



**Auditor of State
Betty Montgomery**

WILLIAMS COUNTY
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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Williams County
One Courthouse Square, Suite L
Bryan, Ohio 43506-1791

To the Board of Commissioners:

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

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

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

As described in Note 17, the County reclassified the Self Insurance Fund from an Expendable Trust Fund to the General Fund.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash and cash equivalents and combined fund cash balances of Williams County, as of December 31, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We conducted our audit to opine on the County's financial statements taken as a whole. U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires presenting a federal awards expenditure schedule and is not a required part of the financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the County's financial statements. In our opinion, this information is fairly stated in all material respects in relation to the County's financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Commissioners, federal awarding agencies, and pass-through entities, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 19, 2004

WILLIAMS COUNTY

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

Cash and Cash Equivalents	<u><u>\$ 12,115,811</u></u>
 Cash Balances by Fund Type	
Governmental Fund Types:	
General Fund	\$ 1,504,141
Special Revenue Funds	4,781,970
Debt Service	472,732
Capital Projects Funds	486,741
Proprietary Fund Types:	
Enterprise Funds	901,107
Fiduciary Fund Types:	
Expendable Trust Funds	82,529
Agency Funds	<u>3,886,591</u>
 Total	 <u><u>\$ 12,115,811</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WILLIAMS COUNTY

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

	Governmental Fund Types	
	General	Special Revenue
Cash Receipts:		
Property Taxes	\$ 1,643,014	\$ 2,064,605
Sales Tax	3,080,258	
Charge for Services	3,499,872	2,421,097
Licenses and Permits	9,795	155
Fines and Forfeitures	189,333	93,334
Intergovernmental	1,334,677	9,813,414
Special Assessments	52,089	397,511
Investment Income	104,087	48,137
Rental Income	47,242	18,953
Loan Repayments		260,648
Other	194,907	227,070
Total Cash Receipts	10,155,274	15,344,924
Cash Disbursements:		
General Government:		
Legislative and Executive	1,984,341	487,605
Judicial	1,047,691	479,631
Public Safety	3,249,321	149,025
Public Works	124,520	3,898,744
Health	25,448	895,162
Human Services	311,654	8,091,058
Conservation and Recreation	114,793	
Economic Development and Assistance		776,833
Hospitalization	2,605,410	
Other	495,500	
Capital Outlay		
Debt Service:		
Principal Retirement	33,401	26,482
Interest and Fiscal Charge	1,988	6,806
Total Cash Disbursements	9,994,067	14,811,346
Excess of Cash Receipts Over/(Under) Cash Disbursements	161,207	533,578
Other Financing Sources (Uses):		
Proceeds of Notes		
Sale of Fixed Assets	7,098	6,881
Advances - In	184,000	
Advances - Out		
Operating Transfers - In	18,372	1,642
Operating Transfers - Out	(145,944)	(60,592)
Total Other Financing Sources (Uses)	63,526	(52,069)
Excess of Cash Receipts and Other Financing Sources Over/ (Under) Cash Disbursements and Other Uses	224,733	481,509
Fund Cash Balance - January 1	1,279,408	4,300,461
Fund Cash Balance - December 31	\$ 1,504,141	\$ 4,781,970

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
			\$ 3,707,619
			3,080,258
\$ 64,966			5,985,935
			9,950
			282,667
	\$ 1,690,370		12,838,461
336,755			786,355
		\$ 920	153,144
	13,379		79,574
		649	261,297
11,306	101,111	8,496	542,890
<u>413,027</u>	<u>1,804,860</u>	<u>10,065</u>	<u>27,728,150</u>
			2,471,946
			1,527,322
			3,398,346
			4,023,264
		4,709	925,319
		15,945	8,418,657
			114,793
			776,833
			2,605,410
11,085		8,353	514,938
	1,493,916		1,493,916
987,305			1,047,188
378,841			387,635
<u>1,377,231</u>	<u>1,493,916</u>	<u>29,007</u>	<u>27,705,567</u>
<u>(964,204)</u>	<u>310,944</u>	<u>(18,942)</u>	<u>22,583</u>
692,000			692,000
88,072			102,051
			184,000
	(184,000)		(184,000)
175,537	78,207	3,648	277,406
	(2,024)	(16,349)	(224,909)
<u>955,609</u>	<u>(107,817)</u>	<u>(12,701)</u>	<u>846,548</u>
(8,595)	203,127	(31,643)	869,131
481,327	283,614	114,172	6,458,982
<u>\$ 472,732</u>	<u>\$ 486,741</u>	<u>\$ 82,529</u>	<u>\$ 7,328,113</u>

WILLIAMS COUNTY

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Cash Receipts:			
Charge for Services	\$ 5,041,923		\$ 5,041,923
Other Operating Receipts	10,370		10,370
Total Cash Receipts	<u>5,052,293</u>		<u>5,052,293</u>
Cash Disbursements:			
Personal Services	3,368,570		3,368,570
Contract Services	634,840		634,840
Supplies and Materials	332,014		332,014
Other	70,614		70,614
Capital Outlay	79,403		79,403
Debt Service:			
Principal Retirement	659,000		659,000
Interest and Fiscal Charge	300,277		300,277
Total Cash Disbursements	<u>5,444,718</u>		<u>5,444,718</u>
Total Cash Disbursements Over Cash Receipts	<u>(392,425)</u>		<u>(392,425)</u>
Non-Operating Cash Receipts (Disbursements)			
Other Non-Operating Receipts	41,049	\$ 52,452,966	52,494,015
Proceeds of Notes	471,000		471,000
Other Non-Operating Disbursements		<u>(51,983,368)</u>	<u>(51,983,368)</u>
Total Non-Operating Cash Receipts and (Disbursements)	<u>512,049</u>	<u>469,598</u>	<u>981,647</u>
Income Before Operating Transfers	119,624	469,598	589,222
Operating Transfers-In	6,610	5,392	12,002
Operating Transfers-Out	<u>(64,500)</u>		<u>(64,500)</u>
Net Income	61,734	474,990	536,724
Fund Cash Balance January 1, 2003	<u>839,373</u>	<u>3,411,601</u>	<u>4,250,974</u>
Fund Cash Balance December 31, 2003	<u>\$ 901,107</u>	<u>\$ 3,886,591</u>	<u>\$ 4,787,698</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WILLIAMS COUNTY

COMBINED STATEMENT OF RECEIPTS
 BUDGET AND ACTUAL COMPARISON
 ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Fund Types:			
General Fund	\$ 9,796,824	\$ 10,180,744	\$ 383,920
Special Revenue Funds	15,737,422	15,353,447	(383,975)
Debt Service Funds	1,233,501	1,368,636	135,135
Capital Projects Funds	2,385,728	1,883,067	(502,661)
Proprietary Fund Type:			
Enterprise Funds	6,068,867	5,570,951	(497,916)
Fiduciary Fund Type:			
Trust Funds	<u>7,012</u>	<u>13,713</u>	<u>6,701</u>
Totals (Memorandum Only)	<u><u>\$ 35,229,354</u></u>	<u><u>\$ 34,370,558</u></u>	<u><u>\$ (858,796)</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WILLIAMS COUNTY

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

Fund Types/Fund	Prior Year Carryover Appropriations	2003 Appropriations
Governmental:		
General Fund	\$ 78,252	\$ 10,948,613
Special Revenue Funds	887,149	16,487,550
Debt Service Funds		1,385,471
Capital Projects Funds	311,420	1,998,455
Proprietary:		
Enterprise Funds	96,001	6,188,681
Fiduciary:		
Trust Funds		66,925
Total (Memorandum Only)	\$ 1,372,822	\$ 37,075,695

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

<u>Total</u>	<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/03</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 11,026,865	\$ 10,140,011	\$ 61,772	\$ 10,201,783	\$ 825,082
17,374,699	14,871,938	1,003,622	15,875,560	1,499,139
1,385,471	1,377,231		1,377,231	8,240
2,309,875	1,495,940	553,769	2,049,709	260,166
6,284,682	5,509,218	87,034	5,596,252	688,430
66,925	45,356	500	45,856	21,069
<u>\$ 38,448,517</u>	<u>\$ 33,439,694</u>	<u>\$ 1,706,697</u>	<u>\$ 35,146,391</u>	<u>\$ 3,302,126</u>

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WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

NOTE 1 - DESCRIPTION OF WILLIAMS COUNTY AND REPORTING ENTITY

A. The County

Williams County (the County) was created in 1840. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the County Auditor, County Treasurer, County Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, two Common Pleas Court Judges (a Probate Court Judge, and a Domestic Relations/Juvenile Court Judge). Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the County, including each of these departments.

B. Reporting Entity

A primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. The primary government of Williams County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Williams County, this includes the Children's Services Board, the Department of Job and Family Services, the Williams County Solid Waste Management Board, the Williams County Emergency Management Agency, and all departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organizations 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 or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County issues debt, levies taxes or determines the budget. The County has no component units.

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

WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

County General Health District
Soil and Water Conservation District
Four County Solid Waste District

The County is associated with certain organizations which are defined as Jointly Governed Organizations or Joint Ventures. These organizations are presented in Notes 10 and 11 to the financial statements. These organizations are:

Regional Planning Commission
Maumee Valley Planning Organization (MVPO)
Correctional Center of Northwest Ohio (CCNO)
Northwest Ohio Juvenile Detention, Training and Rehabilitation District
Four County Solid Waste District
Quadco Rehabilitation Center
Four County Board of Alcohol, Drug Addiction and
Mental Health Services (ADAMHS Board)

The County is involved with two group insurance pools which are presented in Note 12 to the financial statements.

County Risk Sharing Authority (CORSA)
County Commissioners' Association Workers' Compensation Group Rating Plan

The County is involved with two related organizations which are presented in Note 13 to the financial statements. These organizations are:

Williams County Public Library
Williams Metropolitan Housing Authority

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

A general fixed asset group and general long-term debt obligation group of accounts is not recorded on the financial statements by the County under the basis of accounting used. By virtue of Ohio law, the County is required to maintain the encumbrance method of accounting and to make appropriations.

A. Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation, the funds of the County are grouped into the following generic fund types under the broad fund categories of governmental, proprietary and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources are accounted for through governmental funds. The following are the County's governmental fund types:

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

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

WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

Debt Service Funds - These funds are used to account for the accumulation of financial resources for, and the payment of, debt principal and interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Proprietary Fund Type

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

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

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The County's fiduciary funds include expendable trust and agency funds.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, legally are required to be budgeted and appropriated.

The legal level of budgetary control is at the object level within each department. Although statutory law requires that all funds be budgeted, it is not necessary to do so if the County

WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

Commissioners do not anticipate expending the available funds. Segregated cash accounts are not included in the budgetary presentation because they are not controlled by the County Commissioners and separate budgets are not adopted. Budgetary modifications may only be made by resolution of the County Commissioners.

Estimated Resources

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

Appropriations

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

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

WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for the purpose other than those designated in the appropriation resolution of the Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Commissioners' appropriations are made to fund, department and object level (i.e. General Fund - Commissioner - salaries, supplies, equipment, contract repairs, travel expense, maintenance, other expenses etc.)

Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

Lapsing of Appropriations

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

C. Cash and Cash Equivalents

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Cash Balances by Fund Type" on the Combined Statement of Cash and Cash Equivalents and Fund Cash Balances. During 2003, the County had no investments. Interest earnings are allocated as authorized by State statute.

D. Property, Plant, and Equipment

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements but are included in Note 16 as additional information.

Fixed asset values initially were determined at December 31, 1991, assigning original costs when such information was available. In cases when original costs were not available,

WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are estimated at fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not included in the value of fixed assets. Depreciation has not been reported for any fixed assets.

Public domain (infrastructure) consists of sewer lines constructed from 2001 through 2003.

E. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the County but are included as additional information in Note 15.

The note reports the accrual of vacation benefits earned, if the employees' right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are reported in the note as an accrual using the termination method. The amount is based on an estimate of the amount of accumulated sick leave that will probably be paid as termination benefits. The amount includes both short term and long term compensated absences.

F. Total Columns on Financial Statements

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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 has identified as not required for use within the current four year period of designation of depositories. Inactive deposits must either be evidenced

WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

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.

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

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

1. United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the 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. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

WILLIAMS COUNTY

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8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

The County had \$151,566 in undeposited cash on hand which is included on the Combined Statement of Cash and Cash Equivalents and Fund Cash Balances as part of "Cash and Cash Equivalents".

Deposits

At year-end, the carrying amount of the County's deposits was \$11,964,245 and the bank balance was \$12,649,896. Of the bank balance, \$640,058 was covered by federal depository insurance, \$12,009,838 was collateralized by securities specifically pledged or pooled by the financial institutions.

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility property) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent

WILLIAMS COUNTY

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of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2000. Real property taxes are payable annually or semiannually. 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. In 2003, the first payment was due February 15, with the remainder payable by July 20.

Taxes collected on tangible personal property in the current year are levied after October 1 of the prior year on the values as of December 31 of the prior year. Depreciable assets used in business (except for public utilities), including machinery and equipment, furniture, fixtures, and office equipment as listed on Schedules (2) and (4) of Form 920 *County Return of Taxable Business Property* are assessed for ad valorem taxation purposes at 25 percent of their true value. Inventories used in business, as listed on Schedules (3) and (3A) of Form 920 *County Return of Taxable Business Property*, are assessed for ad valorem taxation purposes at 24 percent of their true value. Amounts paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. In 2003, the annual payment was due April 30, if paid semiannually, the first payment was due April 30, with the remainder payable October 10.

Public utility real and tangible personal property taxes collected in the current year are levied in the preceding calendar year on assessed values determined as of December 31, the lien date. Certain public utility tangible personal property is assessed at eighty-eight percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

The full tax rate for all County operations for the year ended December 31, 2003, was \$8.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	\$ 532,771,760
Public Utility	28,958,990
Tangible Personal Property	<u>110,747,950</u>
Total Assessed Value	<u><u>\$ 672,478,700</u></u>

WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 - PERMISSIVE SALES AND USE TAX

In 1988, the County Commissioners by resolution imposed a one percent tax on all retail sales, except sales of motor vehicles, made in the County, or on the storage, use, or consumption in the County of tangible personal property, including automobiles. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

In 2003, the County Commissioners, by resolution, imposed an additional .5 percent sales tax. Collection of the sales tax began on October 1, 2003.

Proceeds of the tax are credited entirely to the General Fund. Sales and Use tax revenue for 2003 amounted to \$3,080,258.

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2003, the County contracted with County Risk Sharing Authority (CORSA) for liability, property and crime insurance. The CORSA program has a \$2,500 deductible. Coverages provided by CORSA are as follows:

<u>Property</u>	
Building and Contents	Replacement Cost
Valuable Papers	\$1,000,000
Extra Expense	\$1,000,000
Electronic Data Processing	Replacement Cost
Contractors Equipment	Actual Cash Value
Inland Marine	Actual Cash Value
Motortruck Cargo	\$100,000
Flood and Earthquake	\$100,000,000 Aggregate Pool Limit
Auto Physical Damage	Actual Cash Value
Automatic Acquisition	\$3,000,000
Boiler and Machinery	\$100,000,000 Each Accident

WILLIAMS COUNTY

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<u>Liability</u>	
Automobile Liability	\$1,000,000 Each Occurrence
Uninsured/Underinsured Motorists	\$250,000 Each Occurrence
General Liability	\$1,000,000 Each Occurrence
Stop Gap Liability	\$1,000,000 Each Occurrence
Law Enforcement Liability	\$1,000,000 Any One Claim
Errors and Omissions Liability	\$1,000,000 Annual Aggregate
<u>Crime</u>	
Employee Dishonesty/Faithful Performance	\$1,000,000 Each Loss
Money and Securities (inside)	\$1,000,000 Each Loss
Money and Securities (outside)	\$1,000,000 Each Loss
Money Orders and Counterfeit Currency	\$1,000,000 Each Loss

With the exceptions of health insurance, life insurance, and workers' compensation, all insurance is held with CORSA (See Note 12). The County pays all elected officials' bonds by statute. Automobile Liability, General Liability, Law Enforcement Liability, and Errors and Omissions Liability coverage decreased from \$6,000,000 each occurrence in 2002 to \$1,000,000 each occurrence in 2003. Settled claims have not exceeded this commercial coverage in the past three years.

CORSA reported the following summary of actuarially-measured liabilities and assets available to pay those liabilities as of April 30 (CORSA's fiscal year end):

	<u>2003</u>	<u>2002</u>
Cash and Investments	\$ 45,021,398	\$ 37,853,987
Actuarial liabilities	\$ 13,115,199	\$ 10,660,095

B. Workers Compensation Group Rating Program

For 2003, the County participated in the County Commissioners' Association Organization Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool (Note 12).

The program is intended to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation

WILLIAMS COUNTY

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experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. In order to allocate the savings derived by formation of the Program, and to maximize the number of participants in the Program, annually the Program's executive committee calculates the total savings which accrued to the Program through its formation. This savings is then compared to the overall savings percentage of the Program.

The Program's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Program is limited to counties that can meet the Program's selection criteria. The firm of Comp. Management, Inc. provided administrative, cost control and actuarial services to the Program. Each year, the County pays an enrollment fee to the Program to cover the costs of administering the Program.

The County may withdraw from the Program if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, prior to withdrawal any participant leaving the Program allows representatives of the Program to access loss experience for three years following the last year of participation.

C. Self-Insurance

The County is also self-insured for employee health insurance. The General Fund pays covered claims to service providers and recovers these costs from charges to other funds based on an actuarially determined cost per employee. Under this program, the General Fund provides coverage for claims up to a maximum of \$50,000 for each individual, per year. The County purchased commercial insurance for claims in excess of coverage provided by the General Fund and all other risks of loss. Settled claims have not exceeded this commercial coverage in the past three years.

The total cash and investments of the General Fund at December 31 available to pay the actuarially-measured liability as of February 28 (the most recent information available) follows:

	<u>2003</u>	<u>2002</u>
Cash and Investments at December 31	\$ 1,504,141	\$ 1,154,408
Actuarial liabilities at February 28	\$288,000	\$235,512

Effective March 1, 2004, the County terminated its self-insurance plan and replaced it with a health insurance plan through the County Employee Benefits Consortium of Ohio. The

WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

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(Continued)

County has designated \$400,000 in the General Fund as a Self-Insurance Claims Reserve. These funds will be used to pay for insurance claims incurred prior to March 1, 2004, under the County's self-insured program managed by Medical Mutual of Ohio. In 2002 and prior years, \$125,000 of these funds were reflected in an Expendable Trust Fund on the County's books. In 2003, the Expendable Trust Fund was combined into the County's General Fund (See Note 17).

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All County full-time employees, other than teachers, participate in the Ohio Public Employees Retirement System (OPERS), a cost sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the County is required to contribute 13.55 percent; 8.55 percent was the portion used to fund pension obligations for 2003. For law enforcement employees, the employee contribution is 10.1 percent of their annual covered salary for sheriffs and deputy sheriffs and 9 percent for all other members of the law enforcement program. (In January 2001, HB416 split the law enforcement program into two divisions; (1) sheriffs, deputy sheriffs, and township police, and (2) the public safety division made up of all other members of the law enforcement program.) The employer contribution is 16.70 percent of which 11.7 percent was the portion used to fund pension obligations. Contributions are authorized by state statute. The contribution rates are determined actuarially. The County's actual contributions for 2003 which were used to fund pension obligations were \$910,224. The County has paid all contributions required through December 31, 2003.

B. State Teachers Retirement System

The County participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that

WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS

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includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43512-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary to fund pension obligations and the County is required to contribute 14 percent; 9.50 percent was the portion used to fund pension obligations for 2003. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Effective July 1, 2003, the member contribution rate increased to the statutory maximum of 10%. The County's actual contributions for 2003 which were used to fund pension obligations were \$12,360. The County has paid all contributions required through December 31, 2003.

NOTE 8 - 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. Health care coverage for disability and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post Employment Benefits Other Than Pension Benefits by State and Local Governmental Employees." A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2003 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 5 percent was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2003 was 16.70 percent; 5 percent was used to fund health care.

Benefits are advance funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually, and an additional increase in total payroll of .50 percent to 6.3 percent based on additional pay increases. Health care premiums were assumed to increase 4 percent annually.

OPEB are financed through employer contributions and investment earnings. All investments are carried at market value. 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.

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As of December 31, 2003, the total number of benefit recipients eligible for OPEB through the system was 364,881. As of December 31, 2003, the actuarial value of net assets available for future OPEB payments was \$10.0 billion. The actuarially accrued liability and the unfunded actuarial liability were \$18.7 billion and \$8.7 billion, respectively. The County's actual contributions for 2003 which were used to fund OPEB were \$515,973.

B. State Teachers Retirement System

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

Benefits are funded on a pay-as-you-go basis. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, healthcare benefits are not guaranteed and the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. 9.50 percent was the portion used to fund pension obligations for 2003. The Board allocated employer contributions equal to one percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$5,855 during 2003.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund at June 30, 2003, was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and there were 108,294 eligible benefit recipients.

NOTE 9 - DEBT OBLIGATIONS

The County's debt obligations at year end consist of the following:

WILLIAMS COUNTY

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	<u>Interest Rate</u>	<u>Outstanding at 12/31/03</u>
OWDA Loans	Various	\$ 5,235,254
USDA Special Assessment Bonds	5.13%	820,739
USDA Revenue Bonds	Various	5,857,329
Equipment Loans/Leases	Various	148,840
Court of Appeals Loan		272,936
Bond Anticipation Notes	Various	<u>1,163,000</u>
Total		<u>\$ 13,498,098</u>

The Ohio Water Development Loans (OWDA) were obtained for wastewater improvement projects and are to be retired with general governmental revenues or special assessments.

The United States Department Agriculture (USDA) special assessment bonds are backed by the full faith and credit of the County. In the event that an assessed property owner fails to make payments, the County will be required to pay the related debt.

A portion of the USDA revenue bonds pledge sewer fund income derived from the acquired and constructed assets to pay debt service. The bond indentures have certain restrictive covenants and principally require that debt reserves be maintained and charges for services to customers be sufficient to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties. The revenue bonds are prepayable at any time in whole or in part at the sole option of the County at a price of par plus interest accrued to the date of prepayment.

The remaining USDA revenue bonds were issued for the construction of a nursing home facility and renovating the old nursing home facility to an independent living facility. The County has issued bonds which pledge the revenues from the Hillside County Living enterprise fund derived from the acquired and constructed assets to pay debt service. The bond indentures have certain restrictive covenants and principally require that debt reserves be maintained and charges to services to customers be sufficient to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties.

Equipment loans/leases were issued for the purchase of a Caterpillar wheeled excavator for the Engineer's office.

WILLIAMS COUNTY

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The bond anticipation notes were issued for various County improvements, including the nursing home, the juvenile detention center, the annex building, and a ditch project, and are backed by the full faith and credit of Williams County.

The District Court of Appeals built a new courthouse and all local counties that utilize the court are obligated to pay a certain portion of the construction debt of \$9,441,223. For Williams County, its portion of the debt is \$411,637 which represents 4.36 percent of the construction debt. The construction debt consists of \$6,260,000 in principal and \$3,181,223 in interest.

The following is a summary of the County's total future annual debt service requirements for debt obligations:

	OWDA	Special Assessment Bonds	Revenue Bonds	Equipment Loans/ Leases	Court of Appeals Loan	Bond Anticipation Notes	Total
2004	\$ 473,627	\$ 52,069	\$ 406,425	\$ 33,287	\$ 20,901	\$ 1,163,000	\$ 2,149,309
2005	473,716	52,069	406,212	33,287	20,662		985,946
2006	473,811	52,069	406,462	33,288	20,419		986,049
2007	473,913	52,069	406,412	33,288	20,381		986,063
2008	474,023	52,069	405,761	33,289	20,542		985,684
Thereafter	5,851,982	1,457,945	8,645,047		308,732		16,263,706
Totals	<u>\$ 8,221,072</u>	<u>\$ 1,718,290</u>	<u>\$ 10,676,319</u>	<u>\$ 166,439</u>	<u>\$ 411,637</u>	<u>\$ 1,163,000</u>	<u>\$ 22,356,757</u>

Authorized but Unissued Loans

The County has entered into loan agreements with OWDA for several wastewater improvement projects. The loans have been approved for a total of \$450,000; however, only \$158,142 has been received as of December 31, 2003. Upon completion of the projects, future annual debt service requirements will be determined. The above table does not include these ongoing projects.

Conduit Debt

There are several series of Industrial Development, Economic Development, and Hospital Facility Revenue Bonds for facilities used by private corporations and other entities with the aggregate original issue amount of \$22,550,000. The bonds do not represent or constitute a debt or pledge of faith and credit of the taxing power of the County, and the County is not obligated in any way to pay debt charges on these debt issues from its resources. Therefore, the debt has been excluded entirely from the County's debt presentation.

WILLIAMS COUNTY

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NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

A. Regional Planning Commission

The County participates in the Williams County Regional Planning Commission which is a statutorily created political subdivision of the State. The Commission is jointly governed among thirty-four members comprised of the board of county commissioners, county auditor, county engineer, member of the health department, a member of soil and water, three members appointed by the City of Bryan, representatives from eight villages, and representatives from eight townships within the County. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County.

B. Maumee Valley Planning Organization (MVPO)

The County is a member of the Maumee Valley Planning Organization, a jointly governed organization between Defiance, Fulton, Henry, Paulding, and Williams counties. The purpose of the MVPO is to act as a joint regional planning commission to write and administer CDBG grants, and help with the housing rehabilitation in the area. The MVPO is governed by a Board consisting of sixteen members.

The members consist of one commissioner per County, township trustees, and representatives from the cities and villages in the five counties. The main source of revenues is the CDBG grants and a per capita amount from each county. The financial records are maintained by the Fulton County Auditor and Treasurer. In 2003 Williams County paid \$126,118 in dues and loan administration fees.

NOTE 11 - JOINT VENTURES

A. Northwest Ohio Correctional Center

Northwest Ohio Correctional Center (the Center) is a joint venture between Defiance, Fulton, Henry, Lucas, and Williams Counties and the City of Toledo.

The Center provides additional jail space for convicted criminals in the five counties and the City of Toledo and is a correctional center for the inmates. The Center was created in 1986 and construction was finished and occupancy was taken December 31, 1991. The Center is governed by a Commission Team made up of eighteen members. The continued existence of

WILLIAMS COUNTY

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the Northwest Ohio Correctional Center is dependent upon the continued participation of Williams County.

The Center has not accumulated significant financial resources nor is the Center experiencing fiscal stress that may cause an additional financial benefit or burden on the County in the future.

The Northwest Ohio Correctional Center has no outstanding debt as of December 31, 2003, and the County has no outstanding commitments for past construction. Complete financial statements can be obtained from Northwest Ohio Correctional Center, 03151 County Road 2425, Stryker, Ohio 43557.

B. Northwest Ohio Juvenile Detention, Training, and Rehabilitation District

The Northwest Ohio Juvenile Detention, Training, and Rehabilitation District (the District) is a joint venture between Defiance, Fulton, Henry, and Williams counties. The District provides a detention facility for juveniles in the four counties. The District was created in 1996 and construction was finished and occupancy taken in January 2000.

The District is governed by a Board of Trustees made up of thirteen members. Continued existence of Northwest Ohio Juvenile Detention Training and Rehabilitation District is dependent upon the continued participation of Williams County. The District has not accumulated significant financial resources nor is the District experiencing fiscal stress that may cause an additional financial benefit or burden on the County in the future. The Northwest Ohio Juvenile Detention, Training, and Rehabilitation District has no outstanding debt as of December 31, 2003. Completed financial statements can be obtained from the District at 03389 CR 24.25, Stryker, Ohio 43557.

C. Four County Solid Waste District

The Four County Solid Waste District (the District) is a joint venture among Defiance, Fulton, Paulding, and Williams 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 landfilling. The District was created in 1989. The District is governed and operated through a twelve-member board of directors comprised of three commissioners from each county. Financial records are maintained by the Williams County Auditor in Bryan, Ohio. The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste.

The County has an ongoing financial interest in the District. The County Commissioners are able to influence the Board of Directors to use the District's surplus resources to undertake

WILLIAMS COUNTY

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special projects of interest to the County's citizens. In the event that a county withdraws from the District, this access to the net resources has not been explicitly defined, nor is it currently measurable. The County has no ongoing financial responsibility for the District.

D. Quadco Rehabilitation Center

Quadco Rehabilitation Center (Quadco), a nonprofit corporation, is a joint venture between Williams, Defiance, Henry, and Fulton Counties. Quadco provides services and facilities for training physically and mentally disabled persons and contracts with various agencies to obtain funding to operate the organization.

Quadco is governed by an eight-member board composed of two appointees from each of the four counties' Board of Mental Retardation and Development Disabilities (MRDD). Quadco, in conjunction with the county Boards of MRDD, assesses the needs of adult mentally retarded and developmentally disabled residents in each County and sets priorities based on the available funds. The County provides subsidies to Quadco based on units of service provided to it.

For the year ended December 31, 2003, the County remitted \$960,855 to Quadco to supplement its operations.

Quadco operates autonomously from the County and the County has no financial responsibility of the operations of Quadco. Should Quadco dissolve, the property and equipment of the corporation would revert back to the four counties. This access to the net resources of Quadco has not been explicitly defined, nor is it currently measurable. Complete financial statements for Quadco can be obtained from Quadco's administrative office at 427 North Defiance Street, Stryker, Ohio 43557.

E. Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS Board)

The Four County Board of Alcohol, Drug Addiction, and Mental Health Services is a four County political organization whose general purpose is to provide leadership in planning for and supporting community-based alcohol, drug addiction, and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming, while respecting, protecting, and advocating the rights of persons as consumers of alcohol, drug addiction, and mental health services.

The Board of Trustees of ADAMHS Board consists of eighteen members. Four members are appointed by the Ohio Director of Alcohol and Drug Addiction Services, four are appointed by

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the Ohio Director of Mental Health Services, three each are appointed by Defiance and Fulton Counties and two each are appointed by Henry and Williams Counties.

The main sources of revenue of the ADAMHS Board are state and federal grants and a property tax levy covering the entire four county area. Outside agencies are contracted by the Board to provide services for the ADAMHS Board. The ADAMHS Board operates autonomously from the County and the County has no financial responsibility for the operations of the ADAMHS Board. The County does have indirect access to the net resources of the ADAMHS Board. In the event the County withdrew from the ADAMHS Board it would be entitled to a share of the state and federal grants that are currently being received by the ADAMHS Board. This access to net resources of the ADAMHS Board has not been explicitly defined, nor is it currently measurable. Complete financial statements can be obtained from the ADAMHS Board at its offices located at T-761, State Route 66, Archbold, Ohio 43502.

NOTE 12 - GROUP INSURANCE POOLS

A. County Risk Sharing Authority, Inc. (CORSA)

The County Risk Sharing Authority, Inc. is an Ohio nonprofit corporation established by forty-six counties for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time.

Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. Financial statements may be obtained by contacting the County Commissioners' Association of Ohio in Columbus, Ohio.

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

The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Plan as established under § 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 the CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year.

No participant can have more than one member on the group executive committee in any year, and each elected member shall be a County Commissioner.

NOTE 13 - RELATED ORGANIZATIONS

A. Williams County Public Library

The Williams County Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the County Commissioners and the Common Pleas Judge. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the County for operational subsidies. Although the County does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Williams County Public Library, Kathy Whitman, Clerk-Treasurer, at 107 East High Street, Bryan, Ohio 43506.

B. Williams Metropolitan Housing Authority

The Williams Metropolitan Housing Authority (the Housing Authority) was created under the authority of § 3735.27 of the Ohio Revised Code. The Housing Authority is governed by a five member board, one of which is (each) appointed by the Williams County Commissioners,

WILLIAMS COUNTY

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the Probate Judge, and by the Common Pleas Judge respectively. Williams County is not financially accountable for the activities of the Housing Authority. Financial information can be obtained from the Williams Metropolitan Housing Authority, Mary Jo Sands, Executive Director, at 1044 Chelsea, Napoleon, Ohio 43545.

NOTE 14 - CONTINGENT LIABILITIES

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

NOTE 15 – COMPENSATED ABSENCES

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County.

Accumulated, unused sick leave is paid, up to a maximum of 120 days, depending on length of service of the employee who retires. As of December 31, 2003, the liability for compensated absences was \$846,741 for the entire County.

NOTE 16 – FIXED ASSETS

A summary of the fixed assets at December 31, 2003 is as follows:

	Enterprise Funds	All Other Fixed Assets	Total All Funds
Land	\$ 353,607	\$ 455,020	\$ 808,627
Land Improvements	317,769	2,146,097	2,463,866
Building and Improvements	8,911,912	8,666,799	17,578,711
Machinery, Furniture, and Equipment	858,771	3,296,874	4,155,645
Vehicles	146,007	3,289,223	3,435,230
Infrastructure	11,997,579	-	11,997,579
Total	<u>\$ 22,585,645</u>	<u>\$ 17,854,013</u>	<u>\$ 40,439,658</u>

WILLIAMS COUNTY

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

NOTE 17 – RESTATEMENT OF FUND BALANCES

The self insurance fund was reclassified from the Expendable Trust Fund to the General Fund to properly classify the activity.

	General Fund	Expendable Trust Fund
Fund Balance as previously reported, December 31, 2002	\$ 1,154,408	\$ 239,172
Reclassification of the Self Insurance Fund	125,000	(125,000)
Fund Balance as restated, January 1, 2003	<u>\$ 1,279,408</u>	<u>\$ 114,172</u>

The reclassification had no effect on the Excess of Cash Receipts and Other Sources over Cash Disbursements and Other Uses as stated as of December 31, 2002.

NOTE 18 – COMPLIANCE

A. Basis of Accounting

Ohio Administrative Code § 117-2-3b requires that the County prepare its annual financial report in accordance with generally accepted accounting principles. The County prepared its 2003 financial report on a basis of accounting formally prescribed or permitted by the Auditor of State.

B. Certification of Expenditures

Certain expenditures were not properly certified according to the requirements of Ohio Revised Code § 5705.41(D).

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WILLIAMS COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Local Agricultural Stabilization and Conservation Service</i>			
Crop Deficiency Program	-	10.XXX	\$ 12,801
Total U.S. Department of Agriculture			12,801
U.S. DEPARTMENT OF LABOR			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
<u>Workforce Investment Act Cluster</u>			
Workforce Investment Act - Adult	N/A	17.258	35,591
Workforce Investment Act - Adult Total			<u>35,591</u>
Workforce Investment Act - Youth	N/A	17.259	93,554
Workforce Investment Act - Youth Administration	N/A	17.259	790
Workforce Investment Act - Youth Total			<u>94,344</u>
Workforce Investment Act - Dislocated Worker	N/A	17.260	46,839
Workforce Investment Act - Dislocated Worker Administration	N/A	17.260	30,161
Workforce Investment Act - Dislocated Worker Total			<u>77,000</u>
Workforce Investment Act - Rapid Response	N/A	17.260	200,340
Workforce Investment Act - Rapid Response - Administration	N/A	17.260	1,523
Workforce Investment Act - Rapid Response Total			<u>201,863</u>
Total U.S. Department of Labor - Workforce Investment Act Cluster			408,798
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through the Area Office of Aging</i>			
<u>Aging Cluster</u>			
Special Programs for the Aging-			
Title III Part B - Grants for Supportive Services and Senior Centers	-	93.044	39,846
Title III Part B - Health and Wellness Assessment Total		93.044	<u>35,366</u>
Title III Part C - Nutrition Services	-	93.045	249,157
Total Aging Cluster			<u>324,369</u>

(Continued)

WILLIAMS COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Chaffee	86-6018-04	# 93.674	1,930
Basic Child Abuse and Neglect	86-6020-04	93.669	340
Basic Child Abuse and Neglect	86-6020-03	93.669	1,652
Total			<u>1,992</u>
Child Welfare Subsidy (Title IV-B)	86-6010-04	93.645	16,392
Child Welfare Subsidy (Title IV-B)	86-6010-03	93.645	19,607
ESSA Family Preservation	86-6035-04	93.645	598
ESSA Family Preservation	86-6035-03	93.645	1,070
ESSA Family Reunification	86-6036-04	93.645	3,053
Total			<u>40,720</u>
<i>Passed Through the Ohio Supreme Court</i>			
Children's Justice Act	-	93.643	21,018
Grant for State Court - Court Improvement Program	-	93.586	21,017
Total			<u>42,035</u>
<i>Passed Through the Ohio Department of Health</i>			
Social Services Block Grant (Title XX)	-	93.667	16,604
<i>Passed Through the Ohio Department of Mental Retardation and Development Disabilities</i>			
Medical Assistance Program (Medicaid: Title XIX)	-	93.778	476,831
Total U.S. Department of Health and Human Services			<u>904,481</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Home Investment Partnerships Program (Chip)	B-C-01-079-2	14.239	260,233
<i>Passed Through the Ohio Department of Development</i>			
Community Development Block Grant (Chip)	B-C-01-079-1	14.228	73,818
Community Development Block Grant (Formula)	B-F-01-079-1	14.228	71,179
Community Development Block Grant (Formula)	B-F-02-079-1	14.228	27,856
Community Development Block Grant (Economic Development)	B-E-02-079-1	14.228	66,000
Total			<u>238,853</u>
Total U.S. Department of Housing and Urban Development			<u>499,086</u>

(Continued)

WILLIAMS COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the Ohio Department of Emergency Management Disaster Assistance</i>			
Domestic Preparedness Equipment Program	2002-TE-CX-0049	97.004	12,224
Domestic Preparedness Program	2002-TE-CX-0106	97.004	60,919
State Domestic Preparedness MARCO			
County Radio Installation	2001-TE-CX-0016	97.004	749
State Home Security Grant	2003-TE-TX-0199	97.004	9,000
State Home Security Grant	2003-TE-TX-0199	97.004	78,000
Total			<u>160,892</u>
Supplemental Planning Grant	EMC-2003-GR-7026	97.051	<u>27,498</u>
Total U.S. Department of Homeland Security			<u>188,390</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Airport Improvement Program	TE 21-GO2O	20.106	21,690
Airport Improvement Program - Tree Removal	3-39-0100-0203	20.106	12,240
Total			<u>33,930</u>
<i>Passed Through the Ohio Engineers Association</i>			
Highway Planning and Construction	TE 21-GO2O (266)	20.205	<u>973,226</u>
Total U.S. Department of Transportation			<u>1,007,156</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Department of Youth Services</i>			
Title II Formula Grant - Out of Home Placement	2001-JJ-D11-0203	16.540	15,000
Juvenile Court Filing System	2002-JB-007-A228	16.523	6,162
Total			<u>21,162</u>
<i>Passed Through the Ohio Attorney General</i>			
Victims of Crimes Act Grant	02-VAG-ENE-129	16.575	34,318
Victims of Crimes Act Grant	03-VAG-ENE-129T	16.575	12,870
Total			<u>47,188</u>
Total U.S. Department of Justice			<u>68,350</u>

(Continued)

WILLIAMS COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. GENERAL SERVICES ADMINISTRATION			
<i>Passed Through the Ohio Secretary of State</i> The Help America Vote Act of 2002	04-SOS-HAVA-86	39.011	47,335
Total U.S. General Services Administration			47,335
Total			\$3,136,397

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

WILLIAMS COUNTY

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUBRECIPIENTS

The County passes-through certain federal assistance received from the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As described in Note 1, 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 law, regulations, and the provisions of contracts or grant agreements that performance goals are achieved.

NOTE 3 - 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 Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2003, the gross amount of loans outstanding under this program was \$1,247,550.

NOTE 4 - 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.

WILLIAMS COUNTY

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

NOTE 5 – U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS

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

<u>Previous Federal Agency</u>	<u>CFDA Number used for 2002</u>	<u>Homeland Security CFDA Number used for 2003</u>
Department of Justice	16.007	97.004
Department of Federal Emergency Management Disaster Assistance	83.562	97.051



**Auditor of State
Betty Montgomery**

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

Williams County
One Courthouse Square, Suite L
Bryan, Ohio 43506-1791

To the Board of Commissioners:

We have audited the financial statements of Williams County as of and for the year ended December 31, 2003, and have issued our report thereon dated July 19, 2004, in which we noted that the County prepares its financial statements on the basis of accounting formerly prescribed by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles, and in which the County reclassified its Self Insurance Expendable Trust Fund to the General Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated July 19, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion

on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated July 19, 2004.

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

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

Betty Montgomery
Auditor of State

July 19, 2004



**Auditor of State
Betty Montgomery**

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

Williams County
One Courthouse Square, Suite L
Bryan, Ohio 43506-1791

To the Board of Commissioners:

Compliance

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

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the County in a separate letter dated July 19, 2004.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Betty Montgomery
Auditor of State

July 19, 2004

WILLIAMS COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction CFDA 20.205 Medical Assistance Program (Medicaid: Title XIX) CFDA 93.667 Special Programs for the Aging Title III Part B – Grants for Supportive Services and Senior Centers CFDA 93.044 Title III Part C – Nutrition Services CFDA 93.045

<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2003-001

Noncompliance Citation

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

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless a certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This section provides two exceptions to the above requirements:

- a. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of the warrant. The taxing authority has 30 days from the receipt of such a certificate to approved payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing authority.

FINDING NUMBER 2003-002
(Continued)

- b. Amounts of less than \$100 for Counties may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Twenty-five percent of the transactions tested were not certified at the time the commitment was incurred. None of these commitments were subsequently approved as “then and now” certificates.

We recommend the County Auditor certify the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing an order. In instances where prior certification is not practical, we recommend issuance of a “then and now” certificate.

3. FINDING FOR FEDERAL AWARDS

None.

WILLIAMS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS

OMB CIRCULAR A-133 § .315(b)

DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Administrative Code § 117-2-03(B) Not reporting on GAAP	No	Not corrected. Reissued as finding 2002-001. The County believes reporting on a basis of accounting other than GAAP is more cost efficient.
2003-002	Section 667.410 of the Federal Regulations No subrecipient monitoring for WIA	Yes	Finding no longer valid since subrecipient relationship no longer exists.



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

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Facsimile 614-466-4490

FINANCIAL CONDITION

WILLIAMS 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
AUGUST 24, 2004**