



Mary Taylor, CPA
Auditor of State

WASHINGTON COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, Ohio (the County), as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Wasco, Inc., a discretely presented component unit, which represent 85 percent of assets, 84 percent of net assets, and 90 percent of revenues for the discretely presented component units of the County. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for Wasco, Inc., on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. The other auditors audited the financial statements of Wasco, Inc., in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Job and Family Services Fund, Motor Vehicle and Gasoline Tax Fund, Board of Developmental Disabilities Fund, County Home Fund, and Mental Health and Addiction Recovery Board 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 September 20, 2010, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 and the Condition Assessments of the County's Infrastructure Reported Using the Modified Approach are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

September 20, 2010

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

The discussion and analysis of Washington County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets increased \$3,308,394. Net assets of governmental activities increased \$3,440,631 or 2.1 percent from 2008. Net assets of the business-type activity decreased \$132,237, which represents a 3.5 percent decrease from 2008.
- At the end of the current year, the County reported unrestricted net assets for governmental activities of \$8,732,249.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$23,884,935, an increase of \$106,123 from the prior year.

Using This Annual Financial Report

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

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

County-Wide Financial Statements

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

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The *Statement of Net Assets* and the *Statement of Activities* answer this question.

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

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

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

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

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

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

Fund Financial Statements

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

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

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

Washington County, Ohio
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The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

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

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2009 compared to 2008:

Table 1
Net Assets

	Governmental Activities		Business-Type Activity		Totals	
	2009	2008	2009	2008	2009	2008
Assets						
Current and						
Other Assets	\$39,484,845	\$39,278,863	\$492,846	\$350,758	\$39,977,691	\$39,629,621
Capital Assets, Net	142,315,312	141,069,250	4,580,235	4,702,339	146,895,547	145,771,589
<i>Totals Assets</i>	181,800,157	180,348,113	5,073,081	5,053,097	186,873,238	185,401,210
Liabilities						
Current and						
Other Liabilities	9,463,379	10,773,409	174,921	39,433	9,638,300	10,812,842
Long-Term Liabilities	5,844,085	6,522,642	1,281,603	1,264,870	7,125,688	7,787,512
<i>Total Liabilities</i>	15,307,464	17,296,051	1,456,524	1,304,303	16,763,988	18,600,354
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	137,238,111	135,177,838	3,299,512	3,439,333	140,537,623	138,617,171
Restricted	20,522,333	20,326,976	0	0	20,522,333	20,326,976
Unrestricted	8,732,249	7,547,248	317,045	309,461	9,049,294	7,856,709
<i>Total Net Assets</i>	\$166,492,693	\$163,052,062	\$3,616,557	\$3,748,794	\$170,109,250	\$166,800,856

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As noted earlier, the County's net assets, when reviewed over time, may serve as a useful indicator of the County's financial position. In the case of the County, assets exceeded liabilities by \$170,109,250 (\$166,492,693 in governmental activities and \$3,616,557 in the business-type activity) as of December 31, 2009. By far, the largest portion of the County's net assets (82.62 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, machinery and equipment, furniture and fixtures, infrastructure, and vehicles), less any related debt, used to acquire those assets, that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets, \$20,522,333 or 12.06 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted net assets, \$9,049,294 or 5.32 percent are to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for 2009 compared to 2008:

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
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Table 2
Changes in Net Assets

	Governmental		Business-Type		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Charges for Services	\$5,892,900	\$5,505,374	\$666,462	\$507,161	\$6,559,362	\$6,012,535
Operating Grants, Contributions, and Interest	27,477,111	27,581,645	0	0	27,477,111	27,581,645
Capital Grants, Contributions, and Interest	481,330	416,922	0	0	481,330	416,922
<i>Total Program Revenues</i>	<u>33,851,341</u>	<u>33,503,941</u>	<u>666,462</u>	<u>507,161</u>	<u>34,517,803</u>	<u>34,011,102</u>
General Revenues						
Property Taxes	7,848,451	9,164,085	0	0	7,848,451	9,164,085
Permissive Sales Taxes	9,982,427	9,662,989	0	0	9,982,427	9,662,989
Intergovernmental	2,737,420	2,059,763	0	0	2,737,420	2,059,763
Interest	1,250,894	1,226,747	0	0	1,250,894	1,226,747
Rent	99,808	86,620	0	0	99,808	86,620
Contributions and Donations	2,569	12,430	0	0	2,569	12,430
Gain on Sale of Capital Assets	41,950	0	0	0	41,950	0
Miscellaneous	241,088	377,955	922	0	242,010	377,955
<i>Total General Revenues</i>	<u>22,204,607</u>	<u>22,590,589</u>	<u>922</u>	<u>0</u>	<u>22,205,529</u>	<u>22,590,589</u>
<i>Total Revenues</i>	<u>56,055,948</u>	<u>56,094,530</u>	<u>667,384</u>	<u>507,161</u>	<u>56,723,332</u>	<u>56,601,691</u>
Program Expenses						
General Government:						
Legislative and Executive	6,264,475	6,114,063	0	0	6,264,475	6,114,063
Judicial	2,097,490	2,281,485	0	0	2,097,490	2,281,485
Public Safety	8,200,601	8,451,812	0	0	8,200,601	8,451,812
Public Works	6,137,832	7,969,541	0	0	6,137,832	7,969,541
Health:						
Alcohol, Drug, and Mental Health Board of	5,143,456	5,833,381	0	0	5,143,456	5,833,381
Developmental Disabilities	7,886,819	7,449,273	0	0	7,886,819	7,449,273
County Home	2,585,456	2,511,261	0	0	2,585,456	2,511,261
Other Health	291,962	149,313	0	0	291,962	149,313
Human Services:						
Child Support Enforcement	965,769	937,535	0	0	965,769	937,535
Children Services	2,926,766	3,097,996	0	0	2,926,766	3,097,996
Job and Family Services	6,042,217	7,217,559	0	0	6,042,217	7,217,559
Other Human Services	2,537,939	2,830,432	0	0	2,537,939	2,830,432
Economic Development and Assistance	836,932	698,059	0	0	836,932	698,059
Intergovernmental	413,944	489,731	0	0	413,944	489,731
Interest and Fiscal Charges	283,659	337,421	0	0	283,659	337,421
Sewer	0	0	799,621	721,136	799,621	721,136
<i>Total Program Expenses</i>	<u>52,615,317</u>	<u>56,368,862</u>	<u>799,621</u>	<u>721,136</u>	<u>53,414,938</u>	<u>57,089,998</u>
<i>Net Increase (Decrease) in Net Assets</i>	<u>3,440,631</u>	<u>(274,332)</u>	<u>(132,237)</u>	<u>(213,975)</u>	<u>3,308,394</u>	<u>(488,307)</u>
<i>Net Assets Beginning of Year</i>	<u>163,052,062</u>	<u>163,326,394</u>	<u>3,748,794</u>	<u>3,962,769</u>	<u>166,800,856</u>	<u>167,289,163</u>
<i>Net Assets End of Year</i>	<u>\$166,492,693</u>	<u>\$163,052,062</u>	<u>\$3,616,557</u>	<u>\$3,748,794</u>	<u>\$170,109,250</u>	<u>\$166,800,856</u>

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Governmental Activities

Operating grants were the largest program revenues, accounting for \$27,477,111 or 49.01 percent of total governmental activities revenues. The major recipients of intergovernmental program revenues were the Job and Family Services, Mental Health, Motor Vehicle and Gasoline Tax, Board of Developmental Disabilities, and Children Services governmental activities.

Property tax revenues account for \$7,848,451 or 14 percent of total governmental activities revenues. Another major component of governmental activities revenues was permissive sales taxes, which accounted for \$9,982,427 or 17.81 percent of total revenues.

The County's direct charges to users of governmental services made up \$5,892,900 or 10.51 percent of total governmental activities revenues. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Health programs accounted for \$15,907,693, or 30.23 percent of total expenses for governmental activities. Other major program expenses for governmental activities include human service programs, which accounted for \$12,472,691, or 23.71 percent of total expenses.

Public safety program expenses decreased by approximately \$251,000 from 2008. After consulting with the Sheriff, it was determined that there are two primary reasons for the reduced expense. First, 22 in-car cameras purchased at a cost of approximately \$115,000 in 2008 was a non-recurring expense. Second, several road deputy positions were left unfilled through attrition.

Also, Public Works programs expenses decreased nearly \$1,832,000 in 2009 from 2008 due to a return to a more normal historical expenditure level during 2009 for asphalt paving and bridge rehabilitation.

Jobs and Family Services expenses decreased over \$1.1 million below the 2008 level of expenses due primarily to the non-recurrence of large expenditures in 2008 of accumulated "high performance incentives" and overall budget reductions.

Business-Type Activity

The net assets for business-type activities decreased by \$132,237 during 2009. Charges for services accounted for \$666,462, or 99.86 percent of revenues.

Sewer enterprise expenses increased approximately \$78,000 from 2008. The County experienced a 23 percent daily operating expense increase (about \$116,000) primarily for additional contract services. Supplies and equipment expenses were also up.

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Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
 Governmental Activities

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
General Government:				
Legislative and Executive	\$6,264,475	\$3,826,553	\$6,114,063	\$3,491,501
Judicial	2,097,490	1,055,832	2,281,485	1,321,339
Public Safety	8,200,601	6,495,690	8,451,812	7,175,363
Public Works	6,137,832	(142,308)	7,969,541	1,757,874
Health:				
Alcohol, Drug, and Mental Health	5,143,456	249,976	5,833,381	(148,334)
Board of Developmental Disabilities	7,886,819	2,946,531	7,449,273	3,678,125
County Home	2,585,456	1,526,321	2,511,261	1,537,206
Other Health	291,962	137,987	149,313	(9,425)
Human Services:				
Child Support Enforcement	965,769	(93,796)	937,535	119,101
Children Services	2,926,766	596,133	3,097,996	231,250
Job and Family Services	6,042,217	(118,698)	7,217,559	178,075
Other Human Services	2,537,939	2,126,454	2,830,432	2,487,596
Economic Development and Assistance	836,932	186,798	698,059	654,184
Intergovernmental	413,944	(313,156)	489,731	53,645
Interest and Fiscal Charges	283,659	283,659	337,421	337,421
Total Expenses	<u>\$52,615,317</u>	<u>\$18,763,976</u>	<u>\$56,368,862</u>	<u>\$22,864,921</u>

Charges for services, operating grants, and capital grants of \$33,851,341, or 64.34 percent of the total costs of services, are received and used to fund governmental activities expenses of the County. The remaining \$18,763,976 in governmental activities expenses is funded by property taxes, permissive sales taxes, intergovernmental revenues, interest, rents, contributions and donations, and miscellaneous revenues.

The \$4,860,815 in net cost of services for Health demonstrates the costs of services that are not supported from state and federal resources. As such, the taxpayers have approved property tax levies for several programs including Alcohol, Drug and Mental Health, Board of Developmental Disabilities, and the County Home.

Financial Analysis of County Funds

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

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

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

As of December 31, 2009, the County's governmental funds reported a combined ending fund balance of \$23,884,935, an increase of \$106,123 in comparison with the prior year. \$21,881,300, or 91.61 percent of this total constitutes unreserved, undesignated fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year (\$1,949,395) or a variety of other restricted purposes (\$54,240). While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expense restrictions mandated by the source of the resource, such as the State or federal government.

The General Fund is the primary operating fund of the County. At the end of 2009, unreserved fund balance was \$6,421,647, while total fund balance was \$7,203,392. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 36.90 percent to total General Fund expenditures, while total fund balance represents 41.39 percent of that same amount.

The fund balance of the County's General Fund increased by \$424,828 during 2009. The primary causes for the increase were conservative revenue estimates being exceeded and under spending from allotted appropriations.

The fund balance of the Job and Family Services Special Revenue Fund increased by \$80,080 during 2009. After consulting with the DJFS Fiscal Director, it was determined that the increase, a little more than 1% of annual expenditures, is due to a timing issue of when revenues and expenditures occur.

The fund balance of the Motor Vehicle and Gasoline Tax Special Revenue Fund increased by \$73,237 during 2009. With approximately \$6,200,000 in expenditures and the existing cash balance, this increase is immaterial.

The fund balance of the Board of Developmental Disabilities Special Revenue Fund increased by \$488,911 during 2009. After consulting with the Board Finance Director, it was determined that this was primarily due to increased Medicaid billing.

The fund balance of the County Home Special Revenue Fund increased by \$157,222 during 2009. After consulting with the Administrator of the County Home, it was determined that the increase was primarily due to the resident population during 2008 being below capacity while the budget was prepared to address a greater resident population. This led to under spending from the operational accounts.

The fund balance of the Mental Health and Addiction Recovery Board Special Revenue Fund decreased by \$495,961 during 2009. After consulting with the Board Finance Director, it was determined that this was primarily due to reductions in funding and a rise in Medicaid payments.

As of December 31, 2009, net assets for the County's enterprise fund were \$3,616,557. Of that total, \$317,045 represents unrestricted net assets. The increase in charges for services was due to the increase in sewer rates for businesses during 2009. Expenditures increased as a result of the ongoing projects associated with the County's sewer system.

Budgetary Highlights

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

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

For the General Fund, budget basis revenue was \$17,792,888, below final estimates of \$17,936,422. Final estimated receipts were above original estimates of \$17,603,051, due to a combination of factors, primarily due to an increase of approximately \$270,000 in interest income. It is interesting to note that final receipts were within 1% of the original estimate even in these volatile economic times. Actual expenditures for the year were \$18,628,656, under final estimated appropriations of \$20,713,589. The largest under spending occurred in the Sheriff Sales Tax allocation (\$865,960 out of \$4,113,959 budgeted).

Capital Assets and Debt Administration

Capital Assets - The County's capital assets for governmental and business-type activities as of December 31, 2009, were \$146,895,547 (net of accumulated depreciation). This includes land and improvements, buildings and improvements, machinery and equipment, furniture and fixtures, infrastructure, and vehicles.

For governmental activities, the most significant capital asset additions during 2009 included the addition of several new vehicles for Sheriff and highway department; several new pieces of equipment at the highway department; and a new salt storage building for the highway department.

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

Note 8 (Capital Assets) provides capital asset activity during 2009.

Debt Administration - As of December 31, 2009, the County had total bonded debt outstanding of \$5,255,364. All of this debt is expected to be repaid through governmental activities. The County's long-term general obligation bonded debt decreased by \$163,181 (3.01 percent) during 2009. Other outstanding long-term debt included OPWC loans of \$216,308, OWDA Loans of \$295,515, and FHA loans payable of \$768,500.

In February 2009, capital facilities bonds were issued in the amount of \$193,850. These notes were issued for the computerization of the Washington County Clerk of Courts office.

In addition, the County's long-term obligations include compensated absences for sick leave benefits, early retirement incentives, and a capital lease. Additional information on the County's long-term obligations can be found in Note 14 of this report.

Economic Factors

The unemployment rate for the County is currently 9.8 percent, which is an increase from 6.3 percent a year ago. This rate is lower than the State's current rate of 10.8 percent and lower than the current national rate of 10.0 percent. The increase demonstrates that the economic recession seen nationally and across the State has also been realized in Washington County. While the employment level is below the state average, it remains better than many surrounding counties in southeast Ohio.

The County's \$1.057 billion tax base has decreased 4.5 percent from the prior year. This decrease is attributed to the State phase out of the personal property tax on business. All other property classifications increased slightly in value. Real property values within the County have risen over the past several years, and are now at an all time high.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

The County's permissive sales tax revenues in governmental activities increased from 2008 to 2009 by 3.3% despite uncertain economic conditions.

Various economic factors were considered in the preparation of the County's 2010 budget and will be considered in the preparation of future budgets. Appropriate measures will continue to be taken to ensure spending is within available resources.

Requests for Information

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

Washington County, Ohio
Statement of Net Assets
December 31, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
Assets					
Equity in Pooled Cash and Cash Equivalents	\$21,826,519	\$193,055	\$22,019,574	\$0	\$0
Cash and Cash Equivalents	0	0	0	284,088	71,003
Cash and Cash Equivalents in Segregated Accounts	24,636	0	24,636	0	0
Accounts Receivable	186,016	158,265	344,281	253,626	0
Interfund Receivable	13,102	0	13,102	0	0
Accrued Interest Receivable	3,032	0	3,032	0	0
Intergovernmental Receivable	7,683,717	0	7,683,717	0	17,212
Property Taxes Receivable	6,384,909	0	6,384,909	0	0
Sales Taxes Receivable	2,399,612	0	2,399,612	0	0
Loans Receivable	2,517	0	2,517	0	35,441
Prepaid Items	198,414	0	198,414	15,289	1,348
Materials and Supplies Inventory	284,737	0	284,737	9,878	0
Special Assessments Receivable	0	141,526	141,526	0	0
Investments in Segregated Accounts	392,662	0	392,662	0	0
Deferred Charges	84,972	0	84,972	0	0
Non-Depreciable Capital Assets	125,394,594	262,342	125,656,936	0	0
Depreciable Capital Assets, Net	16,920,718	4,317,893	21,238,611	161,247	1,087
<i>Total Assets</i>	<u>181,800,157</u>	<u>5,073,081</u>	<u>186,873,238</u>	<u>724,128</u>	<u>126,091</u>
Liabilities					
Accounts Payable	655,198	62,589	717,787	76,789	22,148
Accrued Wages Payable	306,881	1,126	308,007	30,826	0
Vacation Benefits Payable	1,243,464	1,526	1,244,990	89,818	0
Matured Compensated Absences Payable	6,026	0	6,026	0	0
Judgment Payable	0	80,000	80,000	0	0
Interfund Payable	0	13,102	13,102	0	0
Intergovernmental Payable	666,960	10,814	677,774	19,349	0
Accrued Interest Payable	26,249	5,764	32,013	0	0
Deferred Revenue	6,558,601	0	6,558,601	0	0
Notes Payable	0	0	0	0	7,289
Long-Term Liabilities:					
Due Within One Year	521,382	33,863	555,245	0	0
Due In More Than One Year	5,322,703	1,247,740	6,570,443	0	0
<i>Total Liabilities</i>	<u>15,307,464</u>	<u>1,456,524</u>	<u>16,763,988</u>	<u>216,782</u>	<u>29,437</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	137,238,111	3,299,512	140,537,623	161,247	1,087
Restricted for:					
Capital Projects	174,133	0	174,133	0	0
Road and Bridge Projects	4,947,521	0	4,947,521	0	0
Mental Health	2,346,997	0	2,346,997	0	0
County Home	4,016,942	0	4,016,942	0	0
Board of Developmental Disabilities	3,328,490	0	3,328,490	0	0
Child Support Enforcement Agency	55,429	0	55,429	0	0
Children Services	1,471,662	0	1,471,662	0	0
Senior Services	267,394	0	267,394	0	0
Unclaimed Monies	52,743	0	52,743	0	0
Other Purposes	3,861,022	0	3,861,022	0	0
Unrestricted	8,732,249	317,045	9,049,294	346,099	95,567
<i>Total Net Assets</i>	<u>\$166,492,693</u>	<u>\$3,616,557</u>	<u>\$170,109,250</u>	<u>\$507,346</u>	<u>\$96,654</u>

See accompanying notes to the basic financial statements

Washington County, Ohio
Statement of Activities
For the Year Ended December 31, 2009
For the Fiscal Year Ended August 31, 2009 - WASCO, Inc. Component Unit

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$6,264,475	\$2,370,144	\$67,778	\$0
Judicial	2,097,490	1,006,458	35,200	0
Public Safety	8,200,601	1,240,119	464,792	0
Public Works	6,137,832	124,940	5,673,870	481,330
Health:				
Alcohol, Drug, and Mental Health	5,143,456	0	4,893,480	0
Board of Developmental Disabilities	7,886,819	304,114	4,636,174	0
County Home	2,585,456	274,462	784,673	0
Other Health	291,962	153,975	0	0
Human Services:				
Child Support Enforcement	965,769	140,326	919,239	0
Children Services	2,926,766	40,274	2,290,359	0
Job and Family Services	6,042,217	220,675	5,940,240	0
Other Human Services	2,537,939	17,413	394,072	0
Economic Development and Assistance				
Intergovernmental	836,932	0	650,134	0
Interest and Fiscal Charges	413,944	0	727,100	0
	283,659	0	0	0
<i>Total Governmental Activities</i>	52,615,317	5,892,900	27,477,111	481,330
Business-Type Activity				
Sewer	799,621	666,462	0	0
<i>Total Primary Government</i>	\$53,414,938	\$6,559,362	\$27,477,111	\$481,330
Component Units				
WASCO, Inc.	\$2,701,960	\$2,599,398	\$0	\$0
Southeastern Ohio Port Authority	\$447,669	\$0	\$295,399	\$0

General Revenues

Property Taxes Levied for:
General Purposes
County Home
Board of Developmental Disabilities
Senior Services
Bond Retirement
Court Addition/ Renovation
Sales Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Rent
Contributions and Donations
Gain on Sale of Capital Assets
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
(\$3,826,553)	\$0	(\$3,826,553)	\$0	\$0
(1,055,832)	0	(1,055,832)	0	0
(6,495,690)	0	(6,495,690)	0	0
142,308	0	142,308	0	0
			0	
(249,976)	0	(249,976)	0	0
(2,946,531)	0	(2,946,531)	0	0
(1,526,321)	0	(1,526,321)	0	0
(137,987)	0	(137,987)	0	0
93,796	0	93,796	0	0
(596,133)	0	(596,133)	0	0
118,698	0	118,698	0	0
(2,126,454)	0	(2,126,454)	0	0
(186,798)	0	(186,798)	0	0
313,156	0	313,156	0	0
(283,659)	0	(283,659)	0	0
(18,763,976)	0	(18,763,976)	0	0
0	(133,159)	(133,159)	0	0
(18,763,976)	(133,159)	(18,897,135)	0	0
0	0	0	(102,562)	0
0	0	0	0	(152,270)
2,476,574	0	2,476,574	0	0
1,734,484	0	1,734,484	0	0
2,719,360	0	2,719,360	0	0
735,309	0	735,309	0	0
49,351	0	49,351	0	0
133,373	0	133,373	0	0
9,982,427	0	9,982,427	0	0
2,737,420	0	2,737,420	0	0
1,250,894	0	1,250,894	1,260	758
99,808	0	99,808	0	0
2,569	0	2,569	0	0
41,950	0	41,950	3,745	0
241,088	922	242,010	0	0
22,204,607	922	22,205,529	5,005	758
3,440,631	(132,237)	3,308,394	(97,557)	(151,512)
163,052,062	3,748,794	166,800,856	604,903	248,166
<u>\$166,492,693</u>	<u>\$3,616,557</u>	<u>\$170,109,250</u>	<u>\$507,346</u>	<u>\$96,654</u>

Washington County, Ohio

Balance Sheet

Governmental Funds

December 31, 2009

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,629,312	\$805,181	\$2,651,143	\$2,757,566
Cash and Cash Equivalents in Segregated Accounts	23,340	0	0	0
Investments in Segregated Accounts	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	52,743	0	0	0
Materials and Supplies Inventory	63,925	24,436	176,925	0
Receivables:				
Property Taxes	1,936,631	0	0	2,128,841
Sales Taxes	2,399,612	0	0	0
Accounts	34,075	0	0	992
Intergovernmental	878,863	37,608	2,406,617	1,320,048
Interfund	47,433	0	0	1,000
Accrued Interest	0	0	0	0
Loans	0	0	0	0
Prepaid Items	122,088	2,880	1,097	10,744
<i>Total Assets</i>	<u>\$11,188,022</u>	<u>\$870,105</u>	<u>\$5,235,782</u>	<u>\$6,219,191</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$146,018	\$27,776	\$74,604	\$61,186
Accrued Wages Payable	126,048	31,031	27,722	54,175
Matured Compensated Absences Payable	0	0	0	0
Interfund Payable	806	951	0	0
Accrued Interest Payable	0	0	0	0
Intergovernmental Payable	238,543	59,216	51,896	139,404
Deferred Revenue	3,473,215	613,264	1,630,186	2,895,766
<i>Total Liabilities</i>	<u>3,984,630</u>	<u>732,238</u>	<u>1,784,408</u>	<u>3,150,531</u>
Fund Balances				
Reserved for Encumbrances	729,002	210,450	223,815	108,228
Reserved for Unclaimed Monies	52,743	0	0	0
Reserved for Loans	0	0	0	0
Unreserved:				
Undesignated, Reported in:				
General Fund	6,421,647	0	0	0
Special Revenue Funds (Deficit)	0	(72,583)	3,227,559	2,960,432
Debt Service Fund	0	0	0	0
Capital Projects Funds	0	0	0	0
<i>Total Fund Balances</i>	<u>7,203,392</u>	<u>137,867</u>	<u>3,451,374</u>	<u>3,068,660</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,188,022</u>	<u>\$870,105</u>	<u>\$5,235,782</u>	<u>\$6,219,191</u>

See accompanying notes to the basic financial statements

County Home	Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
\$3,774,195	\$670,621	\$5,126,899	\$21,414,917
0	0	1,296	24,636
0	0	392,662	392,662
0	0	0	52,743
9,457	0	9,994	284,737
1,484,293	0	835,144	6,384,909
0	0	0	2,399,612
16,905	95,152	38,892	186,016
175,681	1,792,471	1,072,429	7,683,717
440	0	366	49,239
0	0	3,032	3,032
0	0	2,517	2,517
1,889	6,848	52,868	198,414
<u>\$5,462,860</u>	<u>\$2,565,092</u>	<u>\$7,536,099</u>	<u>\$39,077,151</u>
\$40,833	\$126,293	\$178,488	\$655,198
18,992	7,452	41,461	306,881
0	6,026	0	6,026
0	0	34,380	36,137
0	1,659	0	1,659
38,965	41,014	97,922	666,960
1,659,974	1,222,212	2,024,738	13,519,355
<u>1,758,764</u>	<u>1,404,656</u>	<u>2,376,989</u>	<u>15,192,216</u>
91,983	198,171	387,746	1,949,395
0	0	0	52,743
0	0	1,497	1,497
0	0	0	6,421,647
3,612,113	962,265	4,545,935	15,235,721
0	0	61,668	61,668
0	0	162,264	162,264
<u>3,704,096</u>	<u>1,160,436</u>	<u>5,159,110</u>	<u>23,884,935</u>
<u>\$5,462,860</u>	<u>\$2,565,092</u>	<u>\$7,536,099</u>	<u>\$39,077,151</u>

Washington County, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2009*

Total Governmental Fund Balances		\$23,884,935
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		142,315,312
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	602,211	
Sales Taxes	954,968	
Intergovernmental Revenues	5,330,895	
Charges for Services	69,648	
Interest Revenues	3,032	6,960,754
An internal service fund is used by management to charge the costs of providing health care insurance to the Board of Developmental Disabilities employees and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		358,859
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(1,243,464)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		84,972
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds Payable	(4,909,232)	
Compensated Absences Payable	(495,746)	
Accrued Interest Payable	(24,590)	
Early Retirement Incentive Payable	(80,541)	
Energy Conservation Bonds Payable	(346,132)	
Capital Leases Payable	(12,434)	(5,868,675)
Net Assets of Governmental Activities		\$166,492,693

See accompanying notes to the basic financial statements

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Washington County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities
Revenues				
Property Taxes	\$2,312,455	\$0	\$0	\$3,017,668
Sales Taxes	9,271,737	0	0	0
Charges for Services	2,608,995	0	64,466	322,098
Licenses and Permits	3,695	0	0	0
Fines and Forfeitures	108,744	0	57,373	0
Intergovernmental	2,070,186	5,915,393	5,991,828	5,088,976
Interest	1,252,091	0	125,477	0
Rent	99,808	0	0	0
Contributions and Donations	469	0	0	10,270
Miscellaneous	164,627	0	2,107	6,243
<i>Total Revenues</i>	<u>17,892,807</u>	<u>5,915,393</u>	<u>6,241,251</u>	<u>8,445,255</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	5,121,586	0	0	0
Judicial	1,720,936	0	0	0
Public Safety	6,929,094	0	0	0
Public Works	1,804,122	0	6,045,058	0
Health:				
Alcohol, Drug, and Mental Health	0	0	0	0
Mental Retardation and Developmental Disabilities	0	0	0	7,813,001
County Home	0	0	0	0
Other Health	125,012	0	0	0
Human Services:				
Child Support Enforcement	0	0	0	0
Children Services	0	0	0	0
Job and Family Services	0	5,821,381	0	0
Other Human Services	1,311,689	0	0	0
Economic Development and Assistance	112,716	0	0	0
Intergovernmental	0	0	0	0
Debt Service:				
Principal Retirement	141,445	12,922	160,956	129,441
Interest and Fiscal Charges	137,047	1,010	0	13,902
<i>Total Expenditures</i>	<u>17,403,647</u>	<u>5,835,313</u>	<u>6,206,014</u>	<u>7,956,344</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>489,160</u>	<u>80,080</u>	<u>35,237</u>	<u>488,911</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	3,950	0	38,000	0
Notes Issued	0	0	0	0
Proceeds of OWDA Loans	0	0	0	0
Transfers In	100,000	0	0	0
Transfers Out	(168,282)	0	0	0
Total Other Financing Sources (Uses)	<u>(64,332)</u>	<u>0</u>	<u>38,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	424,828	80,080	73,237	488,911
<i>Fund Balances Beginning of Year</i>	<u>6,778,564</u>	<u>57,787</u>	<u>3,378,137</u>	<u>2,579,749</u>
<i>Fund Balances End of Year</i>	<u>\$7,203,392</u>	<u>\$137,867</u>	<u>\$3,451,374</u>	<u>\$3,068,660</u>

See accompanying notes to the basic financial statements

County Home	Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
\$1,761,290	\$0	\$932,246	\$8,023,659
0	0	0	9,271,737
251,011	0	1,536,847	4,783,417
0	0	555,039	558,734
0	0	195,139	361,256
721,893	4,582,752	5,110,612	29,481,640
0	0	13,000	1,390,568
23,451	0	134,076	257,335
0	0	2,100	12,839
815	40,998	26,298	241,088
<u>2,758,460</u>	<u>4,623,750</u>	<u>8,505,357</u>	<u>54,382,273</u>
0	0	1,150,053	6,271,639
0	0	389,922	2,110,858
0	0	997,898	7,926,992
0	0	2,231	7,851,411
0	5,149,711	0	5,149,711
0	0	0	7,813,001
2,601,238	0	0	2,601,238
0	0	164,121	289,133
0	0	947,946	947,946
0	0	2,909,873	2,909,873
0	0	0	5,821,381
0	0	1,127,201	2,438,890
0	0	724,216	836,932
0	0	413,944	413,944
0	0	466,074	910,838
0	0	132,278	284,237
<u>2,601,238</u>	<u>5,149,711</u>	<u>9,425,757</u>	<u>54,578,024</u>
<u>157,222</u>	<u>(525,961)</u>	<u>(920,400)</u>	<u>(195,751)</u>
0	0	0	41,950
0	0	193,850	193,850
0	0	66,074	66,074
0	30,000	138,282	268,282
0	0	(100,000)	(268,282)
<u>0</u>	<u>30,000</u>	<u>298,206</u>	<u>301,874</u>
157,222	(495,961)	(622,194)	106,123
<u>3,546,874</u>	<u>1,656,397</u>	<u>5,781,304</u>	<u>23,778,812</u>
<u>\$3,704,096</u>	<u>\$1,160,436</u>	<u>\$5,159,110</u>	<u>\$23,884,935</u>

Washington County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2009*

Net Change in Fund Balances - Governmental Funds \$106,123

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

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

Capital Asset Additions	3,038,244	
Capital Contribution	6,627	
Current Year Depreciation	<u>(1,405,105)</u>	1,639,766

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

Disposal of Capital Assets	(351,754)	
Proceeds from Sale of Capital Assets	<u>(41,950)</u>	(393,704)

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

Property Taxes	(175,208)	
Sales Tax	710,690	
Intergovernmental	1,065,667	
Interest	(1,390)	
Charges for Services	<u>31,966</u>	1,631,725

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

General Obligation Bonds Payable	350,000	
Bond Anticipation Notes Payable	190,000	
Loans Payable	227,030	
Capital Lease Payable	<u>14,367</u>	781,397

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

Capital Facilities Jail Bond Premium	6,431	
Energy Conservation Bond Premium	2,332	
Accrued Interest Payable	2,736	
Amortization of Issuance Costs	(7,530)	
Amortization of Discount	<u>(1,732)</u>	2,237

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

(259,924)

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

Vacation Benefits Payable	(31,138)	
Early Retirement Incentive Payable	129,441	
Compensated Absences Payable	<u>20,612</u>	118,915

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

(185,904)

Change in Net Assets of Governmental Activities \$3,440,631

See accompanying notes to the basic financial statements

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$2,301,000	\$2,412,165	\$2,412,249	\$84
Sales Taxes	9,257,000	9,135,164	9,104,331	(30,833)
Charges for Services	2,348,372	2,476,112	2,529,301	53,189
Licenses and Permits	4,000	3,600	3,695	95
Fines and Forfeitures	137,000	116,934	115,468	(1,466)
Intergovernmental	2,233,229	2,212,561	2,109,251	(103,310)
Interest	1,002,050	1,271,563	1,271,642	79
Rent	86,600	99,808	99,808	0
Contributions and Donations	2,000	2,000	469	(1,531)
Miscellaneous	231,800	206,515	146,674	(59,841)
<i>Total Revenues</i>	<u>17,603,051</u>	<u>17,936,422</u>	<u>17,792,888</u>	<u>(143,534)</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	6,278,975	5,950,456	5,413,890	536,566
Judicial	1,802,831	1,854,500	1,781,513	72,987
Public Safety	8,590,306	8,574,447	7,468,508	1,105,939
Public Works	2,391,029	2,394,155	2,095,092	299,063
Health	126,963	125,889	121,040	4,849
Human Services	1,412,578	1,412,577	1,349,548	63,029
Economic Development and Assistance	174,871	125,021	122,521	2,500
Debt Service:				
Principal Retirement	140,000	140,000	140,000	0
Interest and Fiscal Charges	136,544	136,544	136,544	0
<i>Total Expenditures</i>	<u>21,054,097</u>	<u>20,713,589</u>	<u>18,628,656</u>	<u>2,084,933</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,451,046)</u>	<u>(2,777,167)</u>	<u>(835,768)</u>	<u>1,941,399</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	2,500	2,500	3,950	1,450
Advance Out	0	(24,877)	(22,877)	2,000
Transfers In	100,000	100,000	100,000	0
Transfers Out	(170,130)	(259,202)	(168,282)	90,920
<i>Total Other Financing Sources (Uses)</i>	<u>(67,630)</u>	<u>(181,579)</u>	<u>(87,209)</u>	<u>94,370</u>
<i>Net Change in Fund Balance</i>	<u>(3,518,676)</u>	<u>(2,958,746)</u>	<u>(922,977)</u>	<u>2,035,769</u>
<i>Fund Balance Beginning of Year</i>	4,964,048	4,964,048	4,964,048	0
Prior Year Encumbrances Appropriated	<u>600,575</u>	<u>600,575</u>	<u>600,575</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,045,947</u>	<u>\$2,605,877</u>	<u>\$4,641,646</u>	<u>\$2,035,769</u>

See accompanying notes to the basic financial statements

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Job and Family Services Fund
For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$7,513,549	\$6,718,459	\$5,947,317	(\$771,142)
Expenditures				
Current:				
Human Services	<u>7,995,628</u>	<u>7,010,748</u>	<u>6,373,798</u>	<u>636,950</u>
<i>Excess of Revenues Under Expenditures</i>	(482,079)	(292,289)	(426,481)	(134,192)
Other Financing Uses				
Advance Out	<u>0</u>	<u>(158,896)</u>	<u>0</u>	<u>158,896</u>
<i>Net Change in Fund Balance</i>	(482,079)	(451,185)	(426,481)	24,704
<i>Fund Balance Beginning of Year</i>	545,598	545,598	545,598	0
Prior Year Encumbrances Appropriated	<u>450,593</u>	<u>450,593</u>	<u>450,593</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$514,112</u></u>	<u><u>\$545,006</u></u>	<u><u>\$569,710</u></u>	<u><u>\$24,704</u></u>

See accompanying notes to the basic financial statements

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Motor Vehicle and Gasoline Tax Fund
For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$10,000	\$63,309	\$64,466	\$1,157
Fines and Forfeitures	60,000	60,000	55,625	(4,375)
Intergovernmental	4,895,000	5,253,746	5,989,418	735,672
Interest	40,000	125,477	125,477	0
Miscellaneous	1,600	1,937	2,107	170
<i>Total Revenues</i>	<u>5,006,600</u>	<u>5,504,469</u>	<u>6,237,093</u>	<u>732,624</u>
Expenditures				
Current:				
Public Works	5,976,632	7,677,681	6,359,643	1,318,038
Debt Service:				
Principal Retirements	<u>0</u>	<u>3,904</u>	<u>160,956</u>	<u>(157,052)</u>
<i>Total Expenditures</i>	<u>5,976,632</u>	<u>7,681,585</u>	<u>6,520,599</u>	<u>1,160,986</u>
<i>Excess of Revenues Under Expenditures</i>	(970,032)	(2,177,116)	(283,506)	1,893,610
Other Financing Sources				
Proceeds from Sale of Capital Assets	<u>0</u>	<u>38,000</u>	<u>38,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(970,032)	(2,139,116)	(245,506)	1,893,610
<i>Fund Balance Beginning of Year</i>	2,308,187	2,308,187	2,308,187	0
Prior Year Encumbrances Appropriated	<u>293,887</u>	<u>293,887</u>	<u>293,887</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,632,042</u>	<u>\$462,958</u>	<u>\$2,356,568</u>	<u>\$1,893,610</u>

See accompanying notes to the basic financial statements

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)*
Board of Developmental Disabilities Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$3,692,070	\$3,692,070	\$3,171,962	(\$520,108)
Charges for Services	130,000	130,000	374,085	244,085
Intergovernmental	3,089,210	3,732,605	4,904,464	1,171,859
Contributions and Donations	15,000	15,000	10,270	(4,730)
Miscellaneous	105,000	105,000	6,243	(98,757)
<i>Total Revenues</i>	7,031,280	7,674,675	8,467,024	792,349
Expenditures				
Current:				
Health	7,713,485	9,720,821	8,354,420	1,366,401
<i>Net Change in Fund Balance</i>	(682,205)	(2,046,146)	112,604	2,158,750
<i>Fund Balance Beginning of Year</i>	2,005,907	2,005,907	2,005,907	0
Prior Year Encumbrances Appropriated	303,891	303,891	303,891	0
<i>Fund Balance End of Year</i>	<u>\$1,627,593</u>	<u>\$263,652</u>	<u>\$2,422,402</u>	<u>\$2,158,750</u>

See accompanying notes to the basic financial statements

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
County Home Fund
For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$1,765,580	\$1,765,580	\$1,855,927	\$90,347
Charges for Services	354,985	354,985	261,134	(93,851)
Intergovernmental	702,524	702,524	721,893	19,369
Rent	22,557	22,557	23,451	894
Miscellaneous	<u>0</u>	<u>0</u>	<u>375</u>	<u>375</u>
<i>Total Revenues</i>	2,845,646	2,845,646	2,862,780	17,134
Expenditures				
Current:				
Health	<u>3,210,065</u>	<u>3,210,065</u>	<u>2,756,162</u>	<u>453,903</u>
<i>Net Change in Fund Balance</i>	(364,419)	(364,419)	106,618	471,037
<i>Fund Balance Beginning of Year</i>	3,416,052	3,416,052	3,416,052	0
Prior Year Encumbrances Appropriated	<u>67,004</u>	<u>67,004</u>	<u>67,004</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,118,637</u></u>	<u><u>\$3,118,637</u></u>	<u><u>\$3,589,674</u></u>	<u><u>\$471,037</u></u>

See accompanying notes to the basic financial statements

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Mental Health and Addiction Recovery Board Fund
For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$10,601,451	\$6,014,881	\$5,121,510	(\$893,371)
Miscellaneous	0	0	41,936	41,936
<i>Total Revenues</i>	10,601,451	6,014,881	5,163,446	(851,435)
Expenditures				
Current:				
Health	2,969,133	6,294,499	5,537,168	757,331
<i>Excess of Revenues Over (Under) Expenditures</i>	7,632,318	(279,618)	(373,722)	(94,104)
Other Financing Sources				
Transfers In	30,000	30,000	30,000	0
<i>Net Change in Fund Balance</i>	7,662,318	(249,618)	(343,722)	(94,104)
<i>Fund Balance Beginning of Year</i>	255,720	255,720	255,720	0
Prior Year Encumbrances Appropriated	440,413	440,413	440,413	0
<i>Fund Balance End of Year</i>	<u>\$8,358,451</u>	<u>\$446,515</u>	<u>\$352,411</u>	<u>(\$94,104)</u>

See accompanying notes to the basic financial statements

Washington County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2009

	Business-Type Activity	Governmental Activities-
	Sewer	Internal Service
	Enterprise Fund	Funds
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$193,055	\$358,859
Receivables:		
Accounts	158,265	0
Special Assessments	141,526	0
<i>Total Current Assets</i>	492,846	358,859
Noncurrent Assets:		
Non-Depreciable Capital Assets	262,342	0
Depreciable Capital Assets, Net	4,317,893	0
<i>Total Assets</i>	5,073,081	358,859
Liabilities		
Current Liabilities:		
Accounts Payable	62,589	0
Accrued Wages Payable	1,126	0
Vacation Benefits Payable	1,526	0
Intergovernmental Payable	10,814	0
Accrued Interest Payable	5,764	0
Interfund Payable	13,102	0
Judgment Payable	80,000	0
Current Portion of OWDA Loan Payable	6,018	0
Current Portion of OPWC Loans Payable	15,845	0
Current Portion of FHA Loan Payable	12,000	0
<i>Total Current Liabilities</i>	208,784	0
Long-Term Liabilities (Net of Current Portion):		
Compensated Absences Payable	880	0
OWDA Loans Payable	289,897	0
OPWC Loans Payable	200,463	0
FHA Sewer Loan Payable	756,500	0
<i>Total Long-Term Liabilities</i>	1,247,740	0
<i>Total Liabilities</i>	1,456,524	0
Net Assets		
Invested in Capital Assets, Net of Related Debt	3,299,512	0
Unrestricted	317,045	358,859
<i>Total Net Assets</i>	\$3,616,557	\$358,859

See accompanying notes to the basic financial statements

Washington County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	Business-Type Activity	Governmental Activities
	Sewer Enterprise Fund	Internal Service Funds
Operating Revenues		
Charges for Services	\$666,462	\$0
Charges for Services - Workers Compensation	0	1,372
<i>Total Operating Revenues</i>	<u>666,462</u>	<u>1,372</u>
Operating Expenses		
Personal Services	79,809	0
Fringe Benefits	27,037	0
Contractual Services	405,184	0
Contractual Services - Workers Compensation	0	187,276
Materials and Supplies	20,132	0
Depreciation	194,686	0
Other	25,446	0
<i>Total Operating Expenses</i>	<u>752,294</u>	<u>187,276</u>
<i>Operating Loss</i>	(85,832)	(185,904)
Non-Operating Revenues (Expenses)		
Other Non-Operating Revenue	922	0
Interest and Fiscal Charges	(47,327)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(46,405)</u>	<u>0</u>
<i>Change in Net Assets</i>	(132,237)	(185,904)
<i>Net Assets Beginning of Year</i>	<u>3,748,794</u>	<u>544,763</u>
<i>Net Assets End of Year</i>	<u><u>\$3,616,557</u></u>	<u><u>\$358,859</u></u>

See accompanying notes to the basic financial statements

Washington County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

	Business-Type Activity Sewer Enterprise Fund	Governmental Activities- Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$665,846	\$0
Cash Received from Transactions from Other Funds	0	534,457
Cash Payments for Employee Services and Benefits	(111,687)	0
Cash Payments for Goods and Services	(358,651)	0
Cash Payments for Workers' Compensation Premiums	0	(277,782)
Cash Payments to State Bureau of Workers' Compensation for Claims	0	(68,128)
Other Operating Expenses	(25,446)	0
	<u>170,062</u>	<u>188,547</u>
<i>Net Cash Provided by Operating Activities</i>		
Cash Flows from Capital and Related Financing Activities		
Special Assessments	27,252	0
Proceeds from OWDA Loan	72,566	0
Principal Paid on Debt	(55,667)	0
Interest and Fiscal Charges Paid on Debt	(47,413)	0
	<u>(3,262)</u>	<u>0</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>		
	166,800	188,547
<i>Net Increase in Cash and Cash Equivalents</i>		
	26,255	170,312
<i>Cash and Cash Equivalents Beginning of Year</i>		
	<u>\$193,055</u>	<u>\$358,859</u>
<i>Cash and Cash Equivalents End of Year</i>		
	<u>\$193,055</u>	<u>\$358,859</u>
 Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating Loss	(\$85,832)	(\$185,904)
Adjustments:		
Depreciation	194,686	0
Construction in Progress Addition	(72,582)	0
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(616)	0
Decrease in Accounts Receivable - Self Insurance	0	203,283
Decrease in Due from Other Funds	0	533,085
Increase in Accounts Payable	57,669	0
Decrease in Accrued Wages Payable	(3,121)	0
Decrease in Vacation Benefits Payable	(1,101)	0
Decrease in Compensated Absences Payable	(166)	0
Increase in Interfund Payable	12,100	0
Increase in Intergovernmental Payable	69,025	0
Decrease in Intergovernmental Payable - Workers' Compensation	0	(361,917)
	<u>\$170,062</u>	<u>\$188,547</u>
<i>Net Cash Provided by Operating Activities</i>		
	<u>\$170,062</u>	<u>\$188,547</u>

See accompanying notes to the basic financial statements

Washington County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2009

Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,048,671
Cash and Cash Equivalents in Segregated Accounts	608,308
Investments in Segregated Accounts	30,435
Receivables:	
Property Taxes	36,470,423
Accounts	236,292
Special Assessments	672,995
Intergovernmental	<u>2,902,811</u>
<i>Total Assets</i>	<u><u>\$42,969,935</u></u>
Liabilities	
Intergovernmental Payable	\$41,332,346
Undistributed Monies	<u>1,637,589</u>
<i>Total Liabilities</i>	<u><u>\$42,969,935</u></u>

See accompanying notes to the basic financial statements

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2009

NOTE 1 - REPORTING ENTITY

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

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the County are not misleading.

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Washington County, this includes the Board of Developmental Disabilities, the Children Services' Board, the Mental Health and Addiction Recovery Board, and all departments and activities that are directly operated by the elected County Officials.

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

Discretely Presented Component Units

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

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2009

necessary. They are appointed by the Washington County Commissioners. The County assumes the responsibility to provide financial support to the Authority and is obligated for the debt of the Authority; therefore, it is included as a discretely presented component unit. Separately issued financial statements can be obtained from the Authority in Marietta, Ohio.

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

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

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statements:

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

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

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

- Buckeye Hills-Hocking Valley Regional Development District
- Joint Solid Waste District
- Washington-Morgan Community Action Corporation
- Washington County Family and Children First Council
- Wood, Washington, and Wirt Planning Commission
- Buckeye Hills Resource Conservation and Development Project
- Mid Eastern Ohio Regional Council of Governments (MEORC)
- Ohio Valley Employment Resource (OVER)
- County Risk Sharing Authority, Inc. (CORSA)
- County Employee Benefits Consortium of Ohio, Inc. (CEBCO)

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements. The County has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activity and enterprise fund. The most significant of the County's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

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

B. Fund Accounting

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

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

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

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

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

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

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

Mental Health and Addiction Recovery Board Fund This fund accounts for all state, federal, and local funds that have been expended primarily to pay the cost of contracts with local mental health agencies that provide services to the public at large.

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

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

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

Internal Service Funds Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The Internal Service Fund was used to account for the operation of the County's workers' compensation program through a retrospective rating plan.

Washington County, Ohio
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Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: sales tax (see Note 7), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees, and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund, program, department, and object level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2009 upon which the final appropriations were based.

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

F. Cash and Cash Equivalents

Cash balances of the County's funds, except cash held by a trustee or fiscal agent or held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2009, the County had investments in certificates of deposit, which are reported at cost, and in Federal Home Loan Mortgage Corporation Bonds and Federal National Mortgage Bonds accounted for in the Children Services Special Revenue Fund. These investments are reported at fair value, which is based on quoted market prices. The County Court Agency Fund certificate of deposit and the investments of the Children Services Special Revenue Fund are reflected as "Investments in Segregated Accounts".

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

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2009 amounted to \$1,252,091, which includes \$970,566 assigned from other County funds.

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

Wasco, Inc. considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. As of August 31, 2009, Wasco, Inc. had no investments.

The Authority's funds are maintained in non-interest bearing checking accounts and an interest bearing savings account.

G. Inventory

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

H. Restricted Assets

Restricted cash and cash equivalents in the General Fund represent the amount of unclaimed monies not available for appropriation.

I. Receivables and Payables

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

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Using this criteria, the County has elected to not record child support arrearages. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

K. Interfund Balances

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

L. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The County was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest costs incurred during the construction of capital assets utilized by the enterprise funds are also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activity Estimated Lives</u>
Land Improvements	40-100 Years	n/a
Buildings and Improvements	40-100 Years	40-100 Years
Machinery and Equipment	5-10 Years	5-10 Years
Furniture and Fixtures	5-20 Years	n/a
Vehicles	8 Years	8 Years
Business-Type Infrastructure	N/A	40 Years

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

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

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

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long term liabilities, as the balances are to be used by the employees in the year following the year benefits are earned. For Wasco, Inc., all unused vacation leave at fiscal year end is accrued as a liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the County's termination policy. The County records a liability for accumulated, unused sick leave for all employees of the County after ten years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

N. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

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

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Notes to the Basic Financial Statements
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O. Fund Balance Reserves

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The restrictions for other purposes include activities related to highway and bridge maintenance, Court and Corrections activities, community development projects, and miscellaneous other activities.

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

Q. Operating Revenues and Expenses

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

R. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. The County did not have any extraordinary or special items in 2009.

Washington County, Ohio
Notes to the Basic Financial Statements
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T. Estimates

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2009, the County has implemented Governmental Accounting Standard Board (GASB) Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the County’s financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the County’s financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants’ and auditing literature into the GASB’s accounting and financial reporting literature for state and local governments. The statement’s guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the County’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the County’s financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the County’s financial statements.

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

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

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

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

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Net Change in Fund Balances
 General and Major Special Revenue Funds

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	County Home	Mental Health and Addiction Recovery Board
GAAP Basis	\$424,828	\$80,080	\$73,237	\$488,911	\$157,222	(\$495,961)
Net Adjustment for Revenue Accruals	(188,968)	31,924	(3,809)	(108,463)	9,983	468,611
Beginning of the Year:						
Unrecorded Cash	30,574	0	300	0	0	71,252
Unreported Interest	96,877	0	0	0	0	0
Segregated Accounts	16,074	0	0	0	0	0
Agency Fund Cash Allocation	170,631	0	0	244,528	150,218	0
Prepaid Items	120,090	2,922	1,753	31,429	2,639	4,726
End of the Year:						
Unrecorded Cash	(36,174)	0	(649)	(24,062)	0	(167)
Unreported Interest	(94,756)	0	0	0	0	0
Segregated Accounts	(23,340)	0	0	0	0	0
Agency Fund Cash Allocation	(70,837)	0	0	(90,234)	(55,881)	0
Prepaid Items	(122,088)	(2,880)	(1,097)	(10,744)	(1,889)	(6,848)
Principal Retirement	1,445	12,922	0	129,441	0	0
Net Adjustment for Expenditure Accruals	(385,814)	(315,978)	(21,315)	(327,334)	(27,034)	(67,292)
Advances Out	(22,877)	0	0	0	0	0
Encumbrances	(838,642)	(235,471)	(293,926)	(220,868)	(128,640)	(318,043)
Budget Basis	<u>(\$922,977)</u>	<u>(\$426,481)</u>	<u>(\$245,506)</u>	<u>\$112,604</u>	<u>\$106,618</u>	<u>(\$343,722)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT

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

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

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

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the County's bank balance was \$25,993,054. Of the bank balance, \$719,694 was covered by Federal depository insurance and \$25,273,360 was collateralized with securities held by the pledging financial institution. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Washington County, Ohio
Notes to the Basic Financial Statements
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Investments As of December 31, 2009, the County had the following investments:

	Fair Value	Maturity
Federal Home Loan Mortgage Corporation Bonds	\$75,704	4/14/2016
Federal Home Loan Mortgage Corporation Bonds	50,298	6/9/2014
Federal Home Loan Mortgage Corporation Bonds	75,096	3/19/2014
Federal Farm Credit Bank Bonds	51,265	8/27/2010
Federal National Mortgage Association Bonds	52,969	4/8/2013
Total	<u>\$305,332</u>	

Interest Rate Risk The County's investment policy does not address interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and that an investment must be purchased with the expectation that it will be held to maturity. The intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk The Federal Home Loan Mortgage Corporation Bonds and Federal National Mortgage Association Bonds carried a credit rating by Moody's of Aaa. The Federal Farm Credit Bank Bonds carries a credit rating by Moody's of Aaa. The County has no investment policy that would limit its investment choices other than the restrictions contained in State statute.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no investment policy dealing with investment custodial credit risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The County places no limit on the amount it may invest in any one issuer. The County has 66 percent of its investments in Federal Home Loan Mortgage Corporation Bonds, 17 percent in Federal National Mortgage Association Bonds and 17 percent in Federal Farm Credit Bank Bonds.

COMPONENT UNITS

At fiscal year end and at numerous times during the year, Wasco, Inc.'s bank balance was exposed to custodial credit risk and had cash in a financial institution in excess of the \$250,000 that was covered by Federal Deposit Insurance Corporation. Wasco had no investments at fiscal year end. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

At year end, the Authority's bank balance of \$71,003 was covered by Federal Deposit Insurance Corporation.

NOTE 6 - RECEIVABLES

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

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2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all County operations for the year ended December 31, 2009, was \$9.05 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$933,071,650
Public Utility Tangible Personal Property	<u>123,905,980</u>
Total Assessed Value	<u><u>\$1,056,977,630</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2009, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

Washington County, Ohio
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B. Intergovernmental Receivables

Governmental Activities	<u>Amounts</u>
Local Government	\$538,394
Homestead and Rollback	790,540
School Lunch Reimbursement	8,126
Estate Tax	271
Court Fines	40,486
Defense of Indigents	10,873
Job & Family Services Reimbursements	37,608
Prisoner Care	80,570
Senior Services Corps. State Subsidy	3,244
Special Education Part B- IDEA	66,511
Early Childhood Special Education	9,961
Children Services Reimbursements	14,599
VOCA - Victim Assistance	18,580
Access Visitation	1,700
Ohio Peace Officer Training Grant	1,040
State Subsidy - Mental Health	967,156
Family Violence Prevention Grant	22,419
Motor Vehicle License Tax	1,221,382
Gas Excise Tax	1,148,722
Permissive Motor Vehicle License Tax	28,498
Childrens Services Grant	40,602
Forensic Block Grant	1,336
Violence Against Women Grant	43,866
State Homeland Security	18,642
Therapy Services Reimbursement	29,138
Edward Byrne Memorial Grant	70,466
Urban Transit Grants	391,582
Title XIX - Medicaid	541,057
Title XX	31,645
Women's Prevention	17,460
Adult Drug Block Grant	28,628
Treatment and Prevention	197,199
Targeted Case Management	108,301
Waiver Administration	353,684
Pathways	58,649
Community Development Block Grants	317,650
Board of DD State Subsidy	390,524
Retired Senior Volunteer Program	10,568
Miscellaneous	22,040
Total Governmental Activities	<u><u>\$7,683,717</u></u>

Washington County, Ohio
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C. Loans Receivable

The Community Development Block Grant Special Revenue Fund reflects loans receivable of \$2,517. This amount is for the principal owed to the County for Federal Community Development Block Grant Program monies loaned to individuals for home improvements. The loans bear interest at annual rates of five percent. These loans are to be repaid over periods ranging from four to seven years. The amount not scheduled for collection during the subsequent year is \$1,497.

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1983, the County Commissioners, by resolution, imposed a one percent tax on all retail sales made in the County and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. At the November 1989 general election, an additional one-half percent tax was approved by the voters of the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management (OBM) the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. OBM then has five days in which to draw the warrant payable to the County.

A receivable is recognized at year end for amounts that will be received from sales which occurred during 2009.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$626,861	\$0	\$0	\$626,861
Infrastructure	123,116,520	2,044,917	(393,704)	124,767,733
Total Non-Depreciable Capital Assets	<u>123,743,381</u>	<u>2,044,917</u>	<u>(393,704)</u>	<u>125,394,594</u>
Depreciable Capital Assets:				
Land Improvements	680,180	0	0	680,180
Buildings and Improvements	21,140,508	326,880	0	21,467,388
Machinery and Equipment	5,300,806	380,562	(31,981)	5,649,387
Furniture and Fixtures	1,174,252	39,707	0	1,213,959
Vehicles	5,583,337	252,805	(99,654)	5,736,488
Total Depreciable Capital Assets	<u>33,879,083</u>	<u>999,954</u>	<u>(131,635)</u>	<u>34,747,402</u>
Accumulated Depreciation:				
Land Improvements	(360,217)	(26,917)	0	(387,134)
Buildings and Improvements	(8,493,324)	(542,354)	0	(9,035,678)
Machinery and Equipment	(3,166,925)	(354,853)	31,981	(3,489,797)
Furniture and Fixtures	(646,972)	(48,290)	0	(695,262)
Vehicles	(3,885,776)	(432,691)	99,654	(4,218,813)
Total Accumulated Depreciation	<u>(16,553,214)</u>	<u>(1,405,105) *</u>	<u>131,635</u>	<u>(17,826,684)</u>
Total Depreciable Capital Assets, Net	<u>17,325,869</u>	<u>(405,151)</u>	<u>0</u>	<u>16,920,718</u>
Governmental Capital Assets, Net	<u>\$141,069,250</u>	<u>\$1,639,766</u>	<u>(\$393,704)</u>	<u>\$142,315,312</u>

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

General Government:	
Legislative and Executive	\$114,070
Judicial	17,034
Public Safety	466,542
Public Works	374,629
Health:	
Board of Developmental Disabilities	102,077
County Home	91,312
Other Health	2,930
Human Services:	
Child Support Enforcement	2,224
Children Services	111,497
Job and Family Services	101,995
Other Human Services	20,795
Total Depreciation Expense	\$1,405,105

	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009
Business-Type Activity:				
Non-Depreciable Capital Assets:				
Land	\$189,760	\$0	\$0	189,760
Construction in Progress	0	72,582	0	72,582
Total Non-Depreciable Capital Assets	189,760	72,582	0	262,342
Depreciable Capital Assets:				
Buildings and Improvements	851,885	0	0	851,885
Machinery and Equipment	459,273	0	0	459,273
Infrastructure	6,240,666	0	0	6,240,666
Vehicles	16,807	0	0	16,807
Total Depreciable Capital Assets	7,568,631	0	0	7,568,631
Accumulated Depreciation:				
Buildings and Improvements	(545,798)	(18,338)	0	(564,136)
Machinery and Equipment	(345,271)	(30,619)	0	(375,890)
Infrastructure	(2,148,176)	(145,729)	0	(2,293,905)
Vehicles	(16,807)	0	0	(16,807)
Total Accumulated Depreciation	(3,056,052)	(194,686)	0	(3,250,738)
Total Depreciable Capital Assets, Net	4,512,579	(194,686)	0	4,317,893
Business-Type Capital Assets, Net	\$4,702,339	(\$122,104)	\$0	\$4,580,235

Washington County, Ohio
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COMPONENT UNITS

Capital asset activity for the Port Authority for the year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009
Port Authority:				
Depreciable Capital Assets:				
Equipment and Furniture	\$6,489	\$0	\$0	\$6,489
Accumulated Depreciation:				
Equipment and Furniture	(3,722)	(1,680)	0	(5,402)
Total Port Authority Capital Assets, Net	<u>\$2,767</u>	<u>(\$1,680)</u>	<u>\$0</u>	<u>\$1,087</u>

NOTE 9 - RISK MANAGEMENT

PRIMARY GOVERNMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. During 2009, the County contracted with the County Risk Sharing Authority, Inc. (CORSA), an insurance purchasing pool (see Note 20), for liability, auto, and crime insurance. CORSA, a non-profit corporation sponsored by the County Commissioners of Ohio, was created to provide affordable liability, property, casualty, and crime insurance coverage for its members and was established May 12, 1987. Coverage provided by the program and applicable deductibles are as follows:

	Coverage	Deductible
General Liability	\$1,000,000 each occurrence	\$2,500
Law Enforcement Liability	1,000,000 each occurrence	2,500
Automobile Liability	1,000,000 each occurrence	2,500
Errors and Omissions Liability	1,000,000/1,000,000	2,500
Property Damage Liability	104,248,675	2,500
Equipment Breakdown	1,000,000	2,500
Crime	1,000,000	2,500
Stop Gap Liability	1,000,000	2,500
Medical Professional Liability	1,000,000	2,500

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

Starting in 2007 and continuing through 2008, the County participates in the State Workers' Compensation retrospective rating and payment program. Once the County received notice of the 2008 claims paid by the Bureau of Workers' Compensation, the County reimbursed the State for claims paid on the County's behalf. The payable was reclassified from claims payable to intergovernmental payable. This plan involves the payment of minimum premium for administrative services and stop-loss coverage in addition to the actual claim costs for employees injured in 2008. The maintenance of these benefits is accounted for in the Workers' Compensation Internal Service Fund. Changes in the fund's intergovernmental and claims liability amounts for 2008 and 2009 were:

Washington County, Ohio
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Program	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
Self Insurance - Workers' Compensation				
2008	\$461,416	\$174,427	\$273,926	\$361,917
2009	361,917	0	361,917	0

During 2009, the County is no longer participating in the State Workers' Compensation retrospective rating and payment program.

COMPONENT UNIT

The Authority has obtained commercial insurance for property, general liability, and public employee dishonesty.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10.0% of covered payroll, public safety and law enforcement members contributed 10.1%.

The County's contribution rate for 2009 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, a portion of the County's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14.0 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

Washington County, Ohio
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The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007, were \$1,676,418, \$1,305,676, and \$1,502,459, respectively; 91.13 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the member-directed plan for 2009 were \$24,568 made by the County and \$17,549 made by the plan members.

B. State Teachers Retirement System

Plan Description – Certified teachers, employed by the school for Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service or an allowance based on member contributions and earned interest matched by STRS Ohio funds, times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the fiscal years ended December 31, 2009, 2008, and 2007, were \$73,270, \$67,069, and \$38,646, respectively; 98.50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined plans for 2009 were \$160 made by the County and \$152 made by the plan members.

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NOTE 11 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and Combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, state and local government employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007, were \$1,087,059, \$1,237,219 and \$1,007,633, respectively; 91.13 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional fund to be allocated to the health care plan.

B. State Teachers Retirement System

Plan Description - The County contributes to the cost-sharing, multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2009, 2008, and 2007, were \$5,636, \$5,159, and \$25,571, respectively; 100 percent has been contributed for years 2009, 2008 and 2007.

NOTE 12 - OTHER EMPLOYER BENEFITS

A. Deferred Compensation Plan

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

B. Compensated Absences

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

Each employee accrues 4.6 hours of sick time for each two week pay period worked. Accrual continues during periods of approved paid leave. Unused sick leave is cumulative without limit. Job and Family Services, the Board of Developmental Disabilities (union employees), County Home and Child Support Enforcement employees earn annual leave based on their length of service and can be converted to extended illness leave at the rate of three days credit for each two days of unused leave converted. Upon retirement, with 10 years of service with the County, the State, or any of its political subdivisions, all employees, except for Job and Family Services, the Board of Developmental Disabilities, Child Support Enforcement, and Children Services employees, are paid 25% of their sick leave up to a maximum of 240 hours. The Board of Developmental Disabilities union employees are paid 25% of their extended illness leave not to exceed 480 hours and 50% of their annual leave balance. Job and Family Services employees are paid their total hours times 2/3 times 50% of the final rate of pay up to a maximum of three times the employee's annual leave entitlement. The Board of Developmental Disabilities non-union employees are paid 50% of their sick balance up to a maximum of 480 hours. Child Support Enforcement employees are paid their total hours times 2/3 times 50% of the final rate of pay up to a maximum of 500 hours. Children Services employees with 10 years of service upon retirement or separation are paid up to 1,000 hours of accrued, unused sick leave credit.

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

C. Insurance Benefits

During 2009, the County participated with the County Employee Benefits Consortium of Ohio, Inc. (CEBCO) (a risk-sharing pool – see Note 20). CEBCO charges a fixed premium per month per enrolled employee. The premiums, along with an administrative charge, are paid into each participating County funds and, in turn, the premiums are paid to CEBCO. Premiums charged by CEBCO are based upon the County's claims experience. An excess coverage policy covers annual individual claims in excess of 50,000 with an unlimited maximum. CEBCO retains liability for claims that exceed the expected losses and charged premiums.

The County provides employee medical/surgical benefits, life insurance, and accidental death and dismemberment insurance to employees, except Children Services, through Anthem Blue Cross/Blue Shield. The plan has \$250 single and \$500 family deductible limits. Except for employees of the Mental Health, Soldiers Relief, and Health Department, the County pays 80 percent of the total monthly premium for both

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single and family coverage. The County pays 100 percent for both single and family coverage for employees of the Mental Health Department and Soldiers Relief. The County pays 81 percent for both single and family coverage for employees of the Health Department. Premiums are paid from the same funds that pay the employee's salaries.

Employee medical/surgical benefits, dental, life insurance, and accidental death and dismemberment insurance for employees of the Children Services Department is provided through Anthem Blue Cross/Blue Shield and Anthem Life. For the County Board of Developmental Disability employees, the County provides life insurance and accidental death and dismemberment insurance through CBA Benefit Services, in the amount of \$20,000 for all employees.

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

D. Early Retirement Incentive

In prior years, the Washington County Board of Developmental Disabilities approved an early retirement incentive program for employees who are members of the State Teachers Retirement System (STRS). Participation was open to employees who were eligible to retire on July 1, 2005, upon purchase of service credit under the incentive program. The Board purchased five years of service credit for each eligible participant. The Board is paying the liability for the purchased credit in installments.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

PRIMARY GOVERNMENT

The County has entered into capitalized leases for several copiers. The leases meet 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 risks of ownership to the lessee.

Equipment acquired by leases has been capitalized in the government wide statements for governmental activities in the amount of \$56,488, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements for governmental activities. Capitalized leased assets are reflected net of accumulated depreciation for a book value of \$18,528 as of December 31, 2009. Principal payments for all capital leases during 2009 totaled \$14,367.

Future minimum lease payments through 2011 are as follows:

Year	Governmental Activities	
	Principal	Interest
2010	\$10,671	\$566
2011	1,763	184
Total	\$12,434	\$750

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NOTE 14 - LONG-TERM OBLIGATIONS

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

	Original Issue Amount	Principal Outstanding 12/31/08	Additions	Deductions	Principal Outstanding 12/31/09	Amounts Due within One Year
Governmental Activities:						
General Obligation Bonds:						
1998 - Juvenile Center - 4.4%-5.9%	\$1,800,000	\$1,135,000	\$0	\$90,000	\$1,045,000	\$95,000
2004 - Capital Facilities Jail:						
Serial - 2%-4.25%	2,090,000	1,475,000	0	140,000	1,335,000	145,000
Term - 4.05%	385,000	385,000	0	0	385,000	0
Term - 5.75%	925,000	925,000	0	0	925,000	0
Bond Premium		95,924	0	6,431	89,493	0
Bond Discount		(25,843)	0	(1,732)	(24,111)	0
2009 - Capital Facilities Clerk of Courts - 3.75%	193,850	0	193,850	0	193,850	46,162
1996 - Building Acquisition - Job and Family Services - 3.75%-5.5%	1,740,000	1,040,000	0	80,000	960,000	85,000
Total General Obligation Bonds		<u>5,030,081</u>	<u>193,850</u>	<u>314,699</u>	<u>4,909,232</u>	<u>371,162</u>
2006 Energy Conservation Bond - 5.00%	440,000	370,000	0	40,000	330,000	40,000
Bond Premium		18,464	0	2,332	16,132	0
Long-Term Bond Anticipation Notes:						
2008 - \$302,000 Clerk of Court						
Computerization - 3.75%:	190,000	190,000	0	190,000	0	0
2008 OPWC Loan - 0%	160,956	160,956	0	160,956	0	0
2009 OWDA Home Sewage Treatment						
Systems Loan - 0%	180,000	0	66,074	66,074	0	0
Compensated Absences - Sick Leave		516,358	14,849	35,461	495,746	25,340
Early Retirement Incentive Payable		209,982	0	129,441	80,541	74,209
Capital Leases		26,801	0	14,367	12,434	10,671
Total Governmental Activities		<u>\$6,522,642</u>	<u>\$274,773</u>	<u>\$953,330</u>	<u>\$5,844,085</u>	<u>\$521,382</u>

(continued)

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2009

	Original Issue Amount	Principal Outstanding 12/31/08	Additions	Deductions	Principal Outstanding 12/31/09	Amounts Due within One Year
Business-Type Activities:						
OPWC Loans:						
1995 - Devola Sewer Loan - 0%	\$328,552	\$98,566	\$0	\$16,428	\$82,138	\$8,214
1999 - Cherry Blossom Sewer Loan - 2.00%	80,370	48,123	0	3,953	44,170	2,006
1998 - Barlow Vincent Sewer Plant Loan - 0%	225,000	101,250	0	11,250	90,000	5,625
Total OPWC Loans		<u>247,939</u>	<u>0</u>	<u>31,631</u>	<u>216,308</u>	<u>15,845</u>
1997 - FHA Sewer Loan - 0%	873,000	780,000	0	11,500	768,500	12,000
2004 - OWDA Sewer Loan - 3.41%	279,030	235,067	0	11,734	223,333	6,018
2008 - OWDA Sewer Planning Loan - 4.95%	818	818	0	802	16	0
2009 - OWDA Sewer Planning and Design Loan - 5.45%	90,000	0	70,860	0	70,860	0
2009 - OWDA River Sewer Rehabilitation Loan - 1.50%	989	0	989	0	989	0
2009 - OWDA Sewer Design Loan - 4.42%	717	0	717	0	717	0
Compensated Absences - Sick Leave		<u>1,046</u>	<u>0</u>	<u>166</u>	<u>880</u>	<u>0</u>
Total Business-Type Activity		<u>\$1,264,870</u>	<u>\$72,566</u>	<u>\$55,833</u>	<u>\$1,281,603</u>	<u>\$33,863</u>

A. Governmental Activities

The Juvenile Center general obligation bonds and the Capital Facilities Clerk of Court Bonds are unvoted and will be retired from the General Bond Retirement Fund with general property tax revenues. The Capital Facilities Jail Bonds are unvoted and will be retired from the General Bond Retirement Fund with permissive sales tax revenues. The Job and Family Services portion of the Building Acquisition general obligation bonds is unvoted and will be retired from the Job and Family Services Bond Retirement Fund with rental payments received from the Job and Family Special Revenue Fund. The Energy Conservation Bond are unvoted and will be retired with monies realized through energy savings. The capital leases are being paid for by the General Fund and the Job and Family Services Special Revenue Fund.

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

Early retirement incentive liabilities will be paid from the County Board of Developmental Disabilities Special Revenue Fund.

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2009

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

Year Ended December 31,	Principal	Interest	Total
2010	\$411,162	\$247,542	\$658,704
2011	432,429	230,499	662,928
2012	449,207	211,647	660,854
2013	466,052	191,806	657,858
2014	435,000	170,242	605,242
2015-2019	2,055,000	528,799	2,583,799
2020-2023	925,000	136,849	1,061,849
Total	<u>\$5,173,850</u>	<u>\$1,717,384</u>	<u>\$6,891,234</u>

General Obligation Bond The Capital Facilities bonds were issued on February 24, 2009, in the amount of \$193,850. The bonds were issued for the purpose of paying the cost of acquiring and installing computer systems and related equipment and software for use by the Clerk of Courts. The bonds have an interest rate of 3.75 percent and will be retired from the General Bond Retirement Fund.

Bond Anticipation Notes The various purpose bond anticipation notes issued on February 26, 2008, for \$190,000 matured on February 25, 2009. The bond anticipation notes were issued for the acquisition and installation of a new computer system for the Washington County Clerk of Court.

Ohio Public Works Commission Loan The 2008 Ohio Public Works Commission Loan, made on September 19, 2008, in the amount of \$160,956, represents amounts borrowed for the County Road 18 road base reconstruction. The loan has a zero percent interest rate is unvoted and will be retired from the General Bond Retirement Fund with permissive sales tax revenues. This loan was repaid during 2009.

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

Year	Amount
2017	\$190,000

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

Year	Amount
2020	\$210,000
2021	225,000
2022	240,000

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2009

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

B. Business-Type Activity

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

The 2008 Ohio Water Development Authority (OWDA) Sewer Planning Loan relates to a project for engineering design of various Sewer projects. As of December 31, 2009, this loan has been fully drawn down, but no amortization schedule exists. The loan is payable solely from net revenues along with a one time charge of \$1,000 per household to the residents in the Oxbow area. The loan is payable through 2024.

The 2009 Ohio Water Development Authority (OWDA) Planning & Design for I & I Remediation Loan relates to a project for engineering and design of the Oxbow and Riverview sewer systems. As of December 31, 2009, this loan has not been fully drawn down and no amortization schedule exists. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 2009 Ohio Water Development Authority (OWDA) Riverview Sewer Rehabilitation Loan relates to the rehabilitation of sewer lines in the Riverview Community. As of December 31, 2009, this loan has not been fully drawn down and no amortization schedule exists. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 2009 Ohio Water Development Authority (OWDA) Force Main & Lift Station Design Loan relates to the construction of two lift stations to provide sanitary sewer service to the Devola and Oak Grove communities. As of December 31, 2009, this loan has not been fully drawn down and no amortization schedule exists. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay \$295,915 in sewer system OWDA loans. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loan are expected to require less than 75 percent of net revenues in future years. The total principal and interest remaining at to be paid on the loans is \$357,521. Principal and interest payments for the current year were \$20,453, net revenues were \$108,854, and total revenues were \$666,462.

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2009

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

Year Ended December 31,	Principal	Interest	Total
2010	\$33,863	\$38,833	\$72,696
2011	57,095	42,171	99,266
2012	58,102	41,172	99,274
2013	59,623	39,949	99,572
2014	60,664	38,758	99,422
2015-2019	234,736	174,270	409,006
2020-2024	208,058	136,606	344,664
2025-2029	151,000	98,804	249,804
2030-2034	197,500	60,851	258,351
2035-2037	147,500	13,534	161,034
Total	<u>\$1,208,141</u>	<u>\$684,948</u>	<u>\$1,893,089</u>

C. Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total valuation of the County. The Code further provides that the total shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The County's total debt margin was \$24,924,441 and the unvoted debt margin was \$20,155,591 at December 31, 2009.

D. Conduit Debt

Pursuant to State statute, various industrial revenue bonds have been issued for private industry within the County. The proceeds of the industrial revenue bonds are used by the various private industries for new construction or improvements. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. As of December 31, 2009, \$90,330,000 of industrial revenue bonds had been issued, and \$70,754,176 of those remained outstanding.

NOTE 15 - SHORT-TERM OBLIGATIONS

A summary of the note transactions for the year ended December 31, 2009, follows:

	Outstanding 12/31/2008	Additions	Deductions	Outstanding 12/31/2009
Governmental Activities:				
2008 - \$302,000 Bond Anticipation Notes - 5.75%:				
Building Acquisition and Improvement	\$248,800	\$0	\$248,800	\$0
Health Department Roof	53,200	0	53,200	0
<i>Total Governmental Funds</i>	<u>\$302,000</u>	<u>\$0</u>	<u>\$302,000</u>	<u>\$0</u>

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2009

The various purpose bond anticipation notes issued on February 26, 2008, for \$302,000 matured on February 25, 2009. The various purpose bond anticipation notes were issued to retire the \$53,200 health department roof bond anticipation note and the \$248,800 building acquisition and improvement bond anticipation note, both of which matured on February 28, 2008.

NOTE 16 - INTERNAL BALANCES

Interfund balances, as of December 31, 2009, consist of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	Interfund Receivable				<u>Total</u>
	Major Funds			Other Governmental Funds	
	General	County Board of Developmental Disabilities	County Home		
Major Funds:					
General	\$0	\$0	\$440	\$366	\$806
Job and Family Services	951				951
Sewer	13,102				13,102
Other Governmental Funds	33,380	1,000			34,380
	\$47,433	\$1,000	\$440	\$366	\$49,239

The interfund payable in the Sewer Enterprise Fund is a result of the General Fund making sewer related expenditures. The remaining interfund receivables/payables are due to lags between the dates interfund goods and services are provided, transactions were recorded in the accounting system, and payments between funds were made.

Interfund transfers for the year ended December 31, 2009, consisted of the following:

<u>Transfer Out</u>	Transfer In			<u>Total</u>
	Major Funds			
	General	Mental Health and Addiction Recovery Board	Other Nonmajor Governmental	
Major Funds:				
General Fund	\$0	\$30,000	\$138,282	\$168,282
Other Nonmajor Governmental	100,000	0	0	100,000
Total All Funds	\$100,000	\$30,000	\$138,282	\$268,282

Transfers were used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them; to move monies back to the General Fund from the Certificate of Title Special Revenue Fund, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2009

NOTE 17 – CONTRACTUAL COMMITMENTS

As of December 31, 2009, the County had a contractual purchase commitment as follows:

<u>Project</u>	<u>Fund</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of 12/31/2009</u>	<u>Amount Remaining on Contract</u>
Stengle Bridge	Sales Tax and MVGT	\$ 293,250	\$ -	\$ 293,250

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Developmental District serves as the Area Agency on Aging for Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and implementing plans and programs. The District is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens Council, one member from the City of Marietta Council, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The District administers County Community Development Block Grant and Issue II monies. During 2009, the District received \$5,208 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

B. Joint Solid Waste District

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

The Joint Solid Waste District is governed and operated through three groups. An eighteen-member board of directors, composed of the three Commissioners from each County, is responsible for the District's financial matters. Financial records were maintained by Muskingum County until May 1993 at which time Noble County assumed the responsibility. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no contributions were received from the County in 2009. No future contributions by the County are anticipated. A thirty-one member policy committee composed of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the Policy Committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

C. Washington-Morgan Community Action Corporation

The Community Action Corporation of Washington-Morgan Counties is operated as non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Children's Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program, and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2009

the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. The continued existence of the Corporation is not dependent on the County's continued participation and no equity interest exists.

D. Washington County Family and Children First Council

The Washington County Family and Children First Council provides services to multi-need youth in Washington County. Members of the Council include the Washington County Health Department, the Regional Office of Youth Services, the Washington County Juvenile Court, the Washington County Mental Health Board, Washington County Children Services, the General Health District, a representative from the City of Marietta Health Department, and a representative of the Washington County School Districts. The operation of the Council is controlled by an advisory committee which consists of a representative from each agency. In 2009, the County contributed \$426,441.

E. Wood, Washington, and Wirt Planning Commission

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is composed of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives and one Washington County Commissioner serves on the Commission. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. In 2009, the County contributed \$7,563 to the Commission. The continued existence of the Commission is not dependent on the County's continued participation and no equity interest exists.

F. Buckeye Hills Resource Conservation and Development Project

The Buckeye Hills Resource Conservation and Development Project was organized to lead local efforts directed toward improving social and economic conditions of the Buckeye Hills RC&D Area through development, conservation, and proper use of all the resources of the area. It serves Athens, Belmont, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties. The Project is governed by an executive council. The Council is composed of one County Commissioner from each county, one member from the Soil and Water Conservation District of each county, a representative chosen jointly by the county commissioners and Soil and Water Conservation Districts of each county, a member from the Muskingum Watershed Conservancy District, and one member from the Rush Creek Conservancy District. The Council has total control over budgeting, personnel, and all other financial matters. During 2009, the Council received \$700 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

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

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2009

H. Ohio Valley Employment Resource (OVER)

The Ohio Valley Employment Resource (OVER) is a jointly governed organization whereby the three county commissioners from Monroe, Morgan, Noble, and Washington Counties serve on the governing board. OVER was formed for the purpose of creating and providing employment and training programs in response to local need, a part of which is implementation of the Workforce Investment Act, P.L. 105-220. The continued existence of OVER is not dependent upon the County's continued participation and no equity interest or debt exists.

NOTE 19 - RELATED ORGANIZATION

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

NOTE 20 - INSURANCE PURCHASING POOLS

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

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment for insurance to CORSA in 2009 was \$302,403.

B. County Employee Benefits Consortium of Ohio, Inc. (CEBCO)

The County participates in the County Employee Benefits Consortium of Ohio, Inc. (CEBCO), an Ohio not-for-profit corporation, and insurance purchasing pool with membership open to Ohio political subdivisions, to collectively pool resources to purchase employee benefits. The County pays, on a monthly basis the annual actuarially determined funding rate. Components of the funding rate include the claims fund contribution, incurred but not reported claims, a claims contingency reserve fund, as well as the fixed cost of the consortium.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2009

The business and affairs of the consortium are governed by a board comprised of representatives of counties that participate in the program. Two thirds of the directors are County Commissioners of the member Counties and one third are employees of member Counties. Each member of the consortium is entitled to one vote. At all times one director is required to be a member of the board of directors of the County Commissioners Association of Ohio and another is required to be a board member of the County Risk Sharing Authority, Inc.

Upon withdrawal from the Consortium, the County will be responsible for paying the funding rates and assessments, if any, that were applicable during the term of the agreement and shall remain responsible for any assessments made by the board for one or more years of the County's participation in CEBCO.

NOTE 21 - RELATED PARTY TRANSACTIONS

Wasco, Inc., a discretely presented component unit of Washington County, received contributions from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its program. These contributions are reflected as operating revenues and operating expenses at cost or fair market value, as applicable, in the Basic Financial Statements in the amount of \$620,187. Additional habilitative services provided directly to the component unit's clients by the County amounted to \$1,202,180.

NOTE 22 - FOOD STAMPS

The County's Department of Job and Family Services distributes, through contracting issuance centers, federal food stamps to entitled recipients within Washington County. The receipt and issuance of the stamps have the characteristics of a federal grant. However, the Department of Job and Family Services merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements, as the only economic interest related to these stamps rests with the ultimate recipient.

NOTE 23 - CONTINGENT LIABILITIES

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

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

Washington County, Ohio
Required Supplementary Information
Condition Assessments of the County's Infrastructure
Reported Using the Modified Approach
December 31, 2009

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

County Roads

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

Condition Category	Condition Index Range	Description of Condition
Failed	<30	Impassable, unsafe, needs major reconstruction
Poor	30-45	Passable, marginally safe, needs major repair
Fair	46-60	Average, functions as designed, needs routine maintenance and repair
Good	61-85	Safe and very suitable for its purpose, needs preventative maintenance
Excellent	>85	New or like new, no repair needed

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

Bridges

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

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

Washington County, Ohio
Required Supplementary Information
Condition Assessments of the County's Infrastructure
Reported Using the Modified Approach
December 31, 2009

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

The following summarized the road and bridge conditions as of December 31, 2009, 2008, 2007, and 2006:

Condition Category	Road Condition as of December 31,							
	2009		2008		2007		2006	
	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation
Excellent	36%	100%	39%	100%	44%	100%	38%	100%
Good	60%	64%	57%	61%	43%	56%	47%	62%
Fair	4%	4%	3%	4%	9%	13%	15%	15%
Poor	0%	0%	1%	1%	4%	0%	0%	0%
Failed	0%	0%	0%	0%	0%	0%	0%	0%

Bridge General Appraisal	Bridge Condition as of December 31,							
	2009		2008		2007		2006	
	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation
9	0%	0%	2%	2%	1%	1%	1%	1%
8	4%	4%	6%	8%	6%	7%	5%	6%
7	31%	35%	23%	31%	23%	30%	22%	28%
6	44%	79%	42%	73%	42%	72%	43%	71%
5	16%	95%	18%	91%	18%	90%	18%	89%
4	5%	100%	8%	99%	8%	98%	9%	98%
3	0%	100%	1%	100%	1%	99%	1%	99%
2	0%	100%	0%	100%	1%	100%	1%	100%
1	0%	100%	0%	100%	0%	100%	0%	100%

Budget versus actual expenditures for roads and bridges maintenance for 2009, 2008, 2007, and 2006:

Total Road and Bridge Maintenance Expense	Budgeted	Actual	Difference
2009	\$4,594,964	\$3,726,816	\$868,148
2008	4,692,793	4,076,340	616,453
2007	2,089,066	1,665,705	423,361
2006	3,824,501	2,615,157	1,209,344

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WASHINGTON COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass-Through Entity Number or Grant Year	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
SNAP Cluster:			
Supplemental Nutrition Assistance Program (SNAP/Food Assistance)	G-89-20-1165/G-1011-11-5128	10.551	\$ (3,943)
State Administrative Grants for the Supplemental Nutrition Assistance Program	G-89-20-1165/G-1011-11-5128	10.561	442,019
ARRA - State Administrative Grants for the Supplemental Nutrition Assistance Program	2009	10.561	<u>37,674</u>
Total SNAP Cluster			475,750
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Cash Assistance:			
School Breakfast Program	2009/2010	10.553	21,097
National School Lunch Program	2009/2010	10.555	32,480
Summer Food Service Program for Children	2009/2010	10.559	<u>35,161</u>
Total Child Nutrition Cluster			<u>88,738</u>
Total U.S. Department of Agriculture			564,488
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants - State's Program	B-C-08-077-1	14.228	82,839
	B-F-07-077-1		98,084
	B-F-08-077-1		60,759
	B-P-06-077-2		36,663
	B-W-07-077-1		<u>57,908</u>
Total Community Development Block - State's Program			336,253
HOME Investment Partnerships Program	B-C-08-077-2	14.239	<u>228,271</u>
Total U.S. Department of Housing and Urban Development			564,524
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct Award:</i>			
Supervised Visitation, Safe Havens for Children	2005-CW-AX-0010	16.527	84,988
Drug Court Discretionary Grant Program	2004-DC-BX-0061	16.585	380
Edward Byrne Memorial Justice Assistance Grant Programs Cluster:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	2009-SB-B9-2660	16.804	3,686
<i>Passed Through Ohio Office of Criminal Justice Services:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	2007-JG-LLE-5147	16.738	<u>10,000</u>
Total Edward Byrne Memorial Justice Assistance Grant Programs Cluster			13,686
<i>Passed Through Ohio Attorney General's Office:</i>			
Crime Victim Assistance	2009VAGENE253	16.575	15,162
	2010VAGENE253		<u>5,253</u>
Total Crime Victim Assistance			20,415
<i>Passed Through Ohio Office of Criminal Justice Services:</i>			
ARRA - Violence Against Women Formula Grants (Recovery)	2009-AR-VA4-1268	16.588	<u>7,706</u>
Total U.S. Department of Justice			127,175
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Direct Award:</i>			
Federal Transit - Formula Grants	OH-90-0497	20.507	27,785
	OH-90-0661		213,797
ARRA - Federal Transit - Formula Grants	OH-96-X028-00	20.507	<u>38,127</u>
Total Federal Transit - Formula Grants			279,709

WASHINGTON COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number or Grant Year	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF TRANSPORTATION (Continued)</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	N/A	20.205	429,679
ARRA - Highway Planning and Construction	N/A	20.205	85,662
Total Highway Planning and Construction Cluster			515,341
<i>Passed Through Ohio Department of Public Safety:</i>			
State and Community Highway Safety	HVEO-2009-84-00-00-00438-01 HVEO-2010-84-00-00-00282-00	20.600	19,134 4,314
Total State and Community Highway Safety			23,448
Total U.S. Department of Transportation			818,498
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	2009	84.027	43,742
	2010		8,222
ARRA - Special Education Grants to States, Recovery Act	2010	84.391	8,405
Special Education - Preschool Grants	2009	84.173	11,817
	2010		2,649
ARRA - Special Education - Preschool Grants, Recovery Act	2010	84.392	66
Total Special Education Cluster			74,901
State Grants for Innovative Programs	2009	84.298	76
Total U.S. Department of Education			74,977
<u>U.S. ELECTION ASSISTANCE COMMISSION</u>			
<i>Passed Through Ohio Secretary of State:</i>			
Help America Vote Act Requirements Payments	04-SOS-HAVA-84	90.401	773
Total U.S. Election Assistance Commission			773
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Social Services Block Grant</i>			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Social Services Block Grant	N/A	93.667	52,032
<i>Passed Through Ohio Department of Mental Health:</i>			
Social Services Block Grant	2009	93.667	35,892
	2010		11,833
Total Social Services Block Grant			99,757
<i>State Children's Insurance Program</i>			
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
State Children's Insurance Program	N/A	93.767	31,270
<i>Passed Through Ohio Department of Mental Health:</i>			
State Children's Insurance Program	N/A	93.767	336,955
Total State Children's Insurance Program			368,225
<i>Title XIX - Medical Assistance Program</i>			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Medical Assistance Program	N/A	93.778	22,643
ARRA - Medical Assistance Program	N/A	93.778	129,043
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Medical Assistance Program	N/A	93.778	163,619
ARRA - Medical Assistance Program	N/A	93.778	31,883
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program	N/A	93.778	1,948,261
ARRA - Medical Assistance Program	N/A	93.778	331,322
Total Title XIX - Medical Assistance Program			2,626,771

WASHINGTON COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number or Grant Year	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Block Grants for Prevention and Treatment of Substance Abuse - Substance Abuse Prevention and Treatment Block Grant	2009	93.959	95,146
	2010		38,666
Women's Setaside	84-2293-WOMENP-P-09-9011		16,319
	84-2293-WOMENP-P-10-9011		7,483
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>157,614</u>
<i>Passed Through Ohio Department of Mental Health:</i>			
Promoting Safe and Stable Families	2009	93.556	3,719
ARRA - Child Care and Development Block Grant	N/A	93.713	408
Block Grants for Community Mental Health Services	2009	93.958	30,133
	2010		28,628
Total Block Grants for Community Mental Health Services			<u>58,761</u>
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Promoting Safe and Stable Families	G-89-20-1167/G-1011-11-5130	93.556	79,870
Temporary Assistance for Needy Families	G-89-20-1165/G-1011-11-5128	93.558	2,582,727
	G-89-20-1167		8,778
Total Temporary Assistance for Needy Families			<u>2,591,505</u>
Child Support Enforcement	G-89-20-1166/G-1011-11-5129	93.563	231,679
ARRA - Child Support Enforcement	N/A	93.563	197,088
Total Child Support Enforcement			<u>428,767</u>
CCDF Cluster:			
Child Care and Development Block Grant	G-89-20-1165/G-1011-11-5128	93.575	239,766
ARRA - Child Care and Development Block Grant	N/A	93.713	174,478
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-89-20-1165/G-1011-11-5128	93.596	303,952
Total CCDF Cluster			<u>718,196</u>
Grants to States for Access and Visitation Programs	G-89-09-1210	93.597	10,145
	G-1011-09-0428		6,675
Total Grants to States for Access and Visitation Programs			<u>16,820</u>
Child Welfare Services - State Grants	G-89-20-1167/G-1011-11-5130	93.645	59,030
Foster Care - Title IV-E	G-89-20-1167/G-1011-11-5130	93.658	319,298
ARRA - Foster Care - Title IV-E	N/A	93.658	12,689
Total Foster Care - Title IV-E			<u>331,987</u>
Adoption Assistance	G-89-20-1167/G-1011-11-5130	93.659	451,351
Social Services Block Grant	G-89-20-1165/G1011-11-5128	93.667	403,166
Child Abuse and Neglect State Grants	N/A	93.669	1,747
Chafee Foster Care Independence Program	G-89-20-1167/G-1011-11-5130	93.674	2,573
State Children's Insurance Program	G-89-20-1165/G-1011-11-5128	93.767	4,563
Medical Assistance Program	G-89-20-1165/G-1011-11-5128	93.778	528,658
Money Follows the Person Rebalancing Demonstration	1LICMS300156-01-05	93.791	10,000

WASHINGTON COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number or Grant Year	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
<i>Passed Through Ohio Secretary of State:</i>			
Voting Access for Individual's with Disabilities - Grants to States	06-SOS-HHHS-84	93.617	2,294
<i>Passed Through Ohio Office of Criminal Justice Services:</i>			
Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	2007-VP-003-4157	93.671	<u>6,965</u>
Total U.S. Department of Health and Human Services			8,952,747
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>			
<i>Direct Award:</i>			
Retired and Senior Volunteer Program	07SRNOH003	94.002	<u>42,997</u>
Total Corporation for National and Community Service			42,997
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
Emergency Management Performance Grants	2007-EM-E7-0085 2008-EM-E8-0002 2009-EP-E9-0061	97.042	8,254 22,642 <u>18,642</u>
Total Emergency Management Performance Grants			49,538
State Homeland Security Programs (SHSP)	2006-GE-T6-0051	97.073	<u>48,900</u>
Total U.S. Department of Homeland Security			<u>98,438</u>
Total Federal Awards Expenditures			<u>\$ 11,244,617</u>

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

WASHINGTON COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

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

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE C – CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

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

The County has a revolving loan fund (RLF) program to provide low-interest loans to eligible persons for water and sewer rehabilitation. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. Loans repaid, including interest, are used to make additional loans. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property. At December 31, 2009, the gross amount of loans outstanding under this program was \$2,517.

NOTE E – MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE F – TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2009, the County made allowable transfers of \$261,691 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$2,591,505 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2009 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$ 2,853,196
Transfer to Social Services Block Grant	(261,691)
Total Temporary Assistance for Needy Families	<u>\$ 2,591,505</u>

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, Ohio (the County), as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 20, 2010. Our report refers to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of Wasco, Inc., in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-002 to be a significant deficiency. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the County'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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 20, 2010.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, Board of County Commissioners, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 20, 2010



Mary Taylor, CPA

Auditor of State

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

Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

Compliance

We have audited the compliance of Washington County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2009. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of Wasco, Inc., a discretely presented component unit. Our audit of Federal awards, described below, did not include the operations of Wasco, Inc., because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of Federal awards for the year ended December 31, 2009, it was not subject to OMB Circular A-133 audit requirements.

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

In our opinion, Washington County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings and Questioned Costs lists this instance as Finding 2009-003.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2009-003 to be a material weakness.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 20, 2010.

The County's response to the finding we identified is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

September 20, 2010

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	-Highway Planning and Construction Cluster, CFDA # 20.205 -SNAP Cluster, CFDA #10.551, 10.561 -Temporary Assistance for Needy Families, CFDA #93.558 -Child Support Enforcement, CFDA #93.563 -Child Care Cluster, CFDA #93.575, 93.713, 93.596 -Foster Care, CFDA #93.658 -Adoption Assistance, CFDA #93.659 -Social Services Block Grant, CFDA #93.667 -Medical Assistance Program, CFDA # 93.778
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$337,339 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009
(Continued)

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

FINDING NUMBER 2009-001

Finding for Recovery

During the period following the signing of the Washington County Energy Conservation Project contract through the current audit (September 12, 2006 through December 31, 2009), the County expended \$49,234 for the purchase of F32 and F96 T-8 energy efficient light bulbs from Universal Products that were not accounted for in the County's inventory or usage records. In addition, the County expended \$18,359 in chemicals purchased between November 14, 2008 and October 23, 2009, from Universal Products however, this company is not a vendor of chemical products. Mr. Charles Moody, Maintenance Supervisor, was the authorized purchaser for these products and listed on the pertinent invoices. As a result of the above actions, Mr. Charles Moody pled guilty and was convicted of theft in office, a third degree felony violation of Ohio Revised Code Section 2921.41 (A) (1) (2) & (B) on July 16, 2010.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public property converted or misappropriated is hereby issued against Charles Moody, former Maintenance Supervisor, in the amount of \$67,593, and in favor of the General Fund of Washington County.

Officials' Response: Charles Moody plead guilty and was sentenced to three years in prison and was ordered by the Court to pay restitution to the General Fund in the amount of \$62,000. The Commissioners have taken steps to further eliminate illegal purchasing that was practiced by former employee Charles Moody. The Administrator/Clerk put new purchasing procedures in place effective January 28, 2010. All Commissioners' employees must get two quotes/bids on any purchases over \$100. The purchase request is submitted to the Administrator/Clerk who certifies that funds are available for the purchase and then after it is approved, sent to the Commissioner that oversees that department for final approval. The request is returned to employee to make the purchase. After the purchase is complete, the packing list and purchase order are returned to the Administrator/Clerk.

FINDING NUMBER 2009-002

Significant Deficiency

Washington County entered into a contract with Perfection Group on September 8, 2006 in the amount of \$433,964 for the Energy Conservation Project. The County made five payments in the amounts of \$66,498, \$174,649, \$60,242, \$89,179 and \$43,396 between November of 2006 and November of 2007 on this contract for a total of \$433,964. The original invoices submitted by Perfection Group did not contain any detailed support of the services performed or materials used.

At the request of the Auditor of State, Perfection Group provided detailed support on the project amounting to approximately \$293,640, resulting in approximately \$140,324 of expenditures without detailed supporting documentation.

Although the contract signed by the Washington County Commissioners stated the amount of the project as \$433,964, detailed supporting documentation should be provided prior to payment on the contract. The lack of supporting documentation could result in an unallowable expenditure being paid with County funds.

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009
(Continued)

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

FINDING NUMBER 2009-002 (Continued)

Significant Deficiency (Continued)

We recommend the County require detailed supporting documentation for all invoices prior to paying any invoice. In addition, we recommend that an employee knowledgeable of the project should count the items received or inspect assets or improvements added and then mark invoices "ok to pay" prior to payment.

Officials' Response: The above finding has been reported involving the contract with Perfection Group on the Energy Service Project. It is in the report that the supporting documentation filed totaled \$293,640, resulting in \$140,324 of expenditures without supporting documentation. As Commissioners, we believe that if Perfection Group cannot provide documentation to support the \$140,324 that the Auditor of State makes a finding against and be turned over to the Prosecuting Attorney for collection. In future projects, the Commissioners will have an employee or representative monitor the project to verify that the work is done per contract/proposal and that detail documentation is received and will be verified and approved by the employee or representative. The Commissioner in charge of project will verify work is complete.

Auditor of State Conclusion: We do not question whether the project or costs were for a proper public purpose. Internal control is not solely to prevent illegal payments, but also to help prevent inadvertent errors. Our recommendation above should help assure that the County only pays invoices for assets or services actually delivered or received.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2009-003
CFDA Title and Number	SNAP Cluster - #10.551/10.561 Medical Assistance Program - #93.778 Temporary Assistance for Needy Families - #93.558 Child Care Cluster - #93.575/93.596/93.713 Social Services Block Grant - #93.667
Federal Award Number / Year	G-89-20-1165/G-1011-11-5128
Federal Agency	U.S. Department of Agriculture U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2009-003 (Continued)

Noncompliance and Material Weakness and Questioned Cost

2 C.F.R. Part 225 App B. Section 37.c indicates rental costs under “less-than-arm’s-length” leases are allowable only up to the amount (as explained in section 37.b of the appendix) that would be allowable had title to the property vested in the County. For this purpose, a less-than-arm’s-length lease is one under which one party to the lease agreement (the County) is able to control or substantially influence the actions of the other (the County Department of Job and Family Services). Such leases included, but are not limited to those between divisions of a governmental unit. 2 CFR Part 225 App.B Section 37.b indicates the allowable amounts to be considered had the County Job and Family Services held title to the property include expenses such as depreciation or use allowance, maintenance, taxes and insurance.

2 C.F.R. Part 225 App. B Section 23.b states financing costs (including interest) paid or incurred which are associated with the otherwise allowable costs of building acquisition, construction, or fabrication, reconstruction or remodeling completed on or after October 1, 1980 is allowable subject to the conditions in section 23.b (1) through (4) of the appendix.

Additionally, **Ohio Admin. Code Section 5101:9-4-11(A)** indicates, the county family service agency shall follow federal, state, and local regulations when seeking federal financial participation for costs associated with the rent or lease of property or equipment. The costs must be necessary and reasonable for proper and efficient performance and administration of the specific program financing the cost and must be in compliance with Office of Budget and Management (OMB) Circular A-87, attachment B and Code of Federal Regulations 2 CFR Part 225.

The Washington County Job and Family Services department leases a facility from Washington County Board of Commissioners. Since both parties are division of the same governmental unit, this lease agreement constitutes a “less-than-arm’s-length” agreement and is therefore subject to the limitations of 2 CFR Part 225, App. B Section 37.c.

During 2009, a total of \$134,076 of rental payments was paid by the Washington County Job and Family Services department to the Washington County Board of Commissioners. Maintenance is paid directly by the County Job and Family Services department, and insurance is part of the Cost Allocation Plan. Therefore, maintenance and insurance are not included as part of the rent. The unallowable cost is shown in the schedule below:

Acquisition Cost of the Building	\$1,569,569
Expected Useful Life of the Asset	40 Years
Annual Depreciation Calculation:	\$39,239
Annual Interest on Building Bond (2009)	<u>57,200</u>
Total Allowable Rental Cost	\$96,439
Total Rent Paid by Washington County JFS	<u>\$134,076</u>
Unallowable rental costs (questioned costs)	<u><u>\$37,637</u></u>

WASHINGTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2009
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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FINDING NUMBER 2009-003 (Continued)

Noncompliance and Material Weakness and Questioned Cost (Continued)

The \$37,637 excess cost was allocated through an indirect cost pool to the Job and Family Service departments federally funded programs as noted in the following table. Of the \$37,637 allocated to the individual programs, \$27,325 was funded from Federal dollars and the remaining \$10,312 was funded from state (GRF) monies, which is in violation of Ohio Admin. Code Section 5101:9-4-11(A) listed above.

Grant	CFDA #	Total Excess Rent by Program	Excess Rent Funded from Federal Programs Dollars
SNAP	10.551, 10.561	\$10,722	\$5,361
Medicaid	93.778	9,902	4,951
TANF	93.558	11,855	11,855
Child Care Block Grant	93.575, 93.596	1,560	1,560
Social Services Block Grant	93.667	3,598	3,598
Total Unallowable Rental Costs		\$37,637	\$27,325

The excess rent paid with TANF dollars are in excess of \$10,000 and therefore considered questioned costs under OMB Circular A133 § .510(a)(3).

The Board of County Commissioners should modify the building lease agreement with the County JFS so that the lease amount will not exceed the amount allowed in accordance with applicable requirements.

Officials' Response: The Commissioners will schedule a meeting with the County Auditor, Prosecuting Attorney, and the Director of Washington County Department of Job and Family Services to explore our options under the applicable Ohio Administrative Code.

WASHINGTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A-133 § .315 (b)
 DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	A finding for recovery for public monies illegally expended was issued against Jolena Best, CSEA Fiscal Communication Supervisor, in the amount of \$468, in favor of the CSEA Fund of Washington County.	No	Not Corrected; per Jolena Best's sentencing agreement, she has three years to make full restitution. As of December 31, 2009, no payments have been made.
2008-001	Ohio Admin. Code Section 117-2-01(D)(5), Ohio Rev. Code Section 325.31(A), Ohio Rev. Code Section 325.33 – Monthly bank reconciliations of the Clerk of Courts Title Department were not timely prepared for the Title Department's main and wildlife accounts from May 2008 through December 2008. Also the Clerk of Courts Legal Department did not prepare accurate monthly reconciliations of bank balances to book balances.	Yes	
2008-002	Ohio Rev. Code Section 2335.25 – The Clerk of Courts paid \$15,631 into the County Treasurer that was thought to represent interest earned on a certificate of deposit which was invested with monies received from open cases.	Yes	



Mary Taylor, CPA
Auditor of State

WASHINGTON FINANCIAL CONDITION

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 30, 2010**