

Vinton County Financial Condition

Single Audit

January 1, 2003 Through December 31, 2003

Fiscal Year Audited Under GAGAS: 2003



BALESTRA, HARR & SCHERER, CPAs, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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**Auditor of State
Betty Montgomery**

County Commissioners
Vinton County
100 East Main Street
McArthur, Ohio 45651

We have reviewed the Independent Auditor's Report of Vinton County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Vinton County is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 7, 2004

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**Vinton County Financial Condition
Basic Financial Statements
For the Year Ended December 31, 2003**

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To the Offices, Boards and
Commissioners of Vinton County
100 East Main Street
McArthur, Ohio 45651

Independent Auditors- Report

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Vinton County (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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 basic 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2003, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2004, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Offices, Boards and
Commissioners of Vinton County
Independent Auditor's Report
Page 2

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

As described in Note 4 to the basic financial statements, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

August 17, 2004

Vinton County
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

As management of Vinton County (the County), we offer readers this narrative overview and analysis of the financial activities of the County as a whole for the year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- The County's net assets increased \$2,554,876 as a result of this year's operations.
- General revenues accounted for \$4,182,385 in revenue or 26 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11,637,609 or 74 percent of total revenues of \$15,819,994.
- The County had \$13,265,118 in expenses related to governmental activities; \$11,637,609 of these expenses was offset by program specific charges for services, grants or contributions.

Overview of the Basic Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the County's basic financial statements. Three components comprise the basic financial statements: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. These statements are organized so the reader can understand Vinton County as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

The Statement of Net Assets presents information on all the County's assets and liabilities, with the difference between the two reported as net assets. Over time, the change in net assets may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The County's governmental activities include general government, judicial, public safety, human services, health, public works, conservation and recreation and community development. The County's business-type activities include water and sewer operations and parking facilities.

The government-wide financial statements include not only Vinton County itself (known as the primary government), but also certain organizations for which the County is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself. The County's component unit is Vinton Industries, Inc. See Note 18 to the basic financial statements for more information about the County's component units.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Vinton County
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the County's funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains many individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for those funds considered to be major funds. In the case of Vinton County, the major funds are the General Fund, the Public Assistance Fund, the Motor Vehicle Gas Tax Fund, and the Community Development Loan Fund. Data from the other governmental funds are combined into a single aggregated presentation.

The County adopts a budget resolution annually. Financial statements prepared on a budgetary basis that does not conform with generally accepted accounting principles (GAAP) have been provided for the major funds to demonstrate compliance with the County's budget. The basic governmental fund financial statements and reconciliations between governmental funds and governmental activities can be found on pages 13 through 18 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 44 of this report.

Vinton County
Management's Discussion and Analysis
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Unaudited

The County as a Whole

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2003 compared to 2002:

Table 1
NET ASSETS

	Governmental Activities	
	2003	2002
ASSETS		
Current and Other Assets	\$ 8,575,010	\$ 8,882,280
Capital Assets	<u>5,029,574</u>	<u>2,389,192</u>
<i>Total Assets</i>	<i>13,604,584</i>	<i>11,271,472</i>
LIABILITIES		
Long-Term Liabilities	2,690,576	2,727,625
Other Liabilities	<u>1,447,620</u>	<u>1,632,335</u>
<i>Total Liabilities</i>	<i>4,138,196</i>	<i>4,359,960</i>
NET ASSETS		
Invested in Capital Assets, Net of Debt	2,627,797	(62,765)
Restricted	6,291,875	6,725,029
Unrestricted (deficit)	<u>546,716</u>	<u>249,248</u>
<i>Total Net Assets</i>	<u><i>\$9,466,388</i></u>	<u><i>\$6,911,512</i></u>

As noted earlier, net assets, when reviewed over time, may serve as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$9,466,388 at the close of 2003.

A large portion of the County's net assets (28 percent) reflects its investment in capital assets (e.g. land, buildings and improvements, infrastructure, machinery and equipment and vehicles, net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets (66 percent) represents resources that are subject to external or legal restrictions on how they may be used. The remaining balance of net assets (\$546,716) is unrestricted and may be used to meet the County's ongoing obligations to citizens, employees and creditors.

At the end of 2003, the County reports positive balances in all three categories of net assets, both for the County as a whole and for its separate governmental activities. The same situation held true for the prior year.

The County's total net assets increased by \$2,554,876 during 2003.

Vinton County
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There was an increase of \$2,690,562 in the amount invested in capital assets, net of related debt. This increase is largely due to \$1.5 million in infrastructure and the completion of the Department of Human Services new building for \$2.3 million. The related debt was reduced by \$60,472 through payments scheduled for and made during 2003.

There was a decrease of \$433,154 in restricted net assets reported in connection with the County's governmental activities. This is due to increased spending in the capital projects, debt service, and special revenue funds.

The following table shows the changes in net assets for 2003. Since this is the first year the County has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of governmental data will be presented:

Table 2
Changes in Net Assets

	Governmental Activities
REVENUES	2003
Program Revenues:	
Charges for Services	\$955,794
Operating Grants and Contributions	10,249,174
Capital Grants and Contributions	432,641
General Revenues:	
Property Taxes	1,738,837
Sales Taxes	726,460
Grants and Entitlements	514,209
Investment Earnings	178,278
Gain on Disposal of Fixed Assets	9,299
Miscellaneous	<u>1,015,302</u>
TOTAL REVENUES	<u>15,819,994</u>
EXPENSES	
Program Expenses	
General Government	
Legislative and Executive	1,409,974
Judicial	710,280
Public Safety	953,963
Public Works	3,754,151
Health	1,358,704
Human Services	4,474,239
Conservation and Recreation	15,956
Other	419,153
Interest and Fiscal Charges	<u>168,988</u>
TOTAL EXPENSES	<u>13,265,118</u>
CHANGE IN NET ASSETS	2,554,876
NET ASSETS AT BEGINNING OF YEAR	<u>6,911,512</u>
NET ASSETS AT END OF YEAR	<u><u>\$9,466,388</u></u>

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The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Thus counties dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up 11 percent of revenues for governmental activities for Vinton County in fiscal year 2003.

Interest expense was attributable to the outstanding bonds and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

The dependence upon tax revenues and intergovernmental grants for governmental activities is apparent. Over 84 percent of health and human services are supported through taxes, intergovernmental grants and other general revenues; for all governmental activities general revenue support is 32 percent as shown in Table 2. The community and the State of Ohio, as a whole, provide the vast majority of resources for Vinton County.

Table 3
 Total Cost of Program Services
 Governmental Activities

	2003	
	Total Cost of Service	Net Cost of Service
General Government		
Legislative and Executive	\$ 1,409,974	\$ 219,229
Judicial	710,280	110,438
Public Safety	953,673	148,035
Public Works	3,754,151	151,073
Health	1,358,704	211,258
Human Services	4,474,239	694,095
Conservation & Recreation	15,956	2,481
Other	419,153	64,624
Interest and Fiscal Charges	168,988	26,276
Total Expenses	\$ 13,265,118	\$ 1,627,509

Vinton County
Management's Discussion and Analysis
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Unaudited

The County's Funds

Information about the County's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,460,419 and expenditures of \$15,932,257. The net change in fund balance for the year was most significant in the Capital Projects Funds, where the reserved fund balance went from \$1,778,970 in 2002 to \$250,371 for 2003.

Major Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the General Fund, the Motor Vehicle License Tax Fund, the Public Assistance Fund and the Community Development Loan Fund.

During the course of fiscal year 2003 the County amended its general fund budget numerous times, none significant. The County uses department based budgeting and the budgeting systems are designed to tightly control total department budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$2,776,914, below original budget estimates of \$2,780,337. Of this \$3,423 difference, tax revenue was \$776,112 above original estimates, intergovernmental revenue was \$241,544 below original estimates, charges for services was \$218,319 below original estimates and various other revenue categories made up the remaining \$319,672.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$2,820,798, \$43,884 above revenues.

For the Motor Vehicle Gas Tax Fund, budget basis revenue was \$3,154,173, above original budget estimates of \$2,964,588. Of this \$189,585 difference, intergovernmental revenue was \$159,985 above original estimates and various other revenue categories made up the remaining \$29,600.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$3,123,290, \$30,882 below revenues.

For the Public Assistance Fund, budget basis revenue was \$3,723,683 above original budget estimates of \$3,723,292. Of this \$391 difference, intergovernmental revenue was \$330 above original estimates and various other revenue categories made up the remaining \$61.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$3,742,235, \$18,552 below revenues.

For the Community Development Loan Fund, budget basis revenue was \$501,998, above original budget estimates of \$253,502. Of this \$248,496 difference, miscellaneous revenue was \$216,499 above original estimates, and various other revenue categories made up the remaining \$31,997.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$491,735, \$10,263 below revenues.

Vinton County
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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003 the County had \$5,029,574 invested in land, buildings and improvements, machinery and equipment, vehicles and infrastructure, all in governmental activities. Additional information regarding capital assets is shown in Note 9 to the Basic Financial Statements. Table 4.1 shows fiscal 2003 balances by Governmental Activity:

Table 4.1
Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities 2003
Land	\$58,558
Buildings and Improvements	2,948,048
Machinery and Equipment	260,782
Vehicles	291,062
Infrastructure	1,471,124
TOTALS	\$5,029,574

The increase in capital assets for governmental activities is due to the completion of a new building and the recognizing of infrastructure for 2003. There were \$2,854,905 in acquisitions. These acquisitions were distributed among building improvements, infrastructure, vehicles and machinery and equipment. The County continued its ongoing commitment to maintaining and improving its fixed assets.

Debt

At December 31, 2003 the County had \$2,391,485 in bonds with \$63,795 due within one year.

Table 5 summarizes bonds outstanding:

Table 5
 Outstanding Debt at December 31

	Governmental Activities 2003
Building Bonds	\$1,959,039
Other Bonds	432,446
TOTAL	\$2,391,485

Vinton County
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During 2002, the County issued \$2,000,000 in Building Bonds to finance the completion of a new Human Services building in the County. All Bonds outstanding are general obligations of the County for which the full faith and credit of the County is pledged for repayment. For additional information regarding bonds payable please see Note 15 to the Basic Financial Statements.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County.

The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000, of the assessed valuation, plus one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

At December 31, 2003, the County's overall legal debt margin was \$11,861,403 with an unvoted debt margin of \$158,365. The debt is well within permissible limits.

Current Financial Related Activities

Vinton County is strong financially at the present time. However, as the preceding information shows, the County heavily depends on its property taxpayers as well as intergovernmental foundation monies. Since the property tax revenues do not grow at the same level as inflation and because state and federal mandates continue without providing the additional revenue resources needed to continue such programs, the County will be faced with significant challenges over the next several years to contain costs and ultimately consider the possibility of having to go back to the voters for an additional sales tax levy.

This scenario requires management to plan carefully and prudently to provide the resources to meet County needs over the next several years.

In addition, the County's system of budgeting and internal controls has made significant improvements over the past several years. All of the County's financial abilities will be needed to meet the challenges of the future.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information contact Cindy Owings, County Auditor at Vinton County, 100 East Main Street, McArthur, Ohio 45651, or telephone at (740)596-5445.

VINTON COUNTY, OHIO

Statement of Net Assets

as of December 31, 2003

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$2,090,271	\$168,937
Accounts Receivable	23,135	0
Notes Receivable (Net of Allowance for Doubtful Accounts)	954,595	0
Intergovernmental Receivable	4,156,648	10
Due From Agency Funds	12,967	0
Accrued Interest Receivable	1,152	0
Taxes Receivable	1,336,242	0
Noncurrent Assets:		0
Non-Depreciable Capital Assets	58,558	0
Depreciable Capital Assets, net	4,971,016	98,127
<i>Total Assets</i>	<u>13,604,584</u>	<u>267,074</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	43,761	1,186
Accrued Wages and Benefits	335,378	0
Accrued Interest Payable	10,292	0
Deferred Revenue	917,119	0
Contracts Payable	141,070	0
Noncurrent Liabilities:		
Long-Term Liabilities:		
Due Within One Year	92,078	0
Due in More Than One Year	2,598,498	0
<i>Total Liabilities</i>	<u>4,138,196</u>	<u>1,186</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	2,627,797	98,127
Restricted for Capital Outlay	250,371	0
Restricted for Other Purposes	6,041,504	0
Unrestricted	546,716	167,761
<i>Total Net Assets</i>	<u>\$9,466,388</u>	<u>\$265,888</u>

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

VINTON COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2003

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
Governmental Activities						
General Government:						
Legislative and Executive	\$1,409,974	\$101,572	\$1,089,173	\$0	(\$219,229)	\$0
Judicial	710,280	51,167	548,675	0	(110,438)	0
Public Safety	953,673	68,722	736,916	0	(148,035)	0
Public Works	3,754,151	270,440	2,899,997	432,641	(151,073)	0
Health	1,358,704	97,878	1,049,568	0	(211,258)	0
Human Services	4,474,239	322,450	3,457,694	0	(694,095)	0
Conservation and Recreation	15,956	1,149	12,326	0	(2,481)	0
Other	419,153	30,242	324,287	0	(64,624)	0
Interest and Fiscal Charges	168,988	12,174	130,538	0	(26,276)	0
Total Governmental Activities	<u>\$13,265,118</u>	<u>\$955,794</u>	<u>\$10,249,174</u>	<u>\$432,641</u>	<u>(\$1,627,509)</u>	<u>\$0</u>
Component Unit:						
Vinton Industries	98,187	42,360	27,806	0		(28,021)
Total Component Units	<u>\$98,187</u>	<u>\$42,360</u>	<u>\$27,806</u>	<u>\$0</u>		<u>(28,021)</u>
General Revenues						
Property Taxes					1,738,837	0
Sales Tax					726,460	0
Grants and Entitlements not Restricted to Specific Programs					514,209	0
Investment Earnings					178,278	6,912
Gain on Disposal of Capital Asset					9,299	0
Miscellaneous					1,015,302	0
Total General Revenues					<u>4,182,385</u>	<u>6,912</u>
Change in Net Assets					<u>2,554,876</u>	<u>(21,109)</u>
Net Assets Beginning of Year - Restated See Note 4					<u>6,911,512</u>	<u>286,997</u>
Net Assets End of Year					<u>\$9,466,388</u>	<u>\$265,888</u>

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

VINTON COUNTY, OHIO
Balance Sheet
Governmental Funds
as of December 31, 2003

	General	Public Assistance	Motor Vehicle Gas Tax	Community Development Loan Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Equity in Pooled Cash and Cash Equivalents	\$4,234	\$155,242	\$341,525	\$130,995	\$1,458,275	\$2,090,271
Accounts Receivable	100	0	1,812	0	21,223	23,135
Notes Receivable (Net of Allowance for Doubtful Accounts)	0	0	0	954,595	0	954,595
Due From Other Funds	9,469	0	1,106	0	2,392	12,967
Due From Other Governments	428,492	409,435	762,331	59,228	2,497,162	4,156,648
Interfund Receivable	8,979	0	0	161,800	10,000	180,779
Accrued Interest Receivable	1,152	0	0	0	0	1,152
Taxes Receivable	827,553	0	0	0	508,689	1,336,242
<i>Total Assets</i>	<u>1,279,979</u>	<u>564,677</u>	<u>1,106,774</u>	<u>1,306,618</u>	<u>4,497,741</u>	<u>8,755,789</u>
LIABILITIES						
Accounts Payable	0	0	43,670	0	91	43,761
Accrued Wages and Benefits	98,350	68,137	56,141	4,045	108,705	335,378
Interfund Payable	0	0	0	10,000	170,779	180,779
Deferred Revenue	951,383	101,843	545,054	41,961	2,510,898	4,151,139
Contracts Payable	0	0	0	0	141,070	141,070
<i>Total Liabilities</i>	<u>1,049,733</u>	<u>169,980</u>	<u>644,865</u>	<u>56,006</u>	<u>2,931,543</u>	<u>4,852,127</u>
FUND BALANCES						
Reserved:						
Reserved for Encumbrances	0	0	3,872	0	916	4,788
Reserved for Unclaimed Monies	15,663	0	0	0	0	15,663
Reserved for Notes Receivable	0	0	0	954,595	0	954,595
Unreserved, Undesignated, Reported in:						
General Fund	214,583	0	0	0	0	214,583
Special Revenue Funds	0	394,697	458,037	296,017	1,417,015	2,565,766
Debt Service Funds	0	0	0	0	(102,104)	(102,104)
Capital Projects Funds	0	0	0	0	250,371	250,371
<i>Total Fund Balances</i>	<u>230,246</u>	<u>394,697</u>	<u>461,909</u>	<u>1,250,612</u>	<u>1,566,198</u>	<u>3,903,662</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,279,979</u>	<u>\$564,677</u>	<u>\$1,106,774</u>	<u>\$1,306,618</u>	<u>\$4,497,741</u>	<u>\$8,755,789</u>

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

VINTON COUNTY, OHIO
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2003*

Total Governmental Fund Balances		\$ 3,903,662
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,029,574
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	356,346	
Intergovernmental	<u>2,877,674</u>	
Total		3,234,020
Long-Term Liabilities (and related interest), including bonds, long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(10,292)	
Compensated Absences	(299,091)	
General Obligation Bonds and Notes	<u>(2,391,485)</u>	
Total		<u>(2,700,868)</u>
Net Assets of Governmental Activities		<u><u>\$ 9,466,388</u></u>

See accompanying notes to the basic financial statements

VINTON COUNTY, OHIO
Statement of Revenues, Expenditures,
And Changes in Fund Balances
Governmental Funds
as of December 31, 2003

	General	Public Assistance	Motor Vehicle Gas Tax	Community Development Loan Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$1,486,894	\$0	\$0	\$0	\$399,451	\$1,886,345
Charges for Services	373,210	242,497	0	0	334,947	950,654
Fees, Licenses and Permits	4,970	0	0	0	170	5,140
Fines and Forfeitures	91,354	0	24,239	0	777	116,370
Intergovernmental	441,451	3,308,483	3,028,563	94,082	3,426,453	10,299,032
Interest	143,823	0	11,671	22,116	668	178,278
Other	297,200	2,433	38,453	129,179	548,036	1,015,301
Total Revenues	2,838,902	3,553,413	3,102,926	245,377	4,710,502	14,451,120
Expenditures:						
Current:						
General Government:						
Legislative and Executive	1,126,380	0	0	0	264,884	1,391,264
Judicial	413,577	0	0	0	307,409	720,986
Public Safety	623,114	0	0	0	396,881	1,019,995
Public Works	190,544	0	2,740,623	153,182	955,591	4,039,940
Health	13,856	0	0	0	1,339,860	1,353,716
Human Services	61,770	3,716,903	0	0	707,008	4,485,681
Conservation and Recreation	0	0	0	0	15,956	15,956
Capital Outlay	0	0	274,610	0	1,992,785	2,267,395
Other	340,575	0	0	0	77,581	418,156
Debt Service:						
Principal Retirement	0	0	0	0	60,472	60,472
Interest and Fiscal Charges	0	0	0	0	158,696	158,696
Total Expenditures	2,769,816	3,716,903	3,015,233	153,182	6,277,123	15,932,257
Excess of Revenues Over (Under) Expenditures	69,086	(163,490)	87,693	92,195	(1,566,621)	(1,481,137)
Other Financing Sources (Uses):						
Proceeds from Sale of Assets	9,299	0	0	0	0	9,299
Operating Transfers - In	62,167	75,000	151,819	149	186,863	475,998
Operating Transfers - Out	(89,331)	0	(83,255)	(39,001)	(264,411)	(475,998)
Total Other Financing Sources (Uses)	(17,865)	75,000	68,564	(38,852)	(77,548)	9,299
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	51,221	(88,490)	156,257	53,343	(1,644,169)	(1,471,838)
Fund Balances at Beginning of Year - (Restated Note 4)	179,025	483,187	439,907	1,197,269	3,210,367	5,509,755
Increase (decrease) in Reserve for Inventory	0	0	(134,255)	0	0	(134,255)
Fund Balance (Deficit) at End of Year	\$230,246	\$394,697	\$461,909	\$1,250,612	\$1,566,198	\$3,903,662

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

VINTON COUNTY, OHIO
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2003*

Net Change in Fund Balances - Total Governmental Funds \$ (1,471,838)

**Amounts reported for governmental activities in the
statement of activities are different because:**

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	2,854,905	
Current Year Depreciation	(214,523)	
Total	2,640,382	2,640,382

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal.

Proceeds from Sale of Capital Assets	(9,299)	
Gain on Disposal of Capital Assets	9,299	
Total	-	-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	578,953	
Intergovernmental	780,622	
Total	1,359,575	1,359,575

Repayment of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

60,472

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in Compensated Absences	(23,423)	
Increase in Accrued Interest Payable	(10,292)	
Total	(33,715)	(33,715)

Net Change in Net Assets of Governmental Activities \$ 2,554,876

See accompanying notes to the basic financial statements

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VINTON COUNTY, OHIO
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund and Major Special Revenue Funds
For the Year Ended December 31, 2003

	<i>GENERAL FUND</i>				<i>PUBLIC ASSISTANCE FUND</i>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>			<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	2,780,337	2,759,164	2,776,914	17,750	3,723,292	3,723,292	3,723,683	391
Total Expenditures and Other Uses	2,843,938	2,822,766	2,820,798	1,968	3,742,235	3,742,235	3,742,235	0
Net Change in Fund Balance	(63,601)	(63,602)	(43,884)	19,718	(18,943)	(18,943)	(18,552)	391
Fund Balance, January 1, 2003	54,630	54,630	54,630	0	18,943	18,943	18,943	0
Fund Balance, December 31, 2003	<u>(\$8,971)</u>	<u>(\$8,972)</u>	<u>\$10,746</u>	<u>\$19,718</u>	<u>\$0</u>	<u>\$0</u>	<u>\$391</u>	<u>\$391</u>

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

VINTON COUNTY, OHIO
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund and Major Special Revenue Funds
For the Year Ended December 31, 2003

<i>MVGT FUND</i>				<i>COMMUNITY DEVELOPMENT LOAN FUND</i>			
<u>Budgeted Amounts</u>			<u>Variance with Final Budget: Positive (Negative)</u>	<u>Budgeted Amounts</u>			<u>Variance with Final Budget: Positive (Negative)</u>
<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
2,964,588	2,964,588	3,154,173	189,585	253,502	253,502	501,998	248,496
3,192,978	3,192,978	3,123,291	69,687	354,234	354,234	491,735	(137,501)
(228,390)	(228,390)	30,882	259,272	(100,732)	(100,732)	10,263	110,995
263,229	263,229	263,229	0	100,732	100,732	100,732	0
<u>\$34,839</u>	<u>\$34,839</u>	<u>\$294,111</u>	<u>\$259,272</u>	<u>\$0</u>	<u>\$0</u>	<u>\$110,995</u>	<u>\$110,995</u>

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

VINTON COUNTY, OHIO
Statement of Fiduciary Net Assets
Fiduciary Funds
As of December 31, 2003

	<u>Private Purpose Trust</u>	
	<u>Sheppard-Dunkle Scholarship Trust</u>	<u>Agency</u>
ASSETS		
Equity in Pooled Cash and Cash Equivalents	\$15,252	\$759,956
Cash and Cash Equivalents in Segregated Accounts	0	331,399
Taxes Receivable	0	4,024,552
Due from Other Funds	0	2,403
Due from Other Governments	0	105,009
	<hr/>	<hr/>
Total Assets	15,252	5,223,319
LIABILITIES		
Due to Other Funds	0	15,370
Due to Other Governments	0	4,671,588
Undistributed Monies	0	505,953
Deposits Held and due to Others	0	1,820
Payroll Withholdings	0	28,588
	<hr/>	<hr/>
Total Liabilities	\$0	5,223,319
NET ASSETS		
Restricted for Endowment	15,000	<hr/> 0
Unrestricted	252	<hr/> 0
	<hr/>	<hr/>
Total Net Assets	<u>\$15,252</u>	<u>\$0</u>

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

VINTON COUNTY, OHIO
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
As of December 31, 2003

	<u>Sheppard-Dunkle Scholarship Trust</u>
<u><i>Additions:</i></u>	
Interest	\$251
Increase in Net Assets Resulting from Operations	251
<u><i>Deductions:</i></u>	
Scholarship's Awarded	(648)
Decrease in Net Assets	(397)
Net Assets Beginning of Year	15,649
Net Assets End of Year	<u>\$15,252</u>

See accompanying notes to the basic financial statements

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

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

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

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

Discretely Presented Components Unit: The component unit column on the government-wide financial statements identifies the financial data of the County's component unit, Vinton Industries, Inc. This entity is reported separately to emphasize that it is legally separate from the County.

Vinton Industries, Inc. (the Corporation) is a legally separate, not-for-profit corporation, served by a self-appointing Board of Trustees. The Corporation, under contractual agreement with the Vinton County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Vinton County. The Vinton County Board of Mental Retardation and Developmental Disabilities provides the Corporation with some funds to operate with. The Corporation also raises revenue through the services its clients provide for other entities and goods it sells.

Additional information related to Vinton Industries, Inc., is presented in Note 18 to the Basic Financial Statements. Complete financial statements of the individual component unit can be obtained from the administration offices of Vinton Industries, Inc., Post Office Box 477, McArthur, Ohio 45651.

The County is associated with certain organizations which are defined as Jointly Governed Organizations. These organizations are presented in Note 17 to the Basic Financial Statements. These organizations are:

- ? The Gallia, Jackson, Meigs, and Vinton Joint Solid Waste Management District
- ? South Central Regional Juvenile Detention Center
- ? Buckeye Joint-County Self Insurance Council
- ? Alcohol, Drug Addiction and Mental Health Services Board of Athens, Hocking and Vinton Counties
- ? Vinton County Community Improvement Corporation

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

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

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

- ? Soil and Water Conservation District
- ? Vinton County Health District

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Vinton County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the County's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the County and its component unit at year-end. Interfund receivables and payables within governmental activities have been eliminated to minimize the duplicating effect on assets and liabilities within the governmental activities column.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the County.

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements present financial information at a more detailed level. The governmental fund financial statements focus on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Agency funds, which are a type of fiduciary fund, are used to account for assets held by the government as agent for individuals, private organizations and other governments.

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes herein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

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

General Fund The General Fund is the primary operating fund. It accounts for all financial resources of the primary government not recorded elsewhere. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Motor Vehicle Gas Tax Fund This fund accounts for state gasoline tax and motor vehicle registration fees for maintenance and improvement of County roads.

Public Assistance Fund This fund accounts for funding from various federal and state grants used to provide job training and public assistance to qualified clients, to pay their medical assistance providers and for certain public social services.

Community Development Loan Funds These funds account for revenue from the federal government used for a revolving loan program, a solid waste program and improvements to target areas within the County.

The County's nonmajor governmental funds account for (1) grants and other resources whose use is restricted to a particular purpose; (2) the accumulation of resources for, and payment of, the principal, interest and related costs for the County's general long-term debt; and (3) financial resources used for the acquisition, construction or renovation of facilities.

Fiduciary Funds: Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The two types of fiduciary funds the County uses are agency funds and private purpose trust funds.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

Private Purpose Trust Funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County received a bequeath in the amount of \$15,000 to remain intact with the interest earnings to be used to fund the Sheppard-Dunkle Fine Arts Scholarship.

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting and Measurement Focus

Basis of accounting determines when transactions are captured in the financial records and reported on the financial statements. Measurement focus refers to what is expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering which resources are measured.

Differences in the accrual and the modified accrual basis of accounting arise in the timing of recognition of revenue and the recording of deferred revenue, and in the presentation of expenses versus expenditures. Under the non-GAAP budgetary basis, transactions are recorded when cash is received or disbursed, or when an encumbrance is made.

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the County are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Fiduciary funds are prepared using the accrual basis of accounting. Agency funds, which are custodial in nature, do not measure results of operations and do not have a measurement focus.

Revenues-Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the year for which taxes are levied. (See Note 7.) Revenue from grants is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

On the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants and interest. The permissive sales taxes, various State of Ohio non-reimbursable grants, local government, local government revenue assistance, gasoline tax, motor vehicle license tax, and undivided library taxes are recognized as receivables in accordance with the fiscal year of the State of Ohio that ends June 30, 2004. Therefore six months of receivables have been recorded for these revenue types.

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue. In addition, permissive sales taxes, various State of Ohio non-reimbursable grants, local government, local government revenue assistance, gasoline tax, motor vehicle license tax, and undivided library taxes received after the sixty-day availability period have been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, provided current financial resources are to be used. As a result, compensated absences and most claims and judgements are not recorded as expenditures or liabilities until current financial resources are required. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

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

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

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash balances of the County's funds, except cash held by a trustee or fiscal agent and in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Each fund type's share of the pool is presented on the balance sheet in the account "Equity in Pooled Cash and Cash Equivalents." For purposes of the combined statement of cash flows and for presentation on the statement of net assets and balance sheet, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents. Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts." Interest is distributed to the General Fund, the MVGT Fund, the Community Development Fund, and the U.S.T. Escrow Fund. Interest earned by the primary government during 2003 amounted to \$178,278.

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

Notes Receivable: The County issues loans through several programs to qualifying businesses or individuals who then pay off the loans over a given time period. The total loans receivable, less an allowance for uncollectible accounts, is recorded in the accompanying financial statements as notes receivable and reserve for notes receivable.

Receivables and Payables: Receivables and payables to be recorded on the County's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Using this criteria, the County has elected to not record Court receivables within the Agency fund type. This amount, while potentially significant, is not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Donated capital assets are capitalized at estimated fair market value on the date donated. For all other assets, capital assets were recorded at original cost. The County has established a capitalization policy of \$5,000 as the threshold for which capital assets are to be reported. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. The County does not capitalize interest incurred during the construction of capital assets.

Public domain (infrastructure) general capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been capitalized for acquisitions during 2003.

Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40-60
Machinery and equipment	5-20
Vehicles	5
Infrastructure	10-40

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

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

The entire compensated absences liability is reported on the government-wide financial statements. A liability for these amounts is recorded in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Intergovernmental Revenues: For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred.

Interfund Balances: Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All unpaid reimbursements between funds are reported as "due to/from other funds." Interfund receivables and payables within governmental activities have been eliminated in the government-wide statement of net assets; any residual balances outstanding between the governmental activities are reported as "internal balances."

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accrued Liabilities and Long-Term Obligations: All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net assets include activities of the Engineer, Developmental Disabilities, Sheriff, Job and Family Services, Children Services, and Courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

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

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

Accountability

The following special revenue funds had deficit fund balances which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

<i>Non-Major Special Revenue Funds</i>	
Litter Fund	\$461
ARC/CDBG Water Planning Fund	19,626
Juvenile Court Community Service	1,347
Natureworks Airport	180
ARC Le-Ax Water '02 Fund	5,165
New Horizon	2,275
Micro Enterprise Fund	41,495
RBOG Community Development Fund	749
FY '00 CHIP	365
FY '02 CHIP	165
FY '02 Formula	343
Cops Universal	79
FY '03 Community Corrections	41,723
FY '04 Community Corrections	<u>31,850</u>
<i>Total Non-Major Special Revenue Funds</i>	<i>\$145,823</i>

Compliance

The County expended funds from a capital projects fund for the repayment of debt that should have been expended out of a debt service fund. As a result of reclassifying this expenditure to the Job and Family Services Building Debt Service Fund, expenditures plus encumbrances were in excess of appropriations in the amount of \$102,104 at December 31, 2003.

The following funds had appropriations in excess of estimated resources at December 31, 2003:

<i>Major Funds</i>	
A00 General Fund	\$8,972
<i>Non-Major Special Revenue Funds</i>	
T16 Juvenile Court Community Service	160
<i>Non-Major Debt Service Funds</i>	
O60 Human Services Building	102,104

The following funds had expenditures plus encumbrances in excess of appropriations at December 31, 2003:

<i>Major Special Revenue Fund</i>	
T35 Community Development Loan Fund	\$137,501
<i>Non-Major Special Revenue Funds</i>	
T15 Felony Delinquent Care Fund	\$201
T16 Juvenile Court Community Service	160
T17 Private Rehab Fund '03	201
T46 Formula Fund '02	2,000

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 4 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

Changes in Accounting Principles

For 2003, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”; GASB Statement No. 37, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus”; GASB Statement No. 38, “Certain Financial Statement Note Disclosures”; and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB Statement No. 34 creates new basic financial statements for reporting on the County’s financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The government-wide financial statements show the County’s programs as governmental activities. The beginning net assets for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the full accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management’s Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

Restatement of Fund Equity - The restatement due to the implementation of the above statements and interpretation had the following effects on fund balance of the major and non-major funds of the County as they were previously reported. There was no change in Fiduciary Net Assets.

Restatement of Fund Balance

	<i>General</i>	<i>Public</i>	<i>Motor Vehicle Gas Tax</i>	<i>Community Development Loan</i>	<i>Other Gov’t</i>	<i>Total Gov’t</i>
Fund Balance December 31, 2002	\$200,857	\$473,462	\$433,635	\$1,197,269	\$3,206,201	\$5,511,424
Correction of errors in prior years	(22,175)	0	0	0	(395)	(22,570)
GASB Interp. No. 6 Adjustments:						
Compensated Absences Payable	343	9,725	6,272	0	4,561	20,901
Adjusted Fund Balance	<u>\$179,025</u>	<u>\$483,187</u>	<u>\$439,907</u>	<u>\$1,197,269</u>	<u>\$3,210,367</u>	<u>\$5,509,755</u>
GASB No. 34 Adjustments						1,401,757
Governmental Activities Net Assets At 12/31/02						<u>\$6,911,512</u>

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 5 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual for the General Fund and the Major Special Revenue Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances in and out are treated as other financing sources/uses (budget basis) rather than as interfund liabilities (GAAP basis).

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Fund Types			
	General Fund	Public Assistance Fund	Motor Vehicle Gas Tax Fund	Community Development Loan Fund
GAAP Basis	\$51,221	(\$88,490)	\$156,257	\$53,343
Increases (Decreases) Due To:				
Revenue Accruals	(137,447)	95,270	(100,572)	154,788
Expenditure Accruals	38,349	(25,332)	(20,931)	(98,752)
Advances	3,993	0	0	101,684
Encumbrances	0	0	(3,872)	(200,800)
Budget Basis	(\$43,884)	(\$18,552)	\$30,882	\$10,263

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash, in 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 Board has identified as not required for use within the two year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

State statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized agencies.

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

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

Deposits: At year end, the carrying amount of the County's deposits was \$3,196,878 and the bank balance was \$3,431,288. Of the bank balance:

1. \$216,118 was covered by federal depository insurance; and
2. \$3,215,170 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County held to a successful claim by the FDIC.

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed for 1997. Real property taxes are payable annually or semiannually. The first payment is due February 15, with the remainder payable by July 20.

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 7 - PROPERTY TAXES (Continued)

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

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2003. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2003 operations. The receivable is therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2003, was \$12.00 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:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$118,638,210
Public Utility Personal Property	25,635,490
Tangible Personal Property	<u>14,091,725</u>
Total Property Taxes	<u>\$158,365,425</u>

NOTE 8 - PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited entirely to the General Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2003 amounted to \$726,460.

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

<u>Governmental Activities:</u>	<u>Restated Balance 1/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance for Year Ended 12/31/03</u>
Non-depreciable Capital Assets				
Land	\$58,558	0	0	\$58,558
Construction in Progress	<u>1,183,471</u>	<u>0</u>	<u>(1,183,471)</u>	<u>0</u>
Total Non-depreciable Capital Assets	1,242,029	0	(1,183,471)	58,558
Depreciable Capital Assets				
Buildings	1,323,515	2,281,515	0	3,605,030
Infrastructure	0	1,499,644	0	1,499,644
Vehicles	1,183,539	216,827	(52,168)	1,348,198
Machinery and Equipment	<u>1,364,693</u>	<u>40,390</u>	<u>0</u>	<u>1,405,083</u>
Total Depreciable Capital Assets	3,871,747	4,038,376	(52,168)	7,857,955
Less Accumulated Depreciation for				
Buildings	(594,424)	(62,558)	0	(656,982)
Infrastructure	0	(28,520)	0	(28,520)
Vehicles	(1,053,810)	(55,494)	52,168	(1,057,136)
Machinery and Equipment	<u>(1,076,350)</u>	<u>(67,951)</u>	<u>0</u>	<u>(1,144,301)</u>
Total Accumulated Depreciation	(2,724,584)	(214,523)	52,168	(2,886,939)
Total Depreciable Capital Assets, Net	<u>1,147,163</u>	<u>3,823,853</u>	<u>(1,183,471)</u>	<u>4,971,016</u>
Governmental Activities Capital Assets, Net	<u>\$2,389,192</u>	<u>\$3,823,853</u>	<u>(\$1,183,471)</u>	<u>\$5,029,574</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	
Legislative and Executive	\$45,815
Human Services	1,894
Public Safety	12,650
Public Works	105,634
Miscellaneous	997
Capital Outlay	<u>47,533</u>
Total	<u>\$214,523</u>

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 10 - INTERGOVERNMENTAL RECEIVABLES (DUE FROM OTHER GOVERNMENTS)

A summary of the principal items of intergovernmental receivables is as follows:

Fund / Type	Amount
<i>Major General Fund</i>	
Local Government	\$213,301
Homestead & Rollback	33,238
Sales Taxes	<u>181,953</u>
<i>Subtotal Major General Fund</i>	<u>428,492</u>
<i>Special Revenue Funds</i>	
<i>Major Funds:</i>	
<i>Motor Vehicle Gas Tax Fund</i>	
Gasoline Taxes	762,331
<i>Public Assistance</i>	
Grants	409,435
<i>Community Development Loan Fund</i>	
Grants	<u>59,228</u>
<i>Subtotal Major Special Revenue Funds</i>	<u>1,230,994</u>
<i>Non-Major Funds</i>	
Homestead & Rollback	20,221
Grants	<u>2,335,871</u>
<i>Subtotal Special Revenue Funds</i>	<u>3,587,086</u>
<i>Non-Major Capital Projects Funds</i>	
Grants	<u>141,070</u>
<i>Subtotal Capital Projects Funds</i>	<u>141,070</u>
Total Governmental Funds	<u>\$4,156,648</u>
<i>Fiduciary Funds</i>	
<i>Agency</i>	
License, Gasoline, and Permissive Taxes	80,009
Local Government and Local Government Revenue Assistance	<u>25,000</u>
Total Fiduciary Funds	<u>105,009</u>
Total	<u>\$4,261,657</u>

NOTE 11 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 1997, the County contracted with Buckeye Joint-County Self Insurance Council (a public entity shared risk pool, see Note 17) for liability, auto, and crime insurance. This joint venture is a cost-sharing pool. The program has a \$0 to \$2,500 deductible per occurrence. Coverages provided by the program are as follows:

General Liability	\$2,000,000
Public Officials Including	
Law Enforcement	2,000,000
Inland Marine	10 Percent of Loss
Automobile	1,000,000
Faithful Performance and	
Employee Bond	250,000

In addition, the County maintains separate replacement cost insurance on buildings and contents in the amount of \$1,400,000, other property insurance including \$5,000 for extra expenses and \$100,000 for valuable papers and records insurance.

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 11 - RISK MANAGEMENT (Continued)

Health insurance was provided by a private carrier, United Health Care for the year.

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The County pays all elected officials' bonds by statute.

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

NOTE 12- DEFINED BENEFIT RETIREMENT PLAN

Public Employees Retirement System: All Vinton County full-time employees participate in the Public Employees Retirement System of Ohio (the "System"), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. The PERS administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined pension plan that has elements of both a defined benefit and defined contribution plan. PERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment benefit (OPEB) as described in GASB Statement No. 12. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-6705 or 1-800-222-PERS(7377).

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employee and employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety with separate employee contribution rates and benefits. The 2003 employer contribution rate for state employers was 13.31% of covered payroll, of which 5.00% was used to fund health care for the year. For local government employer units, the rate was 13.55% of covered payroll. For both public safety and law enforcement divisions, the 2003 employer rate was 16.70% and 5.00% was used to fund health care. The 2003 employee contribution rates are 8.5% for employees other than law enforcement and public safety. The law enforcement classification consists of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%.

Vinton County's contributions to PERS for the years ended December 31, 2003, 2002, and 2001 were \$873,794, \$755,791, and \$542,690, respectively. 86% has been contributed for 2003 and 100% for years 2002 and 2001. \$120,704 representing the unpaid contributions for 2003.

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System have an option to choose social security or the Public Employees Retirement System. As of December 31, 2003, none of the elected officials had elected social security.

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 13 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System: The Public Employees Retirement System of Ohio (the "System") provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement service is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. The portion of the 2003 employer contributions that were used to fund post retirement health care for the local government employer units was \$322,429.

The health inflation and significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the OPERS of Ohio's latest actuarial review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8.00%. An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

OPEB's are advance-funded on an actuarially determined basis. The number of active contributing participants was 364,881. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the health Care Choices Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan. The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Accounts.

NOTE 14 - DEFERRED COMPENSATION

Vinton County employees and elected officials may participate in either the Ohio Public Employees Deferred Compensation program or the County Commissioners' Association of Ohio Deferred Compensation Program, both created in accordance with Internal Revenue Service Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, death or in the case of an unforeseeable emergency. Both plans have implemented GASB Statement No. 32 in prior years. In accordance with the pronouncement, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 15 - LONG-TERM DEBT

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

<u>Types / Issues</u>	<u>Outstanding at 12/31/02</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding at 12/31/03</u>	<u>Due In One Year</u>
2002 - 5.1% County Job and Family Services Building General Obligation Bonds	\$2,000,000	\$0	\$40,961	\$1,959,039	\$43,076
1994 - 7.0% County Health Department Building General Obligation Bond	74,307	0	7,199	67,108	7,702
2001 - 5.50% Juvenile Training District General Obligation Bonds	165,468	0	5,337	160,131	5,635
2000 - 5.75% County Courthouse Elevator Project General Obligation Bonds	212,182	0	6,975	205,207	7,382
Compensated Absences	<u>275,668</u>	<u>23,423</u>	<u>0</u>	<u>299,091</u>	<u>28,283</u>
Total General Long-Term Obligations	<u>\$2,727,625</u>	<u>\$23,423</u>	<u>\$60,472</u>	<u>\$2,690,576</u>	<u>\$92,078</u>

The County issued two separate General Obligation Bonds in 1994 for the Vinton County Health Building in the amount of \$210,000 and for the Vinton County Human Services Building in the amount of \$925,000. The Human Services Building was never constructed and only engineering and related costs were paid for out of the bond issue.

The County issued General Obligation Bonds in 2000 in the amount of \$225,000 for building improvements which included the construction of an elevator in the County Courthouse.

The County issued General Obligation Bonds in 2001 in the amount of \$172,951 for their share of the construction costs of the South Central Ohio Regional Detention Training and Rehabilitation District.

The County issued General Obligation Bonds in 2002 in the amount of \$2,000,000 for the Job & Family Services building.

The debt service on these General Obligation Bond issues is payable from the Debt Service Funds. The compensated absences liability will be paid from the fund from which the employees are paid. Additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the County to determine these amounts separately.

The following is a summary of the County's future principal and interest requirements for general long-term debt obligations, including \$1,689,699 of interest :

	<u>Health Department</u>	<u>Courthouse Elevator Project</u>	<u>Detention and Rehabilitation District</u>	<u>Job & Family Services</u>
2004	12,400	19,077	14,366	142,444
2005	12,400	19,077	14,366	142,444
2006	12,400	19,077	14,366	142,444
2007	12,400	19,077	14,366	142,444
2008	12,400	19,077	14,366	142,444
2009-2011	24,800	57,231	43,098	427,332
2012-Thereafter	<u>0</u>	<u>171,693</u>	<u>136,477</u>	<u>2,279,118</u>
Totals	<u>\$ 86,800</u>	<u>\$324,309</u>	<u>\$251,405</u>	<u>\$3,418,670</u>

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 16 - INTERFUND TRANSACTIONS

A. Due to/from Other Funds

Interfund balances at December 31, 2003, consist of the following individual fund receivables and payables:

<u>Fund Type/Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<i>General Fund – Major Fund</i>	\$9,469	\$ 0
<i>Special Revenue Funds</i>		
<u>Major Funds</u>		
Motor Vehicle Gas Tax Fund	1,106	0
<u>Non-Major Funds</u>		
County Court Research and Computer Fund	1,893	0
Probate Court Cost of Business Fund	170	0
Indigent Driver Alcohol	125	0
Marriage License Special Fund	<u>204</u>	<u>0</u>
Total Special Revenue Funds	3,498	0
<i>Agency Funds</i>		
Law Library Fund	2,403	0
County Court Agency Fund	0	9,416
Probate Court Agency Fund	<u>0</u>	<u>5,954</u>
Total Agency Funds	<u>2,403</u>	<u>15,370</u>
Total All Funds	<u>\$15,370</u>	<u>\$15,370</u>

These balances primarily resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payment is made. Some balances are a result of short-term loans.

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 16 - INTERFUND TRANSACTIONS – (Continued)

B. Advances to/from Other Funds

Advances receivable and payable at December 31, 2003 consisted of the following:

<u>Fund Type/Fund</u>	<u>Advances Due From Other Funds</u>	<u>Advances Due To Other Funds</u>
<i>General Fund – Major Fund</i>	\$ 8,979	\$ 0
<i>Special Revenue Funds</i>		
<u>Major Funds</u>		
Community Development Loan Fund	161,800	10,000
<u>Non-Major Funds</u>		
DRETAC Fund	0	158
County Court Spec. Project Fund	0	4,821
Safe Schools Fund	0	4,000
Community Distress Fund	10,000	70,000
FY 03 Formula Fund	0	300
FY 03 CHIP Fund	0	35,000
ARC/CDBG Water Planning Fund	0	20,000
FY 03 Private Rehab Fund	0	6,000
Housing Preservation Grant	0	15,000
ARC Le-Ax Water FY 02	0	4,200
New Horizon Fund	0	3,000
BSC/RBOG Community Development Fund	0	8,000
Housing Program Income Fund	0	300
<i>Total Special Revenue Funds</i>	<u>171,800</u>	<u>180,779</u>
<i>Total All Funds</i>	<u>\$ 180,779</u>	<u>\$180,779</u>

During 2003, the County General fund and Community Development Fund made advances to nonmajor governmental funds in anticipation of intergovernmental grant revenue.

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 16 - INTERFUND TRANSACTIONS (Continued)

C. Interfund Transfers

The following transfers in and out were made during 2003:

	Transfers In					TOTAL
	General	Public Assistance	Motor Vehicle Gas Tax	Community Development Loan Fund	Nonmajor Governmental Funds	
Transfers Out						
General	\$ 0	\$ 0	\$ 0	\$ 149	\$ 89,182	\$ 89,331
Motor Vehicle Gas Tax	51,710	0	0	0	31,545	83,255
Community Development Loan	0	0	0	0	39,001	39,001
Nonmajor Governmental Funds	10,457	75,000	151,819	0	27,135	264,411
TOTAL	\$ 62,167	\$ 75,000	\$151,819	\$ 149	\$ 186,863	\$475,998

Transfers are used to move revenues from the fund that collects them in accordance with statute or budget to the fund that is required to expend them in accordance with statute or budget; to segregate money for anticipated capital projects; to provide resources for current operations; or to service debt.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

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

The County is a member of the Gallia, Jackson, Meigs, and Vinton Joint Solid Waste Management District, which is a jointly governed organization of the four-named counties. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling. The District is the residual district of the Six-County Joint Solid Waste District which was created in 1989, as required by the Ohio Revised Code. The original District consisted of Athens, Gallia, Hocking, Jackson, Meigs, and Vinton Counties; however, Athens and Hocking Counties have subsequently withdrawn.

The Gallia, Jackson, Meigs, and Vinton Joint Solid Waste Management District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. Although the Counties contributed amounts to the District at the time of its creation, all contributions have since been returned to the respective Counties and no future contributions by the Counties are anticipated. Continued existence of the District is not dependent on the Counties' continued participation, no equity interest exists, and no debt is outstanding. In the event that fees collected by the District are not sufficient for operating costs and expenses, the member Counties would share the costs incurred in the same proportions that the populations of each County, as reported in the most recent decennial census of the United States Bureau of Census, are to the total population of all member Counties.

South Central Regional Juvenile Detention Center

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

The Center's revenue is from per diem charges for inmates to the respective Counties and a percent of the County tax base to the total tax base. Ross County is the fiscal officer of the Center. Vinton County does not have any financial interest or responsibility. During 2003, Vinton County contributed \$161,387 to the Center.

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Buckeye Joint-County Self Insurance Council

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

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

In the event of losses, the first \$250 to \$1,000 of any valid claim, depending on the type of loss, will be paid by the member. The next payment, with a maximum pay ranging from \$100,000 to \$1,000,000 per occurrence, will come from the self-insurance pool based on the member's percentage of contribution. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments. Vinton County does not have any ongoing financial interest or responsibility. The agreement between the County and the Council indicates that a voluntary withdrawal or termination by the County shall constitute a forfeiture of any pro-rata share of the council reserve fund.

In the event of the termination of the Council, current members shall be paid in an amount they have contributed to the Council as of the last month of the Council's existence. Current calculation of this potential residual interest is, therefore, not possible. During 2003, Vinton County paid \$72,968 to the Council for insurance coverage. This jointly governed organization is a cost-sharing pool.

Alcohol, Drug Addiction and Mental Health Services Board of Athens, Hocking and Vinton Counties

The Alcohol, Drug Addiction and Mental Health Services Board of Athens, Hocking and Vinton Counties is a jointly governed organization that serves Athens, Hocking and Vinton Counties, and is established for the purpose of providing alcohol, drug addiction and mental health services to the residents of these counties.

Each participating county has agreed to levy a tax within their county to assist in the operation of the Board, whose passage requires a majority in the total three county district. This entity is governed by an eighteen member Board that is responsible for its own financial matters and operates autonomously from Vinton County. The Athens County Auditor serves as the fiscal agent for the revenues of the Board, but the Board is responsible to budget and account for their resources. Nine of the Board Members are appointed by the Commissioners of the member Counties apportioned by population. Five of the remaining members are appointed by the Ohio Department of Alcohol and Drug Addiction Service and the other four members are appointed by the Ohio Department of Mental Health. The Board derives its revenue from local property taxes, intergovernmental grants and reimbursements, and other miscellaneous revenue. Vinton County has no ongoing financial interest or responsibility in this Board.

Vinton County Community Improvement Corporation

Vinton County is affiliated with the Vinton County Community Improvement Corporation (hereafter referred to as the CIC). The CIC has a twelve member Board which consists of the Vinton County Commissioners, the Vinton County Auditor and the Vinton County Treasurer as well as various other business representatives and community members. The Vinton County Treasurer serves as the President of the CIC. The CIC's purpose is to better the County by providing means for job development. The County is not financially accountable for the CIC. For a copy of the CIC's audit report, contact Larry E. Clary, CIC President at (740)596-5690.

Vinton County
Notes to The Basic Financial Statements
For the Fiscal Year Ended December 31, 2003

NOTE 18 - COMPONENT UNIT

Vinton Industries, Inc. (Corporation)

Vinton Industries, Inc., a discretely presented component unit of Vinton County, prepared their financial statements on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Corporation maintains checking and savings accounts. The Corporation has no investments or non-cash holdings other than certificates of deposit. At December 31, 2003, the carrying amount of the Corporation's deposits was \$168,937 and the bank balance was \$169,372. Both the book and bank balances include \$150,000 in certificates of deposit. Deposits are categorized into one of three categories of credit risk:

1. Insured or collateralized with securities held by the entity or its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized or collateralized, with securities held by the pledging financial institution or its trust department or agent but not in the entity's name.

The entire bank balance was covered by federal deposit insurance. There are no statutory guidelines regarding the deposit and investment of funds by the Corporation. Property, plant and equipment have been recorded at cost and depreciation is computed on the straight line method over the estimated useful lives of the assets.

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax is required.

NOTE 19 - CONTINGENT LIABILITIES

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

The County had several pending litigation cases at December 31, 2003. Management believes that the financial impact of these cases, if any, would not be material to the financial statements of the County.

NOTE 20 - CONTRACT COMMITMENTS

The County had the following contract commitments outstanding at December 31, 2003:

Contractor	Contract Amount	Payments	Balance at December 31, 2003
Ohio Bridge Company	\$141,071	\$0	\$141,071
Totals	\$141,071	\$0	\$141,071

Vinton County Financial Condition
Vinton County

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U. S. Department of Housing & Urban Development			
<i>Passed through the Ohio Department of Development/State's Program</i>			
Community Development Block Grants:		14.228	
Leax Water Line Project	G30317		7,494
New Horizons	G21011		2,098
Micro Enterprise	G20975		31,955
FY 02 CHIP	G30419		93,058
FY 03 CHIP	B-C-03-075-1		39,769
FY 02 Formula	G30479		95,616
FY 03 Formula	(1)		246
FY 02 Community Distress	OH-14140-302		198,301
Total Community Development Block Grant			468,537
HOME Investment Partnership Program	G30530 J846	14.239	270,616
Total U. S. Department of Housing & Urban Development			739,153
U. S. Department of Justice			
<i>Passed through the Governor's Office of Criminal Justice Services</i>			
Cops Universal II Grant	1996-UM-VWX-0953	16.710	5,856
Byrne Memorial	2002-DG-D02-7365	16.579	12,109
Drug Courts	2001-DC-BX-0040	16.585	115,131
Total U. S. Department of Justice			133,096
U. S. Department of Transportation			
<i>Passed through the Ohio Department of Transportation</i>			
Highway Planning and Construction (Federal-Aid Highway Program)	(1)	20.205	102,000
Total U. S. Department of Transportation			102,000
U.S. Department of Agriculture			
Rural Business Enterprise Grant (RBEG)	(2)	10.769	36,357
Rural Business Opportunity Grant (RBOG)	(2)	10.773	41,294
USDA Rural Housing Preservation Grant	(2)	10.433	19,000
Total U.S. Department of Agriculture			96,651
Appalachian Regional Commission			
<i>Direct from the Federal Government</i>			
Economic Development Feasibility	(2)	23.002	14,105
Total Appalachian Regional Commission			14,105
U.S. Environmental Protection Agency			
<i>Passed through the Ohio Environmental Protection Agency</i>			
Rural Hardship Grant Program	PL104-134	66.470	103,104
Total U. S. Environmental Protection Agency			103,104

(Continued)

Vinton County Financial Condition
Vinton County

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2003
(Continued)

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Health & Human Services			
<i>Passed through the State Department of MRDD</i>			
Social Services Block Grant (SSBG) - Title XX	(1)	93.667	12,251
Foster Care Title IV-E		93.658	113,196
Chafee Foster Care Independent Living		93.674	8,916
Medical Assistance Program - CAFS	(1)	93.778	14,506
Total U. S. Department of Health & Human Services			148,869
U.S. Department of Labor			
<i>Passed through the Ohio Department of Human Services</i>			
<i>Workforce Initiative Allocation Cluster:</i>			
Workforce Initiative Allocation -- Dislocated Workers		17.260	120,922
Workforce Initiative Allocation -- Adult		17.258	203,099
Workforce Initiative Allocation -- Youth		17.259	226,852
Total U. S. Department of Labor			550,873
U.S. Department of Homeland Security			
<i>Passed through the Governor's Office of Criminal Justice Services</i>			
State Domestic Preparedness Equipment Program	(1)	97.004	66,758
<i>Passed through the Ohio Emergency Management Agency</i>			
FEMA Flood Assistance Grants	131-USACE-00	97.036	51,463
Pre-Disaster Mitigation Program	EMC-2002-GR-7037	97.047	9,059
FEMA Supplemental Planning Grant	(1)	97.051	22,915
Community Emergency Response Team Grant	(1)	97.053	2,500
Emergency Management Preparedness Grant	(1)	97.042	17,792
Total U.S. Department of Homeland Security			170,487
Total Federal Financial Assistance			\$ 2,058,338

(1) - Passthrough entity number not available.

(2) - Direct from the federal government.

See Accompanying Notes to the Schedule of Federal Awards Expenditures

VINTON COUNTY FINANCIAL CONDITION
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
For the Year Ended December 31, 2003

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - - 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 expenditures of non-Federal matching funds is not included on the Schedule.

NOTE C - REVOLVING LOAN FUNDS

The County has established a revolving loan program to provide low interest loans to businesses to create jobs for persons from low to moderate income households and to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money from these loans to the County, passed through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures. 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 of property and equipment and by guarantees. At December 31, 2003, the gross amounts of loans outstanding under this program were \$954,595.

BALESTRA, HARR & SCHERER

CERTIFIED PUBLIC ACCOUNTANTS

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Ohio Society of Certified Public Accountants

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Offices, Boards and
Commissioners of Vinton County
100 East Main Street
McArthur, Ohio 45651

We have audited the financial statements of Vinton County, Ohio, as of and for the year ended December 31, 2003, and have issued our report thereon dated August 17, 2004 in which we indicated the County adopted Governmental Accounting Standards Board Statement numbers 34, 37, 38, and Interpretation 6. 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 Vinton 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 one instance of noncompliance that is required to be reported under *Governmental Auditing Standards*. This item is described in the accompanying Schedule of Findings as item 2003-001. We also noted certain immaterial instances of noncompliance, which we have reported to management of Vinton County in a separate letter dated August 17, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Vinton 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 we have reported to the management of the County in a separate letter dated August 17, 2004.

Board of County Commissioners

Vinton County

McArthur, Ohio 45651

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*.

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

August 17, 2004

BALESTRA, HARR & SCHERER

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Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Offices, Boards and
Commissioners of Vinton County
100 East Main Street
McArthur, Ohio 45651

Compliance

We have audited the compliance of Vinton County, Ohio, 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. Vinton County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Vinton County's management. Our responsibility is to express an opinion on Vinton 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vinton 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 Vinton County's compliance with those requirements.

In our opinion, Vinton 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.

Internal Control Over Compliance

The management of Vinton 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 Vinton 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.

Board of County Commissioners

Vinton County

McArthur, Ohio 45651

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A - 133

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

August 17, 2004

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

**VINTON COUNTY FINANCIAL CONDITION
VINTON COUNTY
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR-S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs = Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	HOME Investment Partnership Program, CFDA #14.239; Community Development Block Grants, CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**VINTON COUNTY FINANCIAL CONDITION
VINTON COUNTY
DECEMBER 31, 2003**

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

Finding Number	2003-001
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Expenditures and Encumbrances in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. Encumbrances and expenditures exceeded appropriations in the Community Development Fund by \$137,501.

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The County Auditor will monitor the budget closer to prevent this from occurring in subsequent years.	December 31, 2004	Cindy Owings, County Auditor

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	None
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**VINTON COUNTY FINANCIAL CONDITION
VINTON COUNTY
DECEMBER 31, 2003**

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Findings No Longer Valid; <i>Explain:</i>
2002-001	29 CFR part 97, WIA Cluster 17.258 – 17.260 Subrecipient Monitoring	Yes	Fully Corrected.



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VINTON COUNTY FINANCIAL CONDITION

VINTON 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
SEPTEMBER 21, 2004**