



**Auditor of State  
Betty Montgomery**



CITY OF WASHINGTON  
FAYETTE COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

City of Washington  
Fayette County  
105 North Main Street  
Washington Court House, Ohio 43160

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Washington, Fayette County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Washington, Fayette County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund 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 December 20, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information 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 them.

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

**Betty Montgomery**  
Auditor of State

December 20, 2005

**CITY OF WASHINGTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
Unaudited

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The discussion and analysis of the City of Washington's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. The purpose of this discussion and analysis is to look at the City's financial performance and discuss pertinent points to better help the reader to understand our performance.

**Financial Highlights**

1. The City's total net assets decreased \$1,567,743 ; net assets of the governmental activities decreased \$1,672,312 ; and net assets of the business-type activities increased \$104,569 .
2. The General Fund fund balance of \$1,301,204 decreased \$54,519 or 4% from the previous year's balance of \$1,355,723 . This was a result of a transfer from the General Fund to a Nonmajor Enterprise Fund.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Washington's basic financial statements. The City of Washington's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements-** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector businesses.

The statement of net assets presents information on all of the City of Washington's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the recent fiscal year.

Both of the government-wide financial statements distinguish functions of the City of Washington that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, transportation, community environment, basic utility services, public health and leisure time activities. The business-type activities include water, sewer, and pool operations.

The government-wide financial statements can be found starting on page 11 of this report.

**CITY OF WASHINGTON, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Unaudited

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**Fund Financial Statements-** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. However, the Auditor establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds-* Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements use the modified accrual basis of accounting and provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information may be useful in evaluating a government's near term financing requirements. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation which follows the fund financial statements.

The City of Washington maintains 36 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund. Data from the other 35 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary Funds-* The City uses enterprises funds to account for its water, sewer and pool operations. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities using the full accrual basis of accounting. The enterprise funds are used to report the same activities presented as business-type activities in the government-wide financial statements.

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

**Government-Wide Financial Statements**

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions.



**CITY OF WASHINGTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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The statement of net assets and the statement of net activities include all assets and liabilities using the full accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

Table 1 provides a summary of the City's net assets for 2004 compared to 2003:

Table 1  
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Assets:</b>						
Current and Other Assets	\$ 6,646,886	6,626,759	2,289,719	2,928,001	8,936,605	9,554,760
Capital Assets, Net	<u>27,137,714</u>	<u>29,015,406</u>	<u>38,326,723</u>	<u>39,164,282</u>	<u>65,464,437</u>	<u>68,179,688</u>
Total Assets	33,784,600	35,642,165	40,616,442	42,092,283	74,401,042	77,734,448
<b>Liabilities:</b>						
Current and Other Liabilities	2,034,086	2,110,999	437,528	624,600	2,471,614	2,735,599
<b>Long-Term Liabilities:</b>						
Due Within One Year	280,250	446,137	909,522	1,616,701	1,189,772	2,062,838
Due in More Than One Year	<u>3,235,322</u>	<u>3,177,775</u>	<u>17,095,907</u>	<u>17,782,066</u>	<u>20,331,229</u>	<u>20,959,841</u>
Total Liabilities	5,549,658	5,734,911	18,442,957	20,023,367	23,992,615	25,758,278
<b>Net Assets:</b>						
<b>Invested in Capital Assets, Net of</b>						
Related Debt	24,076,714	25,796,706	20,463,362	19,826,153	44,540,076	45,622,859
Restricted	898,623	2,585,524	-	-	898,623	2,585,524
Unrestricted	<u>3,259,605</u>	<u>1,525,024</u>	<u>1,710,123</u>	<u>2,242,763</u>	<u>4,969,728</u>	<u>3,767,787</u>
Total Net Assets	\$ 28,234,942	29,907,254	22,173,485	22,068,916	50,408,427	51,976,170

Total assets decreased primarily due to current year depreciation on Capital Assets.

Long-term liabilities decreased primarily due to the payment of debt obligations.

As noted earlier, the City's net assets, when reviewed over time, may serve as a useful indicator of the City's financial position. By far, the largest portion of the City's net assets (88%) reflects its investments in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments 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 City's net assets represents resources that are subject to restrictions on

**CITY OF WASHINGTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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how they can be used. These resources accounted for 2% of total net assets. The remaining balance of \$4,969,728 or 10% which are unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net assets decreased from \$51,976,170 in 2003 to \$50,408,427 in 2004, a change of \$1,567,743 or 3%. This decrease in the City's total net assets is the result of a decrease in the net assets of the governmental activities of \$1,672,312 or 6% and an increase in the net assets of the business-type activities of \$104,569 or 0.5%

In order to further understand what makes up the changes in net assets for the current year, Table 2 gives readers further details regarding the results of activities for the 2003 and 2004.

Table 2  
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenue:						
Program Revenue:						
Charges for Services	\$ 695,258	890,659	5,904,743	5,772,898	6,600,001	6,663,557
Operating Grants and Contributions	57,251	687,519	-	-	57,251	687,519
Capital Grants and Contributions	615,948	420,001	-	-	615,948	420,001
Total Program Revenues	<u>1,368,457</u>	<u>1,998,179</u>	<u>5,904,743</u>	<u>5,772,898</u>	<u>7,273,200</u>	<u>7,771,077</u>
General Revenues:						
Property Taxes	1,833,213	1,596,029	-	-	1,833,213	1,596,029
Income Taxes	4,051,363	3,799,949	-	-	4,051,363	3,799,949
Intergovernmental	1,732,810	445,470	-	-	1,732,810	445,470
Grants and Entitlements	75,075	2,094,325	-	-	75,075	2,094,325
Investment Earnings	14,342	57,058	8,303	47,578	22,645	104,636
Miscellaneous	703,846	819,502	207,633	61,857	911,479	881,359
Total General Revenues	<u>8,410,649</u>	<u>8,812,333</u>	<u>215,936</u>	<u>109,435</u>	<u>8,626,585</u>	<u>8,921,768</u>
Total Revenues	<u>9,779,106</u>	<u>10,810,512</u>	<u>6,120,679</u>	<u>5,882,333</u>	<u>15,899,785</u>	<u>16,692,845</u>
Expenses:						
General Government	2,548,365	2,729,548	-	-	2,548,365	2,729,548
Security of Person and Property:						
Public Health	336,448	313,421	-	-	336,448	313,421
Transportation	2,912,988	2,889,220	-	-	2,912,988	2,889,220
Community Environment	2,222,125	1,849,153	-	-	2,222,125	1,849,153
Leisure Time Activities	64,271	81,003	-	-	64,271	81,003
Interest and Fiscal Charges	158,174	150,529	-	-	158,174	150,529
Water	-	-	3,033,847	3,365,601	3,033,847	3,365,601
Sewer	-	-	2,898,759	2,785,302	2,898,759	2,785,302
Pool	-	-	163,329	144,449	163,329	144,449
Total Expenses	<u>12,049,521</u>	<u>11,784,096</u>	<u>6,095,935</u>	<u>6,295,352</u>	<u>18,145,456</u>	<u>18,079,448</u>
Change in Net Assets Before Transfers	<u>(2,270,415)</u>	<u>(973,584)</u>	<u>24,744</u>	<u>(413,019)</u>	<u>(2,245,671)</u>	<u>(1,386,603)</u>
Transfers	<u>(79,825)</u>	<u>(54,485)</u>	<u>79,825</u>	<u>54,485</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>(2,350,240)</u>	<u>(1,028,069)</u>	<u>104,569</u>	<u>(358,534)</u>	<u>(2,245,671)</u>	<u>(1,386,603)</u>
Net Assets at Beginning of Year, Restated	<u>30,585,182</u>	<u>30,935,323</u>	<u>22,068,916</u>	<u>22,427,450</u>	<u>52,654,098</u>	<u>53,362,773</u>
Net Assets at End of Year	\$ <u>28,234,942</u>	<u>29,907,254</u>	<u>22,173,485</u>	<u>22,068,916</u>	<u>50,408,427</u>	<u>51,976,170</u>

**CITY OF WASHINGTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
 Unaudited

**Governmental Activities**

The most significant program expenses for the City are Security of Persons and Property, General Government, Transportation, and Community Environment. These programs account for 95% of the total governmental activities. Security of Persons and Property, which accounts for 32% of the total, represents costs associated with the operation of the Police Department and costs associated with providing firefighting and emergency medical services. General Government, which accounts for 21% of the total, represents costs associated with the general administration of city government, including the City Council, City Manager, City Auditor and Municipal Court. Transportation, which accounts for 24% of the total, represents costs associated with streets and their upkeep. Community Environment, which accounts for 15% of the total, represents costs associated with developing and improving the downtown.

Funding for the most significant programs indicated is from income taxes, property taxes and intergovernmental. The income tax revenue for 2004 was \$4,051,363 . Of the \$9,779,106 in total revenues, income tax accounts for 41% of that total. The property tax revenue for 2004 was \$1,833,213 or 19% of total revenues. The intergovernmental revenue for 2004 was \$1,732,810 or 18% of total revenue. Charges for services of \$695,258 accounts for 7% of total revenues. Capital grants and contributions of \$615,948 accounts for 6% of the total and interest and other revenue make up the remaining 9%.

The City monitors its source of revenues very closely for fluctuations.

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 income and property tax revenues and unrestricted intergovernmental revenue.

Table 3  
 Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
General Government	2,548,365	1,868,116	2,729,548	1,960,660
Security of Persons and Property	3,807,150	3,805,025	3,771,222	3,593,086
Public Health	336,448	243,988	313,421	190,182
Transportation	2,912,988	2,319,765	2,889,220	2,821,178
Community Environment	2,222,125	2,222,125	1,849,153	989,679
Leisure Time Activities	64,271	63,871	81,003	80,603
Interest and Fiscal Charges	158,174	158,174	150,529	150,529
<b>Total Expenses</b>	<b>12,049,521</b>	<b>10,681,064</b>	<b>11,784,096</b>	<b>9,785,917</b>

**CITY OF WASHINGTON, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**  
Unaudited

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It should be noted that 11% of the costs of services for governmental activities are derived from program revenues including charges for services, operating grants, capital grants and other contributions.

As shown by the total net costs of \$10,681,064 , the majority of the City's programs are funded by general revenues. A significant portion of the total general revenues consists of income taxes and property taxes.

### **Business-Type Activities**

The City's major business-type activities include water and sewer operations. The Water fund had operating revenues in 2004 of \$3,040,707 , which is an increase of \$34,247 from 2003. The increase is due to growth in the City. The Sewer Fund had operating revenues in 2004 of \$2,785,517 , an increase of \$106,763 from 2003. The increase is due to growth in the City. Net assets did increase slightly in the business-type funds by \$104,569 or 0.5% for 2004.

### **Financial Analysis of the City's Funds**

#### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unreserved fund balance may serve as a useful measurer of a government's net resources available for spending at the end of the year. These funds are accounted for by using the modified accrual basis of accounting.

The General Fund is the chief operating fund of the City. At the end of 2004, the total fund balance for the General Fund was \$1,301,204 of which \$1,265,386 was unreserved. During the current year, the fund balance of the City's General Fund decreased by \$54,519 or 4%. The reduction in the General Fund balance is due to a transfer from the General Fund to a Nonmajor Enterprise Fund.

#### **Proprietary Funds**

The City's major proprietary funds are the Water Fund and the Sewer Fund. The City provides water and sewer services to city residents. Net assets in the Water Fund increased by \$61,418 or 1%. Net assets in the Sewer Fund increased by \$43,747 or 0.3%.

#### **General Fund Budgeting Highlights**

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a budget basis of cash receipts (revenues), and disbursements and encumbrances (expenditures). The most significant budgeted fund is the General Fund. The City does allow small interdepartmental budget changes that modify line items within departments within the same fund.

**CITY OF WASHINGTON, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Unaudited

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For the General Fund, the original budgeted revenues were \$6,350,000 and the final budgeted revenues were \$6,643,418.

For the General Fund, the original budgeted expenditures were \$6,290,533 and the final budgeted expenditures were \$6,293,033.

**Capital Assets and Debt Administration**

The City's investment in capital assets for governmental and business-type activities as of December 31, 2004, amounts to \$44,540,076 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure.

Total capital assets for governmental activities of the City of Washington for the year 2004 were \$27,137,714 or \$ 1,877,692 less than in 2003. This decrease was due to the annual depreciation expense.

The decrease in capital assets for business-type activities of \$837,559 to \$38,326,723 as of December 31, 2004 was due to the annual depreciation expense.

Additional information concerning the City's capital assets can be found in note 8 of the notes to the basic financial statements.

As of December 31, 2004, the City of Washington had \$20,859,361 in bonds, notes and loans outstanding with \$985,502 due within one year. The City's long-term debt decreased \$1,595,768 or 7% during 2004.

Outstanding general obligation bonds consist of street and wastewater treatment plant improvement issues. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged.

Revenue bonds in the Water Fund were refinanced during 2003 to receive a lower interest rate.

In addition to the bonded debt, the City's long-term obligations include compensated absences and capital lease obligations. Additional information concerning the City's debt can be found in note 9 of the notes to the basic financial statements.

**Current Known Facts and Conditions**

In spite of the recent decline in the state economy, the City of Washington continues to see considerable growth in the area. Slight cuts in local and state funding are currently not a cause of concern for the community. The long-term impact of these cuts is unknown at this time.

**CITY OF WASHINGTON, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**  
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**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office, 105 N. Main Street, Washington C.H., Ohio 43160.

**CITY OF WASHINGTON, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2004**

		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>				
Equity in pooled cash and investments	\$	2,457,184	1,234,366	3,691,550
Cash in segregated accounts		36,585	50	36,635
Receivables:				
Property taxes		1,512,088	-	1,512,088
Income taxes		1,682,823		1,682,823
Accounts		-	578,010	578,010
Loans		113,800	-	113,800
Interest		660	296	956
Intergovernmental		812,649	-	812,649
Prepaid items		15,378	26,862	42,240
Supplies inventory		15,719	63,203	78,922
<b>Restricted Assets:</b>				
Equity in pooled cash and investments		-	727	727
Deferred charges		-	386,205	386,205
Nondepreciable capital assets		666,155	1,329,624	1,995,779
Depreciable capital assets, net		<u>26,471,559</u>	<u>36,997,099</u>	<u>63,468,658</u>
Total assets		<u>33,784,600</u>	<u>40,616,442</u>	<u>74,401,042</u>
<b>Liabilities</b>				
Accounts payable		124,111	76,471	200,582
Accrued wages payable		180,886	54,691	235,577
Intergovernmental payable		255,299	71,154	326,453
Deferred revenue		1,459,344	-	1,459,344
Accrued interest payable		14,446	235,212	249,658
Noncurrent liabilities:				
Due within one year		280,250	909,522	1,189,772
Due in more than one year		<u>3,235,322</u>	<u>17,095,907</u>	<u>20,331,229</u>
Total liabilities		<u>5,549,658</u>	<u>18,442,957</u>	<u>23,992,615</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt		24,076,714	20,463,362	44,540,076
Restricted for:				
Capital projects		377,561	-	377,561
Other purposes		413,937	-	413,937
Permanent endowment:				
Nonexpendable		73,648	-	73,648
Expendable		33,477	-	33,477
Unrestricted		<u>3,259,605</u>	<u>1,710,123</u>	<u>4,969,728</u>
Total net assets	\$	<u><u>28,234,942</u></u>	<u><u>22,173,485</u></u>	<u><u>50,408,427</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WASHINGTON, OHIO**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2004**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Functions/Programs</b>							
Governmental activities:							
Security of persons and property	\$ 3,807,150	-	2,125	-	(3,805,025)		(3,805,025)
Public health services	336,448	92,460	-	-	(243,988)		(243,988)
Leisure time activities	64,271	400	-	-	(63,871)		(63,871)
Community environment	2,222,125	-	-	-	(2,222,125)		(2,222,125)
Transportation	2,912,988	1,350	-	591,873	(2,319,765)		(2,319,765)
General government	2,548,365	601,048	55,126	24,075	(1,868,116)		(1,868,116)
Interest on long-term debt	158,174	-	-	-	(158,174)		(158,174)
Total governmental activities	<u>12,049,521</u>	<u>695,258</u>	<u>57,251</u>	<u>615,948</u>	<u>(10,681,064)</u>		<u>(10,681,064)</u>
Business-type activities:							
Water	3,033,847	3,040,707	-	-		6,860	6,860
Sewer	2,898,759	2,785,517	-	-		(113,242)	(113,242)
Pool	163,329	78,519	-	-		(84,810)	(84,810)
Total business-type activities	<u>6,095,935</u>	<u>5,904,743</u>	<u>-</u>	<u>-</u>		<u>(191,192)</u>	<u>(191,192)</u>
Total	\$ <u>18,145,456</u>	<u>6,600,001</u>	<u>57,251</u>	<u>615,948</u>	<u>(10,681,064)</u>	<u>(191,192)</u>	<u>(10,872,256)</u>
General revenues:							
Taxes:							
Income taxes					4,051,363	-	4,051,363
Property taxes					1,833,213	-	1,833,213
Intergovernmental					1,732,810	-	1,732,810
Grants and contributions not restricted to specific programs					75,075	-	75,075
Investment earnings					14,342	8,303	22,645
Miscellaneous					703,846	207,633	911,479
Transfers					(79,825)	79,825	-
Total general revenues and transfers					<u>8,330,824</u>	<u>295,761</u>	<u>8,626,585</u>
Change in net assets					(2,350,240)	104,569	(2,245,671)
Net assets beginning of year, restated					<u>30,585,182</u>	<u>22,068,916</u>	<u>52,654,098</u>
Net assets end of year					\$ <u>28,234,942</u>	<u>22,173,485</u>	<u>50,408,427</u>

See accompanying notes to the basic financial statements.



**CITY OF WASHINGTON, OHIO**

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2004

		General Fund	Non-major Governmental Funds	Total Governmental Funds
		<u>          </u>	<u>          </u>	<u>          </u>
<i>Assets</i>				
Equity in pooled cash and investments	\$	839,778	1,617,406	2,457,184
Cash in segregated accounts		32,610	3,975	36,585
Receivables:				
Property taxes		358,769	1,153,319	1,512,088
Income taxes		1,278,945	403,878	1,682,823
Loans		-	113,800	113,800
Interest		632	28	660
Intergovernmental		477,499	335,150	812,649
Prepays		14,060	1,318	15,378
Supplies inventory		<u>-</u>	<u>15,719</u>	<u>15,719</u>
 Total assets		 <u><u>3,002,293</u></u>	 <u><u>3,644,593</u></u>	 <u><u>6,646,886</u></u>
 <i>Liabilities and Fund Balances</i>				
<i>Liabilities:</i>				
Accounts payable		59,794	64,317	124,111
Accrued wages payable		155,035	25,851	180,886
Intergovernmental payable		204,684	50,615	255,299
Deferred revenue		<u>1,281,576</u>	<u>1,702,336</u>	<u>2,983,912</u>
Total liabilities		<u>1,701,089</u>	<u>1,843,119</u>	<u>3,544,208</u>
 <i>Fund balances:</i>				
Reserved for:				
Encumbrances		21,758	116,265	138,023
Debt service		-	46,346	46,346
Inventory		-	15,719	15,719
Prepays		14,060	1,318	15,378
Unreserved, reported in:				
General fund		1,265,386	-	1,265,386
Special revenue funds		-	1,137,140	1,137,140
Capital projects funds		-	377,561	377,561
Permanent funds		<u>-</u>	<u>107,125</u>	<u>107,125</u>
Total fund balances		<u>1,301,204</u>	<u>1,801,474</u>	<u>3,102,678</u>
 Total liabilities and fund balances	\$	 <u><u>3,002,293</u></u>	 <u><u>3,644,593</u></u>	 <u><u>6,646,886</u></u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities

December 31, 2004

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<b>Total governmental fund balances</b>	\$ 3,102,678
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*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.	27,137,714
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Income taxes receivable	794,324
Intergovernmental and other receivables	730,244

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(585,000)
Notes payable	(2,476,000)
Compensated absences	(454,572)
Accrued interest on long-term debt	<u>(14,446)</u>

<b>Net assets of governmental activities</b>	\$ <u>28,234,942</u>
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**CITY OF WASHINGTON, OHIO**  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2004

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
	<u>        </u>	<u>        </u>	<u>        </u>
<b>Revenues:</b>			
Property taxes	\$ 350,936	1,429,533	1,780,469
Municipal income taxes	2,990,596	944,370	3,934,966
Intergovernmental	1,689,346	1,211,314	2,900,660
Charges for services	217,929	92,460	310,389
Fines, licenses and permits	514,197	55,205	569,402
Interest	11,776	2,566	14,342
Other	644,367	74,719	719,086
Total revenues	<u>6,419,147</u>	<u>3,810,167</u>	<u>10,229,314</u>
<b>Expenditures:</b>			
Current:			
Security of persons and property	3,327,558	454,237	3,781,795
Public health services	34,750	293,873	328,623
Leisure time activities	60,919	-	60,919
Community environment	705,083	742,949	1,448,032
Transportation	-	918,733	918,733
General government	2,251,031	115,538	2,366,569
Capital outlay	-	1,418,755	1,418,755
Debt service:			
Principal retirement	-	132,661	132,661
Interest and fiscal charges	-	143,728	143,728
Total expenditures	<u>6,379,341</u>	<u>4,220,474</u>	<u>10,599,815</u>
Excess of revenues over (under) expenditures	<u>39,806</u>	<u>(410,307)</u>	<u>(370,501)</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	14,500	14,500
Transfers out	(94,325)	-	(94,325)
Total other financing sources (uses)	<u>(94,325)</u>	<u>14,500</u>	<u>(79,825)</u>
Net change in fund balance	(54,519)	(395,807)	(450,326)
Fund balance, beginning of year, restated	<u>1,355,723</u>	<u>2,197,281</u>	<u>3,553,004</u>
Fund balance, end of year	\$ <u>1,301,204</u>	<u>1,801,474</u>	<u>3,102,678</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities

December 31, 2004

**Net change in fund balances - total governmental funds** \$ (450,326)

*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:

Capital outlay	292,534
Depreciation expense	(2,170,226)

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

Income taxes	116,396
Intergovernmental and other revenue	(556,564)

Repayment of bond and note principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	131,000
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Repayment of capital lease principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	38,996
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In the statement of activities, interest is accrued on outstanding bonds, whereas in in governmental funds, an interest expenditure is reported when due.	139,367
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Loan repayments are reported as revenues and loans made are reported as expenses in the governmental funds but only affect assets on the statement of net assets.	29,960
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Some expenses reported in the statement of activities, such as compensated absences do not require the use current financial resources and therefore are not reported as expenditures in governmental funds.	<u>78,623</u>
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**Change in net assets of governmental activities** \$ (2,350,240)

**CITY OF WASHINGTON, OHIO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2004**

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
<b>Assets</b>				
Current assets:				
Equity in pooled cash and investments	\$ 789,699	444,100	567	1,234,366
Cash in segregated accounts	-	50	-	50
Receivables:				
Accounts	317,090	260,920	-	578,010
Interest	194	102	-	296
Prepaid Items	14,343	12,316	203	26,862
Materials and supplies inventory	63,203	-	-	63,203
Total current assets	<u>1,184,529</u>	<u>717,488</u>	<u>770</u>	<u>1,902,787</u>
Restricted assets:				
Equity in pooled cash and investments	<u>727</u>	<u>-</u>	<u>-</u>	<u>727</u>
Noncurrent assets:				
Deferred charges	386,205	-	-	386,205
Nondepreciable capital assets	1,067,410	262,214	-	1,329,624
Depreciable capital assets, net	<u>15,551,423</u>	<u>21,445,676</u>	<u>-</u>	<u>36,997,099</u>
Total noncurrent assets	<u>17,005,038</u>	<u>21,707,890</u>	<u>-</u>	<u>38,712,928</u>
Total assets	<u>18,190,294</u>	<u>22,425,378</u>	<u>770</u>	<u>40,616,442</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	21,310	55,161	-	76,471
Accrued wages payable	23,916	30,775	-	54,691
Intergovernmental payable	31,722	38,417	1,015	71,154
Accrued interest payable	129,352	105,860	-	235,212
Compensated absences payable	32,366	13,654	-	46,020
Notes payable	-	8,325	-	8,325
Capital lease payable	10,000	-	-	10,000
OWDA loans payable	137,971	267,874	-	405,845
General obligation bonds payable	-	120,000	-	120,000
Revenue bonds payable	<u>319,332</u>	<u>-</u>	<u>-</u>	<u>319,332</u>
Total current liabilities	<u>705,969</u>	<u>640,066</u>	<u>1,015</u>	<u>1,347,050</u>
Noncurrent liabilities:				
Compensated absences payable	56,892	39,156	-	96,048
Notes payable	-	74,916	-	74,916
Capital lease payable	55,000	-	-	55,000
OWDA loans payable	3,101,837	5,793,212	-	8,895,049
General obligation bonds payable	-	240,000	-	240,000
Revenue bonds payable	<u>7,734,894</u>	<u>-</u>	<u>-</u>	<u>7,734,894</u>
Total noncurrent liabilities	<u>10,948,623</u>	<u>6,147,284</u>	<u>-</u>	<u>17,095,907</u>
Total liabilities	<u>11,654,592</u>	<u>6,787,350</u>	<u>1,015</u>	<u>18,442,957</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	5,259,799	15,203,563	-	20,463,362
Unrestricted	<u>1,275,903</u>	<u>434,465</u>	<u>(245)</u>	<u>1,710,123</u>
Total net assets	\$ <u>6,535,702</u>	<u>15,638,028</u>	<u>(245)</u>	<u>22,173,485</u>

See accompanying notes to the basic financial statements.

**CITY OF WASHINGTON, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2004**

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
<b>Operating revenues:</b>				
Charges for services	\$ 3,040,707	2,785,517	78,519	5,904,743
Other	49,673	34,316	4,389	88,378
Total operating revenues	<u>3,090,380</u>	<u>2,819,833</u>	<u>82,908</u>	<u>5,993,121</u>
<b>Operating expenses:</b>				
Personnel services	891,238	1,138,326	91,656	2,121,220
Contractual services	131,885	635,876	34,434	802,195
Supplies and materials	202,263	152,271	37,239	391,773
Other	968,799	249,808	-	1,218,607
Depreciation	372,855	471,514	-	844,369
Total operating expenses	<u>2,567,040</u>	<u>2,647,795</u>	<u>163,329</u>	<u>5,378,164</u>
Operating income (loss)	523,340	172,038	(80,421)	614,957
<b>Non-operating revenues (expenses):</b>				
Interest revenue	4,885	3,418	-	8,303
Intergovernmental	-	119,255	-	119,255
Interest expense and fiscal charges	(466,807)	(250,964)	-	(717,771)
Total non-operating revenues (expenses)	<u>(461,922)</u>	<u>(128,291)</u>	<u>-</u>	<u>(590,213)</u>
Income (loss) before transfers	61,418	43,747	(80,421)	24,744
Transfers in	-	-	79,825	79,825
Change in net assets	61,418	43,747	(596)	104,569
Net assets, beginning of year	<u>6,474,284</u>	<u>15,594,281</u>	<u>351</u>	<u>22,068,916</u>
Net assets, end of year	\$ <u><u>6,535,702</u></u>	<u><u>15,638,028</u></u>	<u><u>(245)</u></u>	<u><u>22,173,485</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WASHINGTON, OHIO**  
**STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2004**

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 3,029,338	2,769,495	78,519	5,877,352
Cash payments for employee services and benefits	(858,786)	(1,154,788)	(91,609)	(2,105,183)
Cash payments to suppliers for goods and services	(473,891)	(634,831)	(71,671)	(1,180,393)
Cash payments for other operating expenses	(967,988)	(258,633)	-	(1,226,621)
Cash received from other operating revenue	49,673	34,316	4,389	88,378
Net cash provided by operating activities	<u>778,346</u>	<u>755,559</u>	<u>(80,372)</u>	<u>1,453,533</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers from other funds	-	-	79,825	79,825
<b>Cash flows from capital and related financing activities:</b>				
Principal payments	(706,138)	(768,630)	-	(1,474,768)
Interest paid	(415,664)	(265,413)	-	(681,077)
Net cash used by capital and related financing activities	<u>(1,121,802)</u>	<u>(1,034,043)</u>	<u>-</u>	<u>(2,155,845)</u>
<b>Cash flows from investing activities:</b>				
Interest	4,728	3,722	-	8,450
Net change	(338,728)	(274,762)	(547)	(614,037)
Cash and pooled investments beginning of year	<u>1,129,154</u>	<u>718,912</u>	<u>1,114</u>	<u>1,849,180</u>
Cash and pooled investments end of year	<u>790,426</u>	<u>444,150</u>	<u>567</u>	<u>1,235,143</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	523,340	172,038	(80,421)	614,957
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	372,855	471,514	-	844,369
Expenses paid on behalf by grantor	-	119,255	-	119,255
Changes in assets and liabilities:				
Receivables	(11,369)	(15,664)	-	(27,033)
Prepaid items	1,335	1,924	2	3,261
Materials and supplies inventory	23,220	-	-	23,220
Accounts payable	(163,487)	26,857	-	(136,630)
Accrued wages	6,163	11,961	-	18,124
Intergovernmental payable	4,099	-	47	4,146
Compensated absences payable	22,190	(32,326)	-	(10,136)
Net cash provided (used) by operating activities	<u>\$ 778,346</u>	<u>755,559</u>	<u>(80,372)</u>	<u>1,453,533</u>

See accompanying notes to the basic financial statements.

**CITY OF WASHINGTON, OHIO**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2004**

		Private- Purpose Trust Fund	Agency Funds
		<u>          </u>	<u>          </u>
<b><i>Assets</i></b>			
Equity in pooled cash and cash equivalents	\$	22,024	23,804
Cash in segregated accounts		-	<u>27,972</u>
Total assets		<u>22,024</u>	<u>51,776</u>
<b><i>Liabilities</i></b>			
Intergovernmental payable		-	18,404
Undistributed monies		-	8,555
Deposits held and due to others		-	<u>24,817</u>
Total liabilities		<u>-</u>	<u>51,776</u>
<b><i>Net Assets</i></b>			
Held in trust	\$	<u>22,024</u>	

See accompanying notes to the basic financial statements.



**CITY OF WASHINGTON, OHIO**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**YEAR ENDED DECEMBER 31, 2004**

		<u>Private- Purpose Trust Fund</u>
<b><i>Additions:</i></b>		
Interest	\$	<u>2,378</u>
Total additions		<u>2,378</u>
<b><i>Deductions:</i></b>		
Contractual Services		<u>32,104</u>
Total deductions		<u>32,104</u>
Change in net assets		(29,726)
Net assets, beginning of year		<u>51,750</u>
Net assets, end of year	\$	<u><u>22,024</u></u>

See accompanying notes to the basic financial statements.

**CITY OF WASHINGTON, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - BUDGET (NON-GAAP) BASIS**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget</u>
<b>Revenues:</b>				
Property and other taxes	\$ 329,500	329,500	350,936	21,436
Municipal income taxes	2,880,000	2,880,000	2,913,799	33,799
Intergovernmental	1,442,708	1,736,126	1,689,728	(46,398)
Charges for services	293,700	293,700	248,997	(44,703)
Fines, licenses and permits	613,000	613,000	521,414	(91,586)
Interest	135,000	135,000	32,504	(102,496)
Other	656,092	656,092	645,732	(10,360)
Total revenues	<u>6,350,000</u>	<u>6,643,418</u>	<u>6,403,110</u>	<u>(240,308)</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property	3,293,852	3,293,852	3,258,551	35,301
Public health services	34,750	34,750	34,750	-
Leisure time activities	62,580	62,580	60,659	1,921
Community environment	689,310	689,310	676,660	12,650
General government	2,210,041	2,212,541	2,177,861	34,680
Total expenditures	<u>6,290,533</u>	<u>6,293,033</u>	<u>6,208,481</u>	<u>84,552</u>
Excess of revenues over expenditures	<u>59,467</u>	<u>350,385</u>	<u>194,629</u>	<u>(155,756)</u>
<b>Other uses:</b>				
Operating transfers out	<u>(96,375)</u>	<u>(96,375)</u>	<u>(94,325)</u>	<u>2,050</u>
Total other financing uses	<u>(96,375)</u>	<u>(96,375)</u>	<u>(94,325)</u>	<u>2,050</u>
Excess of revenues over (under) expenditures and other uses	(36,908)	254,010	100,304	(153,706)
Fund balance, beginning of year	788,492	788,492	725,160	-
Prior year encumbrances appropriated	<u>(28,425)</u>	<u>(28,425)</u>	<u>(28,425)</u>	<u>-</u>
Fund balance, end of year	<u>\$ 723,159</u>	<u>1,014,077</u>	<u>797,039</u>	<u>(153,706)</u>

See accompanying notes to the basic financial statements.

**CITY OF WASHINGTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

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**NOTE 1 – DESCRIPTION OF THE ENTITY**

The City of Washington (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a city manager form of government and provides various services including police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, and other governmental services. In addition, the City provides basic utilities in the form of water services and waste water treatment.

As required by generally accepted accounting principles, the basic financial statements presents the City of Washington (the primary government) and any component units. The City considered potential component units for inclusion in the financial statements. In determining whether to include a government department, agency, commission or organization as a component unit, the City must evaluate each entity as to whether they are legally separate and financially accountable based on criteria set forth by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue or be sued and (3) the right to buy, sell, lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of a specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the City. The City included no component units in the financial statements.

The City is associated with Carnegie Public Library, which is defined as a related organization (Note 15).

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

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

**Basis of Presentation**

The City's basic financial statements consists 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.

**CITY OF WASHINGTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

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Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City 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 City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, which 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 City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City 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 City 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Fund Accounting

The City 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.

Governmental funds: Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balance 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 is the City's major governmental fund:

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

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

Proprietary funds: Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. The City's proprietary funds are classified as enterprise funds. 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 are the City's major enterprise funds:

- ***Water Fund*** – This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.
- ***Sewer Fund*** – This fund accounts for the provision of sanitary sewer treatment to residential and commercial users located within the City.

Fiduciary funds: Fiduciary fund reporting focuses on net assets. The City has a private-purpose trust fund and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's trust fund is a private-purpose trust fund established to account for assets (escheat property) held for individuals as unclaimed funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for assets that are held pending determination of their disposition.

### **Measurement Focus**

#### **Governmental-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 City are included on the statement of net assets.

#### **Fund Financial Statements**

All governmental fund types are accounted for using current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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.

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Like the government-wide statements, all proprietary funds 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 revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The private-purpose trust fund is reported using the economic resources measurement focus.

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 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 fiscal year in which the resources are measurable and becomes 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 City, available means collected within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 fiscal year end: municipal income taxes, grants, state-levied shared taxes (including gasoline tax), fines and forfeitures, and investment earnings.

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Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before 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.

Budgetary Accounting and Control

Under Ohio law, City Council must adopt an appropriations budget by January 1<sup>st</sup> of a given year, or adopt a temporary appropriation measure with final passage of a permanent budget by April 1<sup>st</sup>, for all funds except Agency Funds. Budgets are adopted for each organizational unit by fund.

Each City department prepares a budget which is approved by City Council. All modifications made throughout the year to the original department budgets must be requested by the departmental management and approved through legal resolution by City Council, except in the travel transportation, materials and supplies, and contractual services and miscellaneous or other expenditure categories of each department.

Several budget modifications and supplemental appropriations were made during the year and each revised budget amount reported in the budget to actual comparisons includes all modifications and supplemental appropriations that were necessary.

The City maintains budgetary control by fund and ordinance does not permit expenditures and encumbrances to exceed appropriations for each fund. Unencumbered and unexpended appropriations lapse at year-end in all budgeted funds. Prior year encumbrances and corresponding prior year appropriations are carried forward as part of the budgetary authority for next year and are included in the original and revised budget amounts shown in the budget-to-actual comparisons.

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The City's budgetary process accounts for certain transactions on a budgetary basis instead of a GAAP basis. The major differences between the budget basis and the GAAP basis are that revenues are recorded when actually received (budget basis) as opposed to when susceptible to accrual (GAAP basis), and expenditures are recorded when paid (budget basis) as opposed to when incurred (GAAP basis). Additionally, the City reflects outstanding encumbrances at year-end as expenditures on the budgetary basis.

Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources.

The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2004.

Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances, inventory and prepaids are recorded as reservations of fund balance.



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Reconciliation of Budget Basis to GAAP Basis

While reporting financial position, results of operations and changes in fund balance 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 Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual (Budget Basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

Net change in fund balance - <i>GAAP Basis</i>	\$ (54,519)
Increase / (decrease):	
Due to revenues	(16,037)
Due to expenditures	142,435
Due to encumbrances	<u>28,425</u>
Net change in fund balance - <i>Budget Basis</i>	\$ <u><u>100,304</u></u>

Cash and Investments

Cash and investments of the City's funds, except those held in restricted asset accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2004, the City's funds were invested in interest bearing demand accounts and certificates of deposit with commercial banks, repurchase agreements, the State Treasury Assets Reserve of Ohio (STAR Ohio), and U.S. Treasury obligations. For purposes of the combined statement of cash flows, the enterprise funds' portion of cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from the enterprise funds without prior notice or penalty.

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Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004.

During 2004, the General Fund earned interest of \$11,776, of which \$7,373 was assigned from other funds.

#### Receivables

Receivable at December 31, 2004 consist of property and income taxes, interest, consumer accounts (billings for user charged services, included unbilled utility services), notes and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full, including accounts receivables which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Loans receivable in the Non-major Governmental Funds represent low interest loans made by the City for community development projects and small businesses under the Community Development Block Grants (CDBG) program. The loans bear interest at annual rates ranging from 4 to 6 percent. The notes are to be repaid over periods ranging from 3 to 15 years.

#### Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis.

The costs of inventory items are recognized as expenditures in governmental funds and as expenses in the proprietary funds when consumed. Recorded inventories in the governmental fund types are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

#### Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004 are recorded as prepaid items.

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Restricted Assets

Restricted assets in the enterprise funds represent cash and cash equivalents that are restricted in their use by legal or contractual requirements.

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 proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five hundred dollars. The City's infrastructure consists of streets, traffic signals, flood wall, park lighting, and water and sewer lines, valves and meters.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized. All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Machinery and Equipment	8 - 20 years
Vehicles	3 - 5 years
Infrastructure	25 years

Interest is capitalized on proprietary fund capital assets acquired with tax-exempt debt. There was no interest required to be capitalized during the 2004 fiscal year.

Compensated Absences

The City follows the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". The City records a liability for sick leave, vacation, and compensatory time when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

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The entire compensated absence liability is reported on the government-wide financial statements. In governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignation or retirement. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability on the fund financial statements.

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 on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sanitary sewer services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

Interfund Transactions

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.

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Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Estimates

The preparation of 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 estimated.

**NOTE 3 – PRIOR PERIOD ADJUSTMENTS**

Two prior period adjustments are necessary to correct errors in the December 31, 2003 financial statements. First, an adjustment is necessary to correct loans receivable of \$83,840 which were recognized as revenue in the nonmajor governmental funds. These loans were not available as of December 31, 2003 and thus, should have been offset by deferred revenue in the fund financial statements. The effect on fund balance of nonmajor governmental funds is as follows:

		Nonmajor Governmental <u>Funds</u>
Fund balance at December 31, 2003 as previously reported	\$	2,281,121
Deferral of loans receivable		(83,840)
		2,197,281
Fund balance restated at December 31, 2003	\$	2,197,281

Secondly, an error occurred in the revenue recognition of income taxes on the full accrual basis for governmental activities. An additional \$677,928 of income taxes should have been recognized as revenue in the year ended December 31, 2003. The following is the effect on net assets of governmental activities.

		Governmental <u>Activities</u>
Net assets at December 31, 2003 as previously reported	\$	29,907,254
Income tax revenue recognition		677,928
		30,585,182
Net assets restated at December 31, 2003	\$	30,585,182

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**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreement secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasury Assets Reserve of Ohio (STAR Ohio ); and

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- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time.

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

- (1) Bonds of the State of Ohio;
- (2) Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is not default of principal, interest or coupons;
- (3) Obligations of the City.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits: At year end, the carrying amount of the City's deposits was \$844,666 and the bank balance was \$883,431. Of the bank balance, \$321,566 was covered by federal depository insurance and \$561,865 was uninsured and uncollateralized as defined by GASB. Although the securities serving as collateral were held by the pledging financial institution's trust department in the City's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

Any depository that receives a City deposit or investment is required to pledge to the investing authority as collateral eligible securities of aggregate fair value that, when added to the portion of the deposit by the Federal Deposit Insurance Corporation, equals or exceeds the amount of City funds deposited.

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A public depository may, at its option, pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current fair value at least equal to 105% of all public monies on deposit with the depository including the amount covered by federal insurance.

Investments: The City's investments are categorized below to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments, which are held by the counter party's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the City's name. The City's investments in STAR Ohio are unclassified because they are not evidenced by securities that exist in physical or book entry form.

		<u>Category 3</u>	<u>Fair Value</u>
STAR Ohio	\$	-	24,407
Money market funds			339,578
US Treasury Notes		1,978,375	1,978,375
US Treasury Bonds		<u>615,686</u>	<u>615,686</u>
	\$	<u>2,594,061</u>	<u>2,958,046</u>

**NOTE 5 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the City. Real property taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraisal market value. Real property taxes are collected in and intended to finance the year following the year in which they are levied.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied January 1 of the current year, the same year in which collections are made. Tangible personal property assessments are 25% of true value for machinery and equipment and 24% of true value for inventory.

The assessed value upon which the 2004 taxes were collected was \$207,086,661. The full tax rate for all City operations applied for real property for fiscal year ended December 31, 2004 was \$7.10 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$5.94 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$6.74 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.



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The following represents the assessed tax values:

Real Property - 2003 Valuation	
Residential/Agricultural	\$ 130,755,130
Commercial/Industrial	46,612,450
Total Real Property	177,367,580
Tangible Personal Property - 2004 Valuation	
General	24,428,311
Public Utilities	5,290,770
Total Personal Property	29,719,081
Total Assessed Valuation	\$ 207,086,661

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

Tangible personal property taxes paid by multi-county taxpayers are due September 30. 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 by September 30.

Accrued property taxes receivable represents delinquent taxes outstanding and real tangible personal and public utility taxes which were measurable as of December 31, 2004. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 2004 operations. The receivable is therefore offset by a credit to deferred revenue.

**NOTE 6 – INTERFUND ACTIVITY**

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	94,325
Nonmajor governmental funds	14,500	-
Nonmajor enterprise fund	79,825	-
 Total	\$ 94,325	94,325

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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**NOTE 7 - INCOME TAX**

The City levies a municipal income tax of 1.25% on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City's current tax rate. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are used for general fund operations, capital improvements, and permanent improvements as determined by the Council.

**NOTE 8 – CAPITAL ASSETS**

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

**Governmental Activities:**

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 666,155	-	-	666,155
<i>Capital assets being depreciated:</i>				
Land Improvements	518,120	-	-	518,120
Buildings and Improvements	1,657,249	112,100	-	1,769,349
Equipment and Vehicles	3,797,807	180,434	-	3,978,241
Capital Leased Assets	117,063	-	-	117,063
Infrastructure	49,378,195	-	-	49,378,195
Subtotal	<u>55,468,434</u>	<u>292,534</u>	<u>-</u>	<u>55,760,968</u>
Totals at historical cost	<u>56,134,589</u>	<u>292,534</u>	<u>-</u>	<u>56,427,123</u>
Less accumulated depreciation:				
Land Improvements	511,044	2,830	-	513,874
Buildings and Improvements	620,547	29,253	-	649,800
Equipment and Vehicles	2,744,363	139,602	-	2,883,965
Capital Leased Assets	35,118	23,413	-	58,531
Infrastructure	<u>23,208,111</u>	<u>1,975,128</u>	<u>-</u>	<u>25,183,239</u>
Total accumulated depreciation	<u>27,119,183</u>	<u>2,170,226</u>	<u>-</u>	<u>29,289,409</u>
Capital assets, net	\$ <u>29,015,406</u>	<u>(1,877,692)</u>	<u>-</u>	<u>27,137,714</u>

**CITY OF WASHINGTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

Depreciation expense was charged to governmental functions as follows:

Security of persons and property	\$	89,701
Leisure time activities		3,352
Public Health		9,146
Transportation		1,998,422
General government		<u>69,605</u>
 Total depreciation expense	 \$	 <u><u>2,170,226</u></u>

**Business-type Activities:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ <u>1,329,624</u>	<u>-</u>	<u>-</u>	<u>1,329,624</u>
<i>Capital assets being depreciated:</i>				
Land Improvements	713,630	-	-	713,630
Buildings and Improvements	25,650,587	-	-	25,650,587
Equipment and Vehicles	2,927,087	6,810	-	2,933,897
Capital Leased Assets	140,000	-	-	140,000
Infrastructure	<u>20,479,005</u>	<u>-</u>	<u>-</u>	<u>20,479,005</u>
Subtotal	<u>49,910,309</u>	<u>6,810</u>	<u>-</u>	<u>49,917,119</u>
Totals at historical cost	<u>51,239,933</u>	<u>6,810</u>	<u>-</u>	<u>51,246,743</u>
Less accumulated depreciation:				
Land Improvements	700,945	11,292	-	712,237
Buildings and Improvements	4,843,806	429,652	-	5,273,458
Equipment and Vehicles	2,234,140	138,103	-	2,372,243
Capital Leased Assets	98,000	9,333	-	107,333
Infrastructure	<u>4,198,760</u>	<u>255,989</u>	<u>-</u>	<u>4,454,749</u>
Total accumulated depreciation	<u>12,075,651</u>	<u>844,369</u>	<u>-</u>	<u>12,920,020</u>
Capital assets, net	\$ <u><u>39,164,282</u></u>	<u><u>(837,559)</u></u>	<u><u>-</u></u>	<u><u>38,326,723</u></u>

Depreciation expense was charged to segments as follows:

Water	\$	372,855
Sewer		<u>471,514</u>
 Total depreciation expense	 \$	 <u><u>844,369</u></u>

**CITY OF WASHINGTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

**NOTE 9 – LONG-TERM LIABILITIES**

The changes in the City’s long-term liabilities for the year ended December 31, 2004 were as follows:

Description	Maturity Date	Interest Rate	1/1/2004 Balance	Issued	Retired	12/31/2004 Balance	Amounts Due Within One Year
Governmental Activities:							
Notes Payable:							
Municipal Court Building	2007	5.50%	\$ 222,000	-	26,000	196,000	27,000
Capital Improvement (TIF)	2007	4.25%	2,365,000	-	85,000	2,280,000	85,000
General Obligation Bonds:							
Capital Improvement Bonds	2022	6.20%	605,000	-	20,000	585,000	20,000
Capital Lease			38,996	-	38,996	-	-
Compensated Absences			<u>392,916</u>	<u>337,797</u>	<u>276,141</u>	<u>454,572</u>	<u>148,250</u>
Total Governmental Activities			\$ <u>3,623,912</u>	<u>337,797</u>	<u>446,137</u>	<u>3,515,572</u>	<u>280,250</u>

The Municipal Court Building and Capital Improvement (TIF) notes payable mature in 2007 and bear interest at 5.5% and 4.25%, respectively.

The Capital Improvement Bonds mature in 2022 and have an interest rate of 6.2%. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged.

Both bonds payable and notes payable will be paid from the Debt Service Fund. Compensated absences will be paid by the fund which pays the employee’s salary.

**CITY OF WASHINGTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

Description	Maturity Date	Interest Rate	1/1/2004 Balance	Issued	Retired	12/31/2004 Balance	Due Within One Year
Business-Type Activities:							
Notes Payable:							
Sewer Issue II	2014	NA	\$ 91,566	-	8,325	83,241	8,325
General Obligation Bonds:							
Sewer Improvement	2004	6.00%	120,000	-	120,000	-	-
Sewer Improvement	2007	6.38%	480,000	-	120,000	360,000	120,000
Revenue Bonds:							
Water System Bonds	2019	2.85-4.25%	1,399,226	-	-	1,399,226	319,332
Water System Bonds	2019	2.85-4.25%	7,210,000	-	555,000	6,655,000	-
OWDA Loans:							
OWDA Loan	2004	6.40%	256,608	-	256,608	-	-
OWDA Loan	2004	8.38%	8,015	-	8,015	-	-
OWDA Loan	2021	3.43%	6,316,768	-	255,682	6,061,086	267,874
OWDA Loan	2021	3.43%	3,380,946	-	141,138	3,239,808	137,971
Capital Lease			75,000	-	10,000	65,000	10,000
Compensated Absences			<u>152,204</u>	<u>90,719</u>	<u>100,845</u>	<u>142,078</u>	<u>46,020</u>
Total Business Activities			\$ <u>19,490,333</u>	<u>90,719</u>	<u>1,575,613</u>	<u>18,005,439</u>	<u>909,522</u>

The sewer issue note payable matures in 2014 and is non-interest bearing. The sewer improvement general obligation bonds bear interest at 6.38% and mature in 2007. Both the sewer note and bonds will be repaid from the Sewer Fund.

In 2003, the City refunded its water system revenue bonds. Revenue bonds pay interest at rates ranging from 2.85% to 4.25% and mature in 2019. The revenue bonds are retired through the Water Fund using water utility revenues.

The Ohio Water Development Authority loans were made for the purpose of improving the City's water and wastewater treatment facilities. Property and revenue of the Water and Sewer Funds have been pledged to repay these debts. The loans mature in 2021 and carry interest rates of 3.43% and 4.38%. Each of these OWDA loans will be repaid from Water Fund and Sewer Fund revenues.

**CITY OF WASHINGTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

Principal and interest requirements to retire the City's governmental activities' outstanding notes and bonds as of December 31, 2004, are as follows:

		<u>Municipal Court Note</u>		<u>Capital Improvement Note</u>		<u>Capital Improvement Bonds</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$	27,000	8,036	85,000	96,900	20,000	36,270
2006		28,000	6,929	85,000	93,287	20,000	35,030
2007		141,000	5,781	2,110,000	89,674	20,000	33,790
2008		-	-	-	-	20,000	32,550
2009		-	-	-	-	25,000	31,310
2010-2014		-	-	-	-	140,000	132,370
2015-2019		-	-	-	-	195,000	82,770
2020-2022		-	-	-	-	145,000	18,290
Total	\$	<u>196,000</u>	<u>20,746</u>	<u>2,280,000</u>	<u>279,861</u>	<u>585,000</u>	<u>402,380</u>

Principal and interest requirements to retire the City's business-type activities' outstanding notes, bonds, and loans as of December 31, 2004, are as follows:

		<u>Issue II</u>	<u>Sewer Imp. Bonds</u>		<u>Water Revenue Bonds</u>		<u>OWDA Loans</u>	
		<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$	8,325	120,000	22,950	319,332	527,991	405,845	346,603
2006		8,325	120,000	15,300	297,005	545,318	421,221	331,226
2007		8,325	120,000	7,650	278,062	564,260	437,188	315,260
2008		8,325	-	-	258,724	613,597	453,770	298,678
2009		8,325	-	-	246,103	596,220	470,989	281,458
2010-2014		41,616	-	-	3,020,000	1,085,412	2,637,377	1,124,863
2015-2019		-	-	-	3,635,000	464,955	3,179,157	583,083
2020-2021		-	-	-	-	-	1,295,347	56,931
Total	\$	<u>83,241</u>	<u>360,000</u>	<u>45,900</u>	<u>8,054,226</u>	<u>4,397,753</u>	<u>9,300,894</u>	<u>3,338,102</u>

**NOTE 10 – CAPITAL LEASES**

The City has entered into lease agreements as lessee for the water storage tank of Fayette County for 20 years and for six city vehicles for three years. Each of these lease agreements qualify as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore have been recorded at the present value of the future minimum lease payments as of the date of inception.

These lease obligations meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risk ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the governmental funds. In the proprietary funds,

**CITY OF WASHINGTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

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capital lease principal payments reduce the liability and the interest payments are reported as interest and fiscal charges expense.

The following is a schedule of the future minimum lease payments for the capital leases, and the present value of the future minimum lease payments at December 31, 2004:

<b>Year Ending December 31</b>		
2005	\$	14,800
2006		14,000
2007		18,000
2008		16,800
2009		15,600
Total Future Minimum Lease Payments		79,200
Less: Amount Representing Interest		14,200
Present Value of Future Minimum Lease Payments	\$	65,000

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings thereon. 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 in nature to the traditional plan benefit. Member contributions, whose investment of which is self-directed by the members, 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 Plan and Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-

**CITY OF WASHINGTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

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alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642..

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans discussed above. Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The 2004 member contribution rates were 8.5% of their annual salary for members in classifications other than law enforcement and public safety. Members in the law enforcement classification contributed at a rate of 10.1%. Public safety division members contributed at 9%. The City was required to contribute 13.55% of covered payroll for employees and 16.70% for employees engaged in law enforcement and public safety. The City's required contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were approximately \$515,576, \$464,297, and \$466,159, respectively: 72 percent has been contributed for 2004 and 100 percent for 2003 and 2002 .

**Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to Ohio Police & Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the city is required to contribute 19 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the fund for police and firefighters were \$213,461 and \$ 193,490 for the year ended December 31, 2004, \$174,407 and \$ 170,505 for the year ended December 31, 2003, and \$177,509 and \$ 163,952 for the year ended December 31, 2002. 70 percent for police and 73 percent for firefighters has been contributed for 2004 with the remainder being reported as a liability.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local



**CITY OF WASHINGTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

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government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement): 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actual cost method. Significant actuarial assumptions, based on OPER'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 0.5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$152,000. The actual contribution and the actuarially required contribution amounts are the same. OPERS 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.

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

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

#### Ohio Police and Fire Pension Fund

The Ohio and Police Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who received or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

**CITY OF WASHINGTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

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The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program in 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund OPEB were approximately \$85,000 for police and \$62,000 for fire. The number of participants eligible to receive health care benefits as of December 31, 2003, (the latest information available) was 13,662 for police and 10,474 for firefighters. The Fund's total health care expenses for the year ended December 31, 2003 were \$150 million, which was net of member contributions of \$17.2 million.

**NOTE 13 – OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, the City accrues a liability for sick leave and vacation when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

Sick leave accumulates at the rate of .0575 hours of sick leave for each hour of work completed with a maximum of 80 hours per pay period. Employees who have ten years of service, hired prior to April 12, 1991 who have sick leave accumulated receive payment upon retirement at a rate of one hour for each hour of accumulated and unused sick leave, to a maximum of 960 hours. Employees who have ten years of service, hired after April 12, 1991 who have sick leave accumulated receives payment upon retirement at a rate of one hour for each four hours of accumulated and unused sick leave, to a maximum of 240 hours. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave. A liability has been recognized in the accompanying financial statements for a portion of the sick leave hours of those employees who have ten years of service and are age 50 or older, or have thirty years with local government employment as well as other employees who are expected to become eligible in the future to receive such payments. A liability for accrued vacation has been recognized based on the amount of unused vacation hours for each employee. Vacation is accumulated based upon length of service as follows:

<u>Employee Service</u>	<u>Vacation Credit</u>
After 1 year	2 weeks
After 10 years	3 weeks
After 15 years	4 weeks
After 22 years	5 weeks

Vacation leave must be used within the current calendar year unless the employee is unable to use his vacation due to the operational needs of the employer. Without this, such excess leave is eliminated from the employee's leave balance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

**CITY OF WASHINGTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2004**

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Health Care Benefits

The City has elected to provide employee medical/surgical and prescription drug benefits through Medical Mutual of Ohio Insurance Company. The employees share the cost of the monthly premium with the City.

**NOTE 14 - RISK MANAGEMENT**

The City is exposed to various risks of loss torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2004, the City contracted with various commercial carriers for property, auto, crime, and liability insurance as well as public official bonds.

The City maintains comprehensive insurance coverage for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. Worker's compensation benefits are provided through the State Bureau of Workers' Compensation. The City pays all public officials' bonds by statute.

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

**NOTE 15 – RELATED ORGANIZATIONS**

The Carnegie Public Library is a related organization of the City. The City is not financially accountable for this fiscally independent organization. The imposition of will or financial benefit/burden relationship criteria outlined in GASB Statement No. 14 do not apply and the City's accountability is limited to the appointment of all members to the governing board of the Library.

**NOTE 16 – CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**NOTE 17 – SUBSEQUENT EVENTS**

Effective January 1, 2005, the City of Washington was renamed the City of Washington Court House.

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**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**

City of Washington  
Fayette County  
105 North Main Street  
Washington Court House, Ohio 43160

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington, Fayette County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 20, 2005. 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 City's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under Government Auditing Standards. In a separate letter to the City's management dated December 20, 2005, we reported other matters related to noncompliance we deemed immaterial.

City of Washington  
Fayette County  
Independent Accountants' Report on Compliance and on Internal Control  
Over Financial Reporting and on Compliance and Other  
Matters Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, City Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

December 20, 2005



**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

**CITY OF WASHINGTON**

**FAYETTE 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  
JANUARY 17, 2006**