health	161,021	0	0	0
Human Services	481,311	0	0	6,499,648
Economic Development	0	0	0	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
<i>Total Expenditures</i>	<u>5,353,998</u>	<u>4,269,622</u>	<u>1,803,130</u>	<u>6,499,648</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>545,242</u>	<u>(255,527)</u>	<u>120,186</u>	<u>(13,417)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Notes	1,170,120	590,000	0	0
Transfers In	37,369	0	0	0
Transfers Out	(1,418,137)	(617,682)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(210,648)</u>	<u>(27,682)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	334,594	(283,209)	120,186	(13,417)
<i>Fund Balances at Beginning of Year</i>	<u>673,730</u>	<u>514,276</u>	<u>836,365</u>	<u>390,000</u>
<i>Fund Balances at End of Year</i>	<u>\$1,008,324</u>	<u>\$231,067</u>	<u>\$956,551</u>	<u>\$376,583</u>

See accompanying notes to the basic financial statements

Bond Retirement	Computer/ Equipment	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$2,164,434	\$3,592,722
0	0	0	3,019,052
0	0	3,542,555	13,735,391
23,919	0	108,784	2,386,544
0	390,261	491,367	1,545,456
0	0	900	198,900
0	0	397,761	397,761
0	0	62,430	62,430
0	0	55,482	395,414
35,396	169	153,358	416,028
<u>59,315</u>	<u>390,430</u>	<u>6,977,071</u>	<u>25,749,698</u>
0	0	393,033	2,122,626
0	0	324,947	2,068,250
0	0	995,755	3,742,566
0	0	0	4,564,711
0	0	2,464,656	2,625,677
0	0	1,185,219	8,166,178
0	0	498,314	498,314
0	427,805	556,160	983,965
3,486,482	0	0	3,486,482
150,673	0	0	150,673
<u>3,637,155</u>	<u>427,805</u>	<u>6,418,084</u>	<u>28,409,442</u>
<u>(3,577,840)</u>	<u>(37,375)</u>	<u>558,987</u>	<u>(2,659,744)</u>
0	1,360,000	38,880	3,159,000
3,582,804	0	67,745	3,687,918
0	(1,488,290)	(163,809)	(3,687,918)
<u>3,582,804</u>	<u>(128,290)</u>	<u>(57,184)</u>	<u>3,159,000</u>
4,964	(165,665)	501,803	499,256
10,093	1,115,390	2,323,635	5,863,489
<u>\$15,057</u>	<u>\$949,725</u>	<u>\$2,825,438</u>	<u>\$6,362,745</u>

**Jackson County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements, and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,244,335	\$1,382,140	\$1,428,288	\$46,148
Sales Taxes	1,359,889	1,510,491	1,510,491	0
Intergovernmental	667,395	741,306	741,306	0
Charges for Services	1,023,358	1,136,691	1,124,194	(12,497)
Fines, Licenses, and Permits	330,590	367,202	374,202	7,000
Rent	178,259	198,000	198,000	0
Investment Income	306,559	340,509	339,932	(577)
Other	162,956	181,003	182,827	1,824
<i>Total Revenues</i>	5,273,341	5,857,342	5,899,240	41,898
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	1,716,303	1,846,577	1,729,593	116,984
Judicial	1,511,955	1,626,719	1,538,323	88,396
Public Safety	1,123,372	1,208,641	1,148,661	59,980
Public Works	313,480	337,275	295,089	42,186
Health	162,521	174,857	161,021	13,836
Human Services	479,083	515,448	481,311	34,137
<i>Total Expenditures</i>	5,306,714	5,709,517	5,353,998	355,519
<i>Excess of Revenues Under Expenditures</i>	(33,373)	147,825	545,242	397,417
<b>Other Financing Sources (Uses)</b>				
Proceeds of Notes	90,030	100,000	1,170,120	1,070,120
Transfers In	33,643	37,369	37,369	0
Transfers Out	(324,567)	(349,203)	(1,418,137)	(1,068,934)
<i>Total Other Financing Sources (Uses)</i>	(200,894)	(211,834)	(210,648)	1,186
<i>Net Change in Fund Balance</i>	(234,267)	(64,009)	334,594	398,603
<i>Fund Balance at Beginning of Year</i>	673,483	673,483	673,483	0
Prior Year Encumbrances Appropriated	247	247	247	0
<i>Fund Balance at End of Year</i>	\$439,463	\$609,721	\$1,008,324	\$398,603

See accompanying notes to the basic financial statements

**Jackson County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements, and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
Motor Vehicle Gasoline Tax Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$3,342,251	\$3,563,962	\$3,563,961	(\$1)
Charges for Services	319,036	340,200	340,200	0
Fines, Licenses, and Permits	72,449	77,255	78,738	1,483
Other	29,255	31,196	31,196	0
<i>Total Revenues</i>	3,762,991	4,012,613	4,014,095	1,482
<b>Expenditures</b>				
Current:				
Public Works	3,974,853	4,624,125	4,269,622	354,503
<i>Excess of Revenues Under Expenditures</i>	(211,862)	(611,512)	(255,527)	355,985
<b>Other Financing Sources (Uses)</b>				
Proceeds of Notes	149,109	159,000	590,000	431,000
Transfers Out	(162,647)	(189,215)	(617,682)	(428,467)
<i>Total Other Financing Sources (Uses)</i>	(13,538)	(30,215)	(27,682)	2,533
<i>Net Change in Fund Balance</i>	(225,400)	(641,727)	(283,209)	358,518
<i>Fund Balance at Beginning of Year</i>	514,276	514,276	514,276	0
<i>Fund Balance at End of Year</i>	\$288,876	(\$127,451)	\$231,067	\$358,518

See accompanying notes to the basic financial statements

**Jackson County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements, and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
Court/Corrections Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Sales Taxes	\$1,410,988	\$1,508,561	\$1,508,561	\$0
Intergovernmental	182,967	195,619	195,619	0
Fines, Licenses, and Permits	197,874	211,558	210,888	(670)
Other	7,715	8,249	8,248	(1)
<i>Total Revenues</i>	<u>1,799,544</u>	<u>1,923,987</u>	<u>1,923,316</u>	<u>(671)</u>
<b>Expenditures</b>				
Current:				
General Government:				
Judicial	222,529	243,737	204,980	38,757
Public Safety	1,551,450	1,699,311	1,598,150	101,161
<i>Total Expenditures</i>	<u>1,773,979</u>	<u>1,943,048</u>	<u>1,803,130</u>	<u>139,918</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>25,565</u>	<u>(19,061)</u>	<u>120,186</u>	<u>139,247</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(45,649)	(50,000)	0	50,000
<i>Net Change in Fund Balance</i>	(20,084)	(69,061)	120,186	189,247
<i>Fund Balance at Beginning of Year</i>	<u>836,365</u>	<u>836,365</u>	<u>836,365</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$816,281</u></u>	<u><u>\$767,304</u></u>	<u><u>\$956,551</u></u>	<u><u>\$189,247</u></u>

See accompanying notes to the basic financial statements

**Jackson County, Ohio**  
*Statement of Cash Receipts, Cash Disbursements, and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
Job and Family Services Fund  
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$5,423,921	\$5,691,950	\$5,691,950	\$0
Charges for Services	752,273	789,447	789,447	0
Other	<u>4,607</u>	<u>4,834</u>	<u>4,834</u>	<u>0</u>
<i>Total Revenues</i>	<u>6,180,801</u>	<u>6,486,231</u>	<u>6,486,231</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Human Services	<u>6,550,000</u>	<u>6,800,637</u>	<u>6,499,648</u>	<u>300,989</u>
<i>Net Change in Fund Balance</i>	<u>(369,199)</u>	<u>(314,406)</u>	<u>(13,417)</u>	<u>300,989</u>
<i>Fund Balance at Beginning of Year</i>	341,982	341,982	341,982	0
Prior Year Encumbrances Appropriated	<u>48,018</u>	<u>48,018</u>	<u>48,018</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u><u>\$20,801</u></u>	<u><u>\$75,594</u></u>	<u><u>\$376,583</u></u>	<u><u>\$300,989</u></u>

See accompanying notes to the basic financial statements

**Jackson County, Ohio**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Agency Fund*  
*December 31, 2006*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,473,253
Cash and Cash Equivalents in Segregated Accounts	<u>937,160</u>
<i>Total Assets</i>	<u><u>\$2,410,413</u></u>
<b>Net Assets</b>	
Total Net Assets	<u><u>\$2,410,413</u></u>

See accompanying notes to the basic financial statements

**J-Vac Industrices, Inc.**  
*Statement of Financial Position*  
*For the Fiscal Year Ended June 30, 2006*

	<u>J-Vac Industries, Inc.</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$12,172
Accounts Receivable	4,482
Inventory	2,424
Property and Equipment (net)	7,707
Other Assets	<u>209</u>
<i>Total Assets</i>	<u><u>\$26,994</u></u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$1,699
Withheld and Accrued Payroll Taxes	2,116
Current Portion of Long-Term Debt	5,596
Long-Term Note Payable Net of Current Portion	<u>18,337</u>
<i>Total Liabilities</i>	27,748
<b>Net Assets</b>	
Unrestricted	<u>(754)</u>
<i>Total Liabilities and Net Assets</i>	<u><u>\$26,994</u></u>

See accompanying notes to the basic financial statements

**J-Vac Industrices, Inc.**  
*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2006*

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	<u>J-Vac Industries, Inc.</u>
<b>Unrestricted Net Assets</b>	
Sales and Services	\$88,691
Contributions	<u>10,000</u>
<i>Total Unrestricted Net Assets</i>	<u>98,691</u>
<b>Expenses</b>	
Program Services	88,121
Management and General	<u>10,923</u>
<i>Total Expenses</i>	<u>99,044</u>
Interest Income	<u>10</u>
<i>Decrease in Unrestricted Net Assets</i>	(343)
<i>Net Assets at Beginning of Year</i>	<u>(411)</u>
<i>Net Assets at End of Year</i>	<u><u>(\$754)</u></u>

See accompanying notes to the basic financial statements

**Note 1 – Description of the County and Reporting Entity**

Jackson County, Ohio (the “County”), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and the laws of the State of Ohio. The County is governed by a board of three County Commissioners elected by the voters of the County. An elected County Auditor serves as the chief fiscal officer. In addition, there are ten other elected administrative officials. These officials are: County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, and the Common Pleas/Probate, Juvenile, and Municipal Court Judges.

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

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

A. Primary Government

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

B. Component Units

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

**Discretely Presented Component Units**

The component unit column on the financial statements identifies the financial data of the Jackson County Airport Authority while the financial data of J-VAC Industries, Inc., is reported on its own financial statements. The component units are reported separately to emphasize that they are legally separate from the County. Information about these component units is presented in Note 22 to the basic financial statements.

Jackson County Airport Authority The Jackson County Airport Authority (the Authority) was created by resolution of the County Commissioners under Ohio Revised Code Section 308.01. The purpose of the Authority is for the acquisition, construction, operation and maintenance of the airport and its facilities in Jackson County. The Authority operates under the direction of a three-member Board of Trustees, appointed by the County Commissioners. A Secretary-Treasurer is responsible for the fiscal accounting of the resources of the Authority. Services provided by the Authority include the means by which to aid the safe taking off and landing of aircraft, storage and maintenance of aircraft, and the safe and efficient operation of the airport. The Authority is considered to be a component unit of Jackson County and is discretely presented. The nature and significance of the relationship between the County and the Authority is such that exclusion would cause the County’s financial statements to be misleading. The Authority operates on a fiscal year ending on December 31.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statements:

***The Jackson County Combined General Health District*** The District is governed by the Board of Health which oversees the operation of the District and is elected by a Regional Advisory Council comprised of township trustees, mayors of participating municipalities, and one County Commissioner. The Council adopts its own budget and operates autonomously from the County. Funding is based on a rate per taxable valuation, along with State and Federal grants applied for by the District.

***Jackson County Soil and Water Conservation District*** The Soil and Water Conservation District is statutorily created as a separate and distinct political subdivision of the State. The five supervisors of the Soil and Water Conservation District are elected officials authorized to conduct and sue on behalf of the District. The supervisors adopt their own budget, authorize District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

***Joint Venture***

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the County does not report assets for equity interests in joint ventures.

The County participates in several jointly governed organizations, a joint venture and public entity risk pools. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements. The organizations are:

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

The County's management believes these financial statements present all activities for which the County is financially accountable.

## **Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). General accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the County's accounting policies.

### **A. Basis of Presentation**

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

The statement of net assets presents the cash balance of the governmental activities of the County at year end. The statement of activities compares disbursements and program receipts for each program or function of the County's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program.

Receipts which are not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing or draws from the general receipts of the County.

**Fund Financial Statements** During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

### **B. Fund Accounting**

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

**Jackson County, Ohio**  
*Notes to the Basic Financial; Statements*  
*For the Year Ended December 31, 2006*

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**Governmental Funds** Governmental funds are those through which most governmental functions of the County are financed. The following are the County's major governmental funds:

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

**Motor Vehicle and Gasoline Tax Fund Special Revenue Fund** The Motor Vehicle and Gasoline Tax Special Revenue Fund accounts for revenue derived from motor vehicle licenses, gasoline taxes, grants, permissive license sales taxes, and interest. Expenditures in this fund are restricted by State law to County road and bridge repair/improvement programs.

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

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

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

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

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

**Proprietary Funds** The County classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service; the County has no proprietary funds.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. There are four categories of fiduciary funds: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. The County did not have any trust funds in 2006. Agency funds are purely custodial in nature and are used to account for assets held by the County as agent for the Board of Health and other districts and entities and various taxes, assessments, and state shared resources collected on behalf of and distributed to other local governments.

### **C. Basis of Accounting**

The County's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the County are described in the appropriate section in this note.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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As a result of this use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

***D. Budgetary Process***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriation resolution is the County Commissioners' authorization to spend resources and set annual limits on cash disbursements plus encumbrances at a level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate in effect when final appropriations for the year were adopted by the County Commissioners.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

***E. Cash and Cash Equivalents***

To improve cash management, cash received by the County is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the County's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately within the departments of the County are recorded as "Cash and Cash Equivalents in Segregated Accounts".

Cash and cash equivalents of J-Vac Industries, Inc. and the Airport Authority are held by the component units and are recorded as "Cash and Cash Equivalents in Segregated Accounts".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity or more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not reported as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**Jackson County, Ohio**  
*Notes to the Basic Financial; Statements*  
*For the Year Ended December 31, 2006*

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During 2006, the County invested in nonnegotiable certificates of deposit, federal agency securities, a money market fund, and STAROhio. Investments are reported at cost, except for the money market fund and STAROhio. The County's money market fund investment is recorded at the amount reported by Seasingood Asset Management at December 31, 2006. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code, grant requirements, or debt related restrictions. Interest is credited to the General Fund, the Board of Mental Retardation and Developmental Disabilities and the Community Development Block Grant Special Revenue Funds, and the Bond Retirement Debt Service Fund. Interest revenue credited to the General Fund during 2006 amounted to \$339,932, which includes \$308,342 assigned from other County funds.

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by the creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the County are reported as restricted.

***G. Inventory and Prepaid Items***

The County reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

***H. Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

***I. Internal Activity***

Internal allocations of overhead expenses from one function to another or within the same function are eliminated in the Statement of Activities.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments of funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***J. Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's modified cash basis of accounting.

**K. Employer Contributions to Cost-Sharing Pension Plans**

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

The County's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay are reported at inception. Lease payments are reported when paid.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The government-wide statement of net assets reports \$5,457,588 of restricted net assets, none of which is restricted by enabling legislation.

**N. Fund Balance Reserves**

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

**Note 3 – Changes in Accounting Principle**

For the year ended December 31, 2006, the County implemented GASB Statement No. 47, "Accounting for Termination Benefits". The implementation of this statement had no effect on the financial statements as reported at December 31, 2006.

**Note 4 – Compliance**

Ohio Administrative Code Section 117-2-03(B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

**Jackson County, Ohio**  
*Notes to the Basic Financial; Statements*  
*For the Year Ended December 31, 2006*

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The following fund had final appropriations in excess of estimated resources plus available balances for the year ended December 31, 2006:

	Resources	Appropriations	Excess
<b>Special Revenue Funds:</b>			
Motor Vehicle Gasoline Tax	\$4,685,889	\$4,813,340	(\$127,451)

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis are outstanding year end encumbrances. These are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)). The County had no encumbrances outstanding at year end.

**Note 6 – Deposits and Investments**

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

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

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

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

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

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

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

**Jackson County, Ohio**  
*Notes to the Basic Financial; Statements*  
*For the Year Ended December 31, 2006*

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. 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 such securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio); and,

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

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

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

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying value of the County's deposits was \$3,515,299 and the bank balance was \$4,034,644. Of the bank balance \$535,028 was covered by Federal depository insurance and \$3,499,616 was exposed to custodial credit risk because it was uninsured and uncollateralized. This does not include \$180,801 in segregated cash which is held by SOCOG which cannot be disclosed by risk because it is co-mingled with other Counties' monies, but does include \$103,874 in undeposited cash on hand.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments** Investments are reported at fair value. As of December 31, 2006, the County had the following investments:

**Jackson County, Ohio**  
*Notes to the Basic Financial; Statements*  
*For the Year Ended December 31, 2006*

	Fair Value	Percentage of Portfolio	Maturity
Money Market Mutual Funds	\$28,731	0.55%	1 Day
Federal Home Loan Bank Notes	150,000	2.85%	July 30, 2007
Federal Home Loan Bank Notes	150,000	2.85%	September 27, 2007
Federal Home Loan Bank Notes	149,535	2.85%	June 13, 2008
Federal Home Loan Bank Notes	150,000	2.85%	June 27, 2008
Federal Home Loan Bank Notes	149,985	2.85%	August 8, 2008
Federal Home Loan Bank Notes	99,941	1.90%	September 12, 2008
Federal Home Loan Bank Notes	100,000	1.90%	June 18, 2009
Federal National Mortgage Association Notes	149,976	2.86%	October 30, 2007
Federal National Mortgage Association Notes	150,000	2.85%	November 20, 2009
Federal Home Loan Mortgage Association Discount Notes	166,204	3.16%	June 1, 2007
Federal Home Loan Mortgage Corporation Discount Notes	189,894	3.61%	August 21, 2007
STAR Ohio	3,623,593	68.92%	Average 35 Days
Totals	<u>\$5,257,859</u>	<u>100.00%</u>	

**Interest Rate Risk** The County does not have an investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk** STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The County has no investment policy that would further limit its investment choices. The Federal Home Loan Bank and Federal Home Loan Mortgage Securities carry a rating of AAA by Standard and Poor's.

**Concentration of Credit Risk** is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The County's investment policy places no limit on the amount it may invest in any one issuer.

**Note 7 – Permissive Sales and Use Tax**

The County Commissioners, by resolution, imposed a one percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of all tangible personal property in the County, including motor vehicles, not subject to the sales tax. The sales tax is allocated fifty percent to the County's General Fund and fifty percent to the Sales Tax Trust Agency Fund, from which the proceeds are distributed to the various taxing districts within the County for use on community improvement projects. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County to the State Auditor. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Note 8 – Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Real property tax receipts received in 2006 for real and public utility property taxes represent the collection of 2005 taxes. Real property taxes received in 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at thirty-five percent of the appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2006 public utility property taxes became a lien on December 31, 2005, are levied after October 1, 2006, and are collected in 2007 real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

The full tax rate for all County operations for the year ended December 31, 2006 was \$10.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$403,120,010
Public Utility Real Property	42,610
Public Utility Tangible Personal Property	41,580,410
Tangible Personal Property	<u>58,770,984</u>
Total Assessed Value	<u><u>\$503,514,014</u></u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

**Note 9 – Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006 the County contracted with the Ohio Government Risk Management Plan, an insurance purchasing pool, (see Note 18), for liability, auto, and crime insurance.

**Jackson County, Ohio**  
*Notes to the Basic Financial; Statements*  
*For the Year Ended December 31, 2006*

Each member pays a premium for their coverage. The agreement provides that the Council will be self-sustaining through member premiums. In the event of losses, the first \$250 to \$2,500 of any valid claim, depending upon type of loss, will be paid by the member.

The next payment, with a maximum payout ranging from \$100,000 to \$1,000,000 per occurrence, will come from the insurance purchasing pool based on the member's percentage of contribution. If the aggregate claims by the pool exceed the available resources, the pool may require the members to make additional supplementary payments. Jackson County does not have any ongoing financial interest or responsibility. The agreement between the Counties and the Council indicates that a voluntary withdrawal or termination by any county shall constitute a forfeiture of any pro rate share of the Council reserve fund. Current calculation of this potential residual interest is, therefore, not possible. During 2006, Jackson County paid \$124,316 to the Council for insurance coverage. Coverage provided by the program and applicable deductibles are as follows:

Property	Deductible	Limits of Coverage
Real Property	\$1,000	\$18,445,215
General Liability	0	1,000,000/3,000,000
Public Official Liability	5,000	1,000,000/3,000,000
Law Enforcement	5,000	1,000,000/3,000,000
Employee Benefits	0	1,000,000/3,000,000
Inland Marine	1,000	1,607,543
Medical Expense:	0	10,000/50,000
Employer's Liability (Stop Gap)	0	1,000,000
Electronic Equipment/Media Coverage:		
Electronic Equipment	1,000	500,000
Electronic Media	0	5,000
Extra Expense	0	5,000
Crime Coverage:		
Theft, Disappearance, Destruction	0	100,000
Public Dishonesty	0	250,000
Forgery and Alteration	0	5,000
Computer Fraud	100	50,000
Automobile	1,000	1,000,000 Per Occurrence
Arson Reward	0	5,000
Fire Department Service Charge	0	1,000
Fire Protection Devices	0	5,000
Outdoor Property	0	100,000
Personal Effects	0	2,500
Polution Clean Up and Removal	0	50,000
Property Off Premises	0	10,000
Property in Transit	0	25,000
Accounts Receivable	0	100,000
Builders Risk	0	500,000
Fine Arts	0	25,000
Newly Acquired or Constructed Property:		
Building	0	500,000
Personal Property	0	100,000
Legal Liability Real Property	0	1,000,000

Settled claims have not exceeded coverage in any of the past three years. There has been no significant reduction in insurance coverage from the prior year.

**Jackson County, Ohio**  
*Notes to the Basic Financial; Statements*  
*For the Year Ended December 31, 2006*

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For 2006, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 18). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants.

The workers' compensation experience of the participating Counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to Counties that can meet the Plan's selection criteria. The firm of Gates McDonald, Inc., provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

The County pays all elected officials bonds by State statute.

**Note 10 – Defined Benefit Pension Plans**

***A. Ohio Public Employees Retirement System***

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

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

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional pension plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The employer contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**Jackson County, Ohio**  
*Notes to the Basic Financial; Statements*  
*For the Year Ended December 31, 2006*

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The County's required contributions for pension obligations to the traditional plan for the years ended December 31, 2006, 2005, and 2004, were \$1,086,493, \$1,085,962, and \$636,420, respectively. The full amount has been contributed for 2006, 2005, and 2004. Contributions to the member-directed plan for 2006 were \$17,187 made by the County and \$11,291 made by plans members. Contributions to the combined plan for 2006 were \$23,616 made by the County and \$15,514 made by plan members.

**B. State Teachers Retirement System**

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

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for the member and employer contributions.

The County's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005 and 2004 were \$30,293, \$23,318, and \$24,536, respectively. The full amount has been contributed for 2006, 2005 and 2004. There were no contributions made to the combined plan in 2006.

**Note 11 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent was for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used.

Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional pension and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$320,523. Actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**B. State Teachers Retirement System**

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

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled \$2,562 for fiscal year 2006.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

**Note 12- Notes Payable**

	Principal Outstanding 12/31/05	Additions	Deductions	Principal Outstanding 12/31/06
<b>Governmental Activities:</b>				
Bond Anticipation Notes:				
2005 YMCA Building - 4.00%	\$20,000	\$0	\$20,000	\$0
2006 YMCA Building - 4.30%	0	10,000	0	10,000
2005 Regional Detention Center - 4.00%	238,000	0	238,000	0
2006 Regional Detention Center - 4.30%	0	193,000	0	193,000
2005 Job and Family Services Center - 4.00%	895,000	0	895,000	0
2006 Job and Family Services Center - 4.30%	0	755,000	0	755,000
2005 Courthouse Improvements - 4.00%	80,000	0	80,000	0
2006 Courthouse Improvements - 4.30%	0	70,000	0	70,000
2005 Highway Garage - 4.00%	185,000	0	185,000	0
2006 Highway Garage - 4.30%	0	165,000	0	165,000
2005 Road and Bridge Replacement - 4.00%	56,000	0	56,000	0
2005 Engineer's Equipment - 4.00%	112,000	0	112,000	0
2006 Engineer's Equipment - 4.30%	0	52,000	0	52,000
2005 GIS Project - 4.00%	124,000	0	124,000	0
2006 GIS Project - 4.30%	0	89,000	0	89,000
2005 Computer Equipment - 4.00%	108,000	0	108,000	0
2006 Computer Equipment - 4.30%	0	81,000	0	81,000
2005 Municipal Court Building - 4.00%	1,420,000	0	1,420,000	0
2006 Municipal Court Building - 4.30%	0	1,360,000	0	1,360,000
2005 Photo Mapping - 4.00%	135,000	0	135,000	0
2006 Photo Mapping - 4.30%	0	125,000	0	125,000
2006 Map Office Building - 4.30%	0	100,000	0	100,000
2006 Highway Track Hoe - 4.30%	0	159,000	0	159,000
<b>Total Governmental Activities:</b>	<b>\$3,373,000</b>	<b>\$3,159,000</b>	<b>\$3,373,000</b>	<b>\$3,159,000</b>

The YMCA Building note was issued for the renovation and expansion of the Jackson County YMCA facility. The Regional Detention Center note was issued for the construction of a new detention facility. The Job and Family Services Center note was issued for the purchase and renovation of the new Job and Family Services facility. The Courthouse Improvements note was issued for the renovation of the Jackson County Courthouse. The MRDD Roof Replacement note was issued for the purpose of replacing the roof of the Hope Haven School. The Highway Garage note was issued for the construction of a new highway garage. The Road and Bridge Replacement note was for the reconstruction and improvements of roads and bridges throughout the County. The Engineer's Equipment note was issued for the purchase of road equipment. The GIS Project note was issued to finance the County-wide Geographical Information System. The Computer Equipment note was issued for the purpose of purchasing a new computer system for the County Auditor's office. The Municipal Court Building note was issued for the purpose of financing the purchase and renovation of the new Municipal Court facility. The Photo Mapping note was issued for the photo mapping of all county roads. The Map Office Building note was issued for the purchase and renovation of the County's Tax Map office.

**Jackson County, Ohio**  
*Notes to the Basic Financial; Statements*  
*For the Year Ended December 31, 2006*

The Highway Track Hoe note was for the purpose of purchasing the County Engineer's department a new track hoe. All notes are bond anticipation notes and backed by the full faith and credit of the County and mature within one year. The note liability is reflected in the funds which received the proceeds. All notes will be reissued until paid or bonds are issued.

**Note 13 – Long Term Obligations**

A schedule of changes in long-term obligations of the County during 2006 follows:

	Principal Outstanding 12/31/05	Additions	Deductions	Principal Outstanding 12/31/06	Amounts Due in One Year
<b>Governmental Activities:</b>					
1998 Wastewater Treatment Facility General Obligation Bonds - 4.95%	\$190,000	\$0	\$25,000	\$165,000	\$25,000
2000 EMS Note - 4.75%	113,649	0	78,782	34,867	34,867
2004 Health Department Roof Loan - 3.25%	40,730	0	9,700	31,030	10,015
	<u>\$344,379</u>	<u>\$0</u>	<u>\$113,482</u>	<u>\$230,897</u>	<u>\$69,882</u>

Principal and interest requirements to retire the Wastewater Treatment Facility General Obligation Bonds outstanding at December 31, 2006, are as follows:

Year Ended December 31,	Principal	Interest	Total
2007	\$25,000	\$8,167	\$33,167
2008	25,000	6,930	31,930
2009	25,000	5,693	30,693
2010	30,000	4,455	34,455
2011	30,000	2,970	32,970
2012	30,000	1,485	31,485
	<u>\$165,000</u>	<u>\$29,700</u>	<u>\$194,700</u>

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

Principal and interest requirements to retire Emergency Medical Services note outstanding at December 31, 2006, are as follows:

Year Ended December 31,	Principal	Interest	Total
2007	\$34,867	\$1,656	\$36,523

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

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

Principal and interest requirements to retire the Health Department Roof Loan liability at December 31, 2006, are as follows:

Year Ended December 31,	Principal	Interest	Total
2007	\$10,015	\$1,008	\$11,023
2008	10,339	684	11,023
2009	10,676	347	11,023
	<u>\$31,030</u>	<u>\$2,039</u>	<u>\$33,069</u>

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

The Ohio Revised Code provides that net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1 percent of the total assessed valuation of the County. The Ohio Revised Code further provides that the total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to 3 percent of the first \$100,000,000 of assessed valuation, plus 1.5 percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus 2.5 percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2006, were an overall legal debt margin of \$49,494,131 and an unvoted legal debt margin of \$503,514.

**Conduit Debt**

To assist private sector in acquiring and constructing facilities deemed to be in the public interest, the County on occasion has issued industrial revenue bonds. Mortgages on the facilities secure the bonds. The bonds are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the facilities will transfer to the private sector entities. The County, the State, or any other political subdivision is not obligated in any manner for paying the bonds, which are not reflected in the debt schedule above. At December 31, 2006, aggregate principal outstanding on the bonds was \$5,204,035.

**Note 14 – Contractual Commitments**

As of December 31, 2006, the County had contractual purchase commitments as follows:

Project	Fund	Contract Amount	Amount Expended	Balance at 06/30/03
Jisco Road Environmental Remediation Project	Clean Ohio Revitalization Grant	\$886,109	\$317,561	\$568,548
Road and Bridge Improvements	Motor Vehicle Gasoline Tax Fund	214,633	75,368	139,265
ADA Sidewalk Ramp Project	Community Development Block Grant	25,640	0	25,640
Total		<u>\$1,126,382</u>	<u>\$392,929</u>	<u>\$733,453</u>

**Jackson County, Ohio**  
*Notes to the Basic Financial; Statements*  
*For the Year Ended December 31, 2006*

**Note 15 – Interfund Transfers**

During 2006, the following transfers were made:

<b>Transfer to</b>	<b>Transfer from Major Funds</b>			Other Nonmajor Governmental	Total
	General Fund	Motor Vehicle and Gasoline Tax	Computer/ Equipment		
Major Funds:					
General Fund	\$0	\$0	\$11,648	\$25,721	\$37,369
Bond Retirement	1,351,607	616,467	1,476,642	138,088	3,582,804
Other Nonmajor Governmental	66,530	1,215	0	0	67,745
<b>Total All Funds</b>	<b>\$1,418,137</b>	<b>\$617,682</b>	<b>\$1,488,290</b>	<b>\$163,809</b>	<b>\$3,687,918</b>

The above mentioned Transfers From/To were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 16 – Jointly Governed Organizations**

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

The County is a member of the Gallia, Jackson, Meigs and Vinton Joint Solid Waste Management District (the District), which a jointly governed organization of the four named counties. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling.

The District is governed and operated through three groups. A twelve member Board of Directors, comprised of the three commissioners from each county, is responsible for the District's financial matters. Financial records are maintained by the District. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. A twenty-five member Policy Committee, comprised of six members from each county and one at-large member appointed by the Policy Committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the Policy Committee. Each participating County's influence is limited to the numbers of members each appoints to the Board. Continued existence of the District is not dependent upon the County's continued participation, no equity interest exists, and no debt is outstanding. The County made no contributions to the District in 2006.

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

The Gallia, Jackson, and Meigs Counties Alcohol, Drug Addiction, and Mental Health Services Board (ADAMH), is a jointly governed organization of the three named counties. The ADAMH provides no direct services but contracts for their delivery. The ADAMH's function is to assess needs, and to plan, monitor, fund and evaluate the services. The ADAMH is managed by an eighteen member Board. The Board is comprised of five members appointed by the Jackson County Commissioners, two by the Gallia County Commissioners, and three by the Meigs County Commissioners, which are proportionate to population, four by the Ohio Department of Drug and Alcohol, and four by the State Department of Mental Health. Each participating county's influence is limited to the number of members each appoints to the Board. The Board exercises total control of the budgeting, appropriating, contracting and managing.

All of the Board's revenue is derived from State and Federal grants awarded to the multi-county Board. Gallia County serves as fiscal agent for the Board. Continued existence of the ADAMH is not dependent upon the County's continued participation, no debt exists, and the County does not have an equity interest in the Board. During 2006, the County made \$3,785 in payments to the Board.

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

The Southeast Ohio Emergency Medical Services District (the EMS) was organized to provide emergency medical services to the resident of the southeast Ohio. The EMS serves Athens, Jackson, and Lawrence Counties. A nine member Board of Directors governs the EMS. Each County appoints three members to the Board of Directors, upon approval of the current board members. The Board of Directors, in conjunction with the Finance Director, budget and approve expenditures, retain responsibility for surpluses and deficits, and are responsible for any debt incurred. The EMS is not dependent upon Jackson County for its continued existence, and the County does not maintain an equity interest. Emergency medical services are provided to each county under a contractual agreement. Each county is billed on a monthly basis for the services provided to their county. In 2006, the County paid \$861,200 to the EMS for services provided to the County.

***D. Jackson-Vinton Community Action Agency***

The Jackson-Vinton Community Action Agency (the Agency) is a non-profit corporation organized to plan, conduct and coordinate programs designed to combat social and economic problems and to help eliminate conditions of poverty within Jackson and Vinton Counties. The Agency is governed by a Board comprised of public officials from Jackson and Vinton Counties, representatives of the poor in the area served and officials or members of the private sector of the community. The Agency controls its own operations and budget. In 2006, the County paid \$84,728 to the Agency for services provided to the County.

***E. Ohio Valley Regional Development Commission***

The Ohio Valley Regional Development Commission (the Commission) is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio. The Commission was formed to influence favorably the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal, and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The Commission is not dependent upon Jackson County for its continued existence. In 2006, the County made \$5,346 in contributions to the Commission.

***F. Gallia-Jackson Child Abuse and Neglect Advisory Board***

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

**Note 17 – Joint Venture**

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

The County is a participant with Highland, Pike, Ross, Vinton, and Fayette counties in the South Central Ohio Regional Juvenile Detention, Training and Rehabilitation Center (the Center) which is a facility that provides temporary housing for juvenile offenders awaiting disposition by the respective juvenile courts of the member counties. The juvenile judge from each participating county appoints one trustee to serve on the Board, except Ross County which appoints two trustees since it is the home county. The Commissioners of each county have final approval of their respective trustee. Each county is obligated to provide financial support to the Center through per diem charges and assessments which are based on the total assessed valuation of each county in proportion to the total assessed valuation of all participating counties. The County has an ongoing financial responsibility for this entity and, during 2006, contributed \$141,243 toward the operation of this facility. During 2001, the Board of Trustees for the Center determined that it was necessary to improve the Center by constructing a new facility and making related improvements to the existing facility. This work, completed in 2004, had a total cost of \$5,834,000. The County's equity interest in that Center was determined to be \$482,000. The Center is not accumulating significant financial resources or experiencing fiscal distress which would cause an additional financial benefit to or burden on the County. The Ross County Auditor is the fiscal agent for the Center. Complete financial statements of the joint venture can be obtained from the Ross County Auditor, Ross County Courthouse, 2 North Paint Street, Suite G, Chillicothe, Ohio 45601.

**Note 18 – Insurance Purchasing Pools**

***A. Buckeye Joint-County Self-Insurance Council***

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

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

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

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

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants.

**Jackson County, Ohio**  
*Notes to the Basic Financial; Statements*  
*For the Year Ended December 31, 2006*

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These five members are elected for the ensuing year by the participants at the meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year and each elected member shall be a County Commissioner.

**Note 19 – Revolving Loan Program**

The County participates in a Community Development Block Grant Revolving Loan Program. The goal of the Revolving Loan Fund (RLF) is to enable eligible communities to overcome specific gaps in local capital markets that inhibit business and industry from obtaining suitable credit, and thereby impede local economic growth and stability. The primary goal of each RLF project will be private sector job creation or retention of which at least 51% of such jobs must be taken by or made available to persons from low and moderate income households. The program is administered by the Jackson County Economic Development Commission. At December 31, 2006, total outstanding balances were \$433,540, principal loan revenue was \$12,388, and the County paid \$8,907 in administrative costs.

**Note 20 – Contingent Liabilities**

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

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, any potential liability would not have a material effect on the County's financial condition.

**Note 21 – Pending Litigation**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The County receives property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the County based on the lower assessment rate beginning from tax year 2001. The amount of the refund owed by the County's general levy and all other special levies is estimated to be approximately \$24,604 per year.

**Note 22 – Component Unit Disclosures**

**A. Jackson County Airport Authority**

The following are the Jackson County Airport Authority (the Authority) notes to the financial statements for the year ended December 31, 2006:

***Summary of Significant Accounting Policies***

Basis of Presentation: The Summary of Significant Accounting Policies is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representations of the Authority's management, who are responsible for their integrity and objectivity. These accounting policies conform to the basis of accounting prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Liability for Income Taxes: The Authority is exempt from income tax under Section 501(c)(3) of Internal Revenue Code.

**Jackson County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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Cash and Cash Equivalents: The Authority considers deposits with maturities of twelve months or less to be cash equivalents. At December 31, 2006, the carrying amount of the Authority's deposits was \$73,377 and the bank balance was \$73,377. The bank balance was covered by federal depository insurance.

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

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

The following are the J-Vac Industries, Inc. (the Workshop), notes to the financial statements for the year ended June 30, 2006:

***Nature of Activities***

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

***Summary of Significant Accounting Policies***

Basis of Presentation: The accounting records are maintained on the accrual basis of accounting and the principles and practices common to not-for-profit organizations for financial reporting purposes. As a result, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, unrestricted, temporarily restricted and permanently restricted (there were no temporarily or permanently restricted net assets at June 30, 2006).

Unrestricted Net Assets: Net assets that are not subject of donor imposed restrictions. This includes amounts from some funding sources that require the funds to be spent on activities within the scope of the Organization's purpose.

Temporarily Restricted Net Assets: Net assets subject to donor imposed stipulations that may or will be met, either by the activities of the Organization or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Net assets restricted by donor or by law to be maintained by the Organization in perpetuity.

Cash Equivalents: Short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less are considered to be cash equivalents. The entire amount as of June 30, 2006 and 2005 were fully insured under FDIC or the Federal Credit Union Administration.

Accounts Receivable: The Organization considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts are determined to be uncollectible after all efforts to collect the balances have been exhausted, they are written off and charged to operations in the period that the determination is made.

Inventory: Inventory consists of finished goods ready to be sold and various items that are used in the production of goods to be sold. These items are recorded at the lower of cost or market with cost determined on the first-in, first-out basis.

**Jackson County, Ohio**  
*Notes to the Basic Financial; Statements*  
*For the Year Ended December 31, 2006*

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**Property and Equipment:** Property and equipment are carried at cost, less accumulated depreciation computed on the straight-line method. Major renewals and betterments are capitalized and depreciated; maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in support and revenue. Assets are depreciated using the straight-line method on the basis of their economic life ranging from three to five years.

**Revenue and Expense Recognition:** Revenues are included in operations in the period for which they are awarded based upon signed contracts. In the absence of a signed contract, revenues are recorded when a product is sold or, in the case of contributions, when the cash is received. Revenues received for a specified purpose are used in accordance with applicable restrictions. Expenses are included in operations in the period they are incurred.

**Contributed Services and Materials:** Unpaid volunteers have made significant contributions of their time in the furtherance of the Organization's programs. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation. Contributed materials are recorded at fair market value at the time of contribution if the value can be readily determined.

**Advertising Costs:** Advertising costs are expensed as incurred.

**Income Taxes:** The Organization is exempt from federal income taxes under Section 501(c)(3) of the internal revenue code. Thus, no provision or accrual for income taxes is included in these financial statements.

**Functional Allocation of Expenses:** The Organization maintains its accounts in accordance with the principles of functional expense reporting. Expenses for various purposes are classified for accounting and reporting into individual program activities and functions.

**Use of Estimates:** The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

***Property and Equipment***

Property and equipment are presented on the balance sheet at the net book value and consist of the following:

Equipment	\$39,233
Vehicles	36,735
Accumulated Depreciation	<u>(\$68,261)</u>
Total	<u><u>\$7,707</u></u>

***Related Party***

The Organization is housed in a building operated and maintained by JCBMRDD. The JCBMRDD also provides personnel support for the Organization. The Organization does not pay for these services and there are no in-kind contributions related to these services recorded in the statement of activities, as the amount is difficult to estimate.

**Jackson County, Ohio**  
*Notes to the Basic Financial; Statements*  
*For the Year Ended December 31, 2006*

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For the period ending June 30, 2006, the Organization rented a storage facility owned by the sister of the Director. The Organization paid approximately \$900 during 2006 for the use of this facility.

***Long-Term Debt***

On March 28, 2005, the board entered into a promissory note agreement with Ohio Industries for the Handicapped, Inc. (OIH), one of the Organization's primary customers. The Organization borrowed \$30,877 for the purpose of providing funds to purchase materials necessary for constructing golf course accessory products. The payments are \$590 per month for a term of 60 months with an interest rate of 5.5 percent. Future principal payments of this promissory note are \$5,911 in 2007, \$6,242 in 2008, \$6,595 in 2009, and \$5,185 in 2010.

The Organization has not been able to find a customer base to sell the golf course accessory products to. This has created a cash shortfall for the Organization preventing the Organization from making the principal and interest payments related to this promissory note. The last principal and interest payment on this promissory note that was made by the Organization was in December 2005. Because OIH purchases monthly janitorial services from the Organization, OIH has deducted the loan payments from the monthly payments for services rendered. In January 2007, the JCBMRDD began making the monthly loan payments on behalf of the Organization but discontinued the payments in May 2007. No payments have been made subsequent to May 2007 through the date of this report.

***Unsupported Expense***

During the year ended June 30, 2006, \$1,500 of expenditures were made in cash for the benefit of the Organization, according to management. In reviewing documentation for these cash expenditures, the Organization could only provide receipts amounting to \$449 in support of this claim. As a result, this account represents the balance of those funds since it is not known for what the funds were expended.

***Discretely Presented Component Unit***

Under Governmental Accounting Standards Board Statement No. 14, the Organization is also considered to be a discretely presented component unit of Jackson County and is presented as such within Jackson County's general-purpose financial statements for the fiscal year ended June 30, 2006.

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JACKSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006

FEDERAL GRANTOR / <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant - State's Program	B-F-05-037-1	14.228	\$ 22,500
	B-W-03-037-1		2,591
	B-F-04-037-1		136,330
	B-I-04-037-1		29,304
	B-F-06-037-1		6,000
Total Community Development Block Grant - State's Program			<u>196,725</u>
HOME Partnership Investment Program	B-C-03-037-2	14.239	<u>48</u>
Total United States Department of Housing and Urban Development			196,773
<b>UNITED STATES DEPARTMENT OF LABOR</b>			
<i>Passed Through Workforce Investment Act, Area 7:</i>			
<i>Workforce Investment Act (WIA) Cluster:</i>			
WIA - Adult	N/A	17.258	199,584
WIA - Adult Administrative			6,226
Total WIA Adult			<u>205,810</u>
WIA - Youth	N/A	17.259	168,698
WIA - Youth Administration			6,881
Total WIA Youth			<u>175,579</u>
WIA - Dislocated Workers	N/A	17.260	195,422
WIA - Dislocated Workers Administration			3,277
Total WIA Dislocated Workers			<u>198,699</u>
Total Workforce Investment Act Cluster			580,088
Veteran's Employment Programs:	N/A	17.802	
SFY 05			6,472
SFY 06			2,187
Administration			10
Total Veteran's Employment Programs			<u>8,669</u>
Total United States Department of Labor			588,757
<b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b>			
<i>Direct from the Federal Government</i>			
Airport Improvement Program	AIP-3-39-0041-0405	20.106	<u>218,641</u>
<i>Passed Through Ohio Emergency Management Agency:</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	2006-EM-T6-0001	20.703	<u>1,067</u>
Total United States Department of Transportation			219,708
<b>ELECTION ASSISTANCE COMMISSION</b>			
<i>Passed Through Ohio Secretary of State</i>			
Election Reform Payments	E05-0129-40	39.011	<u>2,674</u>
Total Election Assistance Commission			2,674

**JACKSON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

<b>FEDERAL GRANTOR /</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Innovative Education Program Strategies		84.298	\$ 174
Special Education Cluster:			
Special Education - Grants to States		84.027	27,100
Special Education - Preschool Grants	PG-S1-2005	84.173	6,479
Total Special Education Cluster			<u>33,579</u>
Total United States Department of Education			33,753
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Medical Assistance Program:	N/A	93.778	
Community Alternative Funding System			62,669
Target Case Management			42,664
Day Habilitation - Waiver			66,127
Waiver Administration			8,626
Total Medical Assistance Program			<u>180,086</u>
Social Services Block Grant	N/A	93.667	23,552
State Childrens Insurance Program (SCHIP)	N/A	93.767	<u>206</u>
Total United States Department of Health and Human Services			203,844
<b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
Homeland Security Cluster:			
State Homeland Security Grant Program	2005-GE-T5-0001	97.073	34,124
	2006-GE-T6-0051	97.073	180
Total State Homeland Security Grant Program			<u>34,304</u>
Citizens Corps Program Grant	2005-GC-T5-0001	97.053	11,861
ODP Citizens Corps Program Grant	2004-GC-T4-0001	97.004	4,660
Total Homeland Security Cluster			<u>50,825</u>
Emergency Management Performance Grants	2006-EM-T6-0001	97.042	<u>21,554</u>
Total United States Department of Homeland Security			<u>72,379</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 1,317,888</u></b>

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

## JACKSON COUNTY

### NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

#### **NOTE B – SUBRECIPIENTS**

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

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

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

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

These loans are collateralized by machinery and equipment. At December 31, 2006, the gross amount of loans outstanding under this program was \$431,727. There were no delinquent amounts outstanding.

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

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

#### **NOTE E – TITLE XX**

The expenditures for Title XX were determined by using the actual reimbursements received for expenditures during 2006.

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jackson County  
226 East Main Street  
Jackson, Ohio 45640

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Ohio (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 6, 2007, wherein we noted that (except for the J-VAC Industries, Inc.), the County uses a comprehensive basis of accounting other than generally accepted accounting principles. Other auditors audited the financial statements of the J-VAC Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and, accordingly, this report does not extend to that component unit. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2006-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we also believe the significant deficiency described above (finding number 2006-004) to be a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated December 6, 2007.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated December 6, 2007.

The County's response to the findings we identified is described in the accompanying Schedule of Findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of County Commissioners, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 6, 2007



# Mary Taylor, CPA

## Auditor of State

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

Jackson County  
226 East Main Street  
Jackson, Ohio 45640

To the Board of County Commissioners:

#### Compliance

We have audited the compliance of Jackson County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2006. The Summary of Auditor's results section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Procurement and Suspension and Debarment; Davis-Bacon Act; Reporting; and, Special Tests and Provisions applying to its Airport Improvement Program Grant (CFDA #20.106), which are described in the accompanying Schedule of Findings as items 2006-007 and 2006-008.

### Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as finding 2006-007 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. The significant deficiency in internal control over compliance described in the accompanying Schedule of Findings as finding number 2006-007 we also consider to be a material weakness.

We also noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated December 6, 2007.

The County's response to the findings we identified is described in the accompanying Schedule of Findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

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



**Mary Taylor, CPA**  
Auditor of State

December 6, 2007

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

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

**FINDING NUMBER 2006-001**

**Noncompliance Finding – Finding for Recovery**

Ohio Rev. Code Section 955.14(E) states that the county auditor may authorize agents to receive applications for registration of dogs and kennels and to issue certificates of registration and tags. Further, Ohio Rev. Code Section 955.19 states that all funds received by the county dog warden or poundkeeper in connection with the administration of Sections 955.01 to 955.18, inclusive, of the Revised Code, shall be deposited in the County Treasury and placed to the credit of the Dog and Kennel Fund.

In Jackson County, the Dog Warden was authorized to sell dog tags as necessary and was issued tags and registration forms by the County Auditor for that purpose. As such, per an agreement entered into on November 29, 2006 between the former Dog Warden Tamela Spencer, and the Jackson County Auditor, Clyde Holdren, the Dog Warden became solely responsible for tags issued and in the event tags were lost or stolen, would be liable to the Jackson County Auditor in the amount of \$10 per tag.

Between November 29, 2006 and May 31, 2007, Ms. Spencer had in her possession dog tags that were not returned to the County Auditor (if unsold) and monies which were not paid in. Monies which were paid in to the County Auditor did not always agree to the number of tags issued as listed on the license form. Also, various tag numbers were listed on more than one pay-in form.

As a result, there was a shortage of cash related to dog tags sold by Ms. Spencer or dog tags that could not be accounted for, as follows:

Number of tags not returned or paid-in	155
Amount per tag	<u>\$10</u>
	\$ 1,550
Plus: Pay-in sheets which totaled less than the number of tags listed	130
Less: The number of tags listed on multiple pay-in sheets	<u>(71)</u>
Total amount of tags which cannot be accounted for	<u><u>\$ 1,609</u></u>

Under Ohio law, any public official who authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Re. Code Section 9.39; *State, ex. rel. Village of Linndale v. Masten*, 18 Ohio st. 3d 228 (1985).

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money not accounted for is hereby issued against Tamela Spencer, former Jackson County Dog Warden, and American States Insurance Company, her bonding company, jointly and severally, in the amount of \$1,609, and in favor of the Dog and Kennel Fund.

**Client Response:** This will be referred to the Prosecuting Attorney.

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

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

**FINDING NUMBER 2006-002**

**Noncompliance Finding**

Ohio Rev. Code Section 5705.10(H) provides that money that is paid into a fund must be used only for the purposes for which such fund has been established.

A review of fund balances throughout 2006 indicated negative fund balances in numerous funds at the end of the month for January, April, August and October, as noted below.

<i>Month</i>	<i>Fund Number</i>	<i>Fund Name</i>	<i>Fund Balance</i>
January	206	Public Assistance	\$ (67,383)
	863	Board of Health	(27,434)
	874	Solid Waste	(14,253)
April	101	General	\$ (500,810)
	206	Public Assistance	(274,886)
	210	Workforce Investment Act	(4,536)
	214	REA	(8,989)
	216	EMS	(263,352)
	219	MRDD	(201,864)
	863	Board of Health	(46,250)
	874	Solid Waste	(33,894)
August	101	General	\$ (99,392)
	206	Public Assistance	(20,631)
	214	REA	(6,794)
	216	EMS	(185,924)
	219	MRDD	(167,702)
	863	Board of Health	(20,411)
	874	Solid Waste	(39,220)
	875	Help Me Grow	(22,023)
877	Public Health	(2,427)	
October	393	Municipal Court	\$ (112,038)
	874	Solid Waste	(42,905)

As a result, a negative balance indicates that money from one fund was used to cover the expenses of another fund.

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

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b> <b>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-002 (Continued)**

**Noncompliance Finding – Ohio Rev. Code Section 5705.10(H) (Continued)**

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

**FINDING NUMBER 2006-003**

**Noncompliance Finding**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

**1. "Then and Now" Certificate** – If the fiscal officer (County Auditor) can certify that both at the time that the contract or order was made ("then"), and at the time that the County Auditor is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the County can authorize the drawing of a warrant for the payment of the amount due. The County has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$100 for counties may be paid by the County Auditor without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the County.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The County may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the County Auditor for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-003 (Continued)**

**Noncompliance Finding – Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

Forty percent of the transactions tested were not certified by the County Auditor at the time the commitment was incurred and there was no evidence that the County followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Additionally, we noted more than one blanket certificate was outstanding at one particular time for one particular line item appropriation and various blanket certificates exceeded the established amount of \$5,000.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the County's funds exceeding budgetary spending limitations, we recommend that the County Auditor certify that the funds are or will be available prior to obligation by the County. When prior certification is not possible, "then and now" certification should be used.

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

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

**FINDING NUMBER 2006-004**

**Noncompliance Citation – Material Weakness – Jackson County Airport Authority**

Ohio Admin. Code Section 117-2-01(D) requires that when designing the public office's system of internal control and the specific control activities, management should ensure all transactions are authorized in accordance with management's policies, ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

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

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

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

**FINDING NUMBER 2006-004 (Continued)**

**Noncompliance Citation – Material Weakness – Jackson County Airport Authority (Continued)**

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

The Secretary-Treasurer of the Authority was unable to provide the following:

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

With the exception of the fuel account, the Authority also did not maintain deposit tickets, nor did the Authority issue duplicate receipts for these accounts.

We recommend the Authority's Board of Trustees do the following:

1. Determine who is to be bonded and for what amount;
2. Adopt a set of rules and regulations;
3. Obtain and retain the reverse side of cancelled checks;
4. Maintain a receipt ledger that documents the duplicate receipt number, date, amount, and from whom the monies were received, and month-to-date and year-to-date receipt totals should be shown;
5. Maintain a disbursement ledger that documents the check number, date, amount, and payee, and month-to-date and year-to-date expenditure totals should be shown;
6. Complete and retain all monthly bank reconciliations;
7. Utilize pre-numbered duplicate receipts for all receipts; and
8. Maintain all deposit tickets;

Additionally, we recommend the Board of Trustees monitor the financial activity of the Authority.

**Client Response:** No bond has ever been required by the County Commissioners or by the Authority's Board of Trustees. We are in the process of completing the rules and guidelines of the operation of the Authority. Reverse side of checks is not provided by the Bank, except by special request. Monthly bank reconciliations will be provided in the future.

**JACKSON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b> <b>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-005**

**Noncompliance Citation**

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

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

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

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

**FINDING NUMBER 2006-006**

**Noncompliance Citation**

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

The County renewed bond anticipation notes in the amount of \$3,159,000 during the audit period. The County Commissioners did not amend appropriations for the note debt and the County Auditor did not record the resulting payoff of the old note debt. An audit adjustment was made to the financial statements to reflect the correct debt principal payments.

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

**Client Response:** It seems like such a waste of precious time to go through all the steps to accomplish these actions. We have previously paid the principal and interest and never cleared the note issue as it is renewed each year and we have all the paper work to back up our actions.

JACKSON COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2006  
(Continued)

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

<b>Finding Number</b>	2006-007
<b>CFDA Title and Number</b>	Airport Improvement Program CFDA #20.106
<b>Federal Award Number / Year</b>	3-39-0041-304, 3-39-0041-0405
<b>Federal Agency</b>	United States Department of Transportation
<b>Pass-Through Agency</b>	Not Applicable

**Noncompliance Finding – Significant Deficiency**

**Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Procurement and Suspension and Debarment; Davis-Bacon Act; Reporting; and Special Tests and Provisions**

49 C.F.R. 18.20(b)(3) and 2 C.F.R. 215.21(b)(3) require non-Federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with laws, regulation, and program compliance requirements. Recipients shall adequately safeguard all assets and assure they are used solely for authorized purposes.

As noted in finding number 2006-004, the Jackson County Airport Authority (the Authority) did not have an effective internal control structure in place to provide reasonable assurance that the Authority is managing Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements. No ledgers were maintained during the audit period. Bank reconciliations were not performed. There were no processes or procedures in place to ensure transactions were posted in the proper period or to the proper award year.

Without adequate recordkeeping and control procedures, it may not be possible to determine if the Authority was able to ensure that compliance with program requirements such as Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Procurement and Suspension and Debarment; Davis-Bacon Act; Reporting; and Special Tests and Provisions could be maintained. Failure maintain these requirements could result in the loss of future funding and subject the authority to a program specific audit by the granting agency.

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

We recommend the Authority create and enforce policies and procedures to ensure compliance with laws, regulations and program compliance requirements. These policies could include requiring the Authority's Board of Trustees and the County Commissioners to review detailed financial report and bank reconciliations on a monthly basis, and develop written policies for handling compliance over each program requirement.

**Client Response:** The Authority will forward a copy of receipts and expenditures and minutes of each meeting to the Commissioners monthly.

**JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315(b)  
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	A Finding for Recovery for public monies illegally expended against former MR/DD Superintendent, Ann Ogletree for payroll and severance pay overpayments	No	Not Corrected.
2005-002	A Finding for Recovery for public monies illegally expended against former MR/DD Administrative Assistant, Lori Bailey for payroll overpayments and severance pay overpayments	No	Not Corrected.
2005-003	A Finding for Recovery for public monies illegally expended against former MR/DD Service Support Administrator, Catherine Rippeth for payroll overpayments and severance pay overpayments	No	Not Corrected.
2005-004	A Finding for Recovery for receipts collected and unaccounted for against former J-VAC Director, Richard Moore, Penny Blackburn, Administrative Secretary, and Western Surety Company, the bonding company	No	Partially Corrected. Penny Blackburn has re-paid the finding amount issued against her. J-VAC is trying to resolve the finding against Richard Moore through the County Prosecutor.
2005-005	A material citation was issued under Ohio Rev. Code Section 117.38 for not filing the annual financial report on a GAAP basis	No	Not Corrected. Reissued in the current audit as Finding Number 2006-005.
2005-006	A material citation was issued under Ohio Rev. Code Section 149.351(A) for not having supporting documentation for 25% of the Airport Authority expenditures	Yes	N/A
2005-007	A material citation was issued under Ohio Rev. Code Section 321.15 and Section 9.38 for not depositing overpayments and subsequently wrote refund checks from the County's primary bank account	Yes	N/A
2005-008	A material citation was issued under Ohio Rev. Code Section 5705.10 (H) for negative fund balances throughout the year.	No	Not Corrected. Reissued in the current audit as Finding Number 2006-002

**JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315(b)  
DECEMBER 31, 2006  
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2005-009	A material citation was issued under Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources at year end.	No	Not Corrected. Reissued in the current audit Management Letter.
2005-010	A material citation was issued under Ohio Rev. Code Section 5705.41(B) for the County not amending appropriations for note debt and not recording resulting payoff of the old note debt	No	Not Corrected. Reissued in the current audit as Finding Number 2006-006.
2005-011	A material citation was issued under Ohio Rev. Code Section 5705.41(D)(1) for not properly encumbering	No	Not Corrected. Reissued in the current audit as Finding Number 2006-003.
2005-012	A material weakness was issued relating to the Airport Authority for the lack of policies, security of assets, and not providing sufficient accounting records	No	Not Corrected. Reissued in the current audit as Finding Number 2006-004.
2005-013	A material weakness was issued relating to the Airport Authority for not maintaining required accounting records	No	Not Corrected. Reissued in the current audit Management Letter.
2005-014	A material citation was issued for seventy-nine percent of Airport Improvement Program expenditures not being expended prior to request for reimbursement and were not expended the same day or the next business day after receipt of the reimbursement	Yes	N/A
2005-015	A material citation was issued for lack of monitoring and review of project cash requests and close-out reports	No	Partially Corrected. Reissued in the current audit as finding Number 2006-008.

**JACKSON COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 §.315(c)  
DECEMBER 31, 2006**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2006-001	This matter will be referred to the County Prosecuting Attorney.	Unknown	Clyde Holdren, County Auditor
2006-002	Will continue to review fund balances	December 31, 2007	Clyde Holdren, County Auditor
2006-003	Would have to hire a purchase order clerk, however, budget constraints have prohibited this.	Unknown	Clyde Holdren, County Auditor
2006-004	Authority will work with Engineer firm and FAA to resolve issue.	Unknown	Bob Meyhew, Secretary-Treasurer of the Jackson County Airport Authority
2006-005	The County does not believe the benefits associated with filing GAAP statements outweigh the costs associated with preparing them.	Unknown	Clyde Holdren, County Auditor
2006-006	County Auditor will record the proceeds of new debt and payoff old debt.	December 31, 2007	Clyde Holdren, County Auditor
2006-007	Authority will work with Engineer firm and FAA to resolve issue.	Unknown	Bob Meyhew, Secretary-Treasurer of the Jackson County Airport Authority
2006-008	Authority will work with Engineer firm and FAA to resolve issue.	Unknown	Bob Mayhew, Secretary-Treasurer of the Jackson County Airport Authority





**Mary Taylor, CPA**  
Auditor of State

**FINANCIAL CONDITION**

**JACKSON COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 24, 2007**