



**Auditor of State  
Betty Montgomery**



WASHINGTON COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Washington County  
223 Putnam Street  
Marietta, Ohio 45750

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Washington County, Ohio (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 did not audit the financial statements of Wasco, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts discretely presented for Wasco, Inc., is based solely on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Washington County, as of December 31, 2003, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparisons for the General, Job and Family Services, Motor Vehicle and Gasoline Tax, and Mental Retardation and Developmental Disabilities Funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the County implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The County also implemented GASB Statements 37, 38 and 41 and Interpretation 6 concurrently with GASB Statement 34.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Condition Assessments of the Infrastructure Reported Using the Modified Approach are not a required part of the basic financial statements, but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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



**Betty Montgomery**  
Auditor of State

November 3, 2004

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

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The discussion and analysis of Washington County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the County's financial performance.

### **Financial Highlights**

Key financial highlights for 2003 are as follows:

- ' In total, net assets increased \$4,281 thousand. Net assets of governmental activities increased \$4,385 thousand or 2.6 percent from 2002. Net assets of business-type activities decreased \$104 thousand, which represents a 2.7 percent decrease from 2002.
- ' At the end of the current year, the County reported unrestricted net assets for governmental activities of \$6.7 million.
- ' At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$20,230 thousand, a decrease of \$7,022 thousand from the prior year.

### **Using This Annual Financial Report**

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the County as a financial whole or as an entire operating entity.

The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the whole County, presenting an aggregate view of the County's finances as well as a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's most significant funds in more detail than the government-wide statements. Non-major funds are presented separately from major funds in total and in one column.

### **County-Wide Financial Statements**

The County-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.

#### ***Statement of Net Assets***

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answer this question.

**Washington County, Ohio**  
*Management's Discussion and Analysis*  
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The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. The statement of activities presents information showing how the County's net assets changed during the current year. These statements are prepared using the accrual basis of accounting similar to the accounting method used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses, regardless of when the cash is received or paid.

The change in net assets is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or diminished. However, in evaluating the overall position of the County, nonfinancial information such as changes in the County's tax base and the condition of the County's capital assets will also need to be evaluated.

In the statement of net assets and the statement of activities, the County is divided into three kinds of activities:

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

*Business-Type Activities* - These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The County's Sewer system is reported here.

*Component Units* - The County's financial statements include financial data of the Wasco, Inc. Sheltered Workshop and the Southeastern Ohio Port Authority. These component units are described in the notes to the financial statements. Component units are separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

### ***Fund Financial Statements***

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

*Governmental Funds* - Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year end balances available for spending. These funds are reported on the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services being provided, along with the financial resources available.



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Because the focus of the 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 on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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 a multitude of individual governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

*Proprietary Funds* - The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements. The County uses an enterprise fund to account for the Sewer Fund operations. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities. The Self-Insurance Fund accounts for the claims and liabilities relating to the County's MRDD self-insured health program

*Fiduciary Funds* - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the County's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

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

*Other Information* - In addition to the basic financial statements and accompanying notes, this report also present required supplementary information relating to the modified approach to reporting infrastructure.

**Government-Wide Financial Analysis**

Table 1 provides a summary of the County's net assets for 2003 compared to 2002:

**Washington County, Ohio**  
*Management's Discussion and Analysis*  
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(Table 1)  
Net Assets

|                             | Governmental Activities |                      | Business-Type Activity |                    | Totals               |                      |
|-----------------------------|-------------------------|----------------------|------------------------|--------------------|----------------------|----------------------|
|                             | 2003                    | 2002                 | 2003                   | 2002               | 2003                 | 2002                 |
| <b>Assets</b>               |                         |                      |                        |                    |                      |                      |
| Current and                 |                         |                      |                        |                    |                      |                      |
| Other Assets                | \$41,437,268            | \$44,328,147         | \$460,445              | \$423,159          | \$41,897,713         | \$44,751,306         |
| Capital Assets, Net         | 156,895,293             | 148,038,611          | 4,640,780              | 4,805,646          | 161,536,073          | 152,844,257          |
| <i>Totals Assets</i>        | <u>198,332,561</u>      | <u>192,366,758</u>   | <u>5,101,225</u>       | <u>5,228,805</u>   | <u>203,433,786</u>   | <u>197,595,563</u>   |
| <b>Liabilities</b>          |                         |                      |                        |                    |                      |                      |
| Current and                 |                         |                      |                        |                    |                      |                      |
| Other Liabilities           | 15,375,988              | 12,148,770           | 29,406                 | 18,326             | 15,405,394           | 12,167,096           |
| Long-Term Liabilities       | 8,418,679               | 10,065,343           | 1,281,789              | 1,316,514          | 9,700,468            | 11,381,857           |
| <i>Total Liabilities</i>    | <u>23,794,667</u>       | <u>22,214,113</u>    | <u>1,311,195</u>       | <u>1,334,840</u>   | <u>25,105,862</u>    | <u>23,548,953</u>    |
| <b>Net Assets</b>           |                         |                      |                        |                    |                      |                      |
| Invested in Capital Assets, |                         |                      |                        |                    |                      |                      |
| Net of Related Debt         | 148,667,134             | 138,175,433          | 3,358,991              | 3,491,532          | 152,026,125          | 141,666,965          |
| Restricted                  | 19,158,920              | 24,385,897           | 0                      | 0                  | 19,158,920           | 24,385,897           |
| Unrestricted                | 6,711,840               | 7,591,315            | 431,039                | 402,433            | 7,142,879            | 7,993,748            |
| <i>Total Net Assets</i>     | <u>\$174,537,894</u>    | <u>\$170,152,645</u> | <u>\$3,790,030</u>     | <u>\$3,893,965</u> | <u>\$178,327,924</u> | <u>\$174,046,610</u> |

As noted earlier, the County's net assets, when reviewed over time, may serve as a useful indicator of the County's financial position. In the case of the County, assets exceeded liabilities by \$178,328 thousand (\$174,538 thousand in governmental activities and \$3,790 thousand in the business-type activity) as of December 31, 2003. By far, the largest portion of the County's net assets (79 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and building improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure), 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, \$19,159 thousand or 11 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, \$6,712 thousand or 4 percent are to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for 2003. Since this is the first year that the County has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

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Table 2  
Changes in Net Assets

|  | Governmental<br>Activities | Business-Type<br>Activity | Total              |
|--|----------------------------|---------------------------|--------------------|
|  | 2003                       | 2003                      | 2003               |
| <b>Revenues</b>                                      |                            |                           |                    |
| Program Revenues                                     |                            |                           |                    |
| Charges for Services                                 | \$4,350,867                | \$313,740                 | \$4,664,607        |
| Operating Grants,<br>Contributions, and<br>Interest  | 21,476,511                 | 0                         | 21,476,511         |
| Capital Grants,<br>Contributions, and<br>Interest    | 5,481,992                  | 0                         | 5,481,992          |
| <i>Total Program Revenues</i>                        | <u>31,309,370</u>          | <u>313,740</u>            | <u>31,623,110</u>  |
| General Revenues                                     |                            |                           |                    |
| Property Taxes                                       | 7,659,599                  | 0                         | 7,659,599          |
| Permissive Sales Taxes                               | 5,890,286                  | 0                         | 5,890,286          |
| Sheriff Permissive Sales Taxes                       | 2,867,016                  | 0                         | 2,867,016          |
| Intergovernmental                                    | 2,225,035                  | 0                         | 2,225,035          |
| Interest   | 794,190                    | 0                         | 794,190            |
| Payment in Lieu of Taxes                             | 12,618                     | 0                         | 12,618             |
| Licenses and Permits                                 | 900                        | 0                         | 900                |
| Miscellaneous  | 517,004                    | 41,909                    | 558,913            |
| <i>Total General Revenues</i>                        | <u>19,966,648</u>          | <u>41,909</u>             | <u>20,008,557</u>  |
| <i>Total Revenues</i>                                | <u>51,276,018</u>          | <u>355,649</u>            | <u>51,631,667</u>  |
| <b>Program Expenses</b>                              |                            |                           |                    |
| General Government:                                  |                            |                           |                    |
| Legislative and Executive                            | 4,426,990                  | 0                         | 4,426,990          |
| Judicial   | 1,616,587                  | 0                         | 1,616,587          |
| Public Safety  | 3,826,420                  | 0                         | 3,826,420          |
| Public Works   | 8,104,178                  | 0                         | 8,104,178          |
| Health:  |                            |                           |                    |
| Alcohol, Drug, and Mental Health                     | 3,904,604                  | 0                         | 3,904,604          |
| Mental Retardation and<br>Developmental Disabilities | 6,148,938                  | 0                         | 6,148,938          |
| County Home  | 2,170,067                  | 0                         | 2,170,067          |
| Other Health   | 270,035                    | 0                         | 270,035            |
| Human Services:                                      |                            |                           |                    |
| Child Support Enforcement                            | 872,999                    | 0                         | 872,999            |
| Children Services                                    | 2,354,142                  | 0                         | 2,354,142          |
| Job and Family Services                              | 8,441,433                  | 0                         | 8,441,433          |
| Other Human Services                                 | 1,536,439                  | 0                         | 1,536,439          |
| Economic Development<br>and Assistance               | 610,137                    | 0                         | 610,137            |
| Intergovernmental                                    | 2,307,173                  | 0                         | 2,307,173          |
| Interest and<br>Fiscal Charges                       | 300,627                    | 0                         | 300,627            |
| Sewer  | 0                          | 459,584                   | 459,584            |
| <i>Total Expenses</i>                                | <u>46,890,769</u>          | <u>459,584</u>            | <u>47,350,353</u>  |
| <i>Increase (Decrease) in Net Assets</i>             | <u>\$4,385,249</u>         | <u>(\$103,935)</u>        | <u>\$4,281,314</u> |

**Washington County, Ohio**  
*Management's Discussion and Analysis*  
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**Governmental Activities**

Operating grants were the largest program revenues, accounting for \$21,477 thousand or 41.9 percent of total governmental activities revenues. The major recipients of intergovernmental program revenues were the Job and Family Services (Public Assistance), Motor Vehicle and Gasoline Tax, Mental Health, and Mental Retardation and Developmental Disabilities governmental activities.

Property tax revenues account for \$7,660 thousand or 14.9 percent of total governmental revenues. Another major component of general governmental revenues was permissive sales taxes, which accounted for \$8,757 thousand or 17.1 percent of total revenues.

The County's direct charges to users of governmental services made up \$4,264 thousand or 8.3 percent of total governmental revenues. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human services programs accounted for \$13,057 thousand, or 27.8 percent of total expenses for governmental activities. Other major program expenses for governmental activities include health programs, which accounted for \$12,494 thousand, or 26.6 percent of total expenses.

**Business-Type Activity**

The net assets for business-type activities decreased by \$104 thousand during 2003. Charges for services were the largest program revenue, accounting for \$314 thousand, or 88.2 percent of total business type revenues.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. Comparisons to 2002 have not been made since they are not available.

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Table 3  
 Governmental Activities

|   | Total Cost of<br>Services | Net Cost of<br>Services |
|---|---------------------------|-------------------------|
|   | <u>2003</u>               | <u>2003</u>             |
| General Government:                               |                           |                         |
| Legislative and Executive                         | \$4,426,990               | \$2,230,389             |
| Judicial  | 1,616,587                 | 659,336                 |
| Public Safety                                     | 3,826,420                 | (1,178,454)             |
| Public Works                                      | 8,104,178                 | 3,246,130               |
| Health:   |                           |                         |
| Alcohol, Drug, and Mental Health                  | 3,904,604                 | (93,031)                |
| Mental Retardation and Developmental Disabilities | 6,148,938                 | 3,298,225               |
| County Home                                       | 2,170,067                 | 1,625,435               |
| Other Health                                      | 270,035                   | 134,064                 |
| Human Services:                                   |                           |                         |
| Child Support Enforcement                         | 872,999                   | (131,331)               |
| Children Services                                 | 2,354,142                 | 620,596                 |
| Job and Family Services                           | 8,441,433                 | 2,004,428               |
| Other Human Services                              | 1,536,439                 | 1,281,321               |
| Economic Development and Assistance               | 610,137                   | (452,319)               |
| Intergovernmental                                 | 2,307,173                 | 2,035,983               |
| Interest and Fiscal Charges                       | 300,627                   | 300,627                 |
| Total Expenses                                    | <u>\$46,890,769</u>       | <u>\$15,581,399</u>     |

Charges for services, operating grants, and capital grants of \$31,309 thousand, or 66.8 percent of the total costs of services, are received and used to fund the general government expenses of the County. The remaining \$15,581 thousand in general government expenses is funded by property taxes, permissive sales taxes, intergovernmental revenues, interest, and miscellaneous revenues.

The \$4,965 thousand in net cost of services for Health demonstrates the costs of services that are not supported from state and federal resources. As such, the taxpayers have approved property tax levies for several programs including the Mental Retardation and Developmental Disabilities and County Home.

**Financial Analysis of County Funds**

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

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

As of December 31, 2003, the County's governmental funds reported a combined ending fund balance of \$20,230 thousand, a decrease of \$7,022 thousand in comparison with the prior year. Approximately \$18,101 thousand, or 89.5 percent of this total, constitutes unreserved undesignated fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year (\$2,020 thousand) or a variety of other

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*Management's Discussion and Analysis*  
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restricted purposes (\$110 thousand). While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expenditure restrictions mandated by the source of the resource, such as the state or federal government.

The General Fund is the primary operating fund of the County. At the end of 2003, unreserved fund balance was \$5,477 thousand, while total fund balance was \$6,355 thousand. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 43.6 percent to total General Fund expenditures, while total fund balance represents 50.6 percent of that same amount.

The fund balance of the County's General Fund decreased by \$836 thousand during 2003. The primary cause of the decrease was a need to spend from accumulated monies to meet current operating expenses due to revenues failing to meet original estimates in 2003.

*Proprietary Funds* - The County maintains two different types of proprietary funds. Enterprise funds are used to report functions presented as business-type activities on the government-wide financial statements. The County uses an enterprise fund to account for Sewer Fund operations. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities. The County uses an internal service fund to account for the Mental Retardation and Developmental Disabilities self-insurance program. The Self-Insurance Fund accounts for the claims and liabilities relating to the County's self-insured health program.

As of December 31, 2003, net assets for the County's enterprise fund were \$3,790 thousand. Of that total, \$431 thousand represents unrestricted net assets.

As of December 31, 2003, unrestricted net assets in the self-insurance program were (\$24) thousand. The Self-Insurance Fund has posted operating deficits for two years. Program revenues (premiums) have been insufficient to cover rising claims activity in the Mental Retardation and Developmental Disabilities' self-insured health program. Program funding is managed by the MRDD Board. To attempt to offset the operating deficit, the MRDD Board has made three adjustments to the program. First, the employee-paid portion of the monthly premium cost has been increased. Second, employees have been offered a premium incentive should annual claims aggregate below a predetermined target level. Third, life insurance has been removed as a component of the program and obtained separately at a lower cost.

### **Budgetary Highlights**

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

For the General Fund, changes from the original budget to the final budget have been minimal. Fluctuations in growth and diversity have typically not occurred in Washington County, allowing department managers the ability to consistently predict revenues and expenditures.

### **Capital Assets and Debt Administration**

*Capital Assets* - The County's capital assets for governmental and business-type activities as of December 31, 2003, were \$161,536 thousand (net of accumulated depreciation). This includes land and improvements, buildings and improvements, improvements other than buildings, machinery and equipment, vehicles, infrastructure, and construction in progress.

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

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For governmental activities, the most significant capital asset additions during 2003 included the addition of a new Children Services Building at a cost of \$3,067 thousand and a new County Garage at a cost of \$1,913 thousand.

The County uses the modified approach to present county roads and bridges (infrastructure). Disclosures about the condition assessments and maintenance costs regarding the County's infrastructure can be found in the Required Supplementary Information.

Note 9 (Capital Assets) provides capital asset activity during 2003.

*Long-Term Obligations* - As of December 31, 2003, the County had total general obligation bonded debt outstanding of \$3,690,000. All of this debt is expected to be repaid through governmental activities. The County's long term general obligation bonded debt decreased by \$280,000 (7.6 percent) during 2003. Other outstanding long-term debt included an Energy Conservation Loan of \$68,712, O.P.W.C. loans of \$446,789, and FHA loans payable of \$829,000.

In May 2003, various purpose bond anticipation notes were issued in the amount of \$4,433,000. These notes were issued for a variety of purposes including: the construction of a new county garage, a new children services building, and county jail, the purchase of computer equipment, and sanitary sewer projects. Note 16 provides information regarding bond anticipation notes.

In addition, County's long-term obligations include compensated absences for sick leave benefits and a capital lease. Additional information on the County's long-term obligations can be found in Note 16 of this report.

### **Economic Factors**

The unemployment rate for the County is currently 5.8 percent, which is an increase from 5.0 percent a year ago. This rate exceeds the State's current rate of 5.7 percent and the current national rate of 5.4 percent. The increase demonstrates the impact from the national recession.

The County's \$1.054 billion tax base has increased 4.2 percent over the last three years. This increase is attributed to an increase in the County's real estate tax values. Real property values within the County have risen over the past several years, and are now at an all time high.

The County's permissive sales tax revenues in governmental funds were virtually unchanged from 2002 to 2003 following five years of steady growth, despite uncertain economic conditions. During 2002, \$8,560 thousand in permissive sales tax was collected and \$8,757 thousand was collected in 2003.

The various economic factors were considered in the preparation of the County's 2004 budget, and will be considered in the preparation of future budgets. Appropriate measures will be taken to ensure spending is within available resources.

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

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**Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: William D. McFarland, Washington County Auditor, 205 Putnam Street, Marietta, Ohio 45750.



**Washington County, Ohio**  
**Statement of Net Assets**  
**December 31, 2003**

|   | Primary Government   |                    |                      | Component Units     |                  |
|---|----------------------|--------------------|----------------------|---------------------|------------------|
|   | Governmental         | Business-Type      | Total                | Southeastern        | WASCO, Inc.      |
|   | Activities           | Activity           |                      | Ohio Port Authority |                  |
| <b>Assets</b>                                     |                      |                    |                      |                     |                  |
| Equity in Pooled Cash and Cash Equivalents        | \$20,786,996         | \$74,779           | \$20,861,775         | \$0                 | \$0              |
| Cash and Cash Equivalents                         | 0                    | 0                  | 0                    | 12,187              | 120,533          |
| Cash and Cash Equivalents in Segregated Accounts  | 45,390               | 0                  | 45,390               | 0                   | 0                |
| Investments                                       | 0                    | 0                  | 0                    | 0                   | 44,544           |
| Accounts Receivable                               | 101,292              | 114,035            | 215,327              | 0                   | 111,209          |
| Receivable from External Parties                  | 11,779               | 0                  | 11,779               | 0                   | 12,806           |
| Accrued Interest Receivable                       | 27,369               | 0                  | 27,369               | 0                   | 0                |
| Intergovernmental Receivable                      | 9,760,727            | 0                  | 9,760,727            | 0                   | 0                |
| Taxes Receivable                                  | 10,505,853           | 0                  | 10,505,853           | 0                   | 0                |
| Loans Receivable                                  | 15,468               | 0                  | 15,468               | 0                   | 0                |
| Prepaid Items                                     | 93,901               | 0                  | 93,901               | 0                   | 12,811           |
| Materials and Supplies Inventory                  | 0                    | 0                  | 0                    | 0                   | 5,884            |
| Special Assessments Receivable                    | 0                    | 271,631            | 271,631              | 0                   | 0                |
| Cash and Cash Equivalents with                    |                      |                    |                      |                     |                  |
| Fiscal and Escrow Agents                          | 25,984               | 0                  | 25,984               | 0                   | 0                |
| Investments in Segregated Accounts                | 62,509               | 0                  | 62,509               | 0                   | 0                |
| Non-Depreciable Capital Assets                    | 141,843,761          | 0                  | 141,843,761          | 132,050             | 0                |
| Depreciable Capital Assets, Net                   | 15,051,532           | 4,640,780          | 19,692,312           | 121,464             | 144,841          |
| <i>Total Assets</i>                               | <u>198,332,561</u>   | <u>5,101,225</u>   | <u>203,433,786</u>   | <u>265,701</u>      | <u>452,628</u>   |
| <b>Liabilities</b>                                |                      |                    |                      |                     |                  |
| Accounts Payable                                  | 792,185              | 8,215              | 800,400              | 1,499               | 11,838           |
| Contracts Payable                                 | 2,355,926            | 0                  | 2,355,926            | 0                   | 0                |
| Accrued Wages and Benefits Payable                | 469,217              | 2,076              | 471,293              | 0                   | 25,745           |
| Vacation Benefits Payable                         | 721,482              | 2,498              | 723,980              | 0                   | 18,293           |
| Intergovernmental Payable                         | 955,390              | 9,121              | 964,511              | 0                   | 3,904            |
| Retainage Payable                                 | 323,127              | 0                  | 323,127              | 0                   | 0                |
| Deferred Revenue                                  | 9,642,621            | 0                  | 9,642,621            | 0                   | 0                |
| Accrued Interest Payable                          | 56,679               | 7,496              | 64,175               | 0                   | 0                |
| Payable to External Parties                       | 8,899                | 0                  | 8,899                | 0                   | 0                |
| Claims Payable - Health Benefits                  | 50,462               | 0                  | 50,462               | 0                   | 0                |
| Customer Deposits                                 | 0                    | 0                  | 0                    | 3,850               | 0                |
| Long-Term Liabilities:                            |                      |                    |                      |                     |                  |
| Due Within One Year                               | 3,945,144            | 50,080             | 3,995,224            | 10,352              | 1,495            |
| Due In More Than One Year                         | 4,473,535            | 1,231,709          | 5,705,244            | 235,814             | 3,736            |
| <i>Total Liabilities</i>                          | <u>23,794,667</u>    | <u>1,311,195</u>   | <u>25,105,862</u>    | <u>251,515</u>      | <u>65,011</u>    |
| <b>Net Assets</b>                                 |                      |                    |                      |                     |                  |
| Invested in Capital Assets, Net of Related Debt   | 148,667,134          | 3,358,991          | 152,026,125          | 7,348               | 139,610          |
| Restricted for:                                   |                      |                    |                      |                     |                  |
| Capital Projects                                  | 1,264,009            | 0                  | 1,264,009            | 0                   | 0                |
| Debt Service                                      | 79,655               | 0                  | 79,655               | 0                   | 0                |
| Other Purposes                                    | 10,099,292           | 0                  | 10,099,292           | 0                   | 0                |
| Mental Health                                     | 1,874,196            | 0                  | 1,874,196            | 0                   | 0                |
| County Home                                       | 1,578,024            | 0                  | 1,578,024            | 0                   | 0                |
| Mental Retardation and Developmental Disabilities | 1,225,884            | 0                  | 1,225,884            | 0                   | 0                |
| Job and Family Services                           | 845,385              | 0                  | 845,385              | 0                   | 0                |
| Child Support Enforcement Agency                  | 347,791              | 0                  | 347,791              | 0                   | 0                |
| Children Services                                 | 1,656,987            | 0                  | 1,656,987            | 0                   | 0                |
| Senior Services                                   | 93,570               | 0                  | 93,570               | 0                   | 0                |
| Unclaimed Monies                                  | 94,127               | 0                  | 94,127               | 0                   | 0                |
| Unrestricted                                      | 6,711,840            | 431,039            | 7,142,879            | 6,838               | 248,007          |
| <i>Total Net Assets</i>                           | <u>\$174,537,894</u> | <u>\$3,790,030</u> | <u>\$178,327,924</u> | <u>\$14,186</u>     | <u>\$387,617</u> |

See accompanying notes to the basic financial statements

**Washington County, Ohio**  
**Statement of Activities**  
**For the Year Ended December 31, 2003**

|   | Program Revenues    |                                   |                                       |                                     |
|---|---------------------|-----------------------------------|---------------------------------------|-------------------------------------|
|   | Expenses            | Charges for<br>Services and Sales | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions |
| <b>Governmental Activities</b>                    |                     |                                   |                                       |                                     |
| General Government:                               |                     |                                   |                                       |                                     |
| Legislative and Executive                         | \$4,426,990         | \$2,153,843                       | \$33,332                              | \$9,426                             |
| Judicial  | 1,616,587           | 813,409                           | 143,842                               | 0                                   |
| Public Safety                                     | 3,826,420           | 426,671                           | 238,203                               | 4,340,000                           |
| Public Works                                      | 8,104,178           | 184,950                           | 4,673,098                             | 0                                   |
| Health:   |                     |                                   |                                       |                                     |
| Alcohol, Drug, and Mental Health                  | 3,904,604           | 0                                 | 3,997,635                             | 0                                   |
| Mental Retardation and Developmental Disabilities | 6,148,938           | 79,502                            | 2,696,586                             | 74,625                              |
| County Home                                       | 2,170,067           | 284,393                           | 260,239                               | 0                                   |
| Other Health                                      | 270,035             | 135,971                           | 0                                     | 0                                   |
| Human Services:                                   |                     |                                   |                                       |                                     |
| Child Support Enforcement                         | 872,999             | 85,373                            | 918,957                               | 0                                   |
| Children Services                                 | 2,354,142           | 53,706                            | 1,679,840                             | 0                                   |
| Job and Family Services                           | 8,441,433           | 115,151                           | 6,321,854                             | 0                                   |
| Other Human Services                              | 1,536,439           | 17,898                            | 237,220                               | 0                                   |
| Economic Development and Assistance               | 610,137             | 0                                 | 52,033                                | 1,010,423                           |
| Intergovernmental                                 | 2,307,173           | 0                                 | 223,672                               | 47,518                              |
| Interest and Fiscal Charges                       | 300,627             | 0                                 | 0                                     | 0                                   |
| <i>Total Governmental Activities</i>              | 46,890,769          | 4,350,867                         | 21,476,511                            | 5,481,992                           |
| <b>Business-Type Activity</b>                     |                     |                                   |                                       |                                     |
| Sewer   | 459,584             | 313,740                           | 0                                     | 0                                   |
| <i>Total Primary Government</i>                   | <u>\$47,350,353</u> | <u>\$4,664,607</u>                | <u>\$21,476,511</u>                   | <u>\$5,481,992</u>                  |
| <b>Component Units:</b>                           |                     |                                   |                                       |                                     |
| WASCO, Inc.                                       | \$1,359,404         | \$1,341,017                       | \$0                                   | \$0                                 |
| Southeastern Ohio Port Authority                  | \$16,289            | \$29,100                          | \$0                                   | \$0                                 |

**General Revenues**

Property Taxes Levied for:  
 General Purposes  
 County Home  
 Mental Retardation and Developmental Disabilities  
 Senior Services  
 Bond Retirement  
 Sales Taxes Levied for General Purposes  
 Permissive Sales Taxes Levied for Public Safety - Sheriff  
 Grants and Entitlements not Restricted to Specific Programs  
 Interest  
 Payment in Lieu of Taxes  
 Licenses and Permits  
 Miscellaneous

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year - See Note 3*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue  
and Changes in Net Assets

| Primary Government         |                           |                      | Component Units                        |                  |
|----------------------------|---------------------------|----------------------|--|------------------|
| Governmental<br>Activities | Business-Type<br>Activity | Total                | Southeastern<br>Ohio Port<br>Authority | WASCO, Inc.      |
| (\$2,230,389)              | \$0                       | (\$2,230,389)        | \$0                                    | \$0              |
| (659,336)                  | 0                         | (659,336)            | 0                                      | 0                |
| 1,178,454                  | 0                         | 1,178,454            | 0                                      | 0                |
| (3,246,130)                | 0                         | (3,246,130)          | 0                                      | 0                |
| 93,031                     | 0                         | 93,031               | 0                                      | 0                |
| (3,298,225)                | 0                         | (3,298,225)          | 0                                      | 0                |
| (1,625,435)                | 0                         | (1,625,435)          | 0                                      | 0                |
| (134,064)                  | 0                         | (134,064)            | 0                                      | 0                |
| 131,331                    | 0                         | 131,331              | 0                                      | 0                |
| (620,596)                  | 0                         | (620,596)            | 0                                      | 0                |
| (2,004,428)                | 0                         | (2,004,428)          | 0                                      | 0                |
| (1,281,321)                | 0                         | (1,281,321)          | 0                                      | 0                |
| 452,319                    | 0                         | 452,319              | 0                                      | 0                |
| (2,035,983)                | 0                         | (2,035,983)          | 0                                      | 0                |
| (300,627)                  | 0                         | (300,627)            | 0                                      | 0                |
| (15,581,399)               | 0                         | (15,581,399)         | 0                                      | 0                |
| 0                          | (145,844)                 | (145,844)            | 0                                      | 0                |
| (15,581,399)               | (145,844)                 | (15,727,243)         | 0                                      | 0                |
| 0                          | 0                         | 0                    | 0                                      | (18,387)         |
| 0                          | 0                         | 0                    | 12,811                                 | 0                |
| 2,285,466                  | 0                         | 2,285,466            | 0                                      | 0                |
| 1,787,870                  | 0                         | 1,787,870            | 0                                      | 0                |
| 2,635,667                  | 0                         | 2,635,667            | 0                                      | 0                |
| 760,181                    | 0                         | 760,181              | 0                                      | 0                |
| 190,415                    | 0                         | 190,415              | 0                                      | 0                |
| 5,890,286                  | 0                         | 5,890,286            | 0                                      | 0                |
| 2,867,016                  | 0                         | 2,867,016            | 0                                      | 0                |
| 2,225,035                  | 0                         | 2,225,035            | 0                                      | 0                |
| 794,190                    | 0                         | 794,190              | 0                                      | 0                |
| 12,618                     | 0                         | 12,618               | 0                                      | 0                |
| 900                        | 0                         | 900                  | 1,375                                  | 1,502            |
| 517,004                    | 41,909                    | 558,913              | 0                                      | 0                |
| 19,966,648                 | 41,909                    | 20,008,557           | 1,375                                  | 1,502            |
| 4,385,249                  | (103,935)                 | 4,281,314            | 14,186                                 | (16,885)         |
| 170,152,645                | 3,893,965                 | 174,046,610          | 0                                      | 404,502          |
| <u>\$174,537,894</u>       | <u>\$3,790,030</u>        | <u>\$178,327,924</u> | <u>\$14,186</u>                        | <u>\$387,617</u> |

**Washington County, Ohio**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2003**

|  | General             | Job and Family<br>Services | Motor<br>Vehicle and<br>Gasoline Tax | Mental<br>Retardation and<br>Developmental<br>Disabilities |
|--|---------------------|----------------------------|--------------------------------------|--|
| <b>Assets</b>                                    |                     |                            |                                      |  |
| Equity in Pooled Cash and Cash Equivalents       | \$5,701,137         | \$1,982,152                | \$2,181,886                          | \$1,049,634  |
| Cash and Cash Equivalents in Segregated Accounts | 42,840              | 0                          | 0                                    | 0  |
| Investments in Segregated Accounts               | 0                   | 0                          | 0                                    | 0  |
| Receivables:                                     |                     |                            |                                      |  |
| Taxes  | 3,394,176           | 0                          | 0                                    | 3,734,709  |
| Accounts   | 18,800              | 0                          | 0                                    | 15,747   |
| Intergovernmental                                | 829,663             | 0                          | 2,187,820                            | 569,819  |
| Interfund  | 4,581               | 0                          | 0                                    | 16,935   |
| Accrued Interest                                 | 24,936              | 0                          | 0                                    | 0  |
| Loans  | 0                   | 0                          | 0                                    | 0  |
| Prepaid Items                                    | 9,083               | 9,120                      | 155                                  | 13,021   |
| <i>Total Assets</i>                              | <u>\$10,025,216</u> | <u>\$1,991,272</u>         | <u>\$4,369,861</u>                   | <u>\$5,399,865</u>   |
| <b>Liabilities and Fund Balances</b>             |                     |                            |                                      |  |
| <b>Liabilities</b>                               |                     |                            |                                      |  |
| Accounts Payable                                 | \$209,954           | \$126,413                  | \$102,072                            | \$92,096   |
| Contracts Payable                                | 118,270             | 0                          | 0                                    | 0  |
| Accrued Wages and Benefits                       | 112,854             | 56,612                     | 35,433                               | 93,729   |
| Retainage Payable                                | 15,009              | 0                          | 0                                    | 0  |
| Interfund Payable                                | 7,211               | 0                          | 0                                    | 0  |
| Intergovernmental Payable                        | 176,068             | 69,650                     | 55,830                               | 104,255  |
| Deferred Revenue                                 | 3,031,052           | 815,623                    | 1,667,527                            | 4,112,508  |
| <i>Total Liabilities</i>                         | <u>3,670,418</u>    | <u>1,068,298</u>           | <u>1,860,862</u>                     | <u>4,402,588</u>   |
| <b>Fund Balances</b>                             |                     |                            |                                      |  |
| Reserved for Encumbrances                        | 783,436             | 295,697                    | 188,356                              | 99,982   |
| Reserved for Unclaimed Monies                    | 94,127              | 0                          | 0                                    | 0  |
| Reserved for Loans                               | 0                   | 0                          | 0                                    | 0  |
| Unreserved:                                      |                     |                            |                                      |  |
| Undesignated, Reported in:                       |                     |                            |                                      |  |
| General Fund                                     | 5,477,235           | 0                          | 0                                    | 0  |
| Special Revenue Funds                            | 0                   | 627,277                    | 2,320,643                            | 897,295  |
| Debt Service Fund                                | 0                   | 0                          | 0                                    | 0  |
| Capital Projects Funds (Deficit)                 | 0                   | 0                          | 0                                    | 0  |
| <i>Total Fund Balances (Deficit)</i>             | <u>6,354,798</u>    | <u>922,974</u>             | <u>2,508,999</u>                     | <u>997,277</u>   |
| <i>Total Liabilities and Fund Balances</i>       | <u>\$10,025,216</u> | <u>\$1,991,272</u>         | <u>\$4,369,861</u>                   | <u>\$5,399,865</u>   |

See accompanying notes to the basic financial statements

| Bond Retirement  | County Jail Construction | Other Governmental Funds | Total Governmental Funds |
|------------------|--------------------------|--------------------------|--------------------------|
| \$119,151        | \$569,318                | \$9,183,718              | \$20,786,996             |
| 0                | 0                        | 2,550                    | 45,390                   |
| 0                | 0                        | 62,509                   | 62,509                   |
| 205,025          | 0                        | 3,171,943                | 10,505,853               |
| 0                | 0                        | 66,745                   | 101,292                  |
| 9,291            | 2,873,290                | 3,290,844                | 9,760,727                |
| 0                | 0                        | 668                      | 22,184                   |
| 0                | 0                        | 2,433                    | 27,369                   |
| 0                | 0                        | 15,468                   | 15,468                   |
| 0                | 0                        | 62,522                   | 93,901                   |
| <u>\$333,467</u> | <u>\$3,442,608</u>       | <u>\$15,859,400</u>      | <u>\$41,421,689</u>      |
| \$0              | \$0                      | \$261,650                | \$792,185                |
| 0                | 2,103,149                | 134,507                  | 2,355,926                |
| 0                | 0                        | 170,589                  | 469,217                  |
| 0                | 290,794                  | 17,324                   | 323,127                  |
| 0                | 0                        | 12,093                   | 19,304                   |
| 0                | 0                        | 549,587                  | 955,390                  |
| 214,316          | 1,521,265                | 4,914,328                | 16,276,619               |
| <u>214,316</u>   | <u>3,915,208</u>         | <u>6,060,078</u>         | <u>21,191,768</u>        |
| 0                | 34,549                   | 617,764                  | 2,019,784                |
| 0                | 0                        | 0                        | 94,127                   |
| 0                | 0                        | 15,468                   | 15,468                   |
| 0                | 0                        | 0                        | 5,477,235                |
| 0                | 0                        | 8,965,027                | 12,810,242               |
| 119,151          | 0                        | 0                        | 119,151                  |
| 0                | (507,149)                | 201,063                  | (306,086)                |
| <u>119,151</u>   | <u>(472,600)</u>         | <u>9,799,322</u>         | <u>20,229,921</u>        |
| <u>\$333,467</u> | <u>\$3,442,608</u>       | <u>\$15,859,400</u>      | <u>\$41,421,689</u>      |

**Washington County, Ohio**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**December 31, 2003**

**Total Governmental Fund Balances** \$20,229,921

*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. 156,895,293

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

|                      |           |           |
|----------------------|-----------|-----------|
| Property Taxes       | 368,735   |           |
| Intergovernmental    | 6,229,801 |           |
| Interest             | 24,936    |           |
| Loans                | 2,433     |           |
| Charges for Services | 8,093     | 6,633,998 |

An internal service fund is used by management to charge the costs of providing health care insurance to Mental Retardation and Developmental Disabilities employees. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. (24,478)

Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due. (721,482)

Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds:

|                                   |           |             |
|-----------------------------------|-----------|-------------|
| General Obligation Bonds Payable  | 3,690,000 |             |
| Compensated Absences Payable      | 190,520   |             |
| Accrued Interest Payable          | 56,679    |             |
| Energy Conservation Notes Payable | 68,712    |             |
| Bond Anticipation Notes Payable   | 4,427,000 |             |
| Capital Leases Payable            | 42,447    | (8,475,358) |

**Net Assets of Governmental Activities** \$174,537,894

See accompanying notes to the basic financial statements

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**Washington County, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2003**

|   | General            | Job and Family<br>Services | Motor<br>Vehicle and<br>Gasoline Tax | Mental<br>Retardation and<br>Developmental<br>Disabilities |
|---|--------------------|----------------------------|--------------------------------------|--|
| <b>Revenues</b>                                     |                    |                            |                                      |  |
| Property Taxes                                      | \$2,283,542        | \$0                        | \$0                                  | \$2,637,884  |
| Sales Taxes   | 5,890,286          | 0                          | 0                                    | 0  |
| Payment in Lieu of Taxes                            | 12,618             | 0                          | 0                                    | 0  |
| Charges for Services                                | 2,185,235          | 0                          | 85,796                               | 73,051   |
| Licenses and Permits                                | 7,400              | 0                          | 0                                    | 0  |
| Fines and Forfeitures                               | 101,749            | 0                          | 37,789                               | 0  |
| Intergovernmental                                   | 1,765,315          | 8,274,285                  | 4,290,688                            | 2,604,714  |
| Interest  | 799,355            | 74,355                     | 87,808                               | 0  |
| Miscellaneous                                       | 202,486            | 38,861                     | 133,586                              | 54,235   |
| <i>Total Revenues</i>                               | <u>13,247,986</u>  | <u>8,387,501</u>           | <u>4,635,667</u>                     | <u>5,369,884</u>   |
| <b>Expenditures</b>                                 |                    |                            |                                      |  |
| Current:  |                    |                            |                                      |  |
| General Government:                                 |                    |                            |                                      |  |
| Legislative and Executive                           | 3,654,036          | 0                          | 0                                    | 0  |
| Judicial  | 1,151,507          | 0                          | 0                                    | 0  |
| Public Safety                                       | 2,555,429          | 0                          | 0                                    | 0  |
| Public Works  | 2,762,572          | 0                          | 4,489,988                            | 0  |
| Health:   |                    |                            |                                      |  |
| Alcohol, Drug, and Mental Health                    | 0                  | 0                          | 0                                    | 0  |
| Mental Retardation and Developmental Disabilities   | 0                  | 0                          | 0                                    | 6,023,326  |
| County Home   | 0                  | 0                          | 0                                    | 0  |
| Other Health  | 146,901            | 0                          | 0                                    | 0  |
| Human Services:                                     |                    |                            |                                      |  |
| Child Support Enforcement                           | 0                  | 0                          | 0                                    | 0  |
| Children Services                                   | 0                  | 0                          | 0                                    | 0  |
| Job and Family Services                             | 0                  | 8,331,187                  | 0                                    | 0  |
| Other Human Services                                | 609,744            | 0                          | 0                                    | 0  |
| Economic Development and Assistance                 | 154,073            | 0                          | 0                                    | 0  |
| Capital Outlay                                      | 4,110              | 0                          | 0                                    | 0  |
| Intergovernmental                                   | 1,515,065          | 0                          | 0                                    | 0  |
| Debt Service:                                       |                    |                            |                                      |  |
| Principal Retirement                                | 0                  | 16,567                     | 0                                    | 0  |
| Interest and Fiscal Charges                         | 0                  | 3,241                      | 0                                    | 0  |
| <i>Total Expenditures</i>                           | <u>12,553,437</u>  | <u>8,350,995</u>           | <u>4,489,988</u>                     | <u>6,023,326</u>   |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>694,549</u>     | <u>36,506</u>              | <u>145,679</u>                       | <u>(653,442)</u>   |
| <b>Other Financing Sources (Uses)</b>               |                    |                            |                                      |  |
| Notes Proceeds                                      | 0                  | 0                          | 0                                    | 0  |
| Transfers In  | 100,001            | 259,511                    | 0                                    | 0  |
| Transfers Out                                       | (1,630,798)        | 0                          | (953,611)                            | 0  |
| Total Other Financing Sources (Uses)                | <u>(1,530,797)</u> | <u>259,511</u>             | <u>(953,611)</u>                     | <u>0</u>   |
| <i>Net Change in Fund Balances</i>                  | (836,248)          | 296,017                    | (807,932)                            | (653,442)  |
| <i>Fund Balances Beginning</i>                      |                    |                            |                                      |  |
| <i>of Year - Restated - See Note 3</i>              | <u>7,191,046</u>   | <u>626,957</u>             | <u>3,316,931</u>                     | <u>1,650,719</u>   |
| <i>Fund Balances (Deficit) End of Year</i>          | <u>\$6,354,798</u> | <u>\$922,974</u>           | <u>\$2,508,999</u>                   | <u>\$997,277</u>   |

See accompanying notes to the basic financial statements



| Bond Retirement    | County Jail Construction | Other Governmental Funds | Total Governmental Funds |
|--------------------|--------------------------|--------------------------|--------------------------|
| \$190,251          | \$0                      | \$2,546,828              | \$7,658,505              |
| 0                  | 0                        | 2,867,016                | 8,757,302                |
| 0                  | 0                        | 0                        | 12,618                   |
| 0                  | 0                        | 1,216,200                | 3,560,282                |
| 0                  | 0                        | 443,555                  | 450,955                  |
| 0                  | 0                        | 97,227                   | 236,765                  |
| 29,255             | 2,818,735                | 8,147,262                | 27,930,254               |
| 0                  | 0                        | 18,746                   | 980,264                  |
| 150,266            | 0                        | 197,011                  | 776,445                  |
| <u>369,772</u>     | <u>2,818,735</u>         | <u>15,533,845</u>        | <u>50,363,390</u>        |
| 4,255              | 0                        | 742,895                  | 4,401,186                |
| 0                  | 0                        | 453,911                  | 1,605,418                |
| 0                  | 0                        | 3,299,317                | 5,854,746                |
| 0                  | 0                        | 57,085                   | 7,309,645                |
| 0                  | 0                        | 3,895,985                | 3,895,985                |
| 0                  | 0                        | 0                        | 6,023,326                |
| 0                  | 0                        | 2,084,408                | 2,084,408                |
| 0                  | 0                        | 122,244                  | 269,145                  |
| 0                  | 0                        | 890,670                  | 890,670                  |
| 0                  | 0                        | 2,309,568                | 2,309,568                |
| 0                  | 0                        | 0                        | 8,331,187                |
| 0                  | 0                        | 917,152                  | 1,526,896                |
| 0                  | 0                        | 454,659                  | 608,732                  |
| 0                  | 5,485,418                | 2,503,126                | 7,992,654                |
| 0                  | 0                        | 792,108                  | 2,307,173                |
| 6,045,452          | 0                        | 0                        | 6,062,019                |
| 336,172            | 0                        | 0                        | 339,413                  |
| <u>6,385,879</u>   | <u>5,485,418</u>         | <u>18,523,128</u>        | <u>61,812,171</u>        |
| <u>(6,016,107)</u> | <u>(2,666,683)</u>       | <u>(2,989,283)</u>       | <u>(11,448,781)</u>      |
| 4,427,000          | 0                        | 0                        | 4,427,000                |
| 1,603,032          | 0                        | 1,361,320                | 3,323,864                |
| 0                  | (62,546)                 | (676,909)                | (3,323,864)              |
| <u>6,030,032</u>   | <u>(62,546)</u>          | <u>684,411</u>           | <u>4,427,000</u>         |
| 13,925             | (2,729,229)              | (2,304,872)              | (7,021,781)              |
| 105,226            | 2,256,629                | 12,104,194               | 27,251,702               |
| <u>\$119,151</u>   | <u>(\$472,600)</u>       | <u>\$9,799,322</u>       | <u>\$20,229,921</u>      |

**Washington 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 - Governmental Funds** (\$7,021,781)

*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 outlay exceeded depreciation in the current period:

|                           |             |           |
|---------------------------|-------------|-----------|
| Capital Asset Additions   | 10,153,736  |           |
| Current Year Depreciation | (1,294,582) | 8,859,154 |

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. This is the amount of the proceeds and the loss on disposal of assets:

|                                    |  |         |
|------------------------------------|--|---------|
| Loss on Disposal of Capital Assets |  | (2,472) |
|------------------------------------|--|---------|

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

|                       |         |         |
|-----------------------|---------|---------|
| Property Taxes        | 1,094   |         |
| Intergovernmental     | 890,127 |         |
| Interest              | (897)   |         |
| Charges for Services  | 6,451   |         |
| Fines and Forfeitures | 11,676  |         |
| Other Revenue         | 4,177   | 912,628 |

Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities:

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| General Obligation Bonds Payable  | 280,000   |           |
| Energy Conservation Notes Payable | 11,452    |           |
| Bond Anticipation Notes Payable   | 5,754,000 | 6,045,452 |

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

38,786

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.

(4,427,000)

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 the funds:

|                              |          |          |
|------------------------------|----------|----------|
| Vacation Benefits Payable    | (42,443) |          |
| Compensated Absences Payable | 11,645   |          |
| Capital Lease Payable        | 16,567   | (14,231) |

The internal service fund used by management to charge the costs of insurance and workers' compensation to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expenses of the internal service fund is allocated among governmental activities.

(5,287)

**Change in Net Assets of Governmental Activities**

**\$4,385,249**

See accompanying notes to the basic financial statements

**Washington County, Ohio**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Budget Basis)**  
**General Fund**  
**For the Year Ended December 31, 2003**

|  | <u>Budgeted Amounts</u> |                    |                    | <b>Variance with</b>  |
|--|-------------------------|--------------------|--------------------|---|
|  | <u>Original</u>         | <u>Final</u>       | <u>Actual</u>      | <b>Final Budget</b><br><b>Positive</b><br><b>(Negative)</b> |
| <b>Revenues</b>                              |                         |                    |                    |   |
| Property Taxes                               | \$2,225,000             | \$2,280,349        | \$2,289,907        | \$9,558   |
| Sales Taxes                                  | 8,242,328               | 5,809,359          | 5,907,866          | 98,507  |
| Payment in Lieu of Taxes                     | 3,500                   | 8,843              | 12,618             | 3,775   |
| Charges for Services                         | 2,019,139               | 2,192,179          | 2,179,301          | (12,878)  |
| Licenses and Permits                         | 6,400                   | 6,515              | 7,400              | 885   |
| Fines and Forfeitures                        | 111,000                 | 112,450            | 106,096            | (6,354)   |
| Intergovernmental                            | 1,658,507               | 1,665,393          | 1,761,249          | 95,856  |
| Interest                                     | 602,150                 | 706,163            | 814,996            | 108,833   |
| Miscellaneous                                | 114,550                 | 178,938            | 183,805            | 4,867   |
| <i>Total Revenues</i>                        | <u>14,982,574</u>       | <u>12,960,189</u>  | <u>13,263,238</u>  | <u>303,049</u>  |
| <b>Expenditures</b>                          |                         |                    |                    |   |
| Current:                                     |                         |                    |                    |   |
| General Government:                          |                         |                    |                    |   |
| Legislative and Executive                    | 3,814,149               | 3,812,644          | 3,683,096          | 521,011   |
| Judicial                                     | 1,250,765               | 1,258,546          | 1,136,770          | 39,366  |
| Public Safety                                | 2,803,405               | 2,830,695          | 2,599,895          | 38  |
| Public Works                                 | 5,974,914               | 4,591,045          | 3,542,018          | 0   |
| Health                                       | 207,650                 | 218,932            | 156,901            | 0   |
| Human Services                               | 538,476                 | 539,049            | 473,366            | 19,250  |
| Economic Development                         | 176,178                 | 154,073            | 154,073            | 0   |
| Other  | 610,256                 | 695,310            | 646,717            | 48,593  |
| Capital Outlay                               | 0                       | 4,110              | 4,110              | 0   |
| Intergovernmental                            | 1,661,064               | 1,628,433          | 1,049,983          | 8,000   |
| <i>Total Expenditures</i>                    | <u>17,036,857</u>       | <u>15,732,837</u>  | <u>13,446,929</u>  | <u>2,285,908</u>  |
| <i>Excess of Revenues Under Expenditures</i> | <u>(2,054,283)</u>      | <u>(2,772,648)</u> | <u>(183,691)</u>   | <u>2,588,957</u>  |
| <b>Other Financing Sources (Uses)</b>        |                         |                    |                    |   |
| Transfers In                                 | 100,000                 | 110,000            | 100,001            | (9,999)   |
| Advance Out                                  | 0                       | (92)               | (92)               | 0   |
| Transfers Out                                | (1,539,244)             | (1,632,520)        | (1,630,798)        | 1,722   |
| <i>Total Other Financing Sources (Uses)</i>  | <u>(1,439,244)</u>      | <u>(1,522,612)</u> | <u>(1,530,889)</u> | <u>(8,277)</u>  |
| <i>Net Change in Fund Balance</i>            | (3,493,527)             | (4,295,260)        | (1,714,580)        | 2,580,680   |
| <i>Fund Balance Beginning of Year</i>        | 4,964,688               | 4,964,688          | 4,964,688          | 0   |
| Prior Year Encumbrances Appropriated         | 1,191,709               | 1,191,709          | 1,191,709          | 0   |
| <i>Fund Balance End of Year</i>              | <u>\$2,662,870</u>      | <u>\$1,861,137</u> | <u>\$4,441,817</u> | <u>\$2,580,680</u>  |

See accompanying notes to the basic financial statements

**Washington County, Ohio**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Budget Basis)**  
**Job and Family Services Fund**  
**For the Year Ended December 31, 2003**

|  | <u>Budgeted Amounts</u> |                  | <u>Actual</u>      | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|------------------|--------------------|---|
|  | <u>Original</u>         | <u>Final</u>     |                    |   |
| <b>Revenues</b>                              |                         |                  |                    |   |
| Intergovernmental                            | \$7,891,239             | \$7,062,444      | \$7,062,444        | \$0   |
| Interest                                     | 0                       | 100,795          | 100,795            | 0   |
| Miscellaneous                                | 123,500                 | 38,859           | 38,859             | 0   |
| <i>Total Revenues</i>                        | 8,014,739               | 7,202,098        | 7,202,098          | 0   |
| <b>Expenditures</b>                          |                         |                  |                    |   |
| Current:                                     |                         |                  |                    |   |
| Human Services                               | 8,712,179               | 9,786,469        | 8,729,626          | 1,056,843   |
| <i>Excess of Revenues Under Expenditures</i> | (697,440)               | (2,584,371)      | (1,527,528)        | (1,056,843)   |
| <b>Other Financing Sources</b>               |                         |                  |                    |   |
| Transfers In                                 | 259,511                 | 259,511          | 259,511            | 0   |
| <i>Net Change in Fund Balance</i>            | (437,929)               | (2,324,860)      | (1,268,017)        | 1,056,843   |
| <i>Fund Balance Beginning of Year</i>        | 2,424,253               | 2,424,253        | 2,424,253          | 0   |
| Prior Year Encumbrances Appropriated         | 437,929                 | 437,929          | 437,929            | 0   |
| <i>Fund Balance End of Year</i>              | <u>\$1,986,324</u>      | <u>\$537,322</u> | <u>\$1,594,165</u> | <u>\$1,056,843</u>  |

See accompanying notes to the basic financial statements

**Washington County, Ohio**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Budget Basis)**  
**Motor Vehicle and Gasoline Tax Fund**  
**For the Year Ended December 31, 2003**

|   | <u>Budgeted Amounts</u> |                  | <u>Actual</u>      | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|------------------|--------------------|---|
|   | <u>Original</u>         | <u>Final</u>     |                    |   |
| <b>Revenues</b>                                     |                         |                  |                    |   |
| Charges for Services                                | \$10,000                | \$10,000         | \$85,676           | \$75,676  |
| Fines and Forfeitures                               | 15,000                  | 15,000           | 40,922             | 25,922  |
| Intergovernmental                                   | 3,670,000               | 3,670,000        | 4,221,197          | 551,197   |
| Interest  | 20,000                  | 20,000           | 105,027            | 85,027  |
| Miscellaneous                                       | 5,600                   | 46,242           | 134,946            | 88,704  |
| <i>Total Revenues</i>                               | 3,720,600               | 3,761,242        | 4,587,768          | 826,526   |
| <b>Expenditures</b>                                 |                         |                  |                    |   |
| Current:  |                         |                  |                    |   |
| Public Works  | 5,626,291               | 5,188,018        | 4,336,223          | 851,795   |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (1,905,691)             | (1,426,776)      | 251,545            | 1,678,321   |
| <b>Other Financing Uses</b>                         |                         |                  |                    |   |
| Transfers Out                                       | (35,000)                | (988,611)        | (953,611)          | 35,000  |
| <i>Net Change in Fund Balance</i>                   | (1,940,691)             | (2,415,387)      | (702,066)          | 1,713,321   |
| <i>Fund Balance Beginning of Year</i>               | 2,286,889               | 2,286,889        | 2,286,889          | 0   |
| Prior Year Encumbrances Appropriated                | 340,691                 | 340,691          | 340,691            | 0   |
| <i>Fund Balance End of Year</i>                     | <u>\$686,889</u>        | <u>\$212,193</u> | <u>\$1,925,514</u> | <u>\$1,713,321</u>  |

See accompanying notes to the basic financial statements

**Washington County, Ohio**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Budget Basis)**  
**Mental Retardation and Developmental Disabilities Fund**  
**For the Year Ended December 31, 2003**

|  | <u>Budgeted Amounts</u> |                         | <u>Actual</u>           | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|-------------------------|-------------------------|---|
|  | <u>Original</u>         | <u>Final</u>            |                         |   |
| <b>Revenues</b>                              |                         |                         |                         |   |
| Property Taxes                               | \$2,545,000             | \$2,624,376             | \$2,624,376             | \$0   |
| Charges for Services                         | 46,500                  | 87,421                  | 87,421                  | 0   |
| Intergovernmental                            | 2,480,140               | 2,422,938               | 2,494,203               | 71,265  |
| Miscellaneous                                | <u>7,000</u>            | <u>47,181</u>           | <u>47,181</u>           | <u>0</u>  |
| <i>Total Revenues</i>                        | 5,078,640               | 5,181,916               | 5,253,181               | 71,265  |
| <b>Expenditures</b>                          |                         |                         |                         |   |
| Current:                                     |                         |                         |                         |   |
| Health                                       | <u>6,334,450</u>        | <u>6,555,445</u>        | <u>6,087,283</u>        | <u>468,162</u>  |
| <i>Excess of Revenues Under Expenditures</i> | <u>(1,255,810)</u>      | <u>(1,373,529)</u>      | <u>(834,102)</u>        | <u>539,427</u>  |
| <i>Net Change in Fund Balance</i>            | (1,255,810)             | (1,373,529)             | (834,102)               | 539,427   |
| <i>Fund Balance Beginning of Year</i>        | 1,485,496               | 1,485,496               | 1,485,496               | 0   |
| Prior Year Encumbrances Appropriated         | <u>146,936</u>          | <u>146,936</u>          | <u>146,936</u>          | <u>0</u>  |
| <i>Fund Balance End of Year</i>              | <u><u>\$376,622</u></u> | <u><u>\$258,903</u></u> | <u><u>\$798,330</u></u> | <u><u>\$539,427</u></u>   |

See accompanying notes to the basic financial statements

**Washington County, Ohio**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**December 31, 2003**

|   | Business-Type<br>Activity<br>Sewer<br>Enterprise Fund | Governmental<br>Activity-<br>Internal Service<br>Fund |
|---|---|---|
| <b>Assets</b>   |   |   |
| Current Assets:   |   |   |
| Equity in Pooled Cash and Cash Equivalents              | \$74,779  | \$0   |
| Cash and Cash Equivalents with Fiscal and Escrow Agents | 0   | 25,984  |
| Receivables:  |   |   |
| Accounts  | 114,035   | 0   |
| Special Assessments                                     | 271,631   | 0   |
| <i>Total Current Assets</i>                             | 460,445   | 25,984  |
| Noncurrent Assets:                                      |   |   |
| Depreciable Capital Assets, Net                         | 4,640,780   | 0   |
| <i>Total Assets</i>                                     | 5,101,225   | 25,984  |
| <b>Liabilities</b>                                      |   |   |
| Current Liabilities:                                    |   |   |
| Accounts Payable  | 8,215   | 0   |
| Accrued Wages and Benefits Payable                      | 2,076   | 0   |
| Vacation Benefits Payable                               | 2,498   | 0   |
| Intergovernmental Payable                               | 9,121   | 0   |
| Claims Payable - Health Benefits                        | 0   | 50,462  |
| Accrued Interest Payable                                | 7,496   | 0   |
| Notes Payable   | 1,000   | 0   |
| Current Portion of OPWC Loans Payable                   | 44,080  | 0   |
| Current Portion of FHA Loan Payable                     | 5,000   | 0   |
| <i>Total Current Liabilities</i>                        | 79,486  | 50,462  |
| Long-Term Liabilities (Net of Current Portion):         |   |   |
| Notes Payable   | 5,000   | 0   |
| OPWC Loans Payable                                      | 402,709   | 0   |
| FHA Sewer Loan Payable                                  | 824,000   | 0   |
| <i>Total Long-Term Liabilities</i>                      | 1,231,709   | 0   |
| <i>Total Liabilities</i>                                | 1,311,195   | 50,462  |
| <b>Net Assets (Deficit)</b>                             |   |   |
| Invested in Capital Assets, Net of Related Debt         | 3,358,991   | 0   |
| Unrestricted (Deficit)                                  | 431,039   | (24,478)  |
| <i>Total Net Assets (Deficit)</i>                       | \$3,790,030   | (\$24,478)  |

See accompanying notes to the basic financial statements  
See accountant's compilation report

**Washington County, Ohio**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2003**

|   | Business-Type<br>Activity<br><u>Sewer<br/>Enterprise Fund</u> | Governmental<br>Activities-<br><u>Internal Service<br/>Fund</u> |
|---|---|---|
| <b>Operating Revenues</b>   |   |   |
| Charges for Services  | \$313,740   | \$0   |
| Charges for Services - Health Benefits                                    | 0   | 658,114   |
| Miscellaneous   | 41,909  | 0   |
| <i>Total Operating Revenues</i>   | <u>355,649</u>  | <u>658,114</u>  |
| <b>Operating Expenses</b>   |   |   |
| Personal Services   | 73,169  | 0   |
| Fringe Benefits   | 12,207  | 0   |
| Contractual Services  | 108,216   | 0   |
| Contractual Services - Health Benefits                                    | 0   | 216,691   |
| Materials and Supplies  | 32,447  | 0   |
| Claims - Health Benefits  | 0   | 446,710   |
| Depreciation  | 164,866   | 0   |
| Other   | 29,023  | 0   |
| <i>Total Operating Expenses</i>   | <u>419,928</u>  | <u>663,401</u>  |
| <i>Operating Loss</i>   | (64,279)  | (5,287)   |
| <b>Non-Operating Expenses</b>   |   |   |
| Interest and Fiscal Charges   | (39,656)  | 0   |
| <i>Change in Net Assets</i>   | (103,935)   | (5,287)   |
| <i>Net Assets (Deficit) Beginning<br/>of Year - Restated (See Note 3)</i> | <u>3,893,965</u>  | <u>(19,191)</u>   |
| <i>Net Assets (Deficit) End of Year</i>                                   | <u><u>\$3,790,030</u></u>                                     | <u><u>(\$24,478)</u></u>  |

See accompanying notes to the basic financial statements



**Washington County, Ohio**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2003**

|  | Business-Type<br>Activity | Governmental<br>Activities- |
|--|---------------------------|-----------------------------|
|  | Sewer                     | Internal Service            |
|  | Enterprise Fund           | Fund                        |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>          |                           |                             |
| <b>Cash Flows from Operating Activities</b>                      |                           |                             |
| Cash Received from Customers                                     | \$313,229                 | \$732,195                   |
| Cash Payments for Employee Services and Benefits                 | (84,337)                  | 0                           |
| Cash Payments for Goods and Services                             | (133,426)                 | (216,691)                   |
| Cash Payments for Claims - Health Benefits                       | 0                         | (499,111)                   |
| Other Operating Expenses   | (29,023)                  | 0                           |
| Other Operating Revenues   | 41,909                    | 0                           |
|  | <u>108,352</u>            | <u>16,393</u>               |
| <i>Net Cash Provided by Operating Activities</i>                 |                           |                             |
| <b>Cash Flows from Capital and Related Financing Activities</b>  |                           |                             |
| Proceeds from Sale of Notes                                      | 6,000                     | 0                           |
| Special Assessments  | 21,200                    | 0                           |
| Principal Paid on Debt   | (38,325)                  | 0                           |
| Interest and Fiscal Charges Paid on Debt                         | (39,252)                  | 0                           |
|  | <u>(50,377)</u>           | <u>0</u>                    |
| <i>Net Cash Used in Capital and Related Financing Activities</i> |                           |                             |
|  | 57,975                    | 16,393                      |
| <i>Net Increase in Cash and Cash Equivalents</i>                 |                           |                             |
|  | 16,804                    | 9,591                       |
| <i>Cash and Cash Equivalents Beginning of Year</i>               |                           |                             |
|  | <u>\$74,779</u>           | <u>\$25,984</u>             |
| <i>Cash and Cash Equivalents End of Year</i>                     |                           |                             |
|  | <u>\$74,779</u>           | <u>\$25,984</u>             |

(Continued)

**Washington County, Ohio**  
**Statement of Cash Flows**  
**Proprietary Funds (Continued)**  
**For the Year Ended December 31, 2003**

|  | Business-Type<br>Activity<br>Sewer<br>Enterprise Fund | Governmental<br>Activities-<br>Internal Service<br>Fund |
|--|---|---|
| <b>Reconciliation of Operating Loss to Net Cash<br/>Provided by Operating Activities</b> |   |   |
| Operating Loss   | (\$64,279)  | (\$5,287)   |
| Adjustments:   |   |   |
| Depreciation   | 164,866   | 0   |
| Changes in Assets and Liabilities:   |   |   |
| (Increase) Decrease in Accounts Receivable   | (511)   | 74,081  |
| Increase (Decrease) in Accounts Payable  | 2,366   | 0   |
| Decrease in Accrued Wages and Benefits Payable   | (33)  | 0   |
| Increase in Vacation Benefits Payable  | 2,498   | 0   |
| Decrease in Compensated Absences Payable   | (2,400)   | 0   |
| Decrease in Claims Payable - Health Benefits   | 0   | (52,401)  |
| Increase in Intergovernmental Payable  | 5,845   | 0   |
|  | <b>\$108,352</b>                                      | <b>\$16,393</b>   |
| <i>Net Cash Provided by Operating Activities</i>   | <b>\$108,352</b>                                      | <b>\$16,393</b>   |

See accompanying notes to the basic financial statements

**Washington County, Ohio**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**December 31, 2003**

**Assets**

|  |             |
|--|-------------|
| Equity in Pooled Cash and Cash Equivalents       | \$1,930,781 |
| Cash and Cash Equivalents in Segregated Accounts | 456,583     |
| Investments in Segregated Accounts               | 39,039      |
| Receivables:                                     |             |
| Property Taxes                                   | 39,048,102  |
| Receivable from External Parties                 | 8,899       |
| Special Assessments                              | 277,349     |
| Intergovernmental                                | 3,152,391   |

|                     |                            |
|---------------------|----------------------------|
| <i>Total Assets</i> | <u><u>\$44,913,144</u></u> |
|---------------------|----------------------------|

**Liabilities**

|                             |              |
|-----------------------------|--------------|
| Intergovernmental Payable   | \$43,729,087 |
| Payable to External Parties | 11,779       |
| Undistributed Monies        | 1,172,278    |

|                          |                            |
|--------------------------|----------------------------|
| <i>Total Liabilities</i> | <u><u>\$44,913,144</u></u> |
|--------------------------|----------------------------|

See accompanying notes to the basic financial statements

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**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2003*

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**NOTE 1 - REPORTING ENTITY**

Washington County, Ohio (The County) was created July 26, 1778, by Governor Aurthur St. Clair. The County was the first county formed in the Northwest Territory and is composed of twenty-two townships. The County is governed by a board of three County Commissioners elected by the voters of the County. An elected County Auditor serves as chief fiscal officer. In addition, there are seven other elected administrative officials. These officials are: County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, and Sheriff. Also elected are two Common Pleas Court Judges, and a Probate and Juvenile Court Judge. The County Commissioners serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the County.

The reporting entity is composed 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 Washington County, this includes the Board of Mental Retardation and Developmental Disabilities, the Children Services' Board, the Mental Health and Recovery Services Board, and all departments and activities that are directly operated by the elected County Officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the program's governing board and (1) the County is able to significantly influence the programs of services performed or provided by the organization; or (2) the County is legally entitled to or can 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 levying of taxes, or the issuance of debt.

***Discretely Presented Component Units***

Wasco, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. Wasco, Inc., under a contractual agreement with the Washington County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Washington County. The Washington County Board of MR/DD provides Wasco, Inc. with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of Wasco, Inc. Based on the significant services and resources provided by the County to Wasco, Inc., and the sole purpose of Wasco, Inc. being to provide assistance to the retarded and handicapped adults of Washington County, Wasco, Inc. is presented as a component unit of Washington County. Wasco, Inc. operates on a fiscal year ending August 31. The financial statements of Wasco, Inc. were prepared in accordance with Governmental Accounting Standards Board Statement 34 following the governmental model of reporting. Separately issued financial statements can be obtained from Wasco, Inc., Marietta, Ohio.

Southeastern Ohio Port Authority (the Authority) was created during 2003 pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution, and research and development interest of Southeastern Ohio, including rendering financials and other assistance to such enterprises situated in the region and to induce the location in Southeastern Ohio of other manufacturing, commerce, distribution, and research entities; to purchase, subdivide, sell and lease real property in Southeastern Ohio and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio. The Authority's Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Washington County Commissioners. The County has been deemed

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2003*

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financially accountable for the Authority; therefore, is included as a discretely presented component unit. Separately issued financial statements can be obtained from the Authority, Marietta, Ohio.

The following potential component units have been excluded from the County's financial statements:

- Washington County Career Center
- Washington County Educational Service Center
- Washington County Agriculture and Mechanical Association
- Washington County Historical Society
- Washington State Community College
- Washington County Cooperative Extension
- Marietta Tourist and Convention Bureau
- Washington County Law Library

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

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

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

The County is associated with certain organizations which are defined as jointly governed organizations and insurance purchasing pools. These organizations are presented in Notes 18 and 20 to the Basic Financial Statements. The organizations are:

- Buckeye Hills-Hocking Valley Regional Development District
- Joint Solid Waste District
- Washington County Family and Children First Council
- Washington-Morgan Community Action Corporation
- Wood, Washington, and Wirt Planning Commission
- Buckeye Hills Resource Conservation and Development Project
- Mid Eastern Ohio Regional Council of Governments (MEORC)
- Buckeye Joint-County Self-Insurance Council
- County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is associated with the Washington County Public Library which is classified as a related organization. Additional information concerning the related organization is presented in Note 19.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2003*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise fund. The most significant of the County's accounting policies are described below.

*A. Basis of Presentation*

The County's basic financial statements consist of government-wide 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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the County is to not allocate indirect expenses to functions in the statement of activities. 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 earned on grants 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 business segment or governmental function is self-financing or draws from the general revenues of the County.

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

*B. Fund Accounting*

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

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2003*

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**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major Governmental Funds:

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

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

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

**Mental Retardation and Developmental Disabilities Fund** This fund accounts for the operation of a school and the costs of administering a sheltered workshop for the mentally retarded and developmentally disabled residents of the County. Revenue sources are federal and State grant monies and a county-wide property tax levy.

**Bond Retirement Fund** This fund accounts for property tax revenues used for the retirement of principal and interest on bonds.

**County Jail Construction Fund** This fund accounts for note and bond proceeds and transfers from the General Fund to be expended for the construction and maintenance of the County Justice Facility.

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either Enterprise or Internal Service.

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is a description of the County's Enterprise Fund:

**Sewer Fund** This fund accounts for sanitary sewer services provided to County individual and commercial users. The costs of providing these services are financed primarily through user charges.

**Internal Service Fund** Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The Internal Service Fund is used to account for the operation of the Board of Mental Retardation Developmental Disabilities' self insurance program for employee health benefits and prescription drugs.

**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. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to



**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2003*

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support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County's fiduciary funds are all classified as agency funds. The agency funds account for assets held by the County as agent for the Board of Health and other districts and entities and for various taxes, assessments, and state shared resources collected on behalf of and distributed to other local governments.

*C. Measurement Focus*

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. 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. With this measurement focus, only current assets and current liabilities generally are 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. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

*D. Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**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 fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal 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

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2003*

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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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (see Note 8), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals. Using this criteria, the County has elected to not record child support arrearages within the special revenue and agency fund types. This amount, while potentially significant, is not considered measurable, and because collection is often significantly in arrears, the County is unable to determine a reasonable value.

***Deferred Revenue*** Deferred revenue arises 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 are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

*E. Budgetary Process*

All funds, except 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 appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund, program, department, and object 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 budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2003.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2003*

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

*F. Cash and Cash Equivalents*

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

During 2003, the County had investments in certificates of deposit, which are reported at cost, and in United States Government Bonds as part of the Children Services Special Revenue Fund. These investments have maturities greater than three months and are reported at fair value, which is based on quoted market prices. The County Court Agency Fund certificate of deposit and the investments of the Children Services Special Revenue Fund are reflected as "Investments in Segregated Accounts".

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2003 amounted to \$799,355, which includes \$624,493 assigned from other County funds.

The County has segregated bank accounts for monies held separate from the County's pooled accounts. These depository accounts are presented as "Cash and Cash Equivalents in Segregated Accounts" since they are not deposited into the County's treasury.

The County utilizes a financial institution to account for the self insurance internal service fund. This interest bearing depository account is presented in the financial statements as "Cash and Cash Equivalents with Fiscal and Escrow Agents" and represents deposits.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Wasco, Inc. considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. Investments for Wasco, Inc. (component unit) consist of certificates of deposit. These investments have maturities of more than three months.

The Authority's funds are held in a demand account.

*G. Inventory*

Inventory of Wasco, Inc. is stated at cost on a first-in, first-out basis.

*H. Prepaid Items*

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2003

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*I. Interfund Balances*

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and fiduciary funds, which are presented as "Payable to/Receivable from External Parties".

*J. Capital Assets*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest costs incurred during the construction of capital assets utilized by the enterprise funds are also capitalized.

All reported capital assets are depreciated except for land, infrastructure, and construction in process. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>         | <u>Governmental<br/>Activities<br/>Estimated Lives</u> | <u>Business-Type<br/>Activity<br/>Estimated Lives</u> |
|----------------------------|--|---|
| Buildings and Improvements | 40 Years   | 40 Years  |
| Machinery and Equipment    | 5-20 Years   | 5-20 Years  |
| Infrastructure             | 4-100 Years  | 4-100 Years   |
| Vehicles                   | 5 Years  | 5 Years   |

County road and bridges (infrastructure reported in the Governmental activities column of the statement of net assets) are presented using the modified approach and therefore these assets are not depreciated. In addition, expenditures made by the County to preserve existing roads or bridges are expensed rather than capitalized. Only expenditure for additions or improvement are capitalized. Additional disclosures about the condition assessments and maintenance cost regarding the County's roads and bridges appear in the Required Supplementary Information.

WASCO, Inc. depreciates buildings, equipment and fixtures and vehicles for 10 years utilizing the straight-line method. The Authority depreciates buildings and infrastructure from 30-50 years, building improvements for 20 years, and vehicles and equipment for 5 years.

*K. 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 the County will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long term liabilities, as the balances are to be used by the employees in the year following the year earned. For Wasco, Inc., all unused vacation leave at fiscal year end is accrued as a liability.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2003*

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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 those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the County's termination policy. The County records a liability for accumulated, unused sick leave for all employees of the following departments after fifteen years of service: Recorder, Veterans, Commissioners, Auditor, Treasurer, Common Pleas Court, County Home, Juvenile/Probate Court, Clerk of Courts, and Board of Elections, and after twenty years of service for the remaining departments.

*L. Accrued Liabilities and Long-term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund 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, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability in the governmental fund financial statements when due.

Long-term debt and other obligations financed by the proprietary fund are reported as liabilities in the proprietary fund.

*M. Fund Balance Reserves*

The County reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, unclaimed monies, and loans (community development block grant monies loaned to local businesses). Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

*N. 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 balances 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 the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The restrictions for other purposes include activities related to street, highway and bridge maintenance, sheriff operations, Court and Corrections activities, community development projects, and miscellaneous other activities.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2003*

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*O. Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for wastewater treatment, and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

*P. Contributions of Capital*

Contributions of capital in the enterprise fund arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

*Q. Interfund Activity*

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

*R. Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence.

*S. Estimates*

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

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY**

***Changes in Accounting Principles*** For the year ended December 31, 2003, the County has implemented 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 No. 38, “Certain Financial Statement Note Disclosures,” GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences,” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” At December 31, 2002, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

**Washington County, Ohio**  
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GASB 34 creates new basic financial statements for reporting on the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the County's programs between business-type activities and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

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.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the county not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of this statement did not have any effect on the presentation County's budgetary financial statements for 2003.

**Restatement of Fund Balances** During 2003, there were also restatements of fund equity for corrections of prior year accrual balances, the reclassification of the 1% Permissive Sales Tax from a Special Revenue Fund to the General Fund, the allocation of agency fund cash associated with County activities, and the increase of the capital asset threshold to five thousand dollars. These restatements and the implementation of Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the County as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

|  | General            | Job and<br>Family Services | Motor<br>Vehicle and<br>Gasoline Tax | Mental<br>Retardation<br>and Developmental<br>Disabilities |
|--|--------------------|----------------------------|--------------------------------------|--|
| Fund Balances                                |                    |                            |                                      |  |
| December 31, 2002                            | \$1,193,607        | \$619,663                  | \$3,312,423                          | \$1,572,127  |
| Permissive Sales Tax                         |                    |                            |                                      |  |
| Fund Reclassification                        | 5,912,743          | 0                          | 0                                    | 0  |
| Interpretation 6                             | 22,836             | 7,294                      | 4,508                                | 6,847  |
| Eliminate Interfund Activity                 | (577)              | 0                          | 0                                    | 0  |
| Agency Fund Cash Allocation                  | 62,437             | 0                          | 0                                    | 71,745   |
| Restated Fund Balances,<br>December 31, 2002 | <u>\$7,191,046</u> | <u>\$626,957</u>           | <u>\$3,316,931</u>                   | <u>\$1,650,719</u>   |

**Washington County, Ohio**  
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The transition from governmental fund balance to net assets of the governmental activities continued:

|   | Bond<br>Retirement | Jail<br>Construction | Nonmajor<br>Funds | Totals        |
|---|--------------------|----------------------|-------------------|---------------|
| Fund Balances   |                    |                      |                   |               |
| December 31, 2002                                     | \$100,009          | (\$580,132)          | \$14,911,545      | \$21,129,242  |
| Permissive Sales Tax                                  |                    |                      |                   |               |
| Fund Reclassification                                 | 0                  | 0                    | (5,912,743)       | 0             |
| Interpretation 6                                      | 0                  | 0                    | 42,751            | 84,236        |
| Eliminate Interfund Activity                          | 0                  | 0                    | 577               | 0             |
| Restated Liability                                    | 0                  | 2,836,761            | 2,992,782         | 5,829,543     |
| Agency Fund Cash Allocation                           | 5,217              | 0                    | 69,282            | 208,681       |
| Restated Fund Balances                                |                    |                      |                   |               |
| December 31, 2002                                     | \$105,226          | \$2,256,629          | \$12,104,194      | 27,251,702    |
| GASB 34 Adjustments:                                  |                    |                      |                   |               |
| Capital Assets  |                    |                      |                   | 148,038,611   |
| Internal Service Fund                                 |                    |                      |                   | (19,191)      |
| Long-Term Liabilities                                 |                    |                      |                   | (9,863,178)   |
| Accrued Interest Payable                              |                    |                      |                   | (95,465)      |
| Long-Term (Deferred) Assets                           |                    |                      |                   | 5,721,370     |
| Vacation Benefits Payable                             |                    |                      |                   | (679,039)     |
| Compensated Absences                                  |                    |                      |                   | (202,165)     |
| Governmental Activities Net Assets, December 31, 2002 |                    |                      |                   | \$170,152,645 |

The transition from proprietary fund equity to net assets of the business type activities is as follows:

|   |                           |
|---|---------------------------|
|   | Business-Type<br>Activity |
| Fund Equity, December 31, 2002            | \$4,006,111               |
| Capital Asset Threshold Restatements, Net | (112,146)                 |
| Adjusted Net Assets December 31, 2002     | \$3,893,965               |



**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General and major special revenue funds are 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures 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 (budget basis) rather than as a reservation of fund balance.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Unrecorded cash and unrecorded interest are reported on the balance sheet (GAAP basis), but not on the budgetary basis. The reconciled difference is reflected in the following tables as unrecorded cash.
6. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.

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:

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
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Net Change in Fund Balances  
General and Major Special Revenue Funds

|  | General                     | Job and<br>Family<br>Services | Motor<br>Vehicle and<br>Gasoline Tax | Mental<br>Retardation<br>and Developmental<br>Disabilities |
|--|-----------------------------|-------------------------------|--------------------------------------|--|
|  | <u>General</u>              | <u>Services</u>               | <u>Gasoline Tax</u>                  | <u>Disabilities</u>  |
| GAAP Basis                                 | (\$836,248)                 | \$296,017                     | (\$807,932)                          | (\$653,442)  |
| Net Adjustment for<br>Revenue Accruals     | 22,663                      | (1,211,163)                   | (64,963)                             | (103,195)  |
| Beginning of the Year:                     |                             |                               |                                      | 0  |
| Unrecorded Cash                            | 40,560                      | 1,833                         | 0                                    | 0  |
| Unreported Interest                        | 116,419                     | 0                             | 0                                    | 0  |
| Segregated Accounts                        | 34,096                      | 0                             | 0                                    | 0  |
| Agency Fund<br>Cash Allocation             | 62,437                      | 0                             | 0                                    | 71,745   |
| Prepaid Items                              | 18,399                      | 11,009                        | 502                                  | 42,879   |
| End of the Year:                           |                             |                               |                                      | 0  |
| Unrecorded Cash                            | (61,233)                    | (2,513)                       | (155)                                | 0  |
| Unreported Interest                        | (100,778)                   | 26,440                        | 17,219                               | 0  |
| Segregated Accounts                        | (42,840)                    | 0                             | 0                                    | 0  |
| Agency Fund<br>Cash Allocation             | (56,072)                    | 0                             | 0                                    | (85,253)   |
| Prepaid Items                              | (9,083)                     | (9,120)                       | (155)                                | (13,021)   |
| Net Adjustment for<br>Expenditure Accruals | 138,429                     | 31,394                        | 426,854                              | 72,236   |
| Advances Out                               | (92)                        | 0                             | 0                                    | 0  |
| Encumbrances                               | <u>(1,041,237)</u>          | <u>(411,914)</u>              | <u>(273,436)</u>                     | <u>(166,051)</u>   |
| Budget Basis                               | <u><u>(\$1,714,580)</u></u> | <u><u>(\$1,268,017)</u></u>   | <u><u>(\$702,066)</u></u>            | <u><u>(\$834,102)</u></u>                                  |

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 5 - ACCOUNTABILITY AND COMPLIANCE**

The following funds had a deficit fund balance or deficit net assets as of December 31, 2003:

|                               | <u>Deficit Fund<br/>Balance / Net Assets</u> |
|-------------------------------|--|
| <u>Capital Projects Fund:</u> |  |
| Jail Construction             | \$472,600                                    |
| <u>Internal Service Fund:</u> |  |
| Self Insurance                | 24,478                                       |

The deficit in the Jail Construction Capital Projects Fund is due to the recognition of contracts payable in accordance with generally accepted accounting principles. Debt proceeds and approved grant monies to be received in 2004 will eliminate this deficit.

The deficit in the Self Insurance Internal Service Fund is due to claims expense exceeding assessed charges.

**NOTE 6 - DEPOSITS AND INVESTMENTS**

***PRIMARY GOVERNMENT***

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
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6. 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;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) of this section or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

**Cash on Hand** At year end, the County had \$245,613 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Cash and Cash Equivalents."

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 \$23,113,939 and the bank balance was \$24,198,645. Of the bank balance:

1. \$790,769 was covered by federal depository insurance; and
2. \$22,968,985 was collateralized with securities held by the pledging financial institution's trust department in the County's name.
3. \$438,891 was uninsured and uncollateralized. Although all 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.

**Investments** The County's investments are required to be categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name.

|                     | Interest<br>Rates | Category<br>3 | Fair<br>Value |
|---------------------|-------------------|---------------|---------------|
| US Government Bonds | 4.14-6.35%        | \$62,509      | \$62,509      |

The US Government Bonds have a maturity of April 4, 2007.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
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The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

|                         | Cash and<br>Cash<br>Equivalents/<br>Deposits | Investments |
|-------------------------|--|-------------|
| GASB Statement 9        | \$23,320,513                                 | \$101,548   |
| Cash on Hand            | (245,613)                                    | 0           |
| Certificates of Deposit | 39,039                                       | (39,039)    |
| GASB Statement 3        | \$23,113,939                                 | \$62,509    |

***COMPONENT UNIT***

At fiscal year end, the carrying amount of Wasco, Inc.'s deposits was \$120,533 and the bank balance was \$116,255. \$100,000 of the bank balance was covered by federal depository insurance and \$16,255 was uninsured and uncollateralized. Wasco, Inc. holds two certificates of deposit totaling \$44,544. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

At fiscal year end, the carrying amount of Southeastern Ohio Port Authority's deposits was \$12,187 and the bank balance was \$12,187. All of the bank balance was covered by federal depository insurance.

**NOTE 7 - RECEIVABLES**

*A. Property Taxes*

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2003 taxes.

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

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

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for all property except inventory, which is 23 percent.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
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The full tax rate for all County operations for the year ended December 31, 2003, was \$9.05 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

|   |                 |
|---|-----------------|
| Real Property                             | \$732,020,700   |
| Public Utility Tangible Personal Property | 84,427,830      |
| Tangible Personal Property                | 230,454,480     |
| Total Assessed Value                      | \$1,046,903,010 |

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

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

The County treasurer collects property taxes on behalf of all taxing districts in the County. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2003, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2003 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

*B. Intergovernmental Receivables*

| <b>Governmental Activities</b>             | <b>Amounts</b> |
|--|----------------|
| Local Government                           | \$678,145      |
| Homestead and Rollback                     | 408,343        |
| School Lunch Reimbursement                 | 2,780          |
| Estate Tax                                 | 1,396          |
| Building Regulation Fees                   | 705            |
| Court Fines                                | 17,282         |
| Defense of Indigents                       | 12,346         |
| Sheriff Contracts                          | 3,383          |
| Juvenile Center Child Support              | 119            |
| Elected Officials Pay Raise Reimbursements | 2,018          |

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
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|  | Amounts   |
|--|-----------|
| <b>Governmental Activities (cont'd):</b> |           |
| Contract Services                        | 16,855    |
| Gas Excise Tax                           | 827,634   |
| Motor Vehicle License                    | 1,327,428 |
| Permissive Motor Vehicle License         | 25,255    |
| EMPG                                     | 13,807    |
| Title III-E Project Lifesaver            | 5,462     |
| Auction Sales                            | 2,090     |
| Court Fines                              | 20,554    |
| National School Reimbursement            | 3,495     |
| Substitute Aide Reimbursement            | 245       |
| False Alarms - Sheriff                   | 25        |
| Social Security Support                  | 1,117     |
| ADA HB 484                               | 5,545     |
| Title XIX Medicaid                       | 562,787   |
| Womens Setaside                          | 17,167    |
| Southern Consortium                      | 80,338    |
| Community Plan BG                        | 21,599    |
| D&A State (Treatment and Prevention)     | 29,587    |
| Supplemental Treatment                   | 1,533     |
| ODADAS Womens Match                      | 5,383     |
| Child Adolescent Block Grant             | 8,534     |
| TANF (ODADAS)                            | 5,754     |
| State Subsidy                            | 782,996   |
| State Incentive                          | 51,250    |
| Title XX - Mental Health                 | 51,664    |
| Federal Block Grant                      | 99,572    |
| Recycle Ohio                             | 22,640    |
| Title XX - MRDD                          | 24,387    |
| Entry Year Grant                         | 1,100     |
| Special Education                        | 33,688    |
| Title XIX Medicaid - MRDD                | 157,152   |
| Innovative Programs                      | 666       |
| Early Childhood Special Education IDEA   | 9,665     |
| Children Services Grants                 | 479,307   |

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
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**Governmental Activities (cont'd):**

|  |                                  |
|--|----------------------------------|
| Community Development Block Grant                      | 441,500                          |
| Chip Grant   | 419,889                          |
| Victim Assistance                                      | 21,583                           |
| Juvenile Victim Assistance                             | 12,757                           |
| County Board Consolidated Payment                      | 155,332                          |
| Urban Mass Transportation                              | 9,449                            |
| RSVP Grants  | 4,129                            |
| Ohio Department of Rehabilitation and Correction Grant | <u>2,873,290</u>                 |
| <b>Total Governmental Activities</b>                   | <b><u><u>\$9,760,727</u></u></b> |

*C. Loans Receivable*

The Community Development Block Grant Special Revenue Fund reflects loans receivable of \$15,468. This amount is for the principal owed to the County for Federal Community Development Block Grant Program monies loaned to individuals for home improvements. The loans bear interest at annual rates of five percent. These loans are to be repaid over periods ranging from four to seven years.

**NOTE 8 - PERMISSIVE SALES AND USE TAX**

In 1983, the County Commissioners, by resolution, imposed a one percent tax on all retail sales made in the County and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. At the November 1989 general election, an additional one-half percent tax was approved by the voters of 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 the month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited to the General Fund and Sheriff's Sales Tax Special Revenue Funds. Sales tax revenues that are measurable and available at year end are accrued as revenue. Sales and use tax revenue in 2003 amounted to \$8,757,302.



**Washington County, Ohio**  
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**NOTE 9- CAPITAL ASSETS**

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

|                                       | <u>Balance</u><br><u>12/31/2002</u> | <u>Additions</u>     | <u>Reductions</u>    | <u>Balance</u><br><u>12/31/2003</u> |
|---------------------------------------|-------------------------------------|----------------------|----------------------|-------------------------------------|
| <b>Governmental Activities:</b>       |                                     |                      |                      |                                     |
| Non-Depreciable Capital Assets:       |                                     |                      |                      |                                     |
| Land                                  | \$233,413                           | \$0                  | \$0                  | \$233,413                           |
| Infrastructure                        | 133,968,378                         | 1,288,956            | 0                    | 135,257,334                         |
| Construction in Progress              | 3,046,945                           | 5,973,635            | (2,667,566)          | 6,353,014                           |
| Total Non-Depreciable Capital Assets  | <u>137,248,736</u>                  | <u>7,262,591</u>     | <u>(2,667,566)</u>   | <u>141,843,761</u>                  |
| Depreciable Capital Assets:           |                                     |                      |                      |                                     |
| Buildings and Improvements            | 12,359,781                          | 4,980,143            | 0                    | 17,339,924                          |
| Machinery and Equipment               | 4,976,839                           | 207,046              | (35,110)             | 5,148,775                           |
| Furniture and Fixtures                | 1,430,397                           | 91,235               | 0                    | 1,521,632                           |
| Vehicles                              | 3,749,104                           | 280,287              | (133,244)            | 3,896,147                           |
| Total Depreciable Capital Assets      | <u>22,516,121</u>                   | <u>5,558,711</u>     | <u>(168,354)</u>     | <u>27,906,478</u>                   |
| Accumulated Depreciation:             |                                     |                      |                      |                                     |
| Buildings and Improvements            | (6,491,640)                         | (377,622)            | 0                    | (6,869,262)                         |
| Machinery and Equipment               | (2,898,258)                         | (457,639)            | 32,638               | (3,323,259)                         |
| Furniture and Fixtures                | (523,532)                           | (76,115)             | 0                    | (599,647)                           |
| Vehicles                              | (1,812,816)                         | (383,206)            | 133,244              | (2,062,778)                         |
| Total Accumulated Depreciation        | <u>(11,726,246)</u>                 | <u>(1,294,582) *</u> | <u>165,882</u>       | <u>(12,854,946)</u>                 |
| Total Depreciable Capital Assets, Net | <u>10,789,875</u>                   | <u>4,264,129</u>     | <u>(2,472)</u>       | <u>15,051,532</u>                   |
| Governmental Capital Assets, Net      | <u>\$148,038,611</u>                | <u>\$11,526,720</u>  | <u>(\$2,670,038)</u> | <u>\$156,895,293</u>                |

**Washington County, Ohio**  
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\* Depreciation expense was charged to governmental activities as follows:

**Governmental Activities:**

General Government:

|                           |           |
|---------------------------|-----------|
| Legislative and Executive | \$113,879 |
| Judicial                  | 12,279    |
| Public Safety             | 267,953   |
| Public Works              | 530,345   |

Health:

|   |         |
|---|---------|
| Mental Retardation Developmental Disabilities | 146,368 |
| Mental Health                                 | 1,000   |
| County Home                                   | 79,844  |

Human Services:

|                           |        |
|---------------------------|--------|
| Children Services         | 41,729 |
| Job and Family Services   | 98,159 |
| Child Support Enforcement | 2,493  |
| Other Human Services      | 533    |

|                            |                           |
|----------------------------|---------------------------|
| Total Depreciation Expense | <u><u>\$1,294,582</u></u> |
|----------------------------|---------------------------|

|                                   | Balance<br>12/31/2002 | Additions          | Reductions | Balance<br>12/31/2003 |
|-----------------------------------|-----------------------|--------------------|------------|-----------------------|
| <b>Business-Type Activity:</b>    |                       |                    |            |                       |
| Depreciable Capital Assets:       |                       |                    |            |                       |
| Buildings and Improvements        | \$415,705             | \$0                | \$0        | \$415,705             |
| Machinery and Equipment           | 38,566                | 0                  | 0          | 38,566                |
| Infrastructure                    | 5,957,637             | 0                  | 0          | 5,957,637             |
| Vehicles                          | 60,213                | 0                  | 0          | 60,213                |
| Total Depreciable Capital Assets  | <u>6,472,121</u>      | <u>0</u>           | <u>0</u>   | <u>6,472,121</u>      |
| Accumulated Depreciation:         |                       |                    |            |                       |
| Buildings and Improvements        | (308,104)             | (10,393)           | 0          | (318,497)             |
| Machinery and Equipment           | (11,340)              | (3,756)            | 0          | (15,096)              |
| Infrastructure                    | (1,302,397)           | (145,729)          | 0          | (1,448,126)           |
| Vehicles                          | (44,634)              | (4,988)            | 0          | (49,622)              |
| Total Accumulated Depreciation    | <u>(1,666,475)</u>    | <u>(164,866)</u>   | <u>0</u>   | <u>(1,831,341)</u>    |
| Business-Type Capital Assets, Net | <u>\$4,805,646</u>    | <u>(\$164,866)</u> | <u>\$0</u> | <u>\$4,640,780</u>    |

**Washington County, Ohio**  
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| Asset Category                | Southeastern<br>Ohio Port<br>Authority | WASCO, Inc. |
|-------------------------------|--|-------------|
| Land                          | \$132,050                              | \$0         |
| Buildings                     | 122,908                                | 9,548       |
| Equipment and Furniture       | 0                                      | 130,024     |
| Vehicles                      | 0                                      | 247,536     |
| Total                         | 254,958                                | 387,108     |
| Less Accumulated Depreciation | (1,444)                                | (242,267)   |
| Net Capital Assets            | \$253,514                              | \$144,841   |

**NOTE 10 - RISK MANAGEMENT**

***PRIMARY GOVERNMENT***

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. During 2003, the County contracted with the Ohio Government Risk Management Plan, an insurance purchasing pool, (see Note 20), for liability, auto, and crime insurance. Each member pays a premium for their coverage. The agreement provides that the Council will be self-sustaining through member premiums. In the event of losses, the first \$250 to \$2,500 of any valid claim, depending on type of loss, will be paid by the member. The next payment, with a maximum pay out ranging from \$100,000 to \$1,000,000 per occurrence, will come from the insurance purchasing pool based on the member's percentage of contribution. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments. Washington County does not have any ongoing financial interest or responsibility. The agreement between the counties and the Council indicates that a voluntary withdrawal or termination by any county shall constitute a forfeiture of any pro rate share of the Council reserve fund. Current calculation of this potential residual interest is, therefore, not possible. During 2003, Washington County paid \$254,572 to the Council for insurance coverage. Coverage provided by the program and applicable deductibles are as follows:

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|   | <u>Coverage</u>                   | <u>Deductible</u> |
|---|-----------------------------------|-------------------|
| General Liability                       | \$1,000,000/3,000,000             | \$0               |
| Medical Expense Limit                   | 10,000/50,000                     | 0                 |
| Employer's Liability (Ohio Stop Gap)    | 1,000,000                         | 0                 |
| Employee Benefits Liability             | 1,000,000/3,000,000               | 0                 |
| Property Damage Liability               | 43,016,497                        | 1,000             |
| Public Official Liability               | 1,000,000/3,000,000               | 5,000             |
| Law Enforcement                         | 1,000,000/3,000,000               | 5,000             |
| Crime Coverage:                         |                                   |                   |
| Theft, Disappearance and Destruction    | 50,000                            | 100               |
| Public Dishonesty                       | 250,000                           | 100               |
| Forgery or Alteration                   | 5,000                             | 100               |
| Computer Fraud                          | 50,000                            | 100               |
| Inland Marine                           | 2,604,058                         | 1,000             |
| Electronic Equipment/Media Coverage:    |                                   |                   |
| Electronic Equipment                    | 500,000                           | 1,000             |
| Electronic Media                        | 5,000                             | 1,000             |
| Extra Expense                           | 5,000                             | 1,000             |
| Automobile                              | 1,000,000 Per Occurrence          | 500               |
| Arson Reward                            | 5,000 each act of arson           | 0                 |
| Fire Department Service Charge          | 2,500                             | 0                 |
| Outdoor Property                        | 100,000 any one occurrence        | 0                 |
| Personal Effects                        | 2,500 per claim                   | 0                 |
| Pollution Clean Up and Removal          | 25,000                            | 0                 |
| Property Off Premises                   | 10,000                            | 0                 |
| Accounts Receivable                     | 100,000 each "described premises" | 0                 |
| Builders Risk                           | 500,000 each "described premises" | 0                 |
| Fine Arts                               | 25,000 each "described premises"  | 0                 |
| Fire Protection Devices                 | 5,000 each "described premises"   | 0                 |
| Newly Acquired or Constructed Property: |                                   |                   |
| Building                                | 500,000 each building             | 0                 |
| Personal Property                       | 100,000 each building             | 0                 |
| Valuable Papers and Records             | 100,000 each "described premises" | 0                 |
| Utility Services                        | 25,000 each "described premises"  | 0                 |
| Property in Transit                     | 25,000                            | 0                 |

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

**Employee Medical Benefits**

Starting in 2002, medical/surgical benefits, vision, dental, and prescription insurance are offered to MR/DD employees through a self-insurance internal service fund through Administrative Service Consultants. The claims liability of \$50,462 reported in the internal service fund at December 31, 2003, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for 2003 are as follows:

|      | Balance at<br>Beginning<br>of Year | Current<br>Year<br>Claims | Claim<br>Payments | Balance at<br>End of Year |
|------|------------------------------------|---------------------------|-------------------|---------------------------|
| 2002 | \$0                                | \$561,239                 | \$458,376         | \$102,863                 |
| 2003 | 102,863                            | 446,710                   | 499,111           | 50,462                    |

For 2003, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 20). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The worker's compensation experience of the participating Counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to Counties that can meet the Plan's selection criteria. The firm of Gates McDonald, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

The County pays all elected official bonds by State statute.

***COMPONENT UNITS***

Professional and general liability for Wasco, Inc. is protected by the Erie Insurance Group with a \$1,000,000 per occurrence limit. Property damage is covered up to \$70,000 per scheduled property. Vehicles are also covered under the Erie Insurance Group with liability coverage up to \$1,000,000 per occurrence. Officers and directors liability is covered through Cincinnati Insurance Company at \$1,000,000. Settlement amounts have not exceeded this coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

Wasco, Inc. pays the State Workers' Compensation System a premium for employee injury coverage. The premium is based on a rate per \$100 of covered wages. This rate is calculated based on accident history and administrative costs.

The Authority has obtained a commercial insurance for the risks for comprehensive property and general liability and public employee dishonesty.

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

*A. Ohio Public Employees Retirement System*

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

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

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$1,542,717, \$1,399,597, and \$1,425,669 respectively; 90.32 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$10,740 made by the County and \$6,738 made by the plan members.

*B. State Teachers Retirement System*

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are

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established by Chapter 3307 of the Ohio Revised Code.

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

For year ended December 31, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the fiscal years ended December 31, 2003, 2002, and 2001, were \$87,447, \$64,353, and \$48,528 respectively; 97.13 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$2,265 made by the County and \$5,828 made by the plan.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

*A. Ohio Public Employees Retirement System*

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 employer contribution rate was 13.55 percent of covered payroll; 5 percent was the portion that was used to fund health care for 2003. For 2002, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

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

The number of active contributing participants was 364,881. The County's actual contributions for 2003 which were used to fund postemployment benefits were \$873,477. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

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

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

*B. State Teachers Retirement System*

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$6,727 for 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

**NOTE 13 - OTHER EMPLOYER BENEFITS**

*A. Deferred Compensation Plan*

Washington County employees and elected officials may participate in a state-wide deferred compensation plan created in accordance with Internal Revenue Code Section 457 offered by the State of Ohio. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

*B. Compensated Absences*

County employees follow various personnel policies as established by the County Commissioners, union agreements, or departmental mandates. Some employees of the Mental Retardation and Developmental Disabilities, Child Support Enforcement, Sheriff, and Job and Family Services departments are represented by union agreements. Employees of Engineer and County Home departments follow their own departmental policies. All other County employees follow the Commissioners policy.

A total of 4.6 hours of sick time is accrued to the employee for each two week pay period worked. Accrual continues during periods of approved paid leave. Unused sick leave is cumulative without limit. Job and Family Services, Mental Retardation and Developmental Disabilities (union employees), and Child Support Enforcement employees earn annual leave based on their length of service and can be converted to extended illness leave at the rate of three days credit for each two days of unused leave converted. Upon retirement, with 10 years (5 years for engineer employees) of service with the County, the State, or any of its political



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subdivisions, all employees, except for Job and Family Services and Mental Retardation and Developmental Disabilities employees, are paid 25% of their sick (extended illness leave for Child Support Enforcement) leave up to a maximum of 240 hours. Mental Retardation and Developmental Disabilities union employees are paid 25% of their extended illness leave not to exceed 480 hours and 50% of their annual leave balance. Job and Family Services employees are paid their total hours times 2/3 times 50% of the final rate of pay up to a maximum of three times the employee's annual leave entitlement. Mental Retardation and Developmental Disabilities non-union employees are paid 50% of their sick balance up to a maximum of 480 hours.

Unused vacation time and compensatory time are paid to a terminated employee at varying rates depending on length of service and department policy.

*C. Insurance Benefits*

The County provides employee medical/surgical benefits, life insurance, and accidental death and dismemberment insurance to employees, except Children Services and MR/DD, through Anthem Blue Cross/Blue Shield. The plan has \$100 single and \$250 family deductible limits. Except for employees of the Department of Human Services, Child Support Enforcement Agency, County Home, Mental Health, Sheriff's Department, Health Department, and the Engineer Department, the County pays 75 percent of the total monthly premium for family coverage and 80 percent for single coverage. The County pays 80 percent for both single and family coverage for employees of the Department of Human Services, the Child Support Enforcement Agency, County Home, and the Sheriff's Department. The County pays 100 percent for both single and family coverage for employees of the Mental Health Department. The County pays 90 percent for single coverage and 85 percent for family coverage for employees of the Engineer Department. The County pays 81 percent for both single and family coverage for employees of the Health Department. Premiums are paid from the same funds that pay the employee's salaries.

Employee medical/surgical benefits, life insurance, and accidental death and dismemberment insurance to employees of the Children Services Department is provided through Medical Benefits Mutual and Anthem Blue Cross/Blue Shield. For MR/DD employees, the School District provides life insurance and accidental death and dismemberment insurance through Safeco, in the amount of \$25,000 for all employees.

Dental insurance is provided to employees of the Department of Human Services, Child Support Enforcement Agency, the Health Department, and the Children Services Board. Vision insurance is provided to employees of the Department of Human Services and the Child Support Enforcement Agency.

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

***PRIMARY GOVERNMENT***

In prior years, the County has entered into capitalized leases for several Job and Family Services copiers. The leases met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defined a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$65,114, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Capitalized leased assets are reflected net of accumulated depreciation for a book value of \$45,579. Principal payments towards all capital leases during 2003 totaled \$16,567.

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Future minimum lease payments through 2006 are as follows:

| Year  | Governmental Activities |          |
|-------|-------------------------|----------|
|       | Principal               | Interest |
| 2004  | \$14,854                | \$1,906  |
| 2005  | 17,131                  | 1,153    |
| 2006  | 10,462                  | 204      |
| Total | \$42,447                | \$3,263  |

***COMPONENT UNIT***

In prior years, Wasco, Inc. entered into a capital lease for a risograph. The lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defined a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as expenses in the Basic Financial Statements. The item acquired by the lease has been capitalized in the amount of \$7,474, which is equal to the present value of the future minimum lease payments at the time of acquisition. Capitalized leased assets are reflected net of accumulated depreciation in the amount of \$6,353. Principal payments towards all capital leases during 2003 totaled \$1,495.

The following is a schedule of future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of August 31, 2003:

|  |         |
|--|---------|
|  | Amount  |
| Total Future Minimum Lease Payments          | \$5,231 |
| Less: Amount Representing Interest           | 0       |
| Present Value of Net Minimum Obligations     | 5,231   |
| Less: Current Obligation Under Capital Lease | (1,495) |
| Long-Term Obligations Under Capital Lease    | \$3,736 |

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**NOTE 15 - CONTRACTUAL COMMITMENTS**

As of December 31, 2003, the County had contractual purchase commitments as follows:

| <u>Projects</u>                          | <u>Fund</u>                                       | <u>Purchase<br/>Commitments</u> | <u>Amounts<br/>Paid as of<br/>12/31/2003</u> | <u>Amounts<br/>Remaining<br/>on Contracts</u> |
|--|---|---------------------------------|--|---|
| New County Jail                          | County Jail Construction<br>Capital Projects Fund | \$7,565,492                     | \$6,110,102                                  | \$1,455,390                                   |
| 2004 Sexennial<br>Reappraisal            | Real Estate Assesment<br>Special Revenue Fund     | 732,000                         | 602,662                                      | 129,338                                       |
| Cassady Bridge Repairs                   | General Fund                                      | 10,300                          | 5,948  | 4,352   |
| Hadley Bridge Repairs                    | General Fund                                      | 194,282                         | 186,132                                      | 8,150   |
| Henniger Bridge Repairs                  | General Fund                                      | 61,000                          | 56,780                                       | 4,220   |
| Bear Creek Bridge Repairs                | General Fund                                      | 204,318                         | 0  | 204,318                                       |
| Mitchell Bridge Repairs                  | General Fund                                      | 71,600                          | 0  | 71,600  |
| Watertown/Adams Phase IV<br>Improvements | General Fund                                      | 402,917                         | 0  | 402,917                                       |
| Hall Bridge Repairs                      | General Fund                                      | 142,769                         | 140,569                                      | 2,200   |
| Lower Macksburg<br>Bridge Repairs        | General Fund                                      | 166,840                         | 0  | 166,840                                       |

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**NOTE 16 - LONG-TERM OBLIGATIONS**

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

|   | Original<br>Issue<br>Amount | Principal<br>Outstanding<br>12/31/02 | Additions          | Deductions         | Principal<br>Outstanding<br>12/31/03 | Amounts<br>Due within<br>One Year |
|---|-----------------------------|--------------------------------------|--------------------|--------------------|--------------------------------------|-----------------------------------|
| <b>Governmental Activities:</b>                                       |                             |                                      |                    |                    |                                      |                                   |
| <b><u>General Obligation Bonds:</u></b>                               |                             |                                      |                    |                    |                                      |                                   |
| 1998 - Juvenile Center - 4.4%-5.9%                                    | \$1,800,000                 | \$1,580,000                          | \$0                | \$65,000           | \$1,515,000                          | \$70,000                          |
| 1996 - Courthouse<br>Renovation - 3.75%-5.00%                         | 1,350,000                   | 765,000                              | 0                  | 115,000            | 650,000                              | 120,000                           |
| 1996 - Building Acquisition - Job<br>and Family Services - 3.75%-5.5% | 1,740,000                   | 1,455,000                            | 0                  | 60,000             | 1,395,000                            | 65,000                            |
| 1996 - Building Acquisition -<br>Commissioners - 3.75%-4.75%          | 380,000                     | 170,000                              | 0                  | 40,000             | 130,000                              | 40,000                            |
| Total General Obligation Bonds  |                             | <u>3,970,000</u>                     | <u>0</u>           | <u>280,000</u>     | <u>3,690,000</u>                     | <u>295,000</u>                    |
| 1999 - Energy Conservation<br>Note - 5.125%                           | 114,523                     | 80,164                               | 0                  | 11,452             | 68,712                               | 11,452                            |
| <b><u>Bond Anticipation Notes:</u></b>                                |                             |                                      |                    |                    |                                      |                                   |
| Jail Construction - 1.46%   |                             | 2,800,000                            | 2,800,000          | 2,800,000          | 2,800,000                            | 2,800,000                         |
| Children Services Building - 1.46%                                    |                             | 500,000                              | 500,000            | 500,000            | 500,000                              | 100,000                           |
| County Garage - 1.46%   |                             | 2,400,000                            | 1,100,000          | 2,400,000          | 1,100,000                            | 695,000                           |
| Computer Equipment - 1.46%  |                             | 54,000                               | 27,000             | 54,000             | 27,000                               | 27,000                            |
| Total Bond Anticipation Notes   |                             | <u>5,754,000</u>                     | <u>4,427,000</u>   | <u>5,754,000</u>   | <u>4,427,000</u>                     | <u>3,622,000</u>                  |
| Compensated Absences  |                             | 202,165                              | 31,516             | 43,161             | 190,520                              | 1,838                             |
| Capital Leases  |                             | 59,014                               | 0                  | 16,567             | 42,447                               | 14,854                            |
| Total Governmental Activities   |                             | <u>\$10,065,343</u>                  | <u>\$4,458,516</u> | <u>\$6,105,180</u> | <u>\$8,418,679</u>                   | <u>\$3,945,144</u>                |
| <b>Business-Type Activity:</b>  |                             |                                      |                    |                    |                                      |                                   |
| <b><u>OPWC Loans:</u></b>   |                             |                                      |                    |                    |                                      |                                   |
| 1995 - Devola Sewer Loan - 0%   | 328,552                     | \$197,130                            | \$0                | \$8,214            | \$188,916                            | \$16,428                          |
| 1995 - Waste Water Treatment<br>Plant Loan - 4.0%                     | 112,665                     | 32,478                               | 0                  | 6,241              | 26,237                               | 12,859                            |
| 1999 - Cherry Blossom<br>Sewer Loan - 2.00%                           | 80,370                      | 70,256                               | 0                  | 1,745              | 68,511                               | 3,543                             |
| 1998 - Barlow Vincent Sewer<br>Plant Loan - 0%                        | 225,000                     | 168,750                              | 0                  | 5,625              | 163,125                              | 11,250                            |
| Total OPWC Loans  |                             | <u>468,614</u>                       | <u>0</u>           | <u>21,825</u>      | <u>446,789</u>                       | <u>44,080</u>                     |
| 1997 - FHA Sewer Loans  | 506,000                     | 837,500                              | 0                  | 8,500              | 829,000                              | 5,000                             |
| Bond Anticipation Note - 1.46%  |                             | 8,000                                | 6,000              | 8,000              | 6,000                                | 1,000                             |
| Total Business-Type Activity  |                             | <u>\$1,314,114</u>                   | <u>\$6,000</u>     | <u>\$38,325</u>    | <u>\$1,281,789</u>                   | <u>\$50,080</u>                   |

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2003

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A. Governmental Activities

The Courthouse Renovation, Juvenile Center Construction, and the Commissioners portion of the Building Acquisition general obligation bonds are unvoted and will be retired from the General Bond Retirement Fund with general property tax revenues. The Job and Family Services portion of the Building Acquisition general obligation bonds is unvoted and will be retired from the Job and Family Services Bond Retirement Fund with rental payments received from the Job and Family Special Revenue Fund. The Energy Conservation Note is unvoted and will be retired with monies realized through energy savings. The capital leases are being paid for by the Job and Family Services Special Revenue Fund.

Compensated absences for sick leave liabilities will be paid from the General Fund and the Mental Health, Miscellaneous Local Funds, Public Assistance, Child Support Enforcement Agency, Motor Vehicle Gasoline Tax, County Home, Mental Retardation and Developmental Disabilities, Court/Corrections Funds, Sheriff's Sales Tax, Children Services, and Other Grant Funds Special Revenue Funds.

The following is a summary of the County's future annual principal and interest requirements to retire general obligation bonds:

| Year Ended<br>December 31, | Principal          | Interest           | Total              |
|----------------------------|--------------------|--------------------|--------------------|
| 2004                       | \$295,000          | \$190,032          | \$485,032          |
| 2005                       | 305,000            | 175,552            | 480,552            |
| 2006                       | 320,000            | 160,378            | 480,378            |
| 2007                       | 290,000            | 144,352            | 434,352            |
| 2008                       | 305,000            | 129,382            | 434,382            |
| 2009-2013                  | 950,000            | 474,960            | 1,424,960          |
| 2014-2018                  | 1,225,000          | 199,425            | 1,424,425          |
| Total                      | <u>\$3,690,000</u> | <u>\$1,474,081</u> | <u>\$5,164,081</u> |

The following is a summary of the County's future annual principal and interest requirements to retire the energy conservation note:

| Year Ended<br>December 31, | Principal       | Interest        | Total            |
|----------------------------|-----------------|-----------------|------------------|
| 2004                       | \$11,452        | \$5,886         | \$17,338         |
| 2005                       | 11,452          | 5,870           | 17,322           |
| 2006                       | 11,452          | 5,870           | 17,322           |
| 2007                       | 11,452          | 5,870           | 17,322           |
| 2008                       | 11,452          | 5,886           | 17,338           |
| 2009                       | 11,452          | 5,870           | 17,322           |
| Total                      | <u>\$68,712</u> | <u>\$35,252</u> | <u>\$103,964</u> |

The bond anticipation notes are backed by the full faith and credit of Washington County and are schedule to be paid in one year, but the County will refinance for a longer period. The note liability is reflected in the bond retirement debt service fund. The notes are issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2003

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*B. Business-Type Activity*

The Ohio Public Works Commission Devola loan and part of the Cherry Blossom loan will be repaid using revenue from a special assessment assessed upon property owners. In the event of default of the property owners, the County would pay the loan using the operating revenues of the sewer district. The Waster Water Treatment Plant loan, the Barlow Vincent Sewer loan, parts of the Cherry Blossom loan, and the FHA loans will be repaid using operating revenues of the sewer district. All of the loans are recorded in the Sewer Enterprise Fund.

The following is a summary of the County's future annual principal and interest requirements to retire loans:

| Year Ended<br>December 31, | Principal          | Interest         | Total              |
|----------------------------|--------------------|------------------|--------------------|
| 2004                       | \$49,080           | \$39,652         | \$88,732           |
| 2005                       | 54,169             | 38,576           | 92,745             |
| 2006                       | 41,364             | 37,672           | 79,036             |
| 2007                       | 42,939             | 42,693           | 85,632             |
| 2008                       | 44,514             | 41,413           | 85,927             |
| 2009-2013                  | 222,757            | 172,810          | 395,567            |
| 2014-2018                  | 182,268            | 154,161          | 336,429            |
| 2019-2023                  | 118,199            | 130,867          | 249,066            |
| 2024-2028                  | 162,000            | 102,611          | 264,611            |
| 2029-2037                  | 358,500            | 88,740           | 447,240            |
| Total                      | <u>\$1,275,790</u> | <u>\$849,195</u> | <u>\$2,124,985</u> |

The bond anticipation note is backed by the full faith and credit of Washington County and is scheduled to be paid off in one year, but the County will refinance for a longer period. The note liability is reflected in the Sewer Enterprise Fund. The note is issued in anticipation of long-term bond financing and is refinanced until such bond is issued.

*C. Debt Margin*

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 valuation of the County. The Code further provides that the total shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and 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. The County's overall legal debt margin was \$16,555,575 at December 31, 2003.

*D. Conduit Debt*

Pursuant to State statute, various industrial revenue bonds have been issued for private industry within the County. The proceeds of the industrial revenue bonds are used by the various private industries for new construction or improvements. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. As of December 31, 2003, \$83,755,000 of industrial revenue bonds had been issued, and \$73,513,470 of those remained outstanding.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2003

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*E. Component Unit*

The Authority has a note payable, collateralized by land and building and paid in monthly installments of \$2,283, including interest at 7.25%. The note provides for a balloon payment for \$195,830 in June 2013. The loan has potential additional drawdown of \$35,000 at December 31, 2003. Aggregate maturities of long-term debt for the five years ending after December 31, 2003, based on present arrangements are as follows:

| Year Ended<br>December 31, | Principal               |
|----------------------------|-------------------------|
| 2004                       | \$ 9,197                |
| 2005                       | 9,885                   |
| 2006                       | 10,626                  |
| 2007                       | 11,422                  |
| 2008                       | 12,278                  |
| 2009-2013                  | <u>201,784</u>          |
| Total                      | <u><u>\$255,192</u></u> |

**NOTE 17 – INTERFUND BALANCES AND TRANSFERS**

Interfund balances, as of December 31, 2003, consist of the following individual interfund receivables and payables:

| <u>Interfund Payable</u> | <u>Interfund Receivable</u> |  |  | <u>Total</u>           |
|--------------------------|-----------------------------|--|--|------------------------|
|                          | <u>Major Funds</u>          |  |  |                        |
|                          | <u>General</u>              | <u>Mental<br/>Retardation<br/>and Developmental<br/>Disabilities</u> | <u>Other<br/>Nonmajor<br/>Governmental</u> |                        |
| Major Funds:             |                             |  |  |                        |
| General Fund             | \$0                         | \$0  | \$593                                      | \$593                  |
| Other Nonmajor           |                             |  |  |                        |
| Governmental             | 4,581                       | 5,156  | 75   | 9,812                  |
| Agency Funds             | <u>0</u>                    | <u>11,779</u>  | <u>0</u>                                   | <u>11,779</u>          |
| Total All Funds          | <u><u>\$4,581</u></u>       | <u><u>\$16,935</u></u>   | <u><u>\$668</u></u>                        | <u><u>\$22,184</u></u> |

The interfund receivables/payables are due to lags between the dates interfund goods and services are provided, transactions recorded in the accounting system, and payments between funds were made.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2003*

Interfund transfers for the year ended December 31, 2003, consisted of the following:

| Transfer from                          | Transfer to      |                            |                    |                                   | Total              |
|--|------------------|----------------------------|--------------------|-----------------------------------|--------------------|
|  | Major Funds      |                            |                    |                                   |                    |
|  | General          | Job and<br>Family Services | Bond<br>Retirement | Other<br>Nonmajor<br>Governmental |                    |
| Major Funds:                           |                  |                            |                    |                                   |                    |
| General Fund                           | \$0              | \$259,511                  | \$147,500          | \$1,223,787                       | \$1,630,798        |
| Motor Vehicle and<br>Gasoline Tax Fund | 0                | 0                          | 953,611            | 0                                 | 953,611            |
| County Jail Construction               | 0                | 0                          | 62,546             | 0                                 | 62,546             |
| Other Nonmajor<br>Governmental         | 100,001          | 0                          | 439,375            | 137,533                           | 676,909            |
| <b>Total All Funds</b>                 | <b>\$100,001</b> | <b>\$259,511</b>           | <b>\$1,603,032</b> | <b>\$1,361,320</b>                | <b>\$3,323,864</b> |

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

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

*A. Buckeye Hills-Hocking Valley Regional Development District*

The Buckeye Hills-Hocking Valley Regional Developmental District serves as the Area Agency on Aging for Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and implementing plans and programs. The District is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens, one member from the City of Marietta, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The District administers County Community Development Block Grant and Issue II monies. During 2003, the District received \$22,658 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

*B. Joint Solid Waste District*

The County is a member of the Joint Solid Waste District which consists of Washington, Guernsey, Monroe, Morgan, Muskingum, and Noble Counties. The purpose of the District is to make disposal of waste in the six-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989 as required by Ohio Revised Code.

The Joint Solid Waste District is governed and operated through three groups. An eighteen-member board of directors, composed of the three Commissioners from each County, is responsible for the District's financial matters. Financial records were maintained by Muskingum County until May 1993 at which time Noble County assumed the responsibility. The District's sole revenue source is a waste disposal fee for in-district



**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2003*

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and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no contributions were received from the County in 2003. No future contributions by the County are anticipated. A thirty-one member policy committee composed of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the Policy Committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

*C. Washington County Family and Children First Council*

The Washington County Family and Children First Council provides services to multi-need youth in Washington County. Members of the Cluster include the Washington County Health Department, the Regional Office of Youth Services, the Washington County Juvenile Court, the Washington County Mental Health Board, Washington County Children Services, the General Health District, a representative from the City of Marietta Health Department, and a representative of the Washington County School Districts. The operation of the Council is controlled by an advisory committee which consists of a representative from each agency. In 2003, the County contributed \$126,000. The continued existence of the Council is not dependent on the County's continued participation and no equity interest exists.

*D. Washington-Morgan Community Action Corporation*

The Community Action Program Corporation of Washington-Morgan Counties is operated as non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Children's Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program, and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. The continued existence of the Corporation is not dependent on the County's continued participation and no equity interest exists.

*E. Wood, Washington, and Wirt Planning Commission*

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is composed of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives and one Washington County Commissioner serves on the Commission. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. In 2003, the County did not contribute to the Commission. The continued existence of the Commission is not dependent on the County's continued participation and no equity interest exists.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2003*

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*F. Buckeye Hills Resource Conservation and Development Project*

The Buckeye Hills Resource Conservation and Development Project was organized to lead local efforts directed toward improving social and economic conditions of the Buckeye Hills RC&D Area through development, conservation, and proper use of all the resources of the area. It serves Athens, Belmont, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties. The Project is governed by an executive council. The Council is composed of one County Commissioner from each county, one member from the Soil and Water Conservation District of each county, a representative chosen jointly by the county commissioners and Soil and Water Conservation Districts of each county, a member from the Muskingum Watershed Conservancy District, and one member from the Rush Creek Conservancy District. The Council has total control over budgeting, personnel, and all other financial matters. During 2003, the Council received \$700 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

*G. Mid Eastern Ohio Regional Council of Governments (MEORC)*

The Mid Eastern Ohio Regional Council of Governments is a regional council of governments created pursuant to Ohio Revised Code Chapter 167. Participating counties include Belmont, Carroll, Coshocton, Fairfield, Guernsey, Harrison, Hocking, Holmes, Jefferson, Knox, Monroe, Morgan, Muskingum, Noble, Perry, Tuscarawas, and Washington Counties. MEORC was created to provide the best possible services to persons with mental retardation and disability in their respective counties. Each county has representation on the MEORC board. Member counties have a contract between its county MR/DD board and the MEORC for MEORC to provide supported living services or housing to eligible persons in the member counties.

**NOTE 19 - RELATED ORGANIZATION**

The Washington County Public Library is statutorily created as a separate and distinct political subdivision of the State governed by a board of trustees consisting of seven members. The Washington County Commissioners appoint three members and the Court of Common Pleas appoints the remaining members. The County made no contributions to the Public Library. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the County for operational subsidies. Although the County does serve as the taxing authority of the Library, this is strictly a ministerial function. Once the board of trustees has determined that a levy is necessary, its amount, and its duration, the County must place the levy before the voters. The Library may issue debt or the County may provide facilities for the Library through the issuance of debt if the voters agree.

**NOTE 20 - INSURANCE PURCHASING POOLS**

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

The Buckeye Joint-County Self-Insurance Council is an insurance purchasing pool that serves Washington, Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, and Vinton Counties. It was formed as an Ohio not-for-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 Council based on actuarially determined rates.

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

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2003*

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

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

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

**NOTE 21 - FOOD STAMPS**

The County's Department of Human Services (Welfare) distributes, through contracting issuance centers, federal food stamps to entitled recipients within Washington County. The receipt and issuance of these stamps have the characteristics of a federal grant. However, the Department of Human Services merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements as the only economic interest related to these stamps rests with the ultimate recipient. The County's Department of Human Services had on hand for distribution approximately \$6,425 of federal food stamps at December 31, 2003.

**NOTE 22 - RELATED PARTY TRANSACTIONS**

Wasco, Inc., a discretely presented component unit of Washington County, received contributions from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its program. These contributions are reflected as operating revenues and operating expenses at cost or fair market value, as applicable, in the Basic Financial Statements in the amount of \$405,840. Additional habilitative services provided directly to the component unit's clients by the County amounted to \$870,516.

**NOTE 23 - CONTINGENT LIABILITIES**

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

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

**NOTE 24 – SUBSEQUENT EVENTS**

On April 15, 2004, the County issued general obligation capital facility bonds in the amount of \$3,400,000 to finance the construction of the new county jail.

On May 20, 2004, the County refinanced bond anticipation notes and issued new notes in the amount of \$1,010,000 to pay for the construction of a new children services building and a new county garage as well as to finance sewer projects and new computer equipment. The notes have an interest rate of 2.55 percent and mature on May 18, 2005.

**Washington County, Ohio**  
*Required Supplementary Information*  
*Condition Assessments of the County's Infrastructure*  
*Reported Using the Modified Approach*  
*December 31, 2003*

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The County reports its roads and bridges infrastructure assets using the modified approach. The following disclosures pertain to the condition assessments and budgeted versus actual expenditures for the preservation of these assets.

**County Roads**

The condition of road pavement is measured using a Pavement Management system, which assigns a numerical ranking to each road based on the following criteria: pavement surface traffic factors; maintenance history and professional judgment. The system rates the condition as follows:

| Condition Category | Condition Index Range | Description of Condition   |
|--------------------|-----------------------|--|
| Failed             | <11                   | Impassable, unsafe, needs major reconstruction                         |
| Poor               | 11-40                 | Passable, marginally safe, needs major repair                          |
| Fair               | 41-55                 | Average, functions as designed, needs routine maintenance and repair   |
| Good               | 56-85                 | Safe and very suitable for its purpose, needs preventative maintenance |
| Excellent          | >85                   | New or like new, no repair needed                                      |

It is the goal of the Washington County Engineer that 90% of the County roads are rated at fair or better condition.

**Bridges**

Bridges are evaluated annually as required by law and following the Ohio Department of Transportation inspection and inventory guidelines. Bridges are rated by a general appraisal as follows:

| Bridge General Appraisal Rating | Description of Condition   |
|---------------------------------|--|
| 9                               | Excellent, new or like new   |
| 8                               | Very good, no problems   |
| 7                               | Good, minor maintenance deterioration of structural elements   |
| 6                               | Satisfactory, minor deterioration of structural elements   |
| 5                               | Fair, still functioning as designed, minor section loss to structural elements, non-structural deterioration |
| 4                               | Poor, needs major repair or manitenance, to continue to function, load reduction may be needed.              |
| 3                               | Serious, needs major rehabilitation to continue to function, may need load reduction                         |
| 2                               | Critical, not functioning as designed, load reduction, replacement needed                                    |
| 1                               | Closed   |

**Washington County, Ohio**  
*Required Supplementary Information*  
*Condition Assessments of the County's Infrastructure*  
*Reported Using the Modified Approach*  
*December 31, 2003*

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It is the goal to maintain the Washington County and Township bridges such that 90% have general appraisals of 5 or higher.

The following summarized the road and bridge conditions as of December 31, 2003:

| Road Condition as of December 31, 2003 |            |                      |
|--|------------|----------------------|
| Condition Category                     | % of Roads | Percent Accumulation |
| Failed                                 | 0%         | 0%                   |
| Poor                                   | 0%         | 0%                   |
| Fair                                   | 3%         | 3%                   |
| Good                                   | 24%        | 27%                  |

| Bridge Condition as of December 31, 2003 |              |                      |
|--|--------------|----------------------|
| Bridge General Appraisal                 | % of Bridges | Percent Accumulation |
| 9  | 2%           | 2%                   |
| 8  | 1%           | 3%                   |
| 7  | 21%          | 24%                  |
| 6  | 50%          | 74%                  |
| 5  | 18%          | 91%                  |
| 4  | 6%           | 98%                  |
| 3  | 2%           | 100%                 |
| 2  | 0%           | 100%                 |
| 1  | 0%           | 100%                 |

Budget versus actual expenditures for roads and bridges maintenance for 2003:

|                                  | Budgeted    | Actual      | Difference |
|----------------------------------|-------------|-------------|------------|
| Total Road Maintenance Expense   | \$2,719,220 | \$2,554,162 | \$165,057  |
| Total Bridge Maintenance Expense | 285,288     | 174,240     | 111,048    |

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WASHINGTON COUNTY

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

| FEDERAL GRANTOR<br><i>Pass-Through Grantor</i><br>Program Title       | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Number | Disbursements | Noncash<br>Disbursements |
|---|---------------------------|----------------------------------|---------------|--------------------------|
| <b>UNITED STATES DEPARTMENT OF AGRICULTURE:</b>                       |                           |                                  |               |                          |
| <i>Passed through the Ohio Department of Education:</i>               |                           |                                  |               |                          |
| Nutrition Cluster:  |                           |                                  |               |                          |
| Food Donation   | 10.550                    | N/A                              | \$ 17,139     | \$ 9,367                 |
| School Breakfast Program  | 10.553                    | 05PU                             | 38,060        |                          |
| National School Lunch Program   | 10.555                    | LLP4                             | 55,199        | 9,367                    |
| Total Nutrition Cluster   |                           |                                  |               |                          |
| Total United States Department of Agriculture                         |                           |                                  | 55,199        | 9,367                    |
| <b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>      |                           |                                  |               |                          |
| <i>Passed through the Ohio Department of Development:</i>             |                           |                                  |               |                          |
| Community Development Block Grants - State's Program                  | 14.228                    | B-C-02-077-1                     | 55,367        |                          |
|   |                           | B-F-02-077-1                     | 12,288        |                          |
|   |                           | B-F-01-077-1                     | 127,216       |                          |
|   |                           | B-W-99-077-1                     | 41,224        |                          |
| Total Community Development Block - State's Program                   |                           |                                  | 236,095       | 0                        |
| HOME Investment Partnerships Program                                  | 14.239                    | B-C-02-077-2                     | 80,340        |                          |
| Total United States Department of Housing and Urban Development       |                           |                                  | 316,435       | 0                        |
| <b>UNITED STATES DEPARTMENT OF JUSTICE</b>                            |                           |                                  |               |                          |
| <i>Passed through the Ohio Department of Youth Services:</i>          |                           |                                  |               |                          |
| Juvenile Accountability Incentive Block Grants                        | 16.523                    | 2002-JB-002-A139                 | 15,948        |                          |
| <i>Passed through the Ohio Attorney General's Office:</i>             |                           |                                  |               |                          |
| Crime Victim Assitance  | 16.575                    | 2003VAGENE616T                   | 4,698         |                          |
|   |                           | 2003VAGENE253T                   | 7,591         |                          |
|   |                           | 2002VAGENE514T                   | 15,127        |                          |
|   |                           | 2002VAGENE253T                   | 20,262        |                          |
| Total Crime Victim Assistance   |                           |                                  | 47,678        | 0                        |
| <i>Passed through the Office of Criminal Justice Services:</i>        |                           |                                  |               |                          |
| Local Law Enforcement Block Grants Program                            | 16.592                    | 2002-LB-BX-2721                  | 13,480        |                          |
| Total United States Department of Justice                             |                           |                                  | 77,106        | 0                        |
| <b>UNITED STATES DEPARTMENT OF LABOR</b>                              |                           |                                  |               |                          |
| <i>Passed through the Ohio Department of Job and Family Services:</i> |                           |                                  |               |                          |
| Workforce Investment Act (WIA) Cluster:                               |                           |                                  |               |                          |
| WIA Adult Program   | 17.258                    | N/A                              | 258,206       |                          |
| WIA Adult Administration  |                           |                                  | 61,470        |                          |
| Total WIA Adult   |                           |                                  | 319,676       | 0                        |
| WIA Youth Activities  | 17.259                    | N/A                              | 184,341       |                          |
| WIA Youth Administration  |                           |                                  | 58,738        |                          |
| Total WIA Youth   |                           |                                  | 243,079       | 0                        |
| WIA Dislocated Workers  | 17.260                    | N/A                              | 134,300       |                          |
| WIA Dislocated Workers Administration                                 |                           |                                  | 16,392        |                          |
| Total WIA Dislocated Workers  |                           |                                  | 150,692       | 0                        |
| Total WIA Cluster   |                           |                                  | 713,447       | 0                        |
| Total United States Department of Labor                               |                           |                                  | 713,447       | 0                        |

WASHINGTON COUNTY

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

| FEDERAL GRANTOR<br><i>Pass-Through Grantor</i><br>Program Title                                 | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Number     | Disbursements     | Noncash<br>Disbursements |
|---|---------------------------|--------------------------------------|-------------------|--------------------------|
| <b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b>   |                           |                                      |                   |                          |
| <i>Passed through the Ohio Department of Transportation:</i>                                    |                           |                                      |                   |                          |
| Highway Planning and Construction   | 20.205                    | 03N028                               | \$ 696,500        | \$                       |
| Formula Grants for Other Than Urbanized Areas<br>Rural Transit Program                          | 20.509                    | RPT-4084-022-032<br>RPT-4084-022-031 | 42,238<br>138,056 |                          |
| Total Formula Grants for Other Than Urbanized Areas   |                           |                                      | <u>180,294</u>    | <u>0</u>                 |
| Total United States Department of Transportation  |                           |                                      | 876,794           | 0                        |
| <b>UNITED STATES DEPARTMENT OF EDUCATION</b>  |                           |                                      |                   |                          |
| <i>Passed through the Ohio Department of Education:</i>   |                           |                                      |                   |                          |
| Special Education Cluster:  |                           |                                      |                   |                          |
| Special Education - Grants to States  | 84.027                    | 6BSF                                 | 144,328           |                          |
| Special Education - Preschool Grants  | 84.173                    | PGS1                                 | 5,239             |                          |
| Total Special Education Cluster   |                           |                                      | <u>149,567</u>    | <u>0</u>                 |
| Total United States Department of Education   |                           |                                      | 149,567           | 0                        |
| <b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                                    |                           |                                      |                   |                          |
| <i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i> |                           |                                      |                   |                          |
| Social Services Block Grant   | 93.667                    | N/A                                  | 61,257            |                          |
| Medical Assistance Program  | 93.778                    | N/A                                  | 804,482           |                          |
| <i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>               |                           |                                      |                   |                          |
| Block Grants for Prevention and Treatment of Substance Abuse                                    | 93.959                    |                                      |                   |                          |
| Substance Abuse Prevention and Treatment Block Grant  |                           | N/A                                  | 191,169           |                          |
| Women's Setaside  |                           | N/A                                  | 34,332            |                          |
| Total Block Grants for Prevention and Treatment of Substance Abuse                              |                           |                                      | <u>225,501</u>    | <u>0</u>                 |
| State Children's Insurance Program  | 93.767                    | N/A                                  | 29,188            |                          |
| Medical Assistance Program  | 93.778                    | N/A                                  | 158,516           |                          |
| <i>Passed through the Ohio Department of Mental Health:</i>                                     |                           |                                      |                   |                          |
| Social Services Block Grant   | 93.667                    | N/A                                  | 52,830            |                          |
| State Children's Insurance Program  | 93.767                    | N/A                                  | 92,170            |                          |
| Medical Assistance Program  | 93.778                    | N/A                                  | 843,959           |                          |
| Block Grants for Community Mental Health Services<br>Community Plan                             | 93.958                    | N/A                                  | 43,199            |                          |
| Child and Adolescent Block Grant  |                           | N/A                                  | 17,068            |                          |
| Total Block Grants for Community Mental Health Services   |                           |                                      | <u>60,267</u>     | <u>0</u>                 |
| <i>Passed through the Ohio Department of Health:</i>  |                           |                                      |                   |                          |
| HIV Care Formula Grants   | 93.917                    | K314                                 | 31,616            |                          |
| <i>Passed through the Ohio Department of Job and Family Services:</i>                           |                           |                                      |                   |                          |
| Promoting Safe and Stable Families - Title IV-B Part 2  | 93.556                    | N/A                                  | 41,039            |                          |
| Child Welfare Services State Grants - Title IV-B  | 93.645                    | N/A                                  | 53,073            |                          |
| Grants to States for Access and Visitation Programs   | 93.597                    | G-04-09-0269<br>G-03-09-0248         | 5,855<br>27,555   |                          |
| Total Grants to States for Access and Visitation Programs                                       |                           |                                      | <u>33,410</u>     | <u>0</u>                 |



WASHINGTON COUNTY

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

| FEDERAL GRANTOR<br><i>Pass-Through Grantor</i><br>Program Title                    | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Number | Disbursements              | Noncash<br>Disbursements |
|--|---------------------------|----------------------------------|----------------------------|--------------------------|
| <b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>           |                           |                                  |                            |                          |
| <i>Passed through the Washington County Department of Job and Family Services:</i> |                           |                                  |                            |                          |
| Temporary Assistance for Needy Families  | 93.558                    |                                  |                            |                          |
| PRC  |                           | N/A                              | \$ 257,826                 | \$                       |
| Kinship Navigator  |                           | N/A                              | 19,595                     |                          |
| Child Welfare  |                           | N/A                              | 78,291                     |                          |
| Total Temporary Assistance for Needy Families                                      |                           |                                  | <u>355,712</u>             | <u>0</u>                 |
| <i>Passed through the Muskingum County Family and Children First Council:</i>      |                           |                                  |                            |                          |
| Abstinence Education   | 93.235                    | 60-1-001-4-CS-03                 | <u>30,067</u>              |                          |
| Total United States Department of Health and Human Services                        |                           |                                  | 2,873,087                  | 0                        |
| <b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>                              |                           |                                  |                            |                          |
| <i>Passed through the North Central Service Center:</i>                            |                           |                                  |                            |                          |
| Retired and Senior Volunteer Program   | 94.002                    | 02SRNOH152                       | <u>51,877</u>              |                          |
| Total Corporation for National and Community Service                               |                           |                                  | 51,877                     | 0                        |
| <b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</b>                               |                           |                                  |                            |                          |
| <i>Passed through the Ohio Department of Public Safety:</i>                        |                           |                                  |                            |                          |
| State Domestic Preparedness Equipment Support Program                              | 97.004                    | K195                             | 2,750                      |                          |
|  |                           | J809                             | 14,697                     |                          |
|  |                           | J529                             | 1,591                      |                          |
| Total State Domestic Preparedness Equipment Support Program                        |                           |                                  | <u>19,038</u>              | <u>0</u>                 |
| Public Assistance Grants   | 97.036                    | 167-0A341                        | 24,472                     |                          |
|  |                           | 167-0C4DF                        | 1,116                      |                          |
|  |                           | 167-UWN38                        | 1,563                      |                          |
| Total Public Assistance Grants   |                           |                                  | <u>27,151</u>              | <u>0</u>                 |
| Emergency Management Performance Grants  | 97.042                    | K305                             | 16,331                     |                          |
| State and Local All Hazards Emergency Operations Planning                          | 97.051                    | K273                             | <u>36,664</u>              |                          |
| Total United States Department of Homeland Security                                |                           |                                  | <u>99,184</u>              | <u>0</u>                 |
| <b>Total Federal Awards Expenditures</b>   |                           |                                  | <u><u>\$ 5,212,696</u></u> | <u><u>\$ 9,367</u></u>   |

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

## WASHINGTON COUNTY, OHIO

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

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

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

#### **NOTE B – SUBRECIPIENTS**

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

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

#### **NOTE C – GOVERNMENT DONATED FOOD PROGRAM**

Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

The County has established a revolving loan program to provide low-interest loans to eligible persons for water and sewer rehabilitation. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money was recorded as a disbursement in the year received on the Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2003, the gross amounts of these loans outstanding under this program were \$18,542. Delinquent amounts due were \$18,542.

#### **NOTE E – MATCHING REQUIREMENTS**

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

WASHINGTON COUNTY, OHIO

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

**NOTE F – PASS-THROUGH AWARDS**

The County received Medical Assistance Program (CFDA #93.778), Social Services Block Grant (CFDA #93.667), and State Children's Insurance Program (CFDA #93.767) monies from various pass-through entities. The total federal expenditures in 2003 from these grants were as follows: Medical Assistance Program - \$1,912,939; Social Services Block Grant - \$114,087; State Children's Insurance Program - \$121,358.

**NOTE G – UNITED STATES DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS**

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 23, 2003, the Department began to administer certain Federal awards the County previously received from other Federal agencies. The accompanying Federal Awards Expenditure Schedule reports all such 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirement of these programs has not changed. A comparison of the former Federal agencies and CFDA numbers the County reported in its 2002 Federal Award Expenditure Schedule compared with the Department's CFDA reported in the 2003 schedule follows:

| <u>Previous Federal Agency</u>      | <u>CFDA No.<br/>used in 2002</u> | <u>Homeland Security<br/>CFDA No. used for 2003</u> |
|-------------------------------------|----------------------------------|---|
| Federal Emergency Management Agency | 83.552                           | 97.042  |

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## **Auditor of State Betty Montgomery**

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

Washington County  
223 Putnam Street  
Marietta, Ohio 45750

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, Ohio (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 3, 2004, wherein we noted the County adopted Governmental Accounting Standards Board Statements 34, 37, 38, and 41 and Interpretation 6. We did not audit the financial statements of Wasco, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for Wasco, Inc., is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-001 to 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to the County's management in a separate letter dated November 3, 2004.

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

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2003-002.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the County's management in a separate letter dated November 3, 2004.

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

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

**Betty Montgomery**  
Auditor of State

November 3, 2004



## Auditor of State Betty Montgomery

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

Washington County  
223 Putnam Street  
Marietta, Ohio 45750

To the Board of County Commissioners:

#### Compliance

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

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

As described in items 2003-004 and 2003-005 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding reporting and cash management that are applicable to its Community Development Block Grant (CFDA #14.228). As described in items 2003-008 and 2003-009 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding other compliance requirements and subrecipient monitoring applicable to its Medical Assistance Program (CFDA #93.778). Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the County's management in a separate letter dated November 3, 2004.

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### **Internal Control over Compliance**

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-006, 2003-007 and 2003-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above to be material weaknesses. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to the County's management in a separate letter dated November 3, 2004.

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



**Betty Montgomery**  
Auditor of State

November 3, 2004



WASHINGTON COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A -133 § .505  
 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 conditions reported at the financial statement level (GAGAS)?             | Yes   |
| (d)(1)(iii)                     | Was there any reported material noncompliance at the financial statement level (GAGAS)?                   | Yes   |
| (d)(1)(iv)                      | Were there any material internal control weakness conditions reported for major federal programs?         | No  |
| (d)(1)(iv)                      | Were there any other reportable internal control weakness conditions reported for major federal programs? | Yes   |
| (d)(1)(v)                       | Type of Major Programs' Compliance Opinion  | Qualified: Community Development Block Grant (CFDA #14.228); Medical Assistance Program (CFDA#93.778)<br><br>Unqualified: Workforce Investment Act Cluster (CFDA #'s 17.258, 17.259, 17.260); Temporary Assistance for Needy Families (CFDA #93.558)  |
| (d)(1)(vi)                      | Are there any reportable findings under .510?   | Yes   |
| (d)(1)(vii)                     | Major Programs (list):  | Community Development Block Grant – CFDA #14.228<br>Workforce Investment Act Cluster:<br>WIA Adult Program – CFDA #17.258<br>WIA Youth Activities – CFDA #17.259<br>WIA Dislocated Workers – CFDA #17.260<br>Temporary Assistance to Needy Families – CFDA #93.558<br>Medical Assistance Program – CFDA #93.778 |
| (d)(1)(viii)                    | Dollar Threshold: Type A/B Programs   | Type A: > \$300,000<br>Type B: all others   |
| (d)(1)(ix)                      | Low Risk Auditee?   | No  |

**WASHINGTON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2003**  
**(Continued)**

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

**FINDING NUMBER 2003-001**

**Finding for Recovery – Partially Repaid under Audit**

Douglas N. Grize, Washington County Economic Development Director, was responsible for turning in reimbursement requests to the County Commissioners for reimbursement of business expenses that he paid for.

Auditor of State Bulletins 2003-005 and 2004-002 discuss what constitute expenditures that are deemed to be for a proper public purpose. Our testing disclosed there were several reimbursements to Mr. Grize that we deemed to be not for a proper public purpose of the Economic Development Office. The following expenditures were reimbursed to Mr. Grize and charged to the Economic Development Office:

| <u>Warrant<br/>Number</u> | <u>Date</u> | <u>Reimbursement</u>     | <u>Amount</u>   | <u>Purpose</u>   |
|---------------------------|-------------|--------------------------|-----------------|--|
| 3532                      | 3/3/03      | Ho Toy Restaurant        | \$32.00         | Meal charge for a Southeastern Ohio Port Authority Meeting         |
| 11715                     | 6/20/03     | Swissotel Boston (Hotel) | 42.23           | Lobby Lounge Charge  |
| 14453                     | 8/5/03      | Kroger                   | 9.99            | Fruit Basket for Washington State Community College vice-president |
| 14454                     | 8/5/03      | Knights Inn              | 194.25          | Hotel stay for Washington State Community College vice-president   |
| 23577                     | 12/11/03    | Postmaster               | <u>27.30</u>    | Postage for Southeastern Ohio Port Authority                       |
|                           |             | Total                    | <u>\$305.77</u> |  |

As noted above, at least two reimbursements were paid from the Economic Development Office that were obligations of the Southeastern Ohio Port Authority. The remaining items reimbursed were done so without clear authority or within policies established by the County Commissioners.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Douglas N. Grize, Economic Development Director, in the amount of \$305.77, in favor of the Economic Development Fund of Washington County. On September 2, 2004, Mr. Grize repaid \$256.47 of the finding, leaving a balance of \$49.30 as unpaid.

**WASHINGTON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2003**  
**(Continued)**

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

**FINDING NUMBER 2003-002**

**Noncompliance Citation /Reportable Condition**

Ohio Rev. Code Section 9.38 provides public money must be deposited by a public official other than a state officer, employee or agent, with the treasurer of the public office or to a designated depository on the business day following the day of receipt, if the total amount exceeds \$1,000. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period.

The receipts for sewer payments were not deposited timely. 90 percent of the receipts tested were not deposited timely, nor had a policy been adopted to hold the money past the next business day. In addition, some payments were held for up to 15 days before depositing with the County Treasurer. Further, the Sewer Department made just 25 deposits to the Treasurer for the year. Deposits varied from \$809.61 to \$27,187.32. As a result, monies were susceptible to theft.

We recommend the Sewer Department and County Commissioners take the necessary steps to ensure their compliance with depositing public money. We further suggest the Commissioner's adopt a policy through resolution regarding deposits of public monies.

**FINDING NUMBER 2003-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Expenditures exceeded appropriations at December 31, 2003, in the following fund:

| Fund                        | Appropriation<br>Authority | Actual<br>Expenditures | Variance     |
|-----------------------------|----------------------------|------------------------|--------------|
| Federal Engineer/ODOT (T58) | \$ 0                       | \$ 696,500             | \$ (696,500) |

This was a result of the County failing to record the on-behalf-of payments made by the Ohio Department of Transportation for the County Road 26 road project.

We recommend the County review Auditor of State Bulletin 2000-008 regarding on-behalf-of payments. We further recommend in the future the County appropriate for such projects.

**WASHINGTON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2003**  
**(Continued)**

|                                       |
|---------------------------------------|
| <b>3. FINDINGS FOR FEDERAL AWARDS</b> |
|---------------------------------------|

|                                    |   |
|------------------------------------|---|
| <b>Finding Number</b>              | 2003-004  |
| <b>CFDA Title and Number</b>       | Community Development Block Grant (CFDA # 14.228) |
| <b>Federal Award Number / Year</b> | B-F-02-077-1<br>B-F-01-077-1<br>B-W-99-077-1      |
| <b>Federal Agency</b>              | U.S. Department Housing and Urban Development     |
| <b>Pass-Through Agency</b>         | Ohio Department Development                       |

**Reporting – Questioned Cost**

All Community Development Block Grant Program funds are reported to the State of Ohio, Department of Development. There are two reports the Auditor should consider: Request for Payment and Status of Funds Report and Final Performance Report (OHCP *Financial Management Rules and Regulations*, A.3(k) and Attachment 11).

Our testing of the Final Performance and Status Reports noted the following differences as reported to the Ohio Department of Development (ODOD):

1. The Status Report for B-F-02-077-1, dated October 7, 2003, indicated that \$5,300 was expended for Home/Building Repair (Activity 9) and \$5,000 was expended for General Administration (Activity 11). Per review of the underlying accounting records as of that date, no expenditures had been incurred for Home/Building Repair and only \$2,002 in expenditures for General Administration. As of December 31, 2003, \$2,860 had been actually expended under Activity 9 and \$3,428 had been expended under Activity 11, respectively.
2. The Final Expenditure Report for B-F-01-077-1, dated September 25, 2003, indicated that \$22,966 was expended for Public Rehabilitation (Activity 11). The underlying accounting records indicated \$21,686 in expenditures. Total actual expenditures for the grant amounted to \$226,936, and total receipts amounted to \$232,236, which resulted in a difference of \$5,300. On May 19, 2004, the County received a letter from the ODOD, noting that \$4,020 of the grant was not reported on the final performance report and requested a check in this amount. The actual amount that should be remitted to the ODOD was \$5,300.
3. The Final Expenditure Report for B-W-99-077-1, dated October 9, 2003, indicated the County had expended \$555,097. Per review of the underlying accounting records, the County had incurred \$540,837 in actual expenditures in the following activities: \$484,220 Water and Sewer Facilities (Activity 1), \$46,617 in Water and Sewer Facilities (Activity 3), and \$10,000 in General Administration (Activity 4). This resulted in a difference of \$14,260 in unused funds, and represented unspent cash held by the County.

This resulted in inaccurate reporting to the ODOD. Accordingly, \$5,300 and \$14,260 are considered questioned costs due to reporting errors. On July 6, 2004, \$5,305 was remitted to the ODOD for unexpended funds.

We recommend the County ensure that the reports remitted to the Ohio Department of Development accurately reflect grant activity for the period. We further recommend the County promptly remit the remaining unspent grant funds of \$14,260 to the Ohio Department of Development.

**WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OMB CIRCULAR A -133 § .505**

**DECEMBER 31, 2003**

**(Continued)**

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|---|
| <b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b> |
|---|

|                                    |  |
|------------------------------------|--|
| <b>Finding Number</b>              | 2003-005   |
| <b>CFDA Title and Number</b>       | Community Development Block Grant (CFDA # 14.228)            |
| <b>Federal Award Number / Year</b> | B-C-02-077-1<br>B-F-02-077-1<br>B-F-01-077-1<br>B-W-99-077-1 |
| <b>Federal Agency</b>              | U.S. Department Housing and Urban Development                |
| <b>Pass-Through Agency</b>         | Ohio Department Development                                  |

**Cash Management – Noncompliance Citation**

The Office of Community and Housing Partnerships (OHCP) Financial Management Rules and Regulations Section (A)(3)(f) provides that grantees must develop a cash management system to ensure compliance with the “Fifteen-Day Rule” relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds.

The County did not always disburse funds within fifteen days. Of the 16 request for payments, 8 of the subsequent disbursements were not made within the 15 day period and the balance on hand exceeded \$5,000 in each instance.

We recommend the County ensure its compliance with this Section and disburse funds within 15 days after receipt. We further recommend the County review the OHCP Financial Management Rules and Regulations handbook.

|                                    |   |
|------------------------------------|---|
| <b>Finding Number</b>              | 2003-006  |
| <b>CFDA Title and Number</b>       | Community Development Block Grant (CFDA # 14.228) |
| <b>Federal Award Number / Year</b> | N/A   |
| <b>Federal Agency</b>              | U.S. Department Housing and Urban Development     |
| <b>Pass-Through Agency</b>         | Ohio Department Development                       |

**Other – Reportable Condition**

The County Commissioners have not formally established policies regarding the collection process for delinquent water and sewer revolving loans. As noted in our testing, as of December 31, 2003, 100 percent of the County’s outstanding water and sewer revolving loans were delinquent in the amount of \$18,542. In addition, the County Commissioners did not review customer account information and therefore were unaware of the delinquent balances.

We recommend the County Commissioners formally establish policies on the collection process for delinquent accounts. We further recommend the Commissioners implement procedures to ensure County personnel review water and sewer loans on a monthly basis.

**WASHINGTON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2003**  
**(Continued)**

|   |
|---|
| <b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b> |
|---|

|                                    |   |
|------------------------------------|---|
| <b>Finding Number</b>              | 2003-007                                  |
| <b>CFDA Title and Number</b>       | Medical Assistance Program (CFDA #93.778) |
| <b>Federal Award Number / Year</b> | N/A                                       |
| <b>Federal Agency</b>              | U.S. Department Health and Human Services |
| <b>Pass-Through Agency</b>         | Ohio Department of Mental Health          |

**Matching, Level of Effort, Earmarking – Reportable Condition**

42 C.F.R. Section 433.51 provides that public funds may be used to meet the government’s share of the matching requirements of this program, as long as they are appropriated directly to the State or local Medicaid agency, or transferred from other public agencies to the State or local agency and under its administrative control, or certified by the contributing public agency as representing expenditures eligible for FFP under this Section. However, public funds may not be considered as the government’s share unless they do not include other Federal Funds, or are Federal funds authorized by Federal law to be used to match other Federal funds.

CFDA #93.778 (IV)(3) states that the Ohio Department of Mental Health has determined that local-level boards must pay providers the allowed amount for services wholly from nonfederal public funds, prior to receiving reimbursement for the billed service from ODADAS or ODMH. Nonfederal public funds include sources such as:

- Medicaid funds reimbursed to a Board for services previously paid (rather than the services currently being billed).
- Local levy funds.
- State dollars directly administered by Boards (e.g., Alcohol, Drug and/or Mental Health State Subsidy, other state general revenue funds).

Nonfederal public funds exclude other Federal grants, as noted above.

During 2003, we noted that due to cash flow problems within the Washington County Mental Health and Addiction Recovery Board, other Federal grant funds were used to pay remittance advances to a particular provider, Washington County Community Mental Health Services. The Board used previously reimbursed Medicaid funds, state dollars, and other Federal funds to meet the matching requirements. There was no local tax levy for mental health services. Our testing noted that other Federal funds sources included the Social Services Block Grant (CFDA #93.667) and Block Grants for Community Mental Health Services (CFDA #93.958), in excess of \$100,000.

As a result, it was difficult to determine if these other Federal funds, used as matching sources due to cash flow problems, were permitted to be used for that purpose. Further, this practice could jeopardize the use of these and other funds if noncompliance with other grant requirements was determined.

We recommend the Mental Health and Addiction Recovery Board contact the Ohio Department of Mental Health regarding receiving advances of state support to provide adequate nonfederal funds in order to meet the matching requirements of this program. Further, we recommend the Board refrain from using other Federal funds to meet these matching requirements unless the other Federal funds are expressly permitted by law to do so.

**WASHINGTON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2003**  
**(Continued)**

|   |
|---|
| <b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b> |
|---|

|                                    |   |
|------------------------------------|---|
| <b>Finding Number</b>              | 2003-008                                  |
| <b>CFDA Title and Number</b>       | Medical Assistance Program (CFDA #93.778) |
| <b>Federal Award Number / Year</b> | N/A                                       |
| <b>Federal Agency</b>              | U.S. Department Health and Human Services |
| <b>Pass-Through Agency</b>         | Ohio Department of Mental Health          |

**Other – Noncompliance Citation**

Part Four of Board/CMH Agency Agreement, Medicaid Number MC50-20, provides that the Mental Health and Addiction Recovery Board (the Board) shall pay, at 100%, valid Medicaid claims for Medicaid reimbursable services provided to residents of the Board's service district. CFDA #93.778(G) states that the Ohio Department of Mental Health (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) require when a county board enters into a Medicaid Agreement with ODMH or ODADAS, the board must pay the provider in full (100% of the allowed payment) for Medicaid claims submitted for reimbursement to ODMH /ODADAS.

During the audit period, the Board did not remit full payment to Washington County Community Mental Health Services (the provider) for claims submitted for reimbursement. Our testing determined that \$64,699.27 was omitted from payments made to the provider.

We recommend the Board make full payment to the provider.

WASHINGTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2003  
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

|                                    |   |
|------------------------------------|---|
| <b>Finding Number</b>              | 2003-009                                  |
| <b>CFDA Title and Number</b>       | Medical Assistance Program (CFDA #93.778) |
| <b>Federal Award Number / Year</b> | N/A                                       |
| <b>Federal Agency</b>              | U.S. Department Health and Human Services |
| <b>Pass-Through Agency</b>         | Ohio Department of Mental Health          |

**Subrecipient Monitoring – Noncompliance Citation/Reportable Condition**

OMB Circular A-133 §.400(d), states a pass-through entity is responsible for the following for the Federal awards it makes:

1. Identifying Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of the Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.
2. Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
3. Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
4. Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
5. Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
6. Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.
7. Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

There was no indication that the Mental Health and Addiction Recovery Board was informing each subrecipient of CFDA title and number, award name and number, and name of Federal agency for federal awards made. In addition, the Board did not ensure that subrecipients expending \$300,000 or more in Federal awards (\$500,000 for fiscal years ending after December 31, 2003) during the subrecipient's fiscal year had met the audit requirements of this Section for that fiscal year. Further, there was no indication the Board issued management decisions on audit findings within six months after receipt of the subrecipient's audit report and ensured that the subrecipient take appropriate and timely corrective action.

We recommend the Mental Health and Addiction Recovery Board ensure they follow the subrecipient monitoring requirements noted above. These requirements should be adequately documented in their grant files.



WASHINGTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 OMB CIRCULAR A -133 § .315 (b)  
 DECEMBER 31, 2003

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b> |
|----------------|---|------------------|--|
| 2002-001       | A finding for recovery was issued for monies collected but not accounted for against Janell Hinton for \$32,347.68.   | Yes              | N/A  |
| 2002-002       | A material weakness was issued for the County Commissioners for not having the necessary controls to prevent and detect errors or fraud from occurring.               | No               | Partially Corrected:<br><br>This item is no longer as significant and is repeated in the current audit Management Letter.        |
| 2002-003       | A material noncompliance citation was issued under OHCP Financial Management Rules and Regulations Section (A)(3)(f) for failure to disburse receipts within 15 days. | No               | Not Corrected:<br><br>This item is repeated in the current audit Schedule of Findings and Questioned Costs as finding 2003-006.  |
| 2002-004       | A federal reportable condition was issued for the failure of the County to maintain or prepare a schedule of federal program activity during 2002.                    | Yes              | N/A  |

**WASHINGTON COUNTY**  
**CORRECTIVE ACTION PLAN**  
**OMB CIRCULAR A-133 §.315(c)**  
**DECEMBER 31, 2003**

| Finding Number | Planned Corrective Action  | Anticipated Completion Date | Responsible Contact Person                                     |
|----------------|--|-----------------------------|--|
| 2003-004       | <p>The reporting issues will be resolved by using the green bar sheets to obtain the account balances for the activities, thus ensuring that the amount is accounted for correctly. Each time a status report is received by Buckeye Hills, they will contact Teresa Smith, who will then contact the County Auditor's office and request the green and white bar sheets. These sheets can then be placed into the files so that when the grant is monitored, the sheets will show the amounts listed are matching the state reports.</p> <p>The County issued a check for \$14,260.22 on November 23, 2004 payable to the ODOD in order to remit unspent grant funds.</p> | 12/31/04                    | Sandra I. Matthews, President of Board of County Commissioners |
| 2003-005       | <p>The State's policy and the County Auditor's policy differ, which sometimes causes the disbursement of the check being more than 15 days. The Auditor has stated that when we receive a CDBG draw down, it will be treated as a special bill, which means if presented to him on Monday a check will be written on Friday. This action should keep us below the 15 days.</p>   | 12/31/04                    | Sandra I. Matthews, President of Board of County Commissioners |
| 2003-006       | <p>We have conferred with the Prosecuting Attorney and we have prepared a letter to be sent to all delinquent customers. If we do not receive payment within 30 days, the accounts will be turned over to the Prosecuting Attorney for collection. The Commissioners will review the accounts monthly.</p>   | 12/31/04                    | Sandra I. Matthews, President of Board of County Commissioners |
| 2003-007       | <p>The Mental Health and Addiction Recovery Board will use approximately one-twelfth of annual expected revenue from each federal fund source to pay each monthly Remittance Advice. The Remittance Advice only breaks down the amount due between Medicaid claims and Non-Medicaid claims. The Board will make sure to use only non-federal funds to pay the Medicaid claims amount due.</p>  | 12/31/04                    | David K. Browne, CPA<br>Fiscal Director                        |

WASHINGTON COUNTY

**CORRECTIVE ACTION PLAN**  
**OMB CIRCULAR A-133 §.315(c)**  
**DECEMBER 31, 2003**  
**(Continued)**

| Finding Number | Planned Corrective Action  | Anticipated Completion Date | Responsible Contact Person              |
|----------------|--|-----------------------------|---|
| 2003-008       | The Board reconciles payments to providers to services billed by providers during the State fiscal year, since funds are allocated to the Board on a fiscal year basis. The unpaid amount noted is a result of advances made to the provider agency. The Board reconciled simply not paying the Remittance Advice in full. All claims have been paid in full by the Board.       | 12/31/04                    | David K. Browne, CPA<br>Fiscal Director |
| 2003-009       | The Board will formally inform each subrecipient of the CFDA title and number, award name, and name of federal agency for federal awards made. The Board will also formally issue management decisions on audit findings within six months after receipt of the subrecipient's audit report and formally request the subrecipient take appropriate and timely corrective action. | 12/31/04                    | David K. Browne, CPA<br>Fiscal Director |





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Betty Montgomery**

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**FINANCIAL CONDITION**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 16, 2004**