



**Auditor of State
Betty Montgomery**

WASHINGTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Job and Family Services Fund	24
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Motor Vehicle and Gasoline Tax Fund.....	25
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – County Home Fund	26
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Mental Retardation and Developmental Disabilities Fund.....	27
Statement of Fund Net Assets – Proprietary Funds	28
Statement of Revenues, Expenses and Change in Fund Net Assets – Proprietary Funds	29
Statement of Cash Flows – Proprietary Funds	30
Statement of Fiduciary Assets and Liabilities – Agency Funds	31
Notes to the Basic Financial Statements	33
Required Supplementary Information – Condition Assessments of the Infrastructure Reported Using the Modified Approach.....	71
Schedule of Federal Awards Expenditures.....	73
Notes to the Schedule of Federal Awards Expenditures	76

WASHINGTON COUNTY

TABLE OF CONTENTS
(Continued)

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	77
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.....	79
Schedule of Findings and Questioned Costs – OMB Circular A-133 § .505	81
Schedule of Prior Audit Findings – OMB Circular A-133 §.315(b).....	85
Corrective Action Plan – OMB Circular A-133 §.315(c).....	87



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 Southeastern Ohio Port Authority, a discretely presented component unit, each major fund and the aggregate remaining fund information of Washington County, Ohio (the County), as of and for the year ended December 31, 2004, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of the other auditor provides 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, Ohio, as of December 31, 2004, 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, County Home, and Mental Retardation and Developmental Disabilities Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2005, 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 agreements and other matters. While we did not opine on the internal controls over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Federal Awards Expenditures 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. 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

August 23, 2005

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

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, 2004. 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 2004 are as follows:

- In total, net assets increased \$1,473 thousand. Net assets of governmental activities increased \$1,856 thousand or 1.2 percent from 2003. Net assets of business-type activities decreased \$383 thousand, which represents a 8.9 percent decrease from 2003.
- At the end of the current year, the County reported unrestricted net assets for governmental activities of \$8.1 million.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$20,121 thousand, a decrease of \$109 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. 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 2004?" The *Statement of Net Assets* and the *Statement of Activities* answer this question.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

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 projects. 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. 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, Mental Retardation and Developmental Disabilities, and County Home Special Revenue Funds.

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.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

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 presents 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 2004 compared to 2003:

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

(Table 1)
 Net Assets

	Governmental Activities		Business-Type Activity		Totals	
	2004	2003	2004	2003	2004	2003
Assets						
Current and						
Other Assets	\$40,418,598	\$41,437,267	\$558,862	\$460,445	\$40,977,460	\$41,897,712
Capital Assets, Net	139,676,033	137,373,934	4,995,130	5,153,037	144,671,163	142,526,971
<i>Totals Assets</i>	180,094,631	178,811,201	5,553,992	5,613,482	185,648,623	184,424,683
Liabilities						
Current and						
Other Liabilities	15,191,540	15,375,988	33,567	29,406	15,225,107	15,405,394
Long-Term Liabilities	8,030,086	8,418,679	1,601,543	1,281,789	9,631,629	9,700,468
<i>Total Liabilities</i>	23,221,626	23,794,667	1,635,110	1,311,195	24,856,736	25,105,862
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	132,089,216	129,145,775	3,393,852	3,871,248	135,483,068	133,017,023
Restricted	16,657,491	19,158,920	0	0	16,657,491	19,158,920
Unrestricted	8,126,298	6,711,839	525,030	431,039	8,651,328	7,142,878
<i>Total Net Assets</i>	\$156,873,005	\$155,016,534	\$3,918,882	\$4,302,287	\$160,791,887	\$159,318,821

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 \$160,792 thousand (\$156,873 thousand in governmental activities and \$3,919 thousand in the business-type activity) as of December 31, 2004. By far, the largest portion of the County's net assets (84 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, \$16,657 thousand or 10 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, \$8,651 thousand or 6 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 2004 compared to 2003:

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program Revenues						
Charges for Services	\$4,480,181	\$4,350,867	\$344,503	\$313,740	\$4,824,684	\$4,664,607
Operating Grants, Contributions, and Interest	25,498,387	21,476,511	0	0	25,498,387	21,476,511
Capital Grants, Contributions, and Interest	1,399,566	5,481,992	33,090	0	1,432,656	5,481,992
<i>Total Program Revenues</i>	<u>31,378,134</u>	<u>31,309,370</u>	<u>377,593</u>	<u>313,740</u>	<u>31,755,727</u>	<u>31,623,110</u>
General Revenues						
Property Taxes	8,905,981	7,659,599	0	0	8,905,981	7,659,599
Permissive Sales Taxes	9,035,729	8,757,302	0	0	9,035,729	8,757,302
Intergovernmental	1,615,013	2,225,035	0	0	1,615,013	2,225,035
Interest	675,144	794,190	0	0	675,144	794,190
Payment in Lieu of Taxes	78,825	12,618	0	0	78,825	12,618
Transfers Out	(11,722)	900	0	0	(11,722)	900
Transfers In	0	0	11,722	0	11,722	0
Miscellaneous	727,952	517,004	13,169	41,909	741,121	558,913
<i>Total General Revenues</i>	<u>21,026,922</u>	<u>19,966,648</u>	<u>24,891</u>	<u>41,909</u>	<u>21,051,813</u>	<u>20,008,557</u>
<i>Total Revenues</i>	<u>52,405,056</u>	<u>51,276,018</u>	<u>402,484</u>	<u>355,649</u>	<u>52,807,540</u>	<u>51,631,667</u>
Program Expenses						
General Government:						
Legislative and Executive	4,536,599	4,426,990	0	0	4,536,599	4,426,990
Judicial	1,540,280	1,616,587	0	0	1,540,280	1,616,587
Public Safety	6,657,724	3,826,420	0	0	6,657,724	3,826,420
Public Works	7,373,295	8,104,178	0	0	7,373,295	8,104,178
Health:						
Alcohol, Drug, and Mental Health	4,919,067	3,904,604	0	0	4,919,067	3,904,604
Mental Retardation and Developmental Disabilities	6,247,577	6,148,938	0	0	6,247,577	6,148,938
County Home	2,160,490	2,170,067	0	0	2,160,490	2,170,067
Other Health	246,786	270,035	0	0	246,786	270,035
Human Services:						
Child Support Enforcement	913,787	872,999	0	0	913,787	872,999
Children Services	2,612,879	2,354,142	0	0	2,612,879	2,354,142
Job and Family Services	9,022,204	8,441,433	0	0	9,022,204	8,441,433
Other Human Services	1,420,664	1,536,439	0	0	1,420,664	1,536,439
Economic Development and Assistance	1,805,491	610,137	0	0	1,805,491	610,137
Intergovernmental	760,831	2,307,173	0	0	760,831	2,307,173
Interest and Fiscal Charges	330,911	300,627	0	0	330,911	300,627
Sewer	0	0	785,889	459,584	785,889	459,584
<i>Total Expenses</i>	<u>50,548,585</u>	<u>46,890,769</u>	<u>785,889</u>	<u>459,584</u>	<u>51,334,474</u>	<u>47,350,353</u>
<i>Increase (Decrease) in Net Assets</i>	<u>\$1,856,471</u>	<u>\$4,385,249</u>	<u>(\$383,405)</u>	<u>(\$103,935)</u>	<u>\$1,473,066</u>	<u>\$4,281,314</u>

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Governmental Activities

Operating grants were the largest program revenues, accounting for \$25,498 thousand or 48.7 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 \$8,906 thousand or 17.0 percent of total governmental activities revenues. Another major component of governmental activities revenues was permissive sales taxes, which accounted for \$9,036 thousand or 17.3 percent of total revenues.

The County's direct charges to users of governmental services made up \$4,480 thousand or 8.6 percent of total governmental activities 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 \$13,970 thousand, or 27.6 percent of total expenses for governmental activities. Other major program expenses for governmental activities include health programs, which accounted for \$13,574 thousand, or 26.9 percent of total expenses.

Business-Type Activity

The net assets for business-type activities decreased by \$383 thousand during 2004. Charges for services were the largest program revenue, accounting for \$345 thousand, or 85.6 percent of 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.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 3
 Governmental Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
General Government:				
Legislative and Executive	\$4,536,599	\$2,314,429	\$4,426,990	\$2,230,389
Judicial	1,540,280	538,457	1,616,587	659,336
Public Safety	6,657,724	5,530,447	3,826,420	(1,178,454)
Public Works	7,373,295	1,699,498	8,104,178	3,246,130
Health:				
Alcohol, Drug, and Mental Health	4,919,067	(190,973)	3,904,604	(93,031)
Mental Retardation and Developmental Disabilities	6,247,577	3,448,616	6,148,938	3,298,225
County Home	2,160,490	1,642,357	2,170,067	1,625,435
Other Health	246,786	97,251	270,035	134,064
Human Services:				
Child Support Enforcement	913,787	(11,392)	872,999	(131,331)
Children Services	2,612,879	976,447	2,354,142	620,596
Job and Family Services	9,022,204	1,050,378	8,441,433	2,004,428
Other Human Services	1,420,664	1,267,676	1,536,439	1,281,321
Economic Development and Assistance	1,805,491	64,230	610,137	(452,319)
Intergovernmental	760,831	412,119	2,307,173	2,035,983
Interest and Fiscal Charges	330,911	330,911	300,627	300,627
Total Expenses	<u>\$50,548,585</u>	<u>\$19,170,451</u>	<u>\$46,890,769</u>	<u>\$15,581,399</u>

Charges for services, operating grants, and capital grants of \$31,378 thousand, or 62 percent of the total costs of services, are received and used to fund governmental activities expenses of the County. The remaining \$19,170 thousand in governmental activities expenses is funded by property taxes, permissive sales taxes, intergovernmental revenues, interest, and miscellaneous revenues.

The \$4,997 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 Mental Retardation and Developmental Disabilities and the 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, 2004, the County's governmental funds reported a combined ending fund balance of \$20,121 thousand, a decrease of \$109 thousand in comparison with the prior year. Approximately \$17,539 thousand, or 87.2 percent of this total, constitutes unreserved undesignated fund balance.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

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 (\$2,440 thousand) or a variety of other restricted purposes (\$142 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 2004, unreserved fund balance was \$7,220 thousand, while total fund balance was \$7,941 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 44.7 percent to total General Fund expenditures, while total fund balance represents 49.2 percent of that same amount.

The fund balance of the County's General Fund decreased by \$953 thousand during 2004. The primary cause of the decrease was a need to spend from accumulated monies to meet current expenditures.

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, 2004, net assets for the County's enterprise fund were \$3,919 thousand. Of that total, \$525 thousand represents unrestricted net assets.

As of December 31, 2004, unrestricted net assets in the self-insurance program were (\$82) thousand. The Self-Insurance Fund has posted operating deficits for three years. 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. Following attempts to offset the operating deficit, the MRDD Board decided in 2004 to switch to a fully insured plan effective for 2005.

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, except for permissive sales tax, 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, 2004, were \$144,671 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, 2004
Unaudited

For governmental activities, the most significant capital asset additions during 2004 included the addition of a new County Jail Building at a cost of \$7,075 thousand.

The County had a professional appraisal company reappraise all capital assets in 2004 with the exception of recently constructed buildings.

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 2004.

Long-Term Obligations - As of December 31, 2004, the County had total general obligation bonded debt outstanding of \$6,720,000. All of this debt is expected to be repaid through governmental activities. The County's long term general obligation bonded debt increased by \$3,030,000 (7.6 percent) during 2004. Other outstanding long-term debt included an Energy Conservation Loan of \$57,260, O.P.W.C. loans of \$402,709, an OWDA Loan of \$273,069 and FHA loans payable of \$820,500.

In May 2004, the County issued \$3,400,000 in Capital Facilities Bonds for the purpose of the construction of the new county jail that is being repaid using ½ percent sales tax revenue levied to provide funds for the operation of the Washington County Sheriff's Department and County Capital Improvements.

In May 2004, various purpose bond anticipation notes were issued in the amount of \$1,010,000. These notes were issued for a variety of purposes including: the construction of a new county garage, a new children services building, 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 6.3 percent, which is an increase from 5.8 percent a year ago. This rate exceeds the State's current rate of 6.1 percent and the current national rate of 5.5 percent. The increase demonstrates the lagging economy in Ohio and southeast Ohio in particular.

The County's \$1.054 billion tax base has increased 13.7 percent over the prior year. This increase is attributed primarily to the mandated sexennial real property reappraisal completed for January 1, 2004. 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 increased 2.1% from 2003 to 2004 following five years of mostly steady growth, despite uncertain economic conditions. During 2003, \$8,757 thousand in permissive sales tax was collected and \$9,036 thousand was collected in 2004.

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 continue to be taken to ensure spending is within available resources.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

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, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	Southeastern Ohio Port Authority	WASCO, Inc.
Assets					
Equity in Pooled Cash and Cash Equivalents	\$20,124,721	\$178,185	\$20,302,906	\$0	\$0
Cash and Cash Equivalents	0	0	0	85,776	207,176
Cash and Cash Equivalents in Segregated Accounts	43,152	0	43,152	0	0
Accounts Receivable	101,871	130,305	232,176	0	148,204
Receivable from External Parties	12,738	0	12,738	0	1,797
Due from Component Unit	48,926	0	48,926	0	0
Accrued Interest Receivable	25,396	0	25,396	0	0
Intergovernmental Receivable	8,135,286	0	8,135,286	0	0
Taxes Receivable	11,091,088	0	11,091,088	0	0
Loans Receivable	14,673	0	14,673	49,036	0
Prepaid Items	206,718	0	206,718	0	14,875
Materials and Supplies Inventory	462,623	0	462,623	0	6,259
Special Assessments Receivable	0	250,372	250,372	0	0
Cash and Cash Equivalents with					
Fiscal and Escrow Agents	6,700	0	6,700	0	0
Investments in Segregated Accounts	55,833	0	55,833	0	0
Deferred Charges	88,873	0	88,873	0	0
Non-Depreciable Capital Assets	121,533,503	0	121,533,503	0	0
Depreciable Capital Assets, Net	18,142,530	4,995,130	23,137,660	0	123,993
<i>Total Assets</i>	<u>180,094,631</u>	<u>5,553,992</u>	<u>185,648,623</u>	<u>134,812</u>	<u>502,304</u>
Liabilities					
Accounts Payable	1,062,280	8,744	1,071,024	6,878	22,515
Contracts Payable	46,345	0	46,345	0	0
Accrued Wages and Benefits Payable	607,225	2,814	610,039	0	32,518
Vacation Benefits Payable	796,263	2,322	798,585	0	19,374
Intergovernmental Payable	2,690,069	10,955	2,701,024	0	2,737
Deferred Revenue	9,847,696	0	9,847,696	0	0
Accrued Interest Payable	41,696	8,732	50,428	0	0
Payable to External Parties	10,997	0	10,997	0	0
Claims Payable - Health Benefits	88,969	0	88,969	0	0
Customer Deposits	0	0	0	3,850	0
Long-Term Liabilities:					
Due Within One Year	1,080,439	67,231	1,147,670	1,726	1,495
Due In More Than One Year	6,949,647	1,534,312	8,483,959	47,200	2,241
<i>Total Liabilities</i>	<u>23,221,626</u>	<u>1,635,110</u>	<u>24,856,736</u>	<u>59,654</u>	<u>80,880</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	132,089,216	3,393,852	135,483,068	0	120,257
Restricted for:					
Capital Projects	356,909	0	356,909	0	0
Debt Service	1,352	0	1,352	0	0
Other Purposes	3,696,343	0	3,696,343	0	0
Motor Vehicle and Gasoline Tax	4,544,171	0	4,544,171	0	0
Mental Health	2,114,907	0	2,114,907	0	0
County Home	1,902,107	0	1,902,107	0	0
Mental Retardation and Developmental Disabilities	1,528,952	0	1,528,952	0	0
Job and Family Services	4,625	0	4,625	0	0
Child Support Enforcement Agency	295,495	0	295,495	0	0
Children Services	1,949,480	0	1,949,480	0	0
Senior Services	136,047	0	136,047	0	0
Unclaimed Monies	127,103	0	127,103	0	0
Unrestricted	8,126,298	525,030	8,651,328	75,158	301,167
<i>Total Net Assets</i>	<u>\$156,873,005</u>	<u>\$3,918,882</u>	<u>\$160,791,887</u>	<u>\$75,158</u>	<u>\$421,424</u>

See accompanying notes to the basic financial statements

Washington County, Ohio
Statement of Activities
For the Year Ended December 31, 2004
For the Fiscal Year Ended August 31, 2004 - WASCO, Inc. Component Unit

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$4,536,599	\$2,117,656	\$102,948	\$1,566
Judicial	1,540,280	877,538	124,285	0
Public Safety	6,657,724	617,999	174,062	335,216
Public Works	7,373,295	53,187	5,620,610	0
Health:				
Alcohol, Drug, and Mental Health	4,919,067	0	5,110,040	0
Mental Retardation and Developmental Disabilities	6,247,577	90,946	2,708,015	0
County Home	2,160,490	272,726	245,407	0
Other Health	246,786	149,535	0	0
Human Services:				
Child Support Enforcement	913,787	70,370	854,809	0
Children Services	2,612,879	85,558	1,550,874	0
Job and Family Services	9,022,204	123,681	7,848,145	0
Other Human Services	1,420,664	19,014	133,974	0
Economic Development and Assistance	1,805,491	1,971	718,638	1,020,652
Intergovernmental	760,831	0	306,580	42,132
Interest and Fiscal Charges	330,911	0	0	0
<i>Total Governmental Activities</i>	50,548,585	4,480,181	25,498,387	1,399,566
Business-Type Activity				
Sewer	785,889	344,503	0	33,090
<i>Total Primary Government</i>	\$51,334,474	\$4,824,684	\$25,498,387	\$1,432,656
Component Units:				
WASCO, Inc.	\$1,359,404	\$1,341,017	\$0	\$0
Southeastern Ohio Port Authority	\$65,187	\$0	\$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
Sales Taxes Levied for County Capital Improvements
Grants and Entitlements not Restricted to Specific Programs
Interest
Payment in Lieu of Taxes
Transfers
Gain on Sale of Capital Assets
Miscellaneous

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated (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 Activities	Business-Type Activity	Total	Southeastern Ohio Port Authority	WASCO, Inc.
(\$2,314,429)	\$0	(\$2,314,429)	\$0	\$0
(538,457)	0	(538,457)	0	0
(5,530,447)	0	(5,530,447)	0	0
(1,699,498)	0	(1,699,498)	0	0
190,973	0	190,973	0	0
(3,448,616)	0	(3,448,616)	0	0
(1,642,357)	0	(1,642,357)	0	0
(97,251)	0	(97,251)	0	0
11,392	0	11,392	0	0
(976,447)	0	(976,447)	0	0
(1,050,378)	0	(1,050,378)	0	0
(1,267,676)	0	(1,267,676)	0	0
(64,230)	0	(64,230)	0	0
(412,119)	0	(412,119)	0	0
(330,911)	0	(330,911)	0	0
(19,170,451)	0	(19,170,451)	0	0
0	(408,296)	(408,296)	0	0
(19,170,451)	(408,296)	(19,578,747)	0	0
0	0	0	0	33,052
0	0	0	(65,187)	0
2,427,691	0	2,427,691	0	0
1,904,801	0	1,904,801	0	0
3,560,588	0	3,560,588	0	0
809,891	0	809,891	0	0
203,010	0	203,010	0	0
8,960,729	0	8,960,729	0	0
75,000	0	75,000	0	0
1,615,013	0	1,615,013	0	0
675,144	0	675,144	1,157	0
78,825	0	78,825	0	0
(11,722)	11,722	0	0	0
0	0	0	121,485	0
727,952	13,169	741,121	4,258	755
21,026,922	24,891	21,051,813	126,900	755
1,856,471	(383,405)	1,473,066	61,713	33,807
155,016,534	4,302,287	159,318,821	13,445	387,617
<u>\$156,873,005</u>	<u>\$3,918,882</u>	<u>\$160,791,887</u>	<u>\$75,158</u>	<u>\$421,424</u>

Washington County, Ohio
Balance Sheet
Governmental Funds
December 31, 2004

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,561,177	\$2,721,628	\$1,415,026	\$1,201,197
Cash and Cash Equivalents in Segregated Accounts	22,201	0	0	0
Investments in Segregated Accounts	0	0	0	0
Materials and Supplies Inventory	72,572	78,219	264,922	1,498
Receivables:				
Taxes	4,256,893	0	0	3,737,035
Accounts	39,608	0	0	2,414
Intergovernmental	901,138	0	3,074,050	688,005
Interfund	88,078	0	0	20,610
Due from Component Unit	0	0	0	0
Accrued Interest	21,000	0	0	0
Loans	0	0	0	0
Prepaid Items	99,763	20,686	3,431	63,726
<i>Total Assets</i>	<u>\$12,062,430</u>	<u>\$2,820,533</u>	<u>\$4,757,429</u>	<u>\$5,714,485</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$239,779	\$108,993	\$51,524	\$89,855
Contracts Payable	30,545	0	0	0
Accrued Wages and Benefits	220,949	71,213	49,452	119,379
Interfund Payable	33,911	0	0	90
Intergovernmental Payable	313,240	1,670,057	38,914	93,163
Deferred Revenue	3,282,700	872,912	2,304,938	4,238,453
<i>Total Liabilities</i>	<u>4,121,124</u>	<u>2,723,175</u>	<u>2,444,828</u>	<u>4,540,940</u>
Fund Balances				
Reserved for Encumbrances	594,227	260,402	242,184	60,360
Reserved for Unclaimed Monies	127,103	0	0	0
Reserved for Loans	0	0	0	0
Unreserved:				
Undesignated, Reported in:				
General Fund	7,219,976	0	0	0
Special Revenue Funds (Deficit)	0	(163,044)	2,070,417	1,113,185
Debt Service Fund	0	0	0	0
Capital Projects Funds	0	0	0	0
<i>Total Fund Balances</i>	<u>7,941,306</u>	<u>97,358</u>	<u>2,312,601</u>	<u>1,173,545</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$12,062,430</u>	<u>\$2,820,533</u>	<u>\$4,757,429</u>	<u>\$5,714,485</u>

See accompanying notes to the basic financial statements

County Home	Other Governmental Funds	Total Governmental Funds
\$1,788,228	\$6,437,465	\$20,124,721
0	20,951	43,152
0	55,833	55,833
3,777	41,635	462,623
2,013,188	1,083,972	11,091,088
22,658	37,191	101,871
84,633	3,387,460	8,135,286
0	38,615	147,303
0	48,926	48,926
0	4,396	25,396
0	14,673	14,673
1,450	17,662	206,718
<u>\$3,913,934</u>	<u>\$11,188,779</u>	<u>\$40,457,590</u>
\$32,002	\$540,127	\$1,062,280
0	15,800	46,345
40,209	106,023	607,225
0	111,561	145,562
30,684	544,011	2,690,069
<u>2,097,821</u>	<u>2,988,075</u>	<u>15,784,899</u>
<u>2,200,716</u>	<u>4,305,597</u>	<u>20,336,380</u>
30,154	1,252,790	2,440,117
0	0	127,103
0	14,673	14,673
0	0	7,219,976
1,683,064	5,215,262	9,918,884
0	138,815	138,815
0	261,642	261,642
<u>1,713,218</u>	<u>6,883,182</u>	<u>20,121,210</u>
<u>\$3,913,934</u>	<u>\$11,188,779</u>	<u>\$40,457,590</u>

Washington County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2004

Total Governmental Fund Balances \$20,121,210

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. 139,676,033

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

Property Taxes	594,015	
Charges for Services	6,916	
Fines	25,486	
Intergovernmental	5,284,552	
Interest	25,396	
Other	838	5,937,203

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. (82,269)

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. (796,263)

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 88,873

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	3,395,000	
Capital Facilities Bonds Payable	3,413,873	
Compensated Absences Payable	232,750	
Accrued Interest Payable	41,696	
Energy Conservation Notes Payable	57,260	
Bond Anticipation Notes Payable	905,000	
Capital Leases Payable	26,203	(8,071,782)

Net Assets of Governmental Activities \$156,873,005

See accompanying notes to the basic financial statements

This page intentionally left blank.

Washington County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities
Revenues				
Property Taxes	\$2,334,647	\$0	\$0	\$3,504,585
Sales Taxes	9,035,729	0	0	0
Payment in Lieu of Taxes	32,039	0	0	32,904
Charges for Services	2,410,414	0	8,080	97,397
Licenses and Permits	7,038	0	0	0
Fines and Forfeitures	104,526	0	33,938	0
Intergovernmental	1,868,526	7,812,631	4,803,952	2,570,731
Interest	672,732	35,514	51,107	0
Miscellaneous	462,873	24,422	109,569	29,220
<i>Total Revenues</i>	<u>16,928,524</u>	<u>7,872,567</u>	<u>5,006,646</u>	<u>6,234,837</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	4,064,524	0	0	0
Judicial	1,159,010	0	0	0
Public Safety	5,982,668	0	0	0
Public Works	3,724,494	0	4,492,073	0
Health:				
Alcohol, Drug, and Mental Health	0	0	0	0
Mental Retardation and Developmental Disabilities	0	0	0	6,047,726
County Home	0	0	0	0
Other Health	85,460	0	0	0
Human Services:				
Child Support Enforcement	0	0	0	0
Children Services	0	0	0	0
Job and Family Services	0	8,965,361	0	0
Other Human Services	518,019	0	0	0
Economic Development and Assistance	113,801	0	0	0
Capital Outlay	0	0	0	0
Intergovernmental	486,684	0	0	0
Debt Service:				
Principal Retirement	0	16,244	1,100,000	11,452
Interest and Fiscal Charges	0	2,040	15,971	3,583
Issuance Costs	0	0	0	0
<i>Total Expenditures</i>	<u>16,134,660</u>	<u>8,983,645</u>	<u>5,608,044</u>	<u>6,062,761</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>793,864</u>	<u>(1,111,078)</u>	<u>(601,398)</u>	<u>172,076</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	501	0	0	0
Notes Issued	100,000	0	405,000	0
General Obligation Bond Issued	75,000	0	0	0
Transfers In	100,000	285,462	0	0
Premium on Bonds Issued	0	0	0	0
Discount on Bonds Issued	0	0	0	0
Transfers Out	(2,022,641)	0	0	0
Total Other Financing Sources (Uses)	<u>(1,747,140)</u>	<u>285,462</u>	<u>405,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(953,276)	(825,616)	(196,398)	172,076
<i>Fund Balances Beginning of Year</i>	<u>8,894,582</u>	<u>922,974</u>	<u>2,508,999</u>	<u>1,001,469</u>
<i>Fund Balances End of Year</i>	<u>\$7,941,306</u>	<u>\$97,358</u>	<u>\$2,312,601</u>	<u>\$1,173,545</u>

See accompanying notes to the basic financial statements

County Home	Other Governmental Funds	Total Governmental Funds
\$1,831,853	\$974,127	\$8,645,212
0	0	9,035,729
13,882	0	78,825
272,726	940,650	3,729,267
0	492,548	499,586
0	82,531	220,995
245,197	11,923,950	29,224,987
0	24,271	783,624
11,592	257,672	895,348
<u>2,375,250</u>	<u>14,695,749</u>	<u>53,113,573</u>
0	413,871	4,478,395
0	379,827	1,538,837
0	790,275	6,772,943
0	66,247	8,282,814
0	4,925,737	4,925,737
0	0	6,047,726
2,136,037	0	2,136,037
0	165,330	250,790
0	907,219	907,219
0	2,480,313	2,480,313
0	0	8,965,361
0	928,895	1,446,914
0	1,745,570	1,859,371
0	1,492,184	1,492,184
0	274,147	760,831
0	3,697,000	4,824,696
0	324,300	345,894
0	92,201	92,201
<u>2,136,037</u>	<u>18,683,116</u>	<u>57,608,263</u>
<u>239,213</u>	<u>(3,987,367)</u>	<u>(4,494,690)</u>
0	0	501
0	400,000	905,000
0	3,325,000	3,400,000
0	1,732,657	2,118,119
0	126,201	126,201
0	(34,000)	(34,000)
0	(107,200)	(2,129,841)
<u>0</u>	<u>5,442,658</u>	<u>4,385,980</u>
239,213	1,455,291	(108,710)
<u>1,474,005</u>	<u>5,427,891</u>	<u>20,229,920</u>
<u>\$1,713,218</u>	<u>\$6,883,182</u>	<u>\$20,121,210</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, 2004

Net Change in Fund Balances - Governmental Funds (\$108,710)

*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	3,440,702	
Current Year Depreciation	<u>(1,121,966)</u>	2,318,736

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		(16,637)
------------------------------------	--	----------

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

Property Taxes	260,769	
Intergovernmental	(963,490)	
Interest	(1,973)	
Charges for Services	465	
Fines and Forfeitures	13,810	
Other Revenue	<u>(6,376)</u>	(696,795)

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

General Obligation Bonds Payable	370,000	
Energy Conservation Notes Payable	11,452	
Bond Anticipation Notes Payable	<u>4,427,000</u>	4,808,452

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Capital Facilities Jail Bond Premium	4,555	
Accrued Interest Payable	14,983	
Amortization of Discount	(1,227)	
Amortization of Issuance Costs	<u>(3,328)</u>	14,983

Issuance costs are reported as an expenditure when paid in the governmental funds, but is deferred and amortized on the statement of activities. This is the unamortized issuance costs on the bonds.

92,201

Bond proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. Governmental funds report the effect of premiums and discounts when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Premium on Capital Facilities Jail Bonds	(126,201)	
General Obligation Bonds	(3,400,000)	
Discount on Capital Facilities Jail Bonds	34,000	
Bond Anticipation Notes	<u>(905,000)</u>	(4,397,201)

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	(74,781)	
Compensated Absences Payable	(42,230)	
Capital Lease Payable	<u>16,244</u>	(100,767)

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 eliminated. The net expenses of the internal service fund is allocated among governmental activities.

(57,791)

Change in Net Assets of Governmental Activities \$1,856,471

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, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$2,255,000	\$2,255,000	\$2,328,358	\$73,358
Sales Taxes	5,175,000	8,627,391	8,864,325	236,934
Payment in Lieu of Taxes	12,000	12,000	32,039	20,039
Charges for Services	2,151,039	2,151,039	2,379,072	228,033
Licenses and Permits	6,400	6,400	7,038	638
Fines and Forfeitures	115,500	115,500	103,380	(12,120)
Intergovernmental	1,659,207	1,661,135	1,866,098	204,963
Interest	601,650	601,650	715,628	113,978
Miscellaneous	296,485	442,635	454,665	12,030
<i>Total Revenues</i>	<u>12,272,281</u>	<u>15,872,750</u>	<u>16,750,603</u>	<u>877,853</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	4,207,062	4,440,617	4,312,390	128,227
Judicial	1,232,194	1,245,607	1,145,074	100,533
Public Safety	6,982,899	7,252,706	6,479,173	773,533
Public Works	5,097,080	5,166,088	3,840,791	1,325,297
Health	117,115	115,749	105,121	10,628
Human Services	544,710	538,797	524,623	14,174
Economic Development	140,123	165,123	138,801	26,322
Intergovernmental	492,391	490,276	489,674	602
<i>Total Expenditures</i>	<u>18,813,574</u>	<u>19,414,963</u>	<u>17,035,647</u>	<u>2,379,316</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(6,541,293)</u>	<u>(3,542,213)</u>	<u>(285,044)</u>	<u>3,257,169</u>
Other Financing Sources (Uses)				
Transfers In	1,123,051	1,123,051	100,000	(1,023,051)
Bonds Proceeds	0	0	75,000	75,000
Notes Proceeds	0	100,000	100,000	0
Loan Proceeds	0	19,741	0	(19,741)
Advance Out	(58,500)	(113,748)	(74,268)	39,480
Transfers Out	(3,198,947)	(3,168,829)	(2,022,641)	1,146,188
<i>Total Other Financing Sources (Uses)</i>	<u>(2,134,396)</u>	<u>(2,039,785)</u>	<u>(1,821,909)</u>	<u>217,876</u>
<i>Net Change in Fund Balance</i>	(8,675,689)	(5,581,998)	(2,106,953)	3,475,045
<i>Fund Balance Beginning of Year</i>	6,548,482	6,548,482	6,548,482	0
Prior Year Encumbrances Appropriated	<u>1,187,458</u>	<u>1,187,458</u>	<u>1,187,458</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(939,749)</u>	<u>\$2,153,942</u>	<u>\$5,628,987</u>	<u>\$3,475,045</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$7,367,436	\$7,367,436	\$7,871,782	\$504,346
Interest	0	0	9,074	9,074
Miscellaneous	105,149	105,149	24,424	(80,725)
<i>Total Revenues</i>	7,472,585	7,472,585	7,905,280	432,695
Expenditures				
Current:				
Human Services	8,169,961	9,764,115	9,449,414	314,701
<i>Excess of Revenues Under Expenditures</i>	(697,376)	(2,291,530)	(1,544,134)	747,396
Other Financing Sources				
Transfers In	285,462	285,462	285,462	0
<i>Net Change in Fund Balance</i>	(411,914)	(2,006,068)	(1,258,672)	747,396
<i>Fund Balance Beginning of Year</i>	1,594,165	1,594,165	1,594,165	0
Prior Year Encumbrances Appropriated	411,914	411,914	411,914	0
<i>Fund Balance End of Year</i>	<u>\$1,594,165</u>	<u>\$11</u>	<u>\$747,407</u>	<u>\$747,396</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Charges for Services	\$8,000	\$8,000	\$8,164	\$164
Fines and Forfeitures	15,000	15,000	36,058	21,058
Intergovernmental	4,814,000	4,137,000	4,553,197	416,197
Interest	20,000	20,000	33,888	13,888
Miscellaneous	5,600	5,600	109,158	103,558
<i>Total Revenues</i>	<u>4,862,600</u>	<u>4,185,600</u>	<u>4,740,465</u>	<u>554,865</u>
Expenditures				
Current:				
Public Works	5,136,036	5,752,864	5,107,106	645,758
Debt Service:				
Principal Retirement	1,100,000	1,100,000	1,100,000	0
Interest and Fiscal Charges	15,971	15,971	15,971	0
<i>Total Expenditures</i>	<u>6,252,007</u>	<u>6,868,835</u>	<u>6,223,077</u>	<u>645,758</u>
<i>Excess of Revenues (Under) Expenditures</i>	(1,389,407)	(2,683,235)	(1,482,612)	1,200,623
Other Financing Sources				
Note Proceeds	405,000	405,000	405,000	0
<i>Net Change in Fund Balance</i>	(984,407)	(2,278,235)	(1,077,612)	1,200,623
<i>Fund Balance Beginning of Year</i>	1,925,514	1,925,514	1,925,514	0
Prior Year Encumbrances Appropriated	273,436	273,436	273,436	0
<i>Fund Balance End of Year</i>	<u>\$1,214,543</u>	<u>(\$79,285)</u>	<u>\$1,121,338</u>	<u>\$1,200,623</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)
County Home Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$1,792,500	\$1,792,500	\$1,829,437	\$36,937
Payments in Lieu of Taxes	0	0	13,882	13,882
Charges for Services	256,087	256,087	273,039	16,952
Intergovernmental	241,358	241,358	245,197	3,839
Miscellaneous	0	0	11,592	11,592
<i>Total Revenues</i>	2,289,945	2,289,945	2,373,147	83,202
Expenditures				
Current:				
Health	2,491,427	2,491,427	2,194,421	297,006
<i>Net Change in Fund Balance</i>	(201,482)	(201,482)	178,726	380,208
<i>Fund Balance Beginning of Year</i>	1,422,526	1,422,526	1,422,526	0
Prior Year Encumbrances Appropriated	89,552	89,552	89,552	0
<i>Fund Balance End of Year</i>	<u>\$1,310,596</u>	<u>\$1,310,596</u>	<u>\$1,690,804</u>	<u>\$380,208</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, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$3,374,000	\$3,374,000	\$3,504,520	\$130,520
Payments in Lieu of Taxes	0	0	32,904	32,904
Charges for Services	50,000	50,000	103,604	53,604
Intergovernmental	2,353,889	2,618,541	2,572,631	(45,910)
Miscellaneous	2,000	2,000	36,204	34,204
<i>Total Revenues</i>	<u>5,779,889</u>	<u>6,044,541</u>	<u>6,249,863</u>	<u>205,322</u>
Expenditures				
Current:				
Health	6,332,795	6,671,218	6,210,157	461,061
Debt Service:				
Principal Retirement	0	11,452	11,452	0
Interest and Fiscal Charges	0	3,663	3,583	80
<i>Total Expenditures</i>	<u>6,332,795</u>	<u>6,686,333</u>	<u>6,225,192</u>	<u>461,141</u>
<i>Net Change in Fund Balance</i>	(552,906)	(641,792)	24,671	666,463
<i>Fund Balance Beginning of Year</i>	802,522	802,522	802,522	0
Prior Year Encumbrances Appropriated	<u>166,051</u>	<u>166,051</u>	<u>166,051</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$415,667</u></u>	<u><u>\$326,781</u></u>	<u><u>\$993,244</u></u>	<u><u>\$666,463</u></u>

See accompanying notes to the basic financial statements

Washington County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2004

	Business-Type Activity	Governmental Activity-
	Sewer Enterprise Fund	Internal Service Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$178,185	\$0
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	6,700
Receivables:		
Accounts	130,305	0
Special Assessments	250,372	0
<i>Total Current Assets</i>	<u>558,862</u>	<u>6,700</u>
Noncurrent Assets:		
Depreciable Capital Assets, Net	4,995,130	0
<i>Total Assets</i>	<u>5,553,992</u>	<u>6,700</u>
Liabilities		
Current Liabilities:		
Accounts Payable	8,744	0
Accrued Wages and Benefits Payable	2,814	0
Vacation Benefits Payable	2,322	0
Intergovernmental Payable	10,955	0
Claims Payable - Health Benefits	0	88,969
Accrued Interest Payable	8,732	0
Notes Payable	7,000	0
Current Portion of OWDA Loan Payable	6,062	0
Current Portion of OPWC Loans Payable	44,669	0
Current Portion of FHA Loan Payable	9,500	0
<i>Total Current Liabilities</i>	<u>100,798</u>	<u>88,969</u>
Long-Term Liabilities (Net of Current Portion):		
Compensated Absences Payable	265	0
Notes Payable	98,000	0
OWDA Loans Payable	267,007	0
OPWC Loans Payable	358,040	0
FHA Sewer Loan Payable	811,000	0
<i>Total Long-Term Liabilities</i>	<u>1,534,312</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,635,110</u>	<u>88,969</u>
Net Assets (Deficit)		
Invested in Capital Assets, Net of Related Debt	3,393,852	0
Unrestricted (Deficit)	525,030	(82,269)
<i>Total Net Assets (Deficit)</i>	<u>\$3,918,882</u>	<u>(\$82,269)</u>

See accompanying notes to the basic financial statements

Washington County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	Business-Type Activity <u>Sewer Enterprise Fund</u>	Governmental Activities- <u>Internal Service Fund</u>
Operating Revenues		
Charges for Services	\$344,503	\$0
Charges for Services - Health Benefits	0	717,550
Miscellaneous	13,169	0
<i>Total Operating Revenues</i>	<u>357,672</u>	<u>717,550</u>
Operating Expenses		
Personal Services	72,068	0
Fringe Benefits	31,304	0
Contractual Services	395,766	0
Contractual Services - Health Benefits	0	188,356
Materials and Supplies	37,296	0
Claims - Health Benefits	0	586,985
Depreciation	199,000	0
Other	3,791	0
<i>Total Operating Expenses</i>	<u>739,225</u>	<u>775,341</u>
<i>Operating Loss</i>	(381,553)	(57,791)
Non-Operating Expenses		
Interest and Fiscal Charges	(46,664)	0
<i>Loss Before Contributions and Transfers</i>	(428,217)	(57,791)
Capital Contributions	33,090	0
Transfers In	11,722	0
<i>Change in Net Assets</i>	(383,405)	(57,791)
<i>Net Assets (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>4,302,287</u>	<u>(24,478)</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$3,918,882</u></u>	<u><u>(\$82,269)</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, 2004

	Business-Type Activity Sewer Enterprise Fund	Governmental Activities- Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$328,233	\$717,550
Cash Payments for Employee Services and Benefits	(102,708)	0
Cash Payments for Goods and Services	(430,536)	(188,356)
Cash Payments for Claims - Health Benefits	0	(548,478)
Other Operating Expenses	(3,791)	0
Other Operating Revenues	13,169	0
<i>Net Cash Used for Operating Activities</i>	<i>(195,633)</i>	<i>(19,284)</i>
Cash Flows from Noncapital Financing Activities:		
Transfers In	11,722	0
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(8,003)	0
Proceeds from Sale of Notes	105,000	0
Proceeds from OWDA Loan	279,030	0
Special Assessments	21,259	0
Principal Paid on Debt	(64,541)	0
Interest and Fiscal Charges Paid on Debt	(45,428)	0
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<i>287,317</i>	<i>0</i>
<i>Net Increase in Cash and Cash Equivalents</i>	<i>103,406</i>	<i>(19,284)</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>74,779</i>	<i>25,984</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$178,185</i>	<i>\$6,700</i>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	(\$381,553)	(\$57,791)
Adjustments:		
Depreciation	199,000	0
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(16,270)	0
Increase in Accounts Payable	529	0
Increase in Accrued Wages and Benefits Payable	738	0
Decrease in Vacation Benefits Payable	(176)	0
Increase in Compensated Absences Payable	265	0
Increase in Claims Payable - Health Benefits	0	38,507
Increase in Intergovernmental Payable	1,834	0
<i>Net Cash Used for Operating Activities</i>	<i>(\$195,633)</i>	<i>(\$19,284)</i>

Noncash Capital Activities:

During 2004, the General Fund acquired capital assets for the Sewer Enterprise Fund in the amount of \$33,090.

See accompanying notes to the basic financial statements

Washington County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2004

Assets

Equity in Pooled Cash and Cash Equivalents	\$2,111,476
Cash and Cash Equivalents in Segregated Accounts	416,396
Investments in Segregated Accounts	39,770
Receivables:	
Property Taxes	44,886,781
Accounts	89,208
Receivable from External Parties (Interfund)	10,997
Special Assessments	253,801
Intergovernmental	<u>3,462,873</u>
<i>Total Assets</i>	<u><u>\$51,271,302</u></u>

Liabilities

Intergovernmental Payable	\$49,943,692
Payable to External Parties (Interfund)	12,738
Undistributed Monies	<u>1,314,872</u>
<i>Total Liabilities</i>	<u><u>\$51,271,302</u></u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

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 financial 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.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

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 assumes the responsibility to provide financial support to the Authority and is obligated for the debt of the Authority; therefore, it 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

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)
- County Risk Sharing Authority, Inc. (CORSA)
- 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, 2004

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 unless those pronouncements 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 activity 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, 2004

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.

County Home Fund This fund accounts for property tax revenues and other resources used to finance the operation of the County Home.

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

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.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from 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, 2004, but which were levied to finance year 2005 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 2004.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

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 2004, 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 2004 amounted to \$672,732, which includes \$477,236 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

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, 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, 2004

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. On the statement of net assets, receivables and payables between the primary government and the fiduciary funds, for which the County is the fiscal agent, for services rendered are presented as "External party receivables" and "External party payables".

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. The County was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital 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:

Description	Governmental Activities Estimated Lives	Business-Type Activity Estimated Lives
Buildings and Improvements	40-100 Years	40-100 Years
Machinery and Equipment	5-10 Years	5-10 Years
Vehicles	8 Years	8 Years
Furniture and Fixtures	5-20 Years	5-20 Years
Business-Type Infrastructure		40 Years

The County's infrastructure consists of County roads and bridges, certain culverts and sewer systems. The County reports infrastructure acquired prior to December 31, 1980.

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 expenditures 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.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

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 benefits are earned. For Wasco, Inc., all unused vacation leave at fiscal year end is accrued as a liability.

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 and compensated absences 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 notes are recognized as a liability in the governmental fund financial statements when due.

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 constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

The government-wide statement of net assets reports \$16,657,491 of restricted net assets, of which \$2,542,969 is restricted by enabling legislation. The restrictions for other purposes include activities related to highway and bridge maintenance, 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.

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. The County did not have any extraordinary or special items in 2004.

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.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS

Changes in Accounting Principles For the year ended December 31, 2004, the County has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units,” GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation,” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers.”

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their restricted net assets.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 39, GASB Statement No. 46, and GASB Technical Bulletin No. 2004-2 did not affect the presentation of the financial statements of the County.

Restatement of Net Assets The County has restated capital assets, net of related debt based on an appraisal performed in 2004. Governmental-type activities net assets were overstated by (\$19,521,360) and the business-type activity was understated by \$512,257 in the previous year. Governmental-type activities decreased from \$174,537,894 to \$155,016,534. The business-type activity increased from \$3,790,030 to \$4,302,287.

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.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

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:

Net Change in Fund Balances					
General and Major Special Revenue Funds					
	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	County Home
GAAP Basis	(\$953,276)	(\$825,616)	(\$196,398)	\$172,076	\$239,213
Net Adjustment for					
Revenue Accruals	(267,351)	4,409	(283,257)	15,091	(4,705)
Beginning of the Year:				0	
Unrecorded Cash	61,233	2,513	155	0	0
Unreported Interest	100,778	26,440	17,219	0	0
Segregated Accounts	42,840	0	0	0	0
Agency Fund					
Cash Allocation	56,072	0	0	85,253	48,581
Prepaid Items	13,595	9,120	155	13,021	2,019
End of the Year:				0	
Unrecorded Cash	(29,550)	(649)	(298)	0	0
Unreported Interest	(57,882)	0	0	0	0
Segregated Accounts	(22,201)	0	0	0	0
Agency Fund					
Cash Allocation	(62,361)	0	0	(85,318)	(45,979)
Prepaid Items	(99,763)	(20,686)	(3,431)	(63,726)	(1,450)
Net Adjustment for					
Expenditure Accruals	(32,422)	1,519,369	(318,367)	10,909	(7,508)
Advances Out	(74,268)	0	0	0	0
Encumbrances	(782,397)	(1,973,572)	(293,390)	(122,635)	(51,445)
Budget Basis	<u>(\$2,106,953)</u>	<u>(\$1,258,672)</u>	<u>(\$1,077,612)</u>	<u>\$24,671</u>	<u>\$178,726</u>

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

NOTE 5 – FUND DEFICITS

The Self Insurance Internal Service Fund had a deficit net asset of \$82,269 as of December 31, 2004. The deficit 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 and inactive. 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. Beginning June 15, 2004, inactive monies could be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury Bills, Notes, 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, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above;
4. Bond and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers acceptances;
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they 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 \$392,038 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled 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 \$22,528,362 and the bank balance was \$23,697,138. Of the bank balance:

1. \$613,324 was covered by federal depository insurance; and
2. \$23,083,814 was collateralized with securities held by the pledging financial institution's trust department in the County's name.

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 Rates	Category 3	Fair Value
US Government Bonds	7.21%	\$55,833	\$55,833

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

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:

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$22,880,630	\$95,603
Cash on Hand	(392,038)	0
Certificates of Deposit	39,770	(39,770)
GASB Statement 3	\$22,528,362	\$55,833

COMPONENT UNIT

At fiscal year end, the carrying amount of Wasco, Inc.'s deposits was \$207,176 and the bank balance was \$147,490. \$100,000 of the bank balance was covered by federal depository insurance and \$47,490 was uninsured and uncollateralized. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

At year end, the carrying amount of Southeastern Ohio Port Authority's deposits was \$85,776 and the bank balance was \$85,776. 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 2004 for real and public utility property taxes represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

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. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

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

The full tax rate for all County operations for the year ended December 31, 2004, was \$9.05 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

Real Property	\$750,535,540
Public Utility Tangible Personal Property	86,800,270
Tangible Personal Property	216,991,920
Total Assessed Value	\$1,054,327,730

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, 2004, 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 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

B. Intergovernmental Receivables

Governmental Activities:	<u>Amounts</u>
Local Government	\$679,124
Homestead and Rollback	421,351
School Lunch Reimbursement	6,407
Estate Tax	279
Building Regulation Fees	4,113
Court Fines	50,975
Defense of Indigents	7,561
Juvenile Center Child Support	900
Elected Officials Pay Raise Reimbursements	2,065

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

	Amounts
Governmental Activities (cont'd):	
Contract Services	\$736
Gas Excise Tax	953,285
Motor Vehicle License	2,048,694
Permissive Motor Vehicle License	28,225
EMPG	8,597
Youth Led Prevention Grant	1,885
WRAP Facilitator Training	182
National School Reimbursement	7,363
Child Support Enforcement Agency Advance	43,281
False Alarms - Sheriff	175
Prisoner Care	54,050
ADA HB 484	11,060
Title XIX Medicaid	520,488
Womens Setaside	17,167
Southern Consortium	94,894
Community Plan BG	10,799
D&A State (Treatment and Prevention)	59,462
Supplemental Treatment	2,090
ODADAS Womens Match	10,727
Child Adolescent Block Grant	4,266
TANF (ODADAS)	5,755
State Subsidy	845,422
ODMH - PASARR	629
Title XX - Mental Health	51,313
Federal Block Grant	115,211
Recycle Ohio	11,320
Title XX - MRDD	23,316
Evidence Based Prevention Grant	57,500
Special Education	42,293
Title XIX Medicaid - MRDD	251,420
Adult Drug Court Implementation Grant	99,920
Early Childhood Special Education IDEA	12,834
Children Services Grants	361,472
Chip Grant	622,735
Victim Assistance	21,583

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

	Amounts
Governmental Activities (cont'd):	
Community Development Block Grant	\$128,364
FEMA Grants	224,730
Juvenile Victim Assistance	12,757
County Board Consolidated Payment	182,240
Ohio 3rd Frontier Internship Program	1,469
RSVP Grants	1,627
Visitation Center Grant	11,175
Total Governmental Activities	\$8,135,286

C. Loans Receivable

The Community Development Block Grant Special Revenue Fund reflects loans receivable of \$14,673. 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.

D. Due from Component Unit

During 2004, the County loaned the Authority \$50,000 to preserve and protect a portion of the Kardex jobs being moved to Pennsylvania to remain in Washington County. The loan is at a rate of 3% per annum to be paid in monthly installments on a 20 year amortization schedule with no prepayment penalties. A balloon payment will be due at the time of Kardex's building lease termination or in three years whichever comes last. At December 31, 2004, the County recorded a "Due from Component Unit" in the amount of \$48,926.

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. Sales tax revenues that are measurable and available at year end are accrued as revenue.

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

NOTE 9- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Balance</u> <u>12/31/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2004</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$472,858	\$0	\$0	\$472,858
Infrastructure	120,066,816	993,829	0	121,060,645
Construction in Progress	6,353,014	722,382	(7,075,396)	0
Total Non-Depreciable Capital Assets	<u>126,892,688</u>	<u>1,716,211</u>	<u>(7,075,396)</u>	<u>121,533,503</u>
Depreciable Capital Assets:				
Land Improvements	659,352	0	0	659,352
Buildings and Improvements	11,567,043	7,315,099	0	18,882,142
Machinery and Equipment	3,297,764	757,233	0	4,054,997
Furniture and Fixtures	862,694	234,200	0	1,096,894
Vehicles	5,065,171	493,355	(33,272)	5,525,254
Total Depreciable Capital Assets	<u>21,452,024</u>	<u>8,799,887</u>	<u>(33,272)</u>	<u>30,218,639</u>
Accumulated Depreciation:				
Land Improvements	(140,235)	(37,907)		(178,142)
Buildings and Improvements	(5,257,828)	(370,122)	0	(5,627,950)
Machinery and Equipment	(1,949,236)	(265,320)	0	(2,214,556)
Furniture and Fixtures	(413,161)	(38,443)	0	(451,604)
Vehicles	(3,210,318)	(410,174)	16,635	(3,603,857)
Total Accumulated Depreciation	<u>(10,970,778)</u>	<u>(1,121,966) *</u>	<u>16,635</u>	<u>(12,076,109)</u>
Total Depreciable Capital Assets, Net	<u>10,481,246</u>	<u>7,677,921</u>	<u>(16,637)</u>	<u>18,142,530</u>
Governmental Capital Assets, Net	<u>\$137,373,934</u>	<u>\$9,394,132</u>	<u>(\$7,092,033)</u>	<u>\$139,676,033</u>

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

* Depreciation expense was charged to governmental activities as follows:

General Government:	
Legislative and Executive	\$51,570
Judicial	32,965
Public Safety	311,447
Public Works	365,105
Health:	
Mental Retardation Developmental Disabilities	101,266
County Home	79,560
Other Health	6,404
Human Services:	
Children Services	114,443
Job and Family Services	41,699
Child Support Enforcement	4,517
Other Human Services	12,990
Total Depreciation Expense	\$1,121,966

	Balance 12/31/2003	Additions	Reductions	Balance 12/31/2004
Business-Type Activity:				
Depreciable Capital Assets:				
Buildings and Improvements	\$848,697	\$12,593	\$0	\$861,290
Machinery and Equipment	411,613	28,500	0	440,113
Infrastructure	5,957,637	0	0	5,957,637
Vehicles	60,213	0	0	60,213
Total Depreciable Capital Assets	7,278,160	41,093	0	7,319,253
Accumulated Depreciation:				
Buildings and Improvements	(441,951)	(21,375)	0	(463,326)
Machinery and Equipment	(179,385)	(28,394)	0	(207,779)
Infrastructure	(1,448,126)	(145,729)	0	(1,593,855)
Vehicles	(55,661)	(3,502)	0	(59,163)
Total Accumulated Depreciation	(2,125,123)	(199,000)	0	(2,324,123)
Business-Type Capital Assets, Net	\$5,153,037	(\$157,907)	\$0	\$4,995,130

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

Asset Category	WASCO, Inc.
Buildings	\$9,548
Equipment and Furniture	132,206
Vehicles	256,836
Total	398,590
Less Accumulated Depreciation	(274,597)
Net Capital Assets	\$123,993

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 2004, the County contracted with the County Risk Sharing Authority, Inc. (CORSA), an insurance purchasing pool, (see Note 20), for liability, auto, and crime insurance. CORSA, a non-profit corporation sponsored by the County Commissioners of Ohio, was created to provide affordable liability, property, casualty, and crime insurance coverage for its members and was established May 12, 1987. Coverage provided by the program and applicable deductibles are as follows:

	Coverage	Deductible
General Liability	\$1,000,000 each occurrence	\$2,500
Law Enforcement Liability	1,000,000 each occurrence	2,500
Automobile Liability	1,000,000 each occurrence	2,500
Errors and Omissions Liability	1,000,000/1,000,000	2,500
Property Damage Liability	70,305,840	2,500
Equipment Breakdown	100,000,000	2,500
Crime	1,000,000	2,500

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.

MR/DD Employee Medical Benefits

Starting in 2003, medical/surgical benefits, vision, dental, and prescription insurance has been offered to MR/DD employees through a self-insurance internal service fund through Administrative Service Consultants. The claims liability of \$88,969 reported in the internal service fund at December 31, 2004, 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 2004 are as follows:

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$102,863	\$446,710	\$499,111	\$50,462
2004	50,462	586,985	548,478	88,969

For 2004, 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 environment for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Gates McDonald, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

The County pays all elected 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 commercial insurance for property, general liability, and public employee dishonesty.

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).

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

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 or (800) 222-7377.

For the year ended December 31, 2004, 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 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 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, 2004, 2003, and 2002 were \$1,594,831, \$1,542,717, and \$1,399,597 respectively; 88.63 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$16,195 made by the County and \$10,160 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 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 established by Chapter 3307 of the Ohio Revised Code.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

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, 2004, plan members were required to contribute 10 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 2003, the portion used to fund pension obligations was 13 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, 2004, 2003, and 2002, were \$87,295, \$87,447, and \$64,353 respectively; 96.31 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$0 made by the County and \$3,822 made by the plan members.

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 2004 employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent was the portion that was used to fund health care for 2004.

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, 2003, 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 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants was 369,885. The County's actual contributions for 2004 which were used to fund postemployment benefits were \$716,620. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. State Teachers Retirement System

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Oio), 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.

STRS retirees who participate in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$6,715 for 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS Ohio had 111,853 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.

Each employee accrues 4.6 hours of sick time 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 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.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

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 Job and Family 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 Job and Family 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 for 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 Job and Family Services, Child Support Enforcement Agency, the Health Department, and the Children Services Board. Vision insurance is provided to employees of the Department of Job and Family 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 \$32,558 as of December 31, 2004. Principal payments towards all capital leases during 2004 totaled \$16,244.

Future minimum lease payments through 2006 are as follows:

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

Year	Governmental Activities	
	Principal	Interest
2005	17,214	1,070
2006	8,989	153
Total	\$26,203	\$1,223

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 \$5,606 as of December 31, 2004. Principal payments towards all capital leases during 2004 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, 2004:

	Amount
Total Future Minimum Lease Payments	\$3,736
Less: Amount Representing Interest	0
Present Value of Net Minimum Obligations	3,736
Less: Current Obligation Under Capital Lease	(1,495)
Long-Term Obligations Under Capital Lease	\$2,241

NOTE 15 - CONTRACTUAL COMMITMENTS

As of December 31, 2004, the County had contractual purchase commitments as follows:

Projects	Fund	Purchase Commitments	Amounts Paid as of 12/31/2004	Amounts Remaining on Contracts
Radio System for Sheriff	General Fund	\$410,401	\$369,361	\$41,040
Shinn Covered Bridge Reconstruction Evaluation	General Fund	10,790	8,249	2,541
Dufur Bridge Repairs	General Fund	24,930	0	24,930
County Road 85 Guardrail Repairs	Motor Vehicle Gasoline Tax Fund	82,795	0	82,795

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

NOTE 16 - LONG-TERM OBLIGATIONS

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

	Original Issue Amount	Principal Outstanding 12/31/03	Additions	Deductions	Principal Outstanding 12/31/04	Amounts Due within One Year
Governmental Activities:						
<u>General Obligation Bonds:</u>						
1998 - Juvenile Center - 4.4%-5.9%	\$1,800,000	\$1,515,000	\$0	\$70,000	\$1,445,000	\$70,000
2004 - Capital Facilities Jail Bonds						
Serial Bonds - 2%-4.25%	2,090,000	0	2,090,000	75,000	2,015,000	130,000
Term Bonds - 4.05%	385,000	0	385,000	0	385,000	0
Term Bonds - 5.75%	925,000	0	925,000	0	925,000	0
Bond Premium		0	126,201	4,555	121,646	0
Bond Discount		0	(34,000)	(1,227)	(32,773)	0
1996 - Courthouse						
Renovation - 3.75%-5.00%	1,350,000	650,000	0	120,000	530,000	125,000
1996 - Building Acquisition - Job and Family Services - 3.75%-5.5%	1,740,000	1,395,000	0	65,000	1,330,000	65,000
1996 - Building Acquisition - Commissioners - 3.75%-4.75%	380,000	130,000	0	40,000	90,000	45,000
Total General Obligation Bonds		3,690,000	3,492,201	373,328	6,808,873	435,000
<u>Bond Anticipation Notes:</u>						
Jail Construction - 1.46%		2,800,000	0	2,800,000	0	0
Children Services Building - 2.55%		500,000	400,000	500,000	400,000	200,000
County Garage - 2.55%		1,100,000	405,000	1,100,000	405,000	405,000
Computer Equipment - 2.55%		0	100,000	0	100,000	2,000
Computer Equipment - 1.46%		27,000	0	27,000	0	0
Total Bond Anticipation Notes		4,427,000	905,000	4,427,000	905,000	607,000
1999 - Energy Conservation Note - 5.125%	114,523	68,712	0	11,452	57,260	11,452
Compensated Absences - Sick Leave		190,520	42,978	748	232,750	9,773
Capital Leases		42,447	0	16,244	26,203	17,214
Total Governmental Activities		\$8,418,679	\$4,440,179	\$4,828,772	\$8,030,086	\$1,080,439
Business-Type Activity:						
<u>OPWC Loans:</u>						
1995 - Devola Sewer Loan - 0%	328,552	\$188,916	\$0	\$16,428	\$172,488	\$16,427
1995 - Waste Water Treatment Plant Loan - 4.0%	112,665	26,237	0	12,859	13,378	13,378
1999 - Cherry Blossom Sewer Loan - 2.00%	80,370	68,511	0	3,543	64,968	3,614
1998 - Barlow Vincent Sewer Plant Loan - 0%	225,000	163,125	0	11,250	151,875	11,250
Total OPWC Loans		446,789	0	44,080	402,709	44,669
1997 - FHA Sewer Loans	506,000	829,000	0	8,500	820,500	9,500
2004 - OWDA Loan - 3.41%	279,030	0	279,030	5,961	273,069	6,062
Bond Anticipation Note - 2.55%		6,000	105,000	6,000	105,000	7,000
Compensated Absences - Sick Leave		0	265	0	265	0
Total Business-Type Activity		\$1,281,789	\$384,295	\$64,541	\$1,601,543	\$67,231

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

A. Governmental Activities

The Courthouse Renovation, Juvenile Center, 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 Capital Facilities Jail Bonds are unvoted and will be retired from the General Bond Retirement Fund with permissive sales 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 December 31,	Principal	Interest	Total
2005	\$435,000	\$310,985	\$745,985
2006	455,000	293,211	748,211
2007	425,000	274,485	699,485
2008	445,000	256,410	701,410
2009	310,000	236,798	546,798
2010-2014	1,775,000	972,723	2,747,723
2015-2019	1,950,000	520,800	2,470,800
2020-2023	925,000	136,850	1,061,850
Total	<u>\$6,720,000</u>	<u>\$3,002,262</u>	<u>\$9,722,262</u>

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

Year Ended December 31,	Principal	Interest	Total
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>\$57,260</u>	<u>\$29,366</u>	<u>\$86,626</u>

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

The bond anticipation notes are backed by the full faith and credit of Washington County and are scheduled to be paid in one year, but the County will refinance for a longer period. The notes are issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

Mandatory Redemptions The 2004 Jail bond issue consisted of serial and term bonds. The term bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption of the Authorizing Legislation. The mandatory redemption is to occur on December 1, 2017, (with the balance of \$195,000 to be paid at stated maturity on December 1, 2018) at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2017	\$190,000

The bonds maturing on December 1, 2023, (the 2023 Term Bonds and together with the 2018 Term Bonds, the Term Bonds) are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation. The mandatory redemption is to occur on December 1 in each of the years 2020 through 2022 (with the balance of \$250,000 to be paid at stated maturity on December 1, 2023) at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2020	\$210,000
2021	225,000
2022	240,000

Term bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

Optional Redemption The bonds maturing on or after December 1, 2015, are also subject to prior redemption on or after December 1, 2014, by and at the sole option of the County, either in whole on any date or in part (as selected by the County) on any date and in integral multiples of \$5,000, at par plus accrued interest to the redemption date.

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, the OWDA 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 the loans:

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

Year Ended December 31,	Principal	Interest	Total
2005	\$60,232	\$44,266	\$104,498
2006	53,301	48,711	102,012
2007	54,803	47,781	102,584
2008	55,821	46,888	102,709
2009	56,855	45,761	102,616
2010-2014	303,424	211,881	515,305
2015-2019	249,345	178,621	427,966
2020-2024	166,497	138,269	304,766
2025-2029	151,000	98,803	249,803
2030-2037	345,000	74,286	419,286
Total	\$1,496,278	\$935,267	\$2,431,545

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 the 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 unvoted debt margin was \$17,233,193 at December 31, 2004.

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, 2004, \$79,330,000 of industrial revenue bonds had been issued, and \$73,513,470 of those remained outstanding.

E. Component Unit

During 2004, the County loaned the Authority \$50,000 to preserve and protect a portion of the Kardex jobs being moved to Pennsylvania to remain in Washington County. The loan is at a rate of 3% per annum to be paid in monthly installments on a 20 year amortization schedule with no prepayment penalties. A balloon payment will be due at the time of Kardex's building lease termination or in three years whichever comes last. Maturities of long-term debt are as follows:

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

Year Ended December 31,	Principal
2005	\$1,886
2006	1,943
2007	2,002
2008	2,063
2009	2,126
2010-2014	11,639
2015-2019	13,519
2020-2024	<u>13,748</u>
Total	<u><u>\$48,926</u></u>

NOTE 17 – INTERFUND BALANCES AND TRANSFERS

Interfund balances, as of December 31, 2004, consist of the following individual interfund receivables and payables:

Interfund Receivable	Interfund Payable				
	Major Funds				
	General	Mental Retardation and Developmental Disabilities	Other Nonmajor Governmental	Agency Funds	Total
Major Funds:					
General Fund	\$296	\$0	\$87,782	\$0	\$88,078
Mental Retardation and Developmental Disabilities	0	0	7,872	12,738	20,610
Other Nonmajor Governmental	33,615	0	5,000	0	38,615
Agency Funds	<u>0</u>	<u>90</u>	<u>10,907</u>	<u>0</u>	<u>10,997</u>
Total All Funds	<u><u>\$33,911</u></u>	<u><u>\$90</u></u>	<u><u>\$111,561</u></u>	<u><u>\$12,738</u></u>	<u><u>\$158,300</u></u>

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

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2004

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfer In					
Major Funds					
Transfer Out	General	Job and Family Services	Other Nonmajor Governmental	Sewer	Total
Major Funds:					
General Fund	\$0	\$285,462	\$1,725,457	\$11,722	\$2,022,641
Other Nonmajor					
Governmental	100,000	0	7,200	0	107,200
Total All Funds	\$100,000	\$285,462	\$1,732,657	\$11,722	\$2,129,841

The above mentioned Transfers In/Out 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 2004, the District received \$20,953 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 the 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 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 2004.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

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 2004, the County contributed \$120,937.

D. Washington-Morgan Community Action Corporation

The Washington - Morgan Community Action Corporation 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 2004, the County contributed \$7,563 to the Commission. The continued existence of the Commission is not dependent on the County's continued participation and no equity interest exists.

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.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

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 2004, the Council received \$600 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. County Risk Sharing Authority, Inc. (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a public entity shared risk pool among fifty-five counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

The County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment for insurance to CORSA in 2004 was \$319,314.

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 Job and Family 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 Job and Family 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 Job and Family Services had on hand for distribution \$2,954 of federal food stamps at December 31, 2004.

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 \$279,900. Additional habilitative services provided directly to the component unit's clients by the County amounted to \$910,918.

Jeff Lauer, Emergency Management Director, contracted with his wife, Chriss Lauer, for services related to the State Domestic Preparedness Equipment Support Program. The County paid Chriss Lauer \$14,555 in 2004.

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.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2004

NOTE 24 – SUBSEQUENT EVENTS

On March 3, 2005, the County issued taxable capital facility notes in the amount of \$560,000 to finance the acquisition of a new building. The notes have an interest rate of 4.75 percent and mature on March 2, 2006.

On May 17, 2005, the County refinanced bond anticipation notes and issued new notes in the amount of \$396,000 to pay for the construction of a new children services building as well as to finance sewer projects and new computer equipment. The notes have an interest rate of 5.35 percent and mature on May 16, 2006.

This page intentionally left blank.

Washington County, Ohio
Required Supplementary Information
Condition Assessments of the County's Infrastructure
Reported Using the Modified Approach
December 31, 2004

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, 2004

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, 2004 and 2003:

Road Condition as of December 31,

Condition Category	2004		2003	
	% of Roads	Percent Accumulation	% of Roads	Percent Accumulation
Failed	0%	0%	0%	0%
Poor	3%	3%	0%	0%
Fair	17%	20%	3%	3%
Good	44%	64%	24%	27%
Excellent	36%	100%	73%	100%

Bridge Condition as of December 31,

Bridge General Appraisal	2004		2003	
	% of Bridges	Percent Accumulation	% of Bridges	Percent Accumulation
9	0%	0%	2%	2%
8	4%	4%	1%	3%
7	16%	20%	21%	24%
6	50%	70%	50%	74%
5	21%	91%	18%	92%
4	7%	97%	6%	98%
3	3%	100%	2%	100%
2	0%	100%	0%	100%
1	0%	100%	0%	100%

Budget versus actual expenditures for roads and bridges maintenance for 2004 and 2003:

Total Road Maintenance Expense	Budgeted	Actual	Difference
2004	\$3,215,237	\$2,729,711	\$485,526
2003	2,719,220	2,554,162	165,057
Total Bridge Maintenance Expense	Budgeted	Actual	Difference
2004	\$363,992	\$301,082	\$62,910
2003	285,288	174,240	111,048

WASHINGTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE:				
<i>Passed through the Ohio Department of Education:</i>				
Nutrition Cluster:				
Food Donation	10.550	N/A	\$	\$ 7,199
School Breakfast Program	10.553	05PU	17,584	
National School Lunch Program	10.555	LLP4	35,140	
Total Nutrition Cluster			<u>52,724</u>	<u>7,199</u>
Total United States Department of Agriculture			52,724	7,199
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed through the Ohio Department of Development:</i>				
Community Development Block Grants - State's Program	14.228	B-C-02-077-1	53,609	
		B-F-03-077-1	5,873	
		B-F-02-077-1	184,798	
		B-W-02-077-1	290,000	
Total Community Development Block - State's Program			<u>534,280</u>	<u>0</u>
HOME Investment Partnerships Program	14.239	B-C-02-077-2	247,852	
Total United States Department of Housing and Urban Development			782,132	0
UNITED STATES DEPARTMENT OF JUSTICE				
<i>Passed through the Ohio Attorney General's Office:</i>				
Crime Victim Assistance	16.575	2005VAGENE616	4,246	
		2005VAGENE253	7,049	
		2003VAGENE616T	14,381	
		2003VAGENE253T	24,784	
Total Crime Victim Assistance			<u>50,460</u>	<u>0</u>
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>				
Drug Court Discretionary Grant Program	16.585	2004-DC-BX-0061	23,642	
Total United States Department of Justice			74,102	0
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed through the Ohio Department of Development:</i>				
WIA Adult - Ohio Third Frontier Internship Program	17.258	N/A	22,332	
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Workforce Investment Act (WIA) Cluster:				
WIA Adult Program	17.258	N/A	111,437	
WIA Adult Administration			9,476	
Total WIA Adult			<u>120,913</u>	<u>0</u>
WIA Youth Activities	17.259	N/A	114,287	
WIA Youth Administration			9,476	
Total WIA Youth			<u>123,763</u>	<u>0</u>
WIA Dislocated Workers	17.260	N/A	30,121	
WIA Dislocated Workers (State Manufacturing Grant)			140,000	
WIA Dislocated Workers Administration			9,476	
Total WIA Dislocated Workers			<u>179,597</u>	<u>0</u>
Total WIA Cluster			<u>424,273</u>	<u>0</u>
Total United States Department of Labor			446,605	0

WASHINGTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF TRANSPORTATION				
<i>Passed through the Ohio Department of Transportation:</i>				
Highway Planning and Construction - Emergency Relief	20.205	N/A	\$ 62,612	\$
Federal Transit - Formula Grants	20.507	N/A	255,542	
<i>Passed through Ohio Department of Public Safety:</i>				
Highway Planning and Construction - Guardrail Inventory and Compliance	20.205	N/A	26,393	
Total United States Department of Transportation			344,547	0
GENERAL SERVICES ADMINISTRATION				
<i>Direct from the Federal Government:</i>				
Election Reform Payments	39.011	04-SOS-HAVA-84	9,426	
Total General Services Administration			9,426	0
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed through the Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education - Grants to States	84.027	6BSF	54,891	
Special Education - Preschool Grants	84.173	PGS1	58,743	
Special Education - Preschool Grants (Indicators of Success)	84.173A	PGD7	7,165	
Total Special Education Cluster			120,799	0
Innovative Education Program Strategies	84.298	C2SI	1,854	
Total United States Department of Education			122,653	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through Ohio Department of Aging and the Area Agency on Aging:</i>				
National Family Caregiver Support - Title III, Part E	93.052	N/A	5,462	
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Social Services Block Grant	93.667	N/A	50,023	
Medical Assistance Program - CAFS	93.778	N/A	495,657	
Medical Assistance Program - TCM	93.778	N/A	197,227	
Total Medical Assistance Program			692,884	0
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	84-00451-SIG-05-0416	57,500	
Block Grants for Prevention and Treatment of Substance Abuse	93.959			
Substance Abuse Prevention and Treatment Block Grant		N/A	213,721	
Women's Setaside		N/A	19,958	
Total Block Grants for Prevention and Treatment of Substance Abuse			233,679	0
State Children's Insurance Program	93.767	N/A	53,347	
Medical Assistance Program	93.778	N/A	98,156	
<i>Passed through the Ohio Department of Mental Health:</i>				
Social Services Block Grant	93.667	N/A	47,270	
State Children's Insurance Program	93.767	N/A	117,072	
Medical Assistance Program	93.778	N/A	1,261,790	

WASHINGTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
<i>Passed through the Ohio Department of Mental Health (Continued):</i>				
Block Grants for Community Mental Health Services	93.958			
Community Plan		N/A	\$ 45,275	\$
Child and Adolescent Block Grant		N/A	15,646	
Total Block Grants for Community Mental Health Services			<u>60,921</u>	<u>0</u>
<i>Passed through the Ohio Department of Health:</i>				
HIV Care Formula Grants	93.917	K314	7,334	
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Promoting Safe and Stable Families	93.556	N/A	76,971	
Child Welfare Services - State Grants	93.645	N/A	60,807	
Grants to States for Access and Visitation Programs	93.597	G-04-09-0801 G-04-09-0269	22,045 3,391	
Total Grants to States for Access and Visitation Programs			<u>25,436</u>	<u>0</u>
<i>Passed through the Washington County Department of Job and Family Services:</i>				
Temporary Assistance for Needy Families	93.558	N/A	360,099	
<i>Passed through the Muskingum County Family and Children First Council:</i>				
Abstinence Education	93.235	60-1-001-4-CS-03	16,500	
Total United States Department of Health and Human Services			<u>3,225,251</u>	<u>0</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
<i>Passed through the North Central Service Center:</i>				
Retired and Senior Volunteer Program	94.002	04SRNOH001 02SRNOH152	52,149 2,792	
Total Retired and Senior Volunteer Program			<u>54,941</u>	<u>0</u>
Total Corporation for National and Community Service			<u>54,941</u>	<u>0</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through the Ohio Department of Public Safety:</i>				
State Domestic Preparedness Equipment Support Program	97.004	L081 K474 K539 K195 J809	1,590 70,304 203,110 84,931 46,437	
Total State Domestic Preparedness Equipment Support Program			<u>406,372</u>	<u>0</u>
Public Assistance Grants	97.036	167-0A341 167-0C4DF	333,631 46,515	
Total Public Assistance Grants			<u>380,146</u>	<u>0</u>
Emergency Management Performance Grants	97.042	K965 K305	24,813 7,694	
Total Emergency Management Performance Grants			<u>32,507</u>	<u>0</u>
Citizens Corps	97.053	L080	850	
Total United States Department of Homeland Security			<u>819,875</u>	<u>0</u>
Total Federal Awards Expenditures			<u>\$ 5,932,256</u>	<u>\$ 7,199</u>

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

WASHINGTON COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES DECEMBER 31, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (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 OMB 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 - CHILD NUTRITION CLUSTER

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 non-monetary 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 is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. These loans are collateralized by mortgages on the property. At December 31, 2004, the gross amount of loans outstanding under this program was \$19,069. Delinquent amounts due are \$19,069.

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.

NOTE F – PASS-THROUGH AWARDS

The County received Workforce Investment Act Adult Program (CFDA # 17.258) monies from two pass-through entities. The total federal expenditures from this program were \$143,245. The County received Medical Assistance Program (CFDA #93.778) monies from three pass-through entities. The total federal expenditures under this program were \$2,052,830. The County received Highway Planning and Construction (CFDA # 20.205) monies from two pass-through entities. The total federal expenditures from this program were \$89,005. The County received Social Services Block Grant Program (CFDA # 93.667) monies from two pass-through entities. The total federal expenditures from this program were \$97,293. The County received State Children's Insurance Program (CFDA # 93.767) monies from two pass-through entities. The total federal expenditures from this program were \$170,419.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 Southeastern Ohio Port Authority, a discretely presented component unit, each major fund, and the aggregate remaining fund information of Washington County, Ohio (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 23, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures to express our opinion on the basic financial statements and not to opine 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 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 management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2004-001.

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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the County's management dated August 23, 2005, we reported other matters involving internal control over financial reporting which we did not deem a reportable condition.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Compliance

As part of reasonably assuring whether the County's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2004-001. In a separate letter to the County's management dated August 23, 2005, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

August 23, 2005



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, 2004. The Summary of Auditor's Results Section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying Schedule of Findings as item 2004-002. In a separate letter to the County's management dated August 23, 2005, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control over Compliance

The County's management 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 directly and materially affect a major federal program 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

We noted certain matters involving the internal control over compliance and its operation that we consider 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. A reportable condition is described in the accompanying Schedule of Findings as item 2004-003.

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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when 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. We do not believe the reportable condition described above to be material weakness. We also noted other matters involving the internal control over federal compliance not requiring inclusion in this report that we have reported to the County's management in a separate letter dated August 23, 2005.

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



Betty Montgomery
Auditor of State

August 23, 2005

WASHINGTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant – State's Program – CFDA #14.228 Medical Assistance Program – CFDA #93.778 State Domestic Preparedness Equipment Support Program – CFDA #97.004
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

WASHINGTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004
(Continued)

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

FINDING NUMBER 2004-001

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.

100 percent of the sewer customer receipts tested was 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 19 days before depositing with the County Treasurer. Further, the Sewer Department made just 33 deposits to the Treasurer for the year. Deposits varied from \$25.00 to \$39,298.54. Although the County Commissioners keep these monies in a safe prior to deposit, the monies were susceptible to misappropriation, theft or other loss.

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

WASHINGTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2004-002
CFDA Title and Number	Community Development Block Grant - CFDA # 14.228
Federal Award Number / Year	B-C-02-077-1 B-F-03-077-1 B-F-02-077-1 B-W-02-077-1
Federal Agency	U.S. Department Housing and Urban Development
Pass-Through Agency	Ohio Department of 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 15 request for payments, 9 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 disburse funds within 15 days after receipt. We further recommend the County review the OHCP Financial Management Rules and Regulations handbook.

Finding Number	2004-003
CFDA Title and Number	Community Development Block Grant - CFDA # 14.228
Federal Award Number / Year	N/A
Federal Agency	U.S. Department Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Other – Reportable Condition

Ohio Admin. Code Section 117-2-01(A) states, “All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.” This includes procedures to reasonably assure that monies are appropriately collected, safeguarded, deposited, and accurately recorded into the accounting records. A sound internal control structure also requires procedures performed be thoroughly documented to provide management with reasonable assurance they are being performed timely and consistently. In addition, systems must be periodically evaluated to determine whether they continue to effectively and efficiently meet management’s objectives.

WASHINGTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2004-003 (Continued)

Other – Reportable Condition (Continued)

Typical language included in the mortgages and promissory notes on monies loaned under the water and sewer revolving loan program indicated that in the event of default in the payment of interest or principal for a period that exceeded 30 days, the County could, at its option, declare the amounts in default to be due and payable upon demand. Further, the County could proceed to enforce the collection of such unpaid amounts by lawsuit or by foreclosure on the related mortgage.

The County Commissioners had not instituted legal proceedings to obtain collection of the amounts in default, nor had they established policies regarding the collection process for delinquent water and sewer revolving loans. As noted in our testing, as of December 31, 2004, 100 percent of the County's outstanding water and sewer revolving loans were delinquent in the amount of \$19,069.

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. We also noted that during 2005, efforts have been made to begin collecting upon these delinquent amounts.

WASHINGTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	A finding for recovery was issued for improper reimbursements against Douglas N. Grize for \$305.77.	Yes	N/A
2003-002	A material noncompliance citation/reportable condition was issued for not timely depositing sewer receipts.	No	Not Corrected: This item is repeated in the current audit Schedule of Findings as finding 2004-001.
2003-003	A material noncompliance citation was issued for expenditures exceeding appropriations in the T58 Fund.	Yes	N/A
2003-004	A questioned cost was issued for inaccurate reporting for the Community Development Block Grant.	Yes	N/A
2003-005	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: This item is repeated in the current audit Schedule of Findings as finding 2004-002.
2003-006	A reportable condition was issued for having 100% of delinquent accounts for the water and sewer revolving loans.	No	Not Corrected: This item is repeated in the current audit Schedule of Findings as finding 2004-003.
2003-007	A reportable condition was issued for Matching, Level of Effort, Earmarking for the Medical Assistance Program.	Yes	N/A
2003-008	A material noncompliance citation was issued for the Medical Assistance Program for not remitting full payment to a provider for claims submitted for reimbursement.	Yes	N/A

WASHINGTON COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2004
(Continued)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-009	A material noncompliance citation/reportable condition was issued under OMB Circular A-133 Section .400(d) for the Medical Assistance Program. The Mental Health and Addiction Recovery Board was not performing subrecipient monitoring.	No	Partially Corrected: This item is no longer as significant and is repeated in the current audit Management Letter.

WASHINGTON COUNTY
CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.315(c)
DECEMBER 31, 2004

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-002	We will strive to comply with the fifteen-day disbursement rule and keep the balances under \$5,000.00. We have obtained a copy of the OHCP Financial Management Rules and Regulations handbook and will review it.	12/31/05	John Grimes, County Commissioner Samuel R. Cook, County Commissioner Larry Steinel, County Commissioner
2004-003	The Commissioners are reviewing the collection process and should formally establish policies regarding collections for delinquent water and sewer revolving loans. We are reviewing customer information, and we have collected 48% of these outstanding loans since the beginning of 2005. This amounts to \$7,446.47 from the balances of \$15,445.37.	12/31/05	John Grimes, County Commissioner Samuel R. Cook, County Commissioner Larry Steinel, County Commissioner



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
SEPTEMBER 27, 2005**