



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 Southeastern Ohio Port Authority, a discretely presented component unit, each major fund, and the aggregate remaining fund information of Washington County, Ohio (the County), as of and for the year ended December 31, 2007, 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. 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 the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, Ohio, as of December 31, 2007, 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, Mental Retardation and 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 October 31, 2008, 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 Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Mary Taylor, CPA
Auditor of State

October 31, 2008

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
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, 2007. 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 2007 are as follows:

- In total, net assets increased \$496,120. Net assets of governmental activities increased \$501,008 or .3 percent from 2006. Net assets of the business-type activity decreased \$4,888, which represents a .1 percent decrease from 2006.
- At the end of the current year, the County reported unrestricted net assets for governmental activities of \$8,172,292.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$24,296,529, an increase of \$506,934 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 2007?" The *Statement of Net Assets* and the *Statement of Activities* answer this question.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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

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

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or projects. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 (Public Assistance), Motor Vehicle and Gasoline Tax, Mental Retardation and 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.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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

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

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

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2007 compared to 2006:

Table 1
Net Assets

	Governmental Activities		Business-Type Activity		Totals	
	2007	2006	2007	2006	2007	2006
Assets						
Current and						
Other Assets	\$41,639,908	\$41,122,257	\$446,428	\$570,771	\$42,086,336	\$41,693,028
Capital Assets, Net	140,446,716	141,396,163	4,897,026	5,079,147	145,343,742	146,475,310
<i>Totals Assets</i>	182,086,624	182,518,420	5,343,454	5,649,918	187,430,078	188,168,338
Liabilities						
Current and						
Other Liabilities	12,875,822	12,794,422	81,595	329,982	12,957,417	13,124,404
Long-Term Liabilities	6,852,809	7,867,013	1,317,574	1,370,763	8,170,383	9,237,776
<i>Total Liabilities</i>	19,728,631	20,661,435	1,399,169	1,700,745	21,127,800	22,362,180
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	134,014,635	134,592,689	3,580,124	3,615,887	137,594,759	138,208,576
Restricted	20,171,066	20,138,609	0	0	20,171,066	20,138,609
Unrestricted	8,172,292	7,125,687	364,161	333,286	8,536,453	7,458,973
<i>Total Net Assets</i>	\$162,357,993	\$161,856,985	\$3,944,285	\$3,949,173	\$166,302,278	\$165,806,158

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 \$166,302,278 (\$162,357,993 in governmental activities and \$3,944,285 in the business-type activity) as of December 31, 2007. By far, the largest portion of the County's net assets (82.8 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, \$20,171,066 or 12.1 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted net assets, \$8,536,453 or 5.1 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 2007 compared to 2006:

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2
Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activity			
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues						
Charges for Services	\$5,702,407	\$5,602,844	\$476,600	\$448,582	\$6,179,007	\$6,051,426
Operating Grants, Contributions, and Interest	25,961,926	27,390,139	0	0	25,961,926	27,390,139
Capital Grants, Contributions, and Interest	1,201,673	1,977,670	0	0	1,201,673	1,977,670
<i>Total Program Revenues</i>	<u>32,866,006</u>	<u>34,970,653</u>	<u>476,600</u>	<u>448,582</u>	<u>33,342,606</u>	<u>35,419,235</u>
General Revenues						
Property Taxes	9,308,446	9,252,822	0	0	9,308,446	9,252,822
Permissive Sales Taxes	9,800,888	9,411,202	0	0	9,800,888	9,411,202
Intergovernmental	1,784,031	1,756,976	0	0	1,784,031	1,756,976
Interest	1,058,656	737,745	0	3,165	1,058,656	740,910
Payment in Lieu of Taxes	79,895	79,467	0	0	79,895	79,467
Miscellaneous	723,985	484,793	1,563	437	725,548	485,230
<i>Total General Revenues</i>	<u>22,755,901</u>	<u>21,723,005</u>	<u>1,563</u>	<u>3,602</u>	<u>22,757,464</u>	<u>21,726,607</u>
<i>Total Revenues</i>	<u>55,621,907</u>	<u>56,693,658</u>	<u>478,163</u>	<u>452,184</u>	<u>56,100,070</u>	<u>57,145,842</u>
Program Expenses						
General Government:						
Legislative and Executive	5,840,850	5,612,154	0	0	5,840,850	5,612,154
Judicial	1,737,246	1,746,459	0	0	1,737,246	1,746,459
Public Safety	8,077,131	7,377,983	0	0	8,077,131	7,377,983
Public Works	8,134,472	7,147,870	0	0	8,134,472	7,147,870
Intergovernmental	751,474	830,264	0	0	751,474	830,264
Health:						
Alcohol, Drug, and Mental Health	5,673,724	5,469,186	0	0	5,673,724	5,469,186
Mental Retardation and Developmental Disabilities	6,456,136	6,964,449	0	0	6,456,136	6,964,449
County Home	2,474,205	2,309,666	0	0	2,474,205	2,309,666
Other Health	252,302	201,615	0	0	252,302	201,615
Human Services:						
Child Support Enforcement	891,920	920,929	0	0	891,920	920,929
Children Services	2,777,336	2,721,116	0	0	2,777,336	2,721,116
Job and Family Services	8,769,755	6,992,531	0	0	8,769,755	6,992,531
Other Human Services	1,560,430	1,685,154	0	0	1,560,430	1,685,154
Economic Development and Assistance	617,474	549,224	0	0	617,474	549,224
Intergovernmental	730,685	813,225	0	0	730,685	813,225
Interest and Fiscal Charges	375,759	278,491	0	0	375,759	278,491
Prior Period Adjustment	0	55,333	0	0	0	55,333
Sewer	0	0	483,051	769,395	483,051	769,395
<i>Total Program Expenses</i>	<u>55,120,899</u>	<u>51,675,649</u>	<u>483,051</u>	<u>769,395</u>	<u>55,603,950</u>	<u>52,445,044</u>
<i>Net Increase (Decrease) in Net Assets</i>	<u>501,008</u>	<u>5,018,009</u>	<u>(4,888)</u>	<u>(317,211)</u>	<u>496,120</u>	<u>4,700,798</u>
<i>Net Assets Beginning of Year</i>	<u>161,856,985</u>	<u>156,838,976</u>	<u>3,949,173</u>	<u>4,266,384</u>	<u>165,806,158</u>	<u>161,105,360</u>
<i>Net Assets End of Year</i>	<u>\$162,357,993</u>	<u>\$161,856,985</u>	<u>\$3,944,285</u>	<u>\$3,949,173</u>	<u>\$166,302,278</u>	<u>\$165,806,158</u>

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Governmental Activities

Operating grants were the largest program revenues, accounting for \$25,961,926 or 46.7 percent of total governmental activities revenues. The major recipients of intergovernmental program revenues were the Job and Family Services (Public Assistance), Motor Vehicle and Gasoline Tax, Mental Health, Children Services, and Mental Retardation and Developmental Disabilities governmental activities.

Property tax revenues account for \$9,308,446 or 16.7 percent of total governmental activities revenues. Another major component of governmental activities revenues was permissive sales taxes, which accounted for \$9,800,888 or 17.6 percent of total revenues.

The County's direct charges to users of governmental services made up \$5,702,407 or 10.3 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.

Human Service programs accounted for \$13,999,441, or 25.4 percent of total expenses for governmental activities. Other major program expenses for governmental activities include health programs, which accounted for \$14,856,367, or 27 percent of total expenses.

Public safety programs expenses increased by approximately \$700,000 from 2006, much of which is attributed to the purchasing of new equipment to accommodate 911 emergency response services, paid for from dedicated 911 revenues.

Public Works programs expenses increased nearly \$1,000,000 in 2007 due primarily to a greater than normal paving program.

Jobs and Family Services expenses increased over \$1.7 million over the prior two years level of expenses as the Department received additional federal monies to spend on behalf of their clients due to superior performance in the delivery of their client services over a two year period. This is referred to as "high performance incentives."

Business-Type Activity

The net assets for business-type activity decreased \$4,888 during 2007. Charges for services accounted for \$476,600, or 99.7 percent of revenues.

Sewer enterprise expenses decreased approximately \$280,000 from 2006 due to a large payable that was recorded at December 31, 2006 to the City of Belpre. During 2007, it was determined that the amount owed to the City was approximately \$230,000 less than originally anticipated.

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

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 3
 Governmental Activities

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
General Government:				
Legislative and Executive	\$5,840,850	\$3,421,032	\$5,612,154	\$3,281,359
Judicial	1,737,246	682,776	1,746,459	727,764
Public Safety	8,077,131	6,339,925	7,377,983	5,658,147
Public Works	8,134,472	1,587,628	7,147,870	182,116
Intergovernmental	751,474	751,474	830,264	830,264
Health:				
Alcohol, Drug, and Mental Health	5,673,724	465,369	5,469,186	(943,831)
Mental Retardation and Developmental Disabilities	6,456,136	3,141,799	6,964,449	3,058,305
County Home	2,474,205	1,630,886	2,309,666	1,712,999
Other Health	252,302	118,885	201,615	55,206
Human Services:				
Child Support Enforcement	891,920	(127,950)	920,929	(64,897)
Children Services	2,777,336	1,650,586	2,721,116	695,665
Job and Family Services	8,769,755	930,007	6,992,531	(697,145)
Other Human Services	1,560,430	1,278,067	1,685,154	1,454,338
Economic Development and Assistance	617,474	(360,373)	549,224	44,502
Intergovernmental	730,685	369,023	813,225	376,380
Interest and Fiscal Charges	375,759	375,759	278,491	278,491
Prior Period Adjustment	0	0	55,333	55,333
Total Expenses	<u>\$55,120,899</u>	<u>\$22,254,893</u>	<u>\$51,675,649</u>	<u>\$16,704,996</u>

Charges for services, operating grants, and capital grants of \$32,866,006, or 59.6 percent of the total costs of services, are received and used to fund governmental activities expenses of the County. The remaining \$22,254,893 in governmental activities expenses is funded by property taxes, payments in lieu of taxes, permissive sales taxes, intergovernmental revenues, interest, and miscellaneous revenues.

The \$5,356,939 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, Mental Retardation and Developmental Disabilities, and the County Home.

Financial Analysis of County Funds

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

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

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

As of December 31, 2007, the County's governmental funds reported a combined ending fund balance of \$24,296,529, an increase of \$506,934 in comparison with the prior year. \$22,260,986, or 91.6 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 (\$1,909,834) or a variety of other restricted purposes (\$125,709). 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 2007, unreserved fund balance was \$6,664,665, while total fund balance was \$7,603,273. 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 40.1 percent to total General Fund expenditures, while total fund balance represents 45.7 percent of that same amount.

The fund balance of the County's General Fund increased \$285,350 during 2007. The primary cause for the increase was greater than anticipated revenues.

The fund balance of the Job and Family Services Special Revenue Fund decreased \$735,790 during 2007. After consulting with the DJFS Fiscal Director, it was determined that the decrease is due to the expenditure of "high performance incentive" monies built up during 2006 and expended in 2007.

The fund balance of the Motor Vehicle and Gasoline Tax Special Revenue Fund decreased \$23,598 during 2007. With approximately \$6,000,000 in expenditures and the existing cash balance this decrease is immaterial.

The fund balance of the Mental Retardation and Developmental Disabilities Special Revenue Fund increased \$95,369 during 2007. With over \$6,000,000 in expenditures and the existing cash balance this decrease is immaterial.

The fund balance of the County Home Special Revenue Fund increased \$566,249 during 2007. After consulting with the Administrator of the County Home, it was determined that the increase was primarily due to the resident population during 2007 being below capacity. This led to under spending from the operational accounts.

The fund balance of the Mental Health and Addiction Recovery Board Special Revenue Fund increased \$80,141 during 2007. With over \$5,000,000 in expenditures and the existing cash balance, this decrease is immaterial.

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

As of December 31, 2007, net assets for the County's enterprise fund were \$3,944,285. Of that total, \$364,161 represents unrestricted net assets.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Budgetary Highlights

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

For the General Fund, budget basis revenue was \$18,384,785, above final estimates of \$17,384,103. Final estimated receipts were above original estimates of \$17,197,919. Actual expenditures for the year were \$1,860,141 less than final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets - The County's capital assets for governmental and business-type activities as of December 31, 2007, were \$145,343,742 (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 2007 included the addition of several new vehicles for DJFS, Youth Services, EMA, Juvenile Probation, and the highway department; several new pieces of equipment at the highway department and for 911 services; and a new booking workstation for the Sheriff's 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 9 (Capital Assets) provides capital asset activity during 2007.

Debt Administration - As of December 31, 2007, the County had total general obligation bonded debt outstanding of \$5,905,575. All of this debt is expected to be repaid through governmental activities. The County's long-term general obligation bonded debt decreased by \$467,031 (7.3 percent) during 2007. Other outstanding long-term debt included O.P.W.C. loans of \$279,491, an OWDA Loan of \$246,411, and FHA loans payable of \$791,000.

In March 2007, various purpose bond anticipation notes were issued in the amount of \$552,500. These notes were issued for the acquisition of a building and to replace the Health Department's roof. Notes 16 and 17 provide information regarding bond anticipation notes.

In May 2007, various purpose bond anticipation notes were issued in the amount of \$156,940. These notes were issued for a variety of purposes including: purchasing new court vehicles, the purchase of computer equipment, and sanitary sewer projects. Notes 16 and 17 provide information regarding bond anticipation notes.

In addition, 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 16 of this report.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Economic Factors

The unemployment rate for the County is currently 4.8 percent, which is a decrease from 5.3 percent a year ago. This rate is the same as the State's current rate of 4.8 percent and it is lower than the current national rate of 5.8 percent. The decrease demonstrates that the economic recovery seen earlier nationally has to some extent been realized now in Washington County. While the employment level is equal to the state average, it remains significantly better than many surrounding counties in southeast Ohio.

The County's \$1.107 billion tax base has increased 0.6 percent from the prior year. This increase is attributed primarily to the State mandated triennial update of real property values. This increased the value of agricultural and residential property by approximately 10%, or \$63 million. This increase slightly more than offset the reduction of personal property value of \$44 million as a direct result of House Bill 66 as enacted in 2005 by the State. However, it should be noted that the State is providing some reimbursement for the reduction in tangible personal property tax revenue to the County for all existing levies. Real property values within the County have risen over the past several years, and are now at an all time high.

The County's permissive sales tax revenues in governmental funds increased on a cash basis from 2006 to 2007 by 4.3% following six years of mostly steady growth, despite uncertain economic conditions. In fact, from a cash perspective rather than an accrual basis, the revenue has averaged growth of 2.6% per year on that basis over that prior six years.

Various economic factors were considered in the preparation of the County's 2008 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, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
Assets					
Equity in Pooled Cash and Cash Equivalents	\$23,270,442	\$112,668	\$23,383,110	\$0	\$0
Cash and Cash Equivalents	0	0	0	227,870	133,587
Cash and Cash Equivalents in Segregated Accounts	20,376	0	20,376	0	0
Cash and Cash Equivalents with Fiscal Agents	25,569	0	25,569	0	0
Accounts Receivable	310,469	145,435	455,904	293,599	0
Internal Balances	958	(958)	0	0	0
Receivable from External Parties	9,562	0	9,562	0	0
Due from Component Unit	43,095	0	43,095	0	0
Accrued Interest Receivable	14,260	0	14,260	0	0
Intergovernmental Receivable	7,565,438	0	7,565,438	0	224,953
Property Taxes Receivable	7,674,806	0	7,674,806	0	0
Sales Taxes Receivable	1,501,327	0	1,501,327	0	0
Loans Receivable	7,166	0	7,166	0	43,708
Prepaid Items	361,048	1,394	362,442	16,756	1,138
Materials and Supplies Inventory	368,060	0	368,060	10,806	0
Special Assessments Receivable	0	187,889	187,889	0	0
Investments in Segregated Accounts	367,299	0	367,299	0	0
Deferred Charges	100,033	0	100,033	0	0
Non-Depreciable Capital Assets	123,560,777	189,760	123,750,537	0	0
Depreciable Capital Assets, Net	16,885,939	4,707,266	21,593,205	134,891	4,447
Total Assets	182,086,624	5,343,454	187,430,078	683,922	407,833
Liabilities					
Accounts Payable	602,564	10,866	613,430	19,147	48,890
Contracts Payable	474,552	0	474,552	0	0
Accrued Wages Payable	708,594	2,892	711,486	18,638	0
Vacation Benefits Payable	947,759	7,699	955,458	24,971	0
Due to Component Unit	52,719	0	52,719	0	0
Intergovernmental Payable	1,619,727	54,189	1,673,916	8,458	0
Accrued Interest Payable	57,939	5,949	63,888	0	0
Claims Payable	226,455	0	226,455	0	0
Deferred Revenue	7,778,073	0	7,778,073	0	0
Notes Payable	407,440	0	407,440	0	14,824
Long-Term Liabilities:					
Due Within One Year	614,101	32,391	646,492	0	2,063
Due In More Than One Year	6,238,708	1,285,183	7,523,891	0	41,032
Total Liabilities	19,728,631	1,399,169	21,127,800	71,214	106,809
Net Assets					
Invested in Capital Assets, Net of Related Debt	134,014,635	3,580,124	137,594,759	134,891	4,447
Restricted for:					
Capital Projects	283,944	0	283,944	0	0
Debt Service	127,715	0	127,715	0	0
Road and Bridge Projects	4,709,590	0	4,709,590	0	0
Mental Health	2,334,548	0	2,334,548	0	0
County Home	3,347,962	0	3,347,962	0	0
Job and Family Services	119,091	0	119,091	0	0
Mental Retardation and Developmental Disabilities	2,645,395	0	2,645,395	0	0
Child Support Enforcement Agency	303,211	0	303,211	0	0
Children Services	2,145,831	0	2,145,831	0	0
Senior Services	181,344	0	181,344	0	0
Unclaimed Monies	77,651	0	77,651	0	0
Other Purposes	3,894,784	0	3,894,784	0	0
Unrestricted	8,172,292	364,161	8,536,453	477,817	296,577
Total Net Assets	\$162,357,993	\$3,944,285	\$166,302,278	\$612,708	\$301,024

See accompanying notes to the basic financial statements

Washington County, Ohio
Statement of Activities
For the Year Ended December 31, 2007
For the Fiscal Year Ended August 31, 2007 - 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	\$5,840,850	\$2,350,810	\$69,008	\$0
Judicial	1,737,246	894,050	160,420	0
Public Safety	8,077,131	1,126,918	610,288	0
Public Works	8,134,472	105,587	5,760,358	680,899
Intergovernmental	751,474	0	0	0
Health:				
Alcohol, Drug, and Mental Health	5,673,724	0	5,208,355	0
Mental Retardation and Developmental Disabilities	6,456,136	387,225	2,927,112	0
County Home	2,474,205	344,706	498,613	0
Other Health	252,302	133,417	0	0
Human Services:				
Child Support Enforcement	891,920	253,997	765,873	0
Children Services	2,777,336	1,413	1,125,337	0
Job and Family Services	8,769,755	84,379	7,755,369	0
Other Human Services	1,560,430	17,405	264,958	0
Economic Development and Assistance	617,474	2,500	513,682	461,665
Intergovernmental	730,685	0	302,553	59,109
Interest and Fiscal Charges	375,759	0	0	0
<i>Total Governmental Activities</i>	55,120,899	5,702,407	25,961,926	1,201,673
Business-Type Activity				
Sewer	483,051	476,600	0	0
<i>Total Primary Government</i>	\$55,603,950	\$6,179,007	\$25,961,926	\$1,201,673
Component Units				
WASCO, Inc.	\$1,757,965	\$1,913,861	\$0	\$0
Southeastern Ohio Port Authority	\$389,587	\$0	\$369,681	\$0

General Revenues

Property Taxes Levied for:

General Purposes
County Home
Mental Retardation and Developmental Disabilities
Senior Services
Bond Retirement

Sales Taxes Levied for General Purposes

Grants and Entitlements not Restricted to Specific Programs

Interest

Payments in Lieu of Taxes

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - Restated (See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
(\$3,421,032)	\$0	(\$3,421,032)	\$0	\$0
(682,776)	0	(682,776)	0	0
(6,339,925)	0	(6,339,925)	0	0
(1,587,628)	0	(1,587,628)	0	0
(751,474)	0	(751,474)	0	0
			0	
(465,369)	0	(465,369)	0	0
(3,141,799)	0	(3,141,799)	0	0
(1,630,886)	0	(1,630,886)	0	0
(118,885)	0	(118,885)	0	0
127,950	0	127,950	0	0
(1,650,586)	0	(1,650,586)	0	0
(930,007)	0	(930,007)	0	0
(1,278,067)	0	(1,278,067)	0	0
360,373	0	360,373	0	0
(369,023)	0	(369,023)	0	0
(375,759)	0	(375,759)	0	0
(22,254,893)	0	(22,254,893)	0	0
0	(6,451)	(6,451)	0	0
(22,254,893)	(6,451)	(22,261,344)	0	0
0	0	0	155,896	0
0	0	0	0	(19,906)
2,477,132	0	2,477,132	0	0
2,132,883	0	2,132,883	0	0
3,573,927	0	3,573,927	0	0
910,741	0	910,741	0	0
213,763	0	213,763	0	0
9,800,888	0	9,800,888	0	0
1,784,031	0	1,784,031	0	0
1,058,656	0	1,058,656	3,156	3,111
79,895	0	79,895	0	0
723,985	1,563	725,548	1	1,382
22,755,901	1,563	22,757,464	3,157	4,493
501,008	(4,888)	496,120	159,053	(15,413)
161,856,985	3,949,173	165,806,158	453,655	316,437
\$162,357,993	\$3,944,285	\$166,302,278	\$612,708	\$301,024

Washington County, Ohio

Balance Sheet

Governmental Funds

December 31, 2007

	<u>General</u>	<u>Job and Family Services</u>	<u>Motor Vehicle and Gasoline Tax</u>	<u>Mental Retardation and Developmental Disabilities</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,815,390	\$1,534,099	\$2,550,055	\$2,578,320
Cash and Cash Equivalents in Segregated Accounts	18,334	0	0	0
Investments in Segregated Accounts	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	77,651	0	0	0
Materials and Supplies Inventory	50,177	37,394	256,627	4,137
Receivables:				
Property Taxes	2,107,095	0	0	2,863,262
Sales Taxes	1,501,327	0	0	0
Accounts	5,012	0	0	37,401
Intergovernmental	846,891	0	2,426,229	903,336
Interfund	41,398	0	0	5,588
Due from External Parties	5,175	0	0	4,387
Due from Component Unit	0	0	0	0
Accrued Interest	9,883	0	0	0
Loans	0	0	0	0
Prepaid Items	196,415	31,439	26,216	45,043
<i>Total Assets</i>	<u>\$11,674,748</u>	<u>\$1,602,932</u>	<u>\$5,259,127</u>	<u>\$6,441,474</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$237,649	\$28,897	\$85,532	\$71,314
Contracts Payable	355,172	0	119,380	0
Accrued Wages Payable	277,702	82,990	57,765	128,466
Interfund Payable	149,111	20,550	140,720	58,966
Due to Component Unit	0	0	0	0
Accrued Interest Payable	4,738	0	0	0
Intergovernmental Payable	274,045	833,630	24,514	120,489
Deferred Revenue	2,638,098	435,827	1,615,973	3,361,860
Notes Payable	134,960	0	0	0
<i>Total Liabilities</i>	<u>4,071,475</u>	<u>1,401,894</u>	<u>2,043,884</u>	<u>3,741,095</u>
Fund Balances				
Reserved for Encumbrances	860,957	279,361	379,150	94,183
Reserved for Unclaimed Monies	77,651	0	0	0
Reserved for Loans	0	0	0	0
Unreserved:				
Undesignated, Reported in:				
General Fund	6,664,665	0	0	0
Special Revenue Funds (Deficit)	0	(78,323)	2,836,093	2,606,196
Debt Service Fund	0	0	0	0
Capital Projects Funds	0	0	0	0
<i>Total Fund Balances</i>	<u>7,603,273</u>	<u>201,038</u>	<u>3,215,243</u>	<u>2,700,379</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,674,748</u>	<u>\$1,602,932</u>	<u>\$5,259,127</u>	<u>\$6,441,474</u>

See accompanying notes to the basic financial statements

County Home	Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
\$3,246,621	\$574,378	\$5,893,928	\$23,192,791
0	0	2,042	20,376
0	0	367,299	367,299
0	0	0	77,651
8,135	0	11,590	368,060
1,749,223	0	955,226	7,674,806
0	0	0	1,501,327
24,396	0	40,377	107,186
110,672	1,851,203	1,427,107	7,565,438
0	0	68	47,054
0	0	0	9,562
0	0	43,095	43,095
0	0	4,377	14,260
0	0	7,166	7,166
24,631	6,396	30,908	361,048
<u>\$5,163,678</u>	<u>\$2,431,977</u>	<u>\$8,783,183</u>	<u>\$41,357,119</u>
\$23,463	\$32,051	\$123,658	\$602,564
0	0	0	474,552
48,265	14,686	98,720	708,594
30,508	8,679	47,950	456,484
0	0	52,719	52,719
0	0	15,484	20,222
19,163	8,755	100,220	1,380,816
1,859,895	931,060	2,114,486	12,957,199
0	0	272,480	407,440
<u>1,981,294</u>	<u>995,231</u>	<u>2,825,717</u>	<u>17,060,590</u>
32,190	100,517	163,476	1,909,834
0	0	0	77,651
0	0	48,058	48,058
0	0	0	6,664,665
3,150,194	1,336,229	5,277,669	15,128,058
0	0	266,476	266,476
0	0	201,787	201,787
<u>3,182,384</u>	<u>1,436,746</u>	<u>5,957,466</u>	<u>24,296,529</u>
<u>\$5,163,678</u>	<u>\$2,431,977</u>	<u>\$8,783,183</u>	<u>\$41,357,119</u>

Washington County, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2007*

Total Governmental Fund Balances \$24,296,529

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

Capital Assets used in governmental activities are not
 financial resources and therefore are not reported in the funds. 140,446,716

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

Property Taxes	354,132	
Intergovernmental	4,824,815	
Interest	179	5,179,126

An internal service fund is used by management to charge the costs
 of providing health care insurance to Mental Retardation and 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. 173,874

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. (947,759)

Unamortized issuance costs represent deferred charges which do not provide
 current financial resources and, therefore, are not reported in the funds. 100,033

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

General Obligation Bonds Payable	5,479,778	
Compensated Absences Payable	283,122	
Accrued Interest Payable	37,717	
Early Retirement Incentive Payable	321,862	
Energy Conservation Bonds Payable	425,797	
Long-Term Bond Anticipation Notes Payable	302,000	
Capital Leases Payable	40,250	(6,890,526)

Net Assets of Governmental Activities \$162,357,993

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, 2007

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities
Revenues				
Property Taxes	\$2,544,618	\$0	\$0	\$3,542,049
Sales Taxes	9,800,888	0	0	0
Payments in Lieu of Taxes	33,109	0	0	32,904
Charges for Services	2,489,040	0	24,481	402,996
Licenses and Permits	4,460	0	0	0
Fines and Forfeitures	149,881	0	77,778	0
Intergovernmental	1,997,439	7,755,369	5,641,313	2,898,605
Interest	1,066,253	0	89,517	0
Miscellaneous	346,188	351	25,327	62,715
<i>Total Revenues</i>	<u>18,431,876</u>	<u>7,755,720</u>	<u>5,858,416</u>	<u>6,939,269</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	4,638,059	0	0	0
Judicial	1,353,864	0	0	0
Public Safety	6,755,581	0	0	0
Public Works	1,767,046	0	5,882,014	0
Health:				
Alcohol, Drug, and Mental Health	0	0	0	0
Mental Retardation and Developmental Disabilities	0	0	0	6,677,442
County Home	0	0	0	0
Other Health	90,072	0	0	0
Human Services:				
Child Support Enforcement	0	0	0	0
Children Services	0	0	0	0
Job and Family Services	0	8,758,141	0	0
Other Human Services	497,615	0	0	0
Economic Development and Assistance	449	0	0	0
Intergovernmental	1,088,116	0	0	0
Debt Service:				
Principal Retirement	136,185	11,406	0	135,971
Interest and Fiscal Charges	141,965	2,526	0	30,487
Current Refunding	156,940	0	0	0
<i>Total Expenditures</i>	<u>16,625,892</u>	<u>8,772,073</u>	<u>5,882,014</u>	<u>6,843,900</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,805,984</u>	<u>(1,016,353)</u>	<u>(23,598)</u>	<u>95,369</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	9,931	0	0	0
Notes Issued	0	0	0	0
Transfers In	152,934	280,563	0	0
Inception of Capital Lease	7,299	0	0	0
Current Refunding	0	0	0	0
Transfers Out	(1,690,798)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,520,634)</u>	<u>280,563</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	285,350	(735,790)	(23,598)	95,369
<i>Fund Balances Beginning of Year</i>	<u>7,317,923</u>	<u>936,828</u>	<u>3,238,841</u>	<u>2,605,010</u>
<i>Fund Balances End of Year</i>	<u>\$7,603,273</u>	<u>\$201,038</u>	<u>\$3,215,243</u>	<u>\$2,700,379</u>

See accompanying notes to the basic financial statements

County Home	Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
\$2,113,875	\$0	\$1,110,445	\$9,310,987
0	0	0	9,800,888
13,882	0	0	79,895
344,706	0	1,556,056	4,817,279
0	0	490,966	495,426
0	0	170,171	397,830
472,755	5,690,163	4,722,740	29,178,384
0	0	24,176	1,179,946
22,645	21,920	249,219	728,365
<u>2,967,863</u>	<u>5,712,083</u>	<u>8,323,773</u>	<u>55,989,000</u>
0	0	627,642	5,265,701
0	0	379,068	1,732,932
0	0	1,014,346	7,769,927
0	0	681,414	8,330,474
0	5,661,942	0	5,661,942
0	0	0	6,677,442
2,401,614	0	0	2,401,614
0	0	156,713	246,785
0	0	884,871	884,871
0	0	2,640,954	2,640,954
0	0	0	8,758,141
0	0	1,065,703	1,563,318
0	0	667,011	667,460
0	0	394,043	1,482,159
0	0	325,000	608,562
0	0	224,596	399,574
0	0	250,500	407,440
<u>2,401,614</u>	<u>5,661,942</u>	<u>9,311,861</u>	<u>55,499,296</u>
<u>566,249</u>	<u>50,141</u>	<u>(988,088)</u>	<u>489,704</u>
0	0	0	9,931
0	0	302,000	302,000
0	30,000	1,380,235	1,843,732
0	0	0	7,299
0	0	(302,000)	(302,000)
0	0	(152,934)	(1,843,732)
<u>0</u>	<u>30,000</u>	<u>1,227,301</u>	<u>17,230</u>
566,249	80,141	239,213	506,934
<u>2,616,135</u>	<u>1,356,605</u>	<u>5,718,253</u>	<u>23,789,595</u>
<u>\$3,182,384</u>	<u>\$1,436,746</u>	<u>\$5,957,466</u>	<u>\$24,296,529</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, 2007*

Net Change in Fund Balances - Governmental Funds \$506,934

*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	948,892	
Current Year Depreciation	<u>(1,720,246)</u>	(771,354)

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

Loss on Disposal of Capital Assets	(168,162)	
Proceeds from Sale of Capital Assets	<u>(9,931)</u>	(178,093)

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

Property Taxes	(2,541)	
Intergovernmental	(351,053)	
Interest	(991)	
Charges for Services	(8,128)	
Other Revenue	<u>(4,380)</u>	(367,093)

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

General Obligation Bonds Payable	460,000	
Energy Conservation Notes Payable	34,356	
Bond Anticipation Notes Payable	709,440	
Capital Lease Payable	<u>12,591</u>	1,216,387

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	24,314	
Amortization of Issuance Costs	(7,530)	
Amortization of Discount	<u>(1,732)</u>	23,815

The inception of capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net assets.

(7,299)

Note 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:

(302,000)

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

Vacation Benefits Payable	117,799	
Early Retirement Incentive Payable	101,615	
Compensated Absences Payable	<u>(1,530)</u>	217,884

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.

161,827

Change in Net Assets of Governmental Activities

\$501,008

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, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$2,460,746	\$2,460,746	\$2,505,560	\$44,814
Sales Taxes	9,345,000	9,345,000	9,741,860	396,860
Payments in Lieu of Taxes	32,365	32,365	33,109	744
Charges for Services	2,439,860	2,459,360	2,488,843	29,483
Licenses and Permits	5,000	5,000	4,460	(540)
Fines and Forfeitures	92,600	108,600	151,835	43,235
Intergovernmental	1,930,698	1,946,075	2,059,683	113,608
Interest	602,150	702,150	1,035,524	333,374
Miscellaneous	289,500	324,807	363,911	39,104
<i>Total Revenues</i>	<u>17,197,919</u>	<u>17,384,103</u>	<u>18,384,785</u>	<u>1,000,682</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	5,039,677	5,128,240	4,845,186	283,054
Judicial	1,394,052	1,395,610	1,355,166	40,444
Public Safety	7,873,232	8,290,570	7,042,714	1,247,856
Public Works	3,483,573	2,239,025	2,211,479	27,546
Health	136,638	136,870	120,938	15,932
Human Services	591,570	640,101	555,694	84,407
Intergovernmental	1,378,280	1,421,985	1,088,600	333,385
Principal Retirement	135,000	135,000	299,040	(164,040)
Interest and Fiscal Charges	130,133	130,133	138,576	(8,443)
<i>Total Expenditures</i>	<u>20,162,155</u>	<u>19,517,534</u>	<u>17,657,393</u>	<u>1,860,141</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,964,236)</u>	<u>(2,133,431)</u>	<u>727,392</u>	<u>2,860,823</u>
Other Financing Sources (Uses)				
Notes Issued	0	0	134,960	134,960
Proceeds from Sale of Capital Assets	0	0	9,931	9,931
Premium on Notes Issued	0	0	445	445
Advance In	0	0	115,550	115,550
Advance Out	0	(75,475)	(75,475)	0
Transfers In	150,000	168,311	152,934	(15,377)
Transfers Out	(1,545,913)	(2,090,929)	(1,660,798)	430,131
<i>Total Other Financing Sources (Uses)</i>	<u>(1,395,913)</u>	<u>(1,998,093)</u>	<u>(1,322,453)</u>	<u>675,640</u>
<i>Net Change in Fund Balance</i>	(4,360,149)	(4,131,524)	(595,061)	3,536,463
<i>Fund Balance Beginning of Year</i>	4,796,213	4,796,213	4,796,213	0
Prior Year Encumbrances Appropriated	984,473	984,473	984,473	0
<i>Fund Balance End of Year</i>	<u>\$1,420,537</u>	<u>\$1,649,162</u>	<u>\$5,185,625</u>	<u>\$3,536,463</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, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$8,341,051	\$8,341,051	\$7,220,102	(\$1,120,949)
Miscellaneous	0	0	351	351
<i>Total Revenues</i>	8,341,051	8,341,051	7,220,453	(1,120,598)
Expenditures				
Current:				
Human Services	8,388,796	8,864,568	8,216,120	648,448
<i>Excess of Revenues Under Expenditures</i>	(47,745)	(523,517)	(995,667)	(472,150)
Other Financing Sources				
Transfers In	0	0	280,563	280,563
<i>Net Change in Fund Balance</i>	(47,745)	(523,517)	(715,104)	(191,587)
<i>Fund Balance Beginning of Year</i>	1,879,307	1,879,307	1,879,307	0
Prior Year Encumbrances Appropriated	55,789	55,789	55,789	0
<i>Fund Balance End of Year</i>	<u>\$1,887,351</u>	<u>\$1,411,579</u>	<u>\$1,219,992</u>	<u>(\$191,587)</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, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Charges for Services	\$20,000	\$20,000	\$24,903	\$4,903
Fines and Forfeitures	20,000	20,000	80,354	60,354
Intergovernmental	4,645,000	5,147,876	5,625,175	477,299
Interest	25,000	25,000	89,517	64,517
Miscellaneous	5,000	1,600	12,676	11,076
<i>Total Revenues</i>	<u>4,715,000</u>	<u>5,214,476</u>	<u>5,832,625</u>	<u>618,149</u>
Expenditures				
Current:				
Public Works	<u>6,571,256</u>	<u>7,614,455</u>	<u>6,310,864</u>	<u>1,303,591</u>
<i>Net Change in Fund Balance</i>	(1,856,256)	(2,399,979)	(478,239)	1,921,740
<i>Fund Balance Beginning of Year</i>	2,288,768	2,288,768	2,288,768	0
Prior Year Encumbrances Appropriated	<u>156,781</u>	<u>156,781</u>	<u>156,781</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$589,293</u>	<u>\$45,570</u>	<u>\$1,967,310</u>	<u>\$1,921,740</u>

See accompanying notes to the basic financial statements

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Mental Retardation and Developmental Disabilities Fund
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$3,450,837	\$3,450,837	\$3,489,926	\$39,089
Payments in Lieu of Taxes	0	32,000	32,904	904
Charges for Services	270,000	445,000	422,272	(22,728)
Intergovernmental	2,310,393	3,778,585	2,743,558	(1,035,027)
Miscellaneous	40,594	57,594	62,677	5,083
<i>Total Revenues</i>	<u>6,071,824</u>	<u>7,764,016</u>	<u>6,751,337</u>	<u>(1,012,679)</u>
Expenditures				
Current:				
Health	6,204,570	7,579,080	7,003,513	575,567
Debt Service:				
Principal Retirement	11,452	35,000	34,356	644
Interest and Fiscal Charges	1,761	1,761	1,083	678
<i>Total Expenditures</i>	<u>6,217,783</u>	<u>7,615,841</u>	<u>7,038,952</u>	<u>576,889</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(145,959)	148,175	(287,615)	(435,790)
Other Financing Uses				
Transfers Out	(56,354)	(212,790)	0	212,790
<i>Net Change in Fund Balance</i>	(202,313)	(64,615)	(287,615)	(223,000)
<i>Fund Balance Beginning of Year</i>	2,272,470	2,272,470	2,272,470	0
Prior Year Encumbrances Appropriated	234,487	234,487	234,487	0
<i>Fund Balance End of Year</i>	<u>\$2,304,644</u>	<u>\$2,442,342</u>	<u>\$2,219,342</u>	<u>(\$223,000)</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, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$2,050,622	\$2,050,622	\$2,081,685	\$31,063
Payments in Lieu of Taxes	13,882	13,882	13,882	0
Charges for Services	243,800	243,800	340,765	96,965
Intergovernmental	482,237	482,237	472,755	(9,482)
Miscellaneous	<u>22,557</u>	<u>22,557</u>	<u>22,645</u>	<u>88</u>
<i>Total Revenues</i>	2,813,098	2,813,098	2,931,732	118,634
Expenditures				
Current:				
Health	<u>2,804,876</u>	<u>2,811,619</u>	<u>2,427,890</u>	<u>383,729</u>
<i>Net Change in Fund Balance</i>	8,222	1,479	503,842	502,363
<i>Fund Balance Beginning of Year</i>	2,506,666	2,506,666	2,506,666	0
Prior Year Encumbrances Appropriated	<u>86,410</u>	<u>86,410</u>	<u>86,410</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,601,298</u></u>	<u><u>\$2,594,555</u></u>	<u><u>\$3,096,918</u></u>	<u><u>\$502,363</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, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$7,204,366	\$6,225,326	\$5,653,393	(\$571,933)
Miscellaneous	0	0	20,137	20,137
<i>Total Revenues</i>	<u>7,204,366</u>	<u>6,225,326</u>	<u>5,673,530</u>	<u>(551,796)</u>
Expenditures				
Current:				
Health	<u>5,230,177</u>	<u>5,979,171</u>	<u>5,833,120</u>	<u>146,051</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,974,189	246,155	(159,590)	(405,745)
Other Financing Sources (Uses)				
Transfers In	30,000	2,055,522	30,000	(2,025,522)
Transfers Out	<u>(2,309,967)</u>	<u>(2,309,967)</u>	<u>0</u>	<u>2,309,967</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(2,279,967)</u>	<u>(254,445)</u>	<u>30,000</u>	<u>284,445</u>
<i>Net Change in Fund Balance</i>	(305,778)	(8,290)	(129,590)	(121,300)
<i>Fund Balance Beginning of Year</i>	118,962	118,962	118,962	0
Prior Year Encumbrances Appropriated	<u>306,814</u>	<u>306,814</u>	<u>306,814</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$119,998</u></u>	<u><u>\$417,486</u></u>	<u><u>\$296,186</u></u>	<u><u>(\$121,300)</u></u>

See accompanying notes to the basic financial statements

Washington County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2007

	Business-Type Activity	Governmental Activities-
	Sewer	Internal Service
	Enterprise Fund	Funds
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$112,668	\$0
Cash and Cash Equivalents with Fiscal Agents	0	25,569
Prepaid Items	1,394	0
Receivables:		
Accounts	145,435	203,283
Special Assessments	187,889	0
Due From Other Funds - Workers' Compensation	0	432,746
<i>Total Current Assets</i>	447,386	661,598
Noncurrent Assets:		
Non-Depreciable Capital Assets	189,760	0
Depreciable Capital Assets, Net	4,707,266	0
<i>Total Assets</i>	5,344,412	661,598
Liabilities		
Current Liabilities:		
Accounts Payable	10,866	0
Accrued Wages Payable	2,892	0
Vacation Benefits Payable	7,699	0
Intergovernmental Payable	54,189	238,911
Accrued Interest Payable	5,949	0
Interfund Payable	958	22,358
Claims Payable	0	226,455
Current Portion of OWDA Loan Payable	5,624	0
Current Portion of OPWC Loans Payable	15,767	0
Current Portion of FHA Loan Payable	11,000	0
<i>Total Current Liabilities</i>	114,944	487,724
Long-Term Liabilities (Net of Current Portion):		
Compensated Absences Payable	672	0
OWDA Loans Payable	240,787	0
OPWC Loans Payable	263,724	0
FHA Sewer Loan Payable	780,000	0
<i>Total Long-Term Liabilities</i>	1,285,183	0
<i>Total Liabilities</i>	1,400,127	487,724
Net Assets		
Invested in Capital Assets, Net of Related Debt	3,580,124	0
Unrestricted	364,161	173,874
<i>Total Net Assets</i>	\$3,944,285	\$173,874

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, 2007

	Business-Type Activity	Governmental Activities
	Sewer Enterprise Fund	Internal Service Funds
Operating Revenues		
Charges for Services	\$476,600	\$0
Charges for Services - Health Benefits	0	227,462
Charges for Services - Workers Compensation	0	432,746
Miscellaneous	1,563	0
	<hr/>	<hr/>
<i>Total Operating Revenues</i>	478,163	660,208
Operating Expenses		
Personal Services	130,974	0
Fringe Benefits	24,210	0
Contractual Services	45,470	0
Contractual Services - Health Benefits	0	623
Contractual Services - Workers Compensation		238,911
Materials and Supplies	35,054	0
Claims - Health Benefits	0	36,342
Claims - Workers Compensation	0	222,505
Depreciation	182,121	0
Other	18,181	0
	<hr/>	<hr/>
<i>Total Operating Expenses</i>	436,010	498,381
<i>Operating Income</i>	42,153	161,827
Non-Operating Expenses		
Interest and Fiscal Charges	(47,041)	0
	<hr/>	<hr/>
<i>Change in Net Assets</i>	(4,888)	161,827
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	3,949,173	12,047
	<hr/>	<hr/>
<i>Net Assets End of Year</i>	\$3,944,285	\$173,874
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the basic financial statements

Washington County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	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	\$479,184	\$0
Cash Received from Transactions from Other Funds	0	201,893
Cash Payments for Employee Services and Benefits	(109,852)	0
Cash Payments for Goods and Services	(276,208)	0
Cash Payments for Claims - Health Benefits	0	(180,210)
Other Operating Expenses	(18,156)	0
Other Operating Revenues	1,563	(87)
	<u>76,531</u>	<u>21,596</u>
<i>Net Cash Provided by Operating Activities</i>		
Cash Flows from Capital and Related Financing Activities		
Special Assessments	20,689	0
Principal Paid on Debt	(146,358)	0
Interest and Fiscal Charges Paid on Debt	(50,949)	0
	<u>(176,618)</u>	<u>0</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>		
	<u>(100,087)</u>	<u>21,596</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>		
	<u>212,755</u>	<u>3,973</u>
<i>Cash and Cash Equivalents Beginning of Year</i>		
	<u>\$112,668</u>	<u>\$25,569</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$42,153	\$161,827
Adjustments:		
Depreciation	182,121	0
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	2,584	0
Decrease in Prepaid Items	25	0
Increase in Due from Other Funds	0	(432,746)
Increase in Accounts Payable	6,143	0
Increase in Accrued Wages Payable	360	0
Increase in Vacation Benefits Payable	1,528	0
Increase in Compensated Absences Payable	169	0
Increase (Decrease) in Interfund Payable	958	(25,033)
Decrease in Claims Payable - Health Benefits	0	(143,868)
Increase in Claims Payable - Workers' Compensation	0	222,505
Increase (Decrease) in Intergovernmental Payable	(159,510)	238,911
	<u>\$76,531</u>	<u>\$21,596</u>
<i>Net Cash Provided by Operating Activities</i>		

See accompanying notes to the basic financial statements

Washington County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2007

Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,740,401
Cash and Cash Equivalents in Segregated Accounts	954,594
Investments in Segregated Accounts	44,647
Receivables:	
Property Taxes	38,086,417
Accounts	168,160
Special Assessments	224,433
Intergovernmental	<u>3,447,467</u>
<i>Total Assets</i>	<u><u>\$45,666,119</u></u>
 Liabilities	
Intergovernmental Payable	\$43,995,847
Payable to External Parties	9,562
Undistributed Monies	<u>1,660,710</u>
<i>Total Liabilities</i>	<u><u>\$45,666,119</u></u>

See accompanying notes to the basic financial statements

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2007

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 Mental Retardation and Developmental Disabilities, the Children Services' Board, the Mental Health and Recovery Services Board, and all departments and activities that are directly operated by the elected County Officials.

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

Discretely Presented Component Units

Wasco, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. Wasco, Inc., under a contractual agreement with the Washington County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Washington County. The Washington County Board of MR/DD provides Wasco, Inc. with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of Wasco, Inc. Based on the significant services and resources provided by the County to Wasco, Inc., and the sole purpose of Wasco, Inc. being to provide assistance to the retarded and handicapped adults of Washington County, Wasco, Inc. is presented as a component unit of Washington County. Wasco, Inc. operates on a fiscal year ending August 31. The financial statements of Wasco, Inc. 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 necessary. They are appointed by the Washington County Commissioners. The County assumes the

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2007

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 19 and 21 to the Basic Financial Statements. The organizations are:

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

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 20.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds 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.

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

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

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 Funds were used to account for the operation of the Board of Mental Retardation Developmental Disabilities' self insurance program for employee health benefits and prescription drugs and the County's workers' compensation program through a retrospective rating plan.

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

Washington County, Ohio
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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.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used

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or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: sales tax (see Note 8), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees, and rentals.

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, 2007, but which were levied to finance year 2008 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 2007 upon which the final appropriations were based.

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.

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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 2007, the County had investments in certificates of deposit, which are reported at cost, and in Federal Home Loan Bank 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.

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

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 2007 amounted to \$1,066,253, which includes \$818,211 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. Investments for Wasco, Inc. (component unit) consist of certificates of deposit. These investments have maturities of more than three months.

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

G. Restricted Assets

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

H. 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.

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.

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I. 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.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, 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.

J. 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:

Description	Governmental Activities Estimated Lives	Business-Type Activity Estimated Lives
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.

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,

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expenditures made by the County to preserve existing roads or bridges are expensed rather than capitalized. Only expenditures for additions or improvement are capitalized. Additional disclosures about the condition assessments and maintenance cost regarding the County's roads and bridges appear in the Required Supplementary Information.

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 following departments after fifteen years of service: Recorder, Veterans, Commissioners, Auditor, Treasurer, Common Pleas Court, County Home, Juvenile/Probate Court, Clerk of Courts, and Board of Elections, and after twenty years of service for the remaining departments.

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 are recognized as a liability in the governmental fund financial statements when due.

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

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or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$20,171,066 of restricted net assets, none of which are restricted by enabling legislation. The restrictions for other purposes include activities related to highway and bridge maintenance, Court and Corrections activities, community development projects, and miscellaneous other activities.

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

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, self-insurance and workers' compensation 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. 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 2007.

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 PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS

For 2007, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

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GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for the OPERS and STRS post-employment healthcare plans in the amount of \$187,248 and \$2,351, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

The County has restated governmental activities net assets based on corrections made to early retirement incentive payable and self-insurance claims payable in 2007. Following is the restatement:

Net Assets, December 31, 2006	\$161,912,318
Understatement of Early Retirement Incentive Payable	(423,477)
Overstatement of Claims Payable	368,144
Restated Net Assets, December 31, 2006	<u>\$161,856,985</u>

The effect of the claims payable restatement also increased internal service net assets from (\$356,097) to \$12,047 as of December 31, 2006.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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6. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.

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

Net Change in Fund Balances						
General and Major Special Revenue Funds						
	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	County Home	Mental Health and Addiction Recovery Board
GAAP Basis	\$285,350	(\$735,790)	(\$23,598)	\$95,369	\$566,249	\$80,141
Net Adjustment for Revenue Accruals	667	(535,267)	(28,584)	(147,361)	(3,941)	52,536
Beginning of the Year:						
Unrecorded Cash	31,767	0	3,237	0	0	59,028
Unreported Interest	61,484	0	0	0	0	0
Segregated Accounts	23,145	0	0	11,552	0	0
Agency Fund Cash Allocation	80,089	0	0	110,365	67,114	0
Prepaid Items	181,485	35,566	34,208	14,210	24,710	0
End of the Year:						
Unrecorded Cash	(15,722)	0	(444)	0	0	(150,117)
Unreported Interest	(97,894)	0	0	0	0	0
Segregated Accounts	(18,334)	0	0	0	0	0
Agency Fund Cash Allocation	(119,147)	0	0	(162,488)	(99,304)	0
Prepaid Items	(196,415)	(31,439)	(26,216)	(45,043)	(24,631)	(6,396)
Principal Retirement	(5,915)	11,406	0	101,615	0	0
Net Adjustment for Expenditure Accruals	486,355	854,527	145,459	(69,344)	24,044	(36,707)
Note Proceeds from Current Refunding	134,960	0	0	0	0	0
Transfers Out	30,000	0	0	0	0	0
Advances In	115,550	0	0	0	0	0
Advances Out	(75,475)	0	0	0	0	0
Encumbrances	(1,497,011)	(314,107)	(582,301)	(196,490)	(50,399)	(128,075)
Budget Basis	<u>(\$595,061)</u>	<u>(\$715,104)</u>	<u>(\$478,239)</u>	<u>(\$287,615)</u>	<u>\$503,842</u>	<u>(\$129,590)</u>

Washington County, Ohio
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NOTE 5 – ACCOUNTABILITY

The Courthouse Addition and Renovation Capital Projects Fund had a deficit fund balance of \$52,198 as of December 31, 2007. The deficit resulted from adjustments for accrued liabilities in accordance with generally accepted accounting principles. The General Fund provides operating transfers for these funds but only as cash is required, not as deficits occur.

The Workers' Compensation Internal Service Fund had deficit net assets of \$28,680 as of December 31, 2007. The deficit resulted from adjustments for accrued liabilities in accordance with generally accepted accounting principles.

NOTE 6 - DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current 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:

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.

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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.

Cash on Hand At year end, the County had \$5,319 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents."

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, \$26,878,058 of the County's bank balance of \$28,148,734 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County has no deposit policy for custodial 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.

Investments As of December 31, 2007, the County had the following investments:

	Fair Value	Maturity
Federal Home Loan Bank Bonds	\$51,078	5/15/2009
Federal Home Loan Bank Bonds	50,219	11/21/2008
Federal Home Loan Bank Bonds	76,008	3/16/2011
Federal Home Loan Bank Bonds	50,828	11/16/2014
Federal National Mortgage Association Bonds	75,281	4/2/2012
Federated Government National Mortgage Association Trust Fund	28,191	Average of 6-14 years
Total	<u>\$331,605</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 Bank Bonds and Federal National Mortgage Association Bonds carried a credit rating by Moody's of Aaa. The Federated Government National Mortgage Association Trust Fund carried a 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.

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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 69 percent of its investments in Federal Home Loan Bank Bonds, 23 percent in Federal National Mortgage Association Bonds and 8 percent in Federated Government National Mortgage Association Trust Funds.

COMPONENT UNITS

At fiscal year end, of Wasco, Inc.'s bank balance of \$227,350, \$127,350 was exposed to custodial credit risk, and \$100,000 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, all of the Authority's bank balance was covered by Federal Deposit Insurance Corporation.

NOTE 7- RECEIVABLES

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2007 for real and public utility property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent, 6.25 percent for 2008 and zero for 2009. 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, 2007, was \$9.05 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$923,132,480
Public Utility Tangible Personal Property	123,695,920
Tangible Personal Property	<u>60,170,250</u>
Total Assessed Value	<u><u>\$1,106,998,650</u></u>

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

The County treasurer collects property taxes on behalf of all taxing districts in the County. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2007, 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 2007 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.

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B Intergovernmental Receivables

Governmental Activities	<u>Amounts</u>
Local Government	\$600,990
Homestead and Rollback	496,605
School Lunch Reimbursement	18,754
Estate Tax	270
Judge Reimbursement	2,278
Court Fines	24,960
Defense of Indigents	6,547
Sheriff False Alarms	4,741
Mitigation Grants	245,628
Prisoner Care	50,618
Mediation Grant	5,832
TANF (ODADAS)	214,064
Sheriff Traffic Grant	5,048
Bureau of Workers Compensation Refund	3,781
Ohio Department of Transportation Litter Grant	9,707
Special Education Part B- IDEA	48,781
Early Childhood Special Education	14,503
Innovative Programs - Title V	132
VOCA - Victim Assistance	25,511
VOCA - Juvenile Victim Assistance	15,077
Access Visitation	3,236
Ohio Peace Officer Training Grant	8,640
Title XX - MRDD	48,347
County Board Consolidated Payment	505,958
IHBT Grant	26,640
Community Plan Block Grant	30,133
State Subsidy - Mental Health	969,278
PASARR - Mental Health	1,854

Washington County, Ohio
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	Amounts
Governmental Activities (cont'd):	
Gas Excise Tax	\$1,202,079
Motor Vehicle License	1,175,570
Permissive Motor Vehicle License	28,351
Safe Haven Grant	190,988
Wireless 911 Surcharges	13,430
Ohio Third Frontier Internship Program	52,719
Urban Mass Transportation	20,283
Community Development Block Grants	764,918
Southern Consortium	6,030
Children Services Grants	12,823
Title XIX - Medicaid	554,857
Miscellaneous	26,067
Waiver Administration	129,410
Total Governmental Activities	\$7,565,438

C. Loans Receivable

The Community Development Block Grant Special Revenue Fund reflects loans receivable of \$7,166. 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 \$7,026.

D. Due from Component Unit

In 2005, the County loaned the Authority \$50,000 to preserve and protect a portion of Kardex jobs planned for relocation to Pennsylvania. The loan is at a rate of 3% per annum to be paid in monthly installments on a 20 year amortization schedule with no prepayment penalties. A balloon payment will be due at the time of Kardex's building lease termination or in three years whichever comes last. At December 31, 2007, the County recorded a "Due from Component Unit" in the amount of \$43,095.

NOTE 8 - PERMISSIVE SALES AND USE TAX

In 1983, the County Commissioners, by resolution, imposed a one percent tax on all retail sales made in the County and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. At the November 1989 general election, an additional one-half percent tax was approved by the voters of the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the 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. Proceeds of the tax are credited to the General Fund.

A receivable is recognized at year end for amounts that will be received from sales which occurred during 2007.

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NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$472,858	\$10,000	\$0	\$482,858
Infrastructure	122,878,524	357,100	(157,705)	123,077,919
Construction in Progress	267,940	166,024	(433,964)	0
Total Non-Depreciable Capital Assets	<u>123,619,322</u>	<u>533,124</u>	<u>(591,669)</u>	<u>123,560,777</u>
Depreciable Capital Assets:				
Land Improvements	674,715	0	0	674,715
Buildings and Improvements	18,957,512	462,379	0	19,419,891
Machinery and Equipment	5,407,782	4,940	(8,745)	5,403,977
Furniture and Fixtures	1,122,195	0	0	1,122,195
Vehicles	6,092,435	382,413	(447,105)	6,027,743
Total Depreciable Capital Assets	<u>32,254,639</u>	<u>849,732</u>	<u>(455,850)</u>	<u>32,648,521</u>
Accumulated Depreciation:				
Land Improvements	(272,695)	(60,685)	0	(333,380)
Buildings and Improvements	(6,635,131)	(605,055)	0	(7,240,186)
Machinery and Equipment	(2,795,423)	(442,499)	8,472	(3,229,450)
Furniture and Fixtures	(547,105)	(60,502)	0	(607,607)
Vehicles	(4,227,444)	(551,505)	426,990	(4,351,959)
Total Accumulated Depreciation	<u>(14,477,798)</u>	<u>(1,720,246) *</u>	<u>435,462</u>	<u>(15,762,582)</u>
Total Depreciable Capital Assets, Net	<u>17,776,841</u>	<u>(870,514)</u>	<u>(20,388)</u>	<u>16,885,939</u>
Governmental Capital Assets, Net	<u>\$141,396,163</u>	<u>(\$337,390)</u>	<u>(\$612,057)</u>	<u>\$140,446,716</u>

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* Depreciation expense was charged to governmental activities as follows:

General Government:	
Legislative and Executive	\$519,920
Judicial	30,794
Public Safety	452,312
Public Works	357,310
Health:	
Alcohol, Drug, and Mental Health	1,001
Mental Retardation and Developmental Disabilities	92,306
County Home	85,132
Other Health	5,305
Human Services:	
Child Support Enforcement	5,246
Children Services	116,169
Job and Family Services	32,993
Other Human Services	<u>21,758</u>
Total Depreciation Expense	<u><u>\$1,720,246</u></u>

	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007
Business-Type Activity:				
Non-Depreciable Capital Assets:				
Land	\$189,760	\$0	\$0	\$189,760
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	44,223	0	0	44,223
Total Depreciable Capital Assets	<u>7,596,047</u>	<u>0</u>	<u>0</u>	<u>7,596,047</u>
Accumulated Depreciation:				
Buildings and Improvements	(500,111)	(27,349)	0	(527,460)
Machinery and Equipment	(269,938)	(44,713)	0	(314,651)
Infrastructure	(1,892,388)	(110,059)	0	(2,002,447)
Vehicles	(44,223)	0	0	(44,223)
Total Accumulated Depreciation	<u>(2,706,660)</u>	<u>(182,121)</u>	<u>0</u>	<u>(2,888,781)</u>
Total Depreciable Capital Assets, Net	<u>4,889,387</u>	<u>(182,121)</u>	<u>0</u>	<u>4,707,266</u>
Business-Type Capital Assets, Net	<u>\$5,079,147</u>	<u>(\$182,121)</u>	<u>\$0</u>	<u>\$4,897,026</u>

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Asset Category	WASCO, Inc.	Port Authority
Construction in Progress	\$19,048	\$0
Buildings	9,549	0
Equipment and Furniture	185,582	6,489
Vehicles	248,548	0
Total	462,727	6,489
Less Accumulated Depreciation	(327,836)	(2,042)
Net Capital Assets	\$134,891	\$4,447

NOTE 10 - RISK MANAGEMENT

PRIMARY GOVERNMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. During 2007, the County contracted with the County Risk Sharing Authority, Inc. (CORSA), an insurance purchasing pool, (see Note 21), 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	96,482,918	2,500
Equipment Breakdown	100,000,000	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 2006 and ending on January 31, 2007, medical/surgical benefits, vision, dental, and prescription insurance was offered to MR/DD employees through a self-insurance internal service fund through Administrative Service Consultants. The claims liability of \$3,950 reported at December 31, 2007 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Amounts reported were provided by the County's third party administrators.

Starting in 2007, the County participates in the State Workers' Compensation retrospective rating and payment program. Under the retrospective rating program, the County accumulates workers' compensation premiums in the self insurance internal service fund based upon rates determined by their third party administrator as if they were not participants in the retrospective plan. A portion of the premiums are paid to the State of Ohio to cover administrative fees, while the remaining premiums are maintained in the fund and used to pay claims as they are billed by the State. Claims are billed to the County one year in arrears.

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Participation in the Plan is approved on a yearly basis and is limited to counties that can meet the Plan's selection criteria. The County contracts with the firm of Gates McDonald to provide administrative, cost controls and actuarial services for the Plan.

Changes in claims activity for 2007 are as follows:

Program	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
Self Insurance - Health				
2006	\$0	\$1,006,989	\$859,171	\$147,818
2007	147,818	36,342	180,210	3,950
Self Insurance - Workers' Compensation				
2007	0	222,505	0	222,505

COMPONENT UNITS

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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.

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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, 2007, members in state and local classifications contributed 9.5% of covered payroll, public safety members contributed 9.75%, and law enforcement members contributed 10.1%.

The County's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the County's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005, were \$1,502,459, \$1,573,446, and \$1,519,325 respectively; 87.75 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$26,117 made by the County and \$17,915 made by the plan members.

B. State Teachers Retirement System

Plan Description – Certified teachers, employed by the school for Mental Retardation and 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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.

Funding Policy – For the fiscal year ended June 30, 2007, 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 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board,

Washington County, Ohio
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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, 2007, 2006, and 2005, were \$38,646, \$69,930, and \$69,068 respectively; 96.57 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. For fiscal year 2007, the County did not have any employees participating in either the DC or Combined Plans.

NOTE 12 - 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 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). 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 the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

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, 2007, 2006, and 2005 were \$1,007,633, \$821,939 and \$678,040 respectively; 87.75 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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B. State Teachers Retirement System

Plan Description – Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan to eligible retirees who participated in the defined benefit or the combined pension plans and their eligible family members. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligation to contribute are established by the STRS Ohio based on authority granted by State statute.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio.

STRS Ohio issues a financial report that includes financial information for the health care plan. Interested parties can view the most recent report at www.strsoh.org or obtain a copy by calling (888) 227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2007, 2006 and 2005. The 14 percent contribution is the maximum rate allowed under Ohio law.

The County's required contributions allocated to fund post-employment health care benefits for the fiscal years ended December 31, 2007, 2006, and 2005 were \$25,571, \$5,240, and \$5,313 respectively; 100 percent has been contributed for fiscal years 2007, 2006 and 2005. No contributions were made to the DC and Combined Plans for fiscal year 2007 by the County and plan members.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the year ended June 30, 2007, net health care costs paid by STRS were \$265.558 million and STRS had 122,934 eligible benefit recipients.

NOTE 13 - OTHER EMPLOYER BENEFITS

A. Deferred Compensation Plan

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

B. Compensated Absences

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

Each employee accrues 4.6 hours of sick time for each two week pay period worked. Accrual continues during periods of approved paid leave. Unused sick leave is cumulative without limit. Job and Family Services, Mental Retardation and Developmental Disabilities (union employees), and Child Support Enforcement employees earn annual leave based on their length of service and can be converted to extended illness leave at the rate of three days credit for each two days of unused leave converted. Upon retirement, with 10 years (5 years for engineer employees) of service with the County, the State, or any of its political subdivisions, all employees, except for Job and Family Services and Mental Retardation and Developmental Disabilities employees, are paid 25% of their sick (extended illness leave for Child Support Enforcement) leave up to a maximum of 240 hours. Mental Retardation and Developmental Disabilities union employees are paid 25% of their extended illness leave not to exceed 480 hours and 50% of their annual leave balance. Job and Family Services employees are paid their total hours times 2/3 times 50% of the final rate of pay up to a maximum of three times the employee's annual leave entitlement. Mental Retardation and

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Developmental Disabilities non-union employees are paid 50% of their sick balance up to a maximum of 480 hours.

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

C. Insurance Benefits

The County provides employee medical/surgical benefits, life insurance, and accidental death and dismemberment insurance to employees, except Children Services, through Aultra. The plan has \$100 single and \$250 family deductible limits. Except for employees of the Mental Health and Health Department, the County pays 80 percent of the total monthly premium for family coverage and 75 percent of the total monthly premium for single coverage. The County pays 100 percent for both single and family coverage for employees of the Mental Health Department. The County pays 81 percent for both single and family coverage for employees of the Health Department. Premiums are paid from the same funds that pay the employee's salaries.

Employee medical/surgical benefits, 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 MR/DD 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 MR/DD 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 14 - 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 have 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 \$41,123 as of December 31, 2007. Principal payments for all capital leases during 2007 totaled \$12,591.

Future minimum lease payments through 2011 are as follows:

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Year	Governmental Activities	
	Principal	Interest
2008	\$13,449	\$2,431
2009	14,367	1,512
2010	10,671	565
2011	1,763	184
Total	\$40,250	\$4,692

COMPONENT UNIT

In prior years, Wasco, Inc. entered into a capital lease for a risograph. The lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The item acquired by the lease has been capitalized in the amount of \$7,474, which is equal to the present value of the future minimum lease payments at the time of acquisition. Capitalized leased assets are reflected net of accumulated depreciation in the amount of \$4,110 as of December 31, 2007. Final principal payments for the capital lease during 2007 totaled \$747.

NOTE 15 - CONTRACTUAL COMMITMENTS

As of December 31, 2007, the County had contractual purchase commitments as follows:

Projects	Fund	Purchase Commitments	Amounts Paid as of 12/31/2007	Amounts Remaining on Contracts
Lowell Bridge Inspections	General Fund	\$726,785	\$662,699	\$64,086
Various Bridge Repairs	Gasoline Tax Fund	104,093	0	104,093
County Road 85 Slip	Gasoline Tax Fund	123,745	119,380	4,365
Hune Covered Bridge	General Fund	49,950	7,500	42,450
2008 Guardrail Project	Gasoline Tax Fund	168,328	0	168,328
Veto Lake Bridge	General and Gasoline Tax Fund	193,899	0	193,899
		\$1,366,800	\$789,579	\$577,221

NOTE 16 - LONG-TERM OBLIGATIONS

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

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	Original Issue Amount	Principal Outstanding 12/31/06	Additions	Deductions	Principal Outstanding 12/31/07	Amounts Due within One Year
Governmental Activities:						
General Obligation Bonds:						
1998 - Juvenile Center - 4.4%-5.9%	\$1,800,000	\$1,300,000	\$0	\$80,000	\$1,220,000	\$85,000
2006 - Energy Conservation - 5%	440,000	440,000	0	35,000	405,000	35,000
Bond Premium		23,129	0	2,332	20,797	0
2004 - Capital Facilities Jail:						
Serial - 2%-4.25%	2,090,000	1,750,000	0	135,000	1,615,000	140,000
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		108,785	0	6,431	102,354	0
Bond Discount		(29,308)	0	(1,732)	(27,576)	0
1996 - Courthouse Renovation - 3.75%-5.00%	1,350,000	275,000	0	135,000	140,000	140,000
1996 - Building Acquisition - Job and Family Services - 3.75%-5.5%	1,740,000	1,195,000	0	75,000	1,120,000	80,000
Total General Obligation Bonds		6,372,606	0	467,031	5,905,575	480,000
Long-Term Bond Anticipation Notes:						
2007 Various Purpose - \$302,000 - 6.50%:						
Health Department Roof	53,200	0	53,200	0	53,200	0
Building Acquisition/Improvement	248,800	0	248,800	0	248,800	0
2006 - \$552,500 Various Purpose - 6.50%:						
Health Department Roof	57,500	57,500	0	57,500	0	0
Building Acquisition/Improvement	495,000	495,000	0	495,000	0	0
2006 - \$208,000 Various Purpose - 6.00%:						
County Vehicles	65,940	21,980	0	21,980	0	0
Various Purposes	54,060	51,360	0	51,360	0	0
Computer Equipment	88,000	83,600	0	83,600	0	0
Total Long-Term Bond Anticipation Notes		709,440	302,000	709,440	302,000	0
1999 - Energy Conservation Note - 5.125%	114,523	34,356	0	34,356	0	0
Compensated Absences - Sick Leave		281,592	26,419	24,889	283,122	13,660
Early Retirement Incentive Payable		423,477	0	101,615	321,862	106,992
Capital Leases		45,542	7,299	12,591	40,250	13,449
Total Governmental Activities		\$7,867,013	\$335,718	\$1,349,922	\$6,852,809	\$614,101

(continued)

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	Original Issue Amount	Principal Outstanding 12/31/06	Additions	Deductions	Principal Outstanding 12/31/07	Amounts Due within One Year
Business-Type Activity:						
<u>OPWC Loans:</u>						
1995 - Devola Sewer Loan - 0%	328,552	\$131,420	\$0	\$16,428	\$114,992	\$8,214
1999 - Cherry Blossom Sewer Loan - 2.00%	80,370	55,797	0	3,798	51,999	1,928
1998 - Barlow Vincent Sewer Plant Loan - 0%	225,000	123,750	0	11,250	112,500	5,625
Total OPWC Loans		310,967	0	31,476	279,491	15,767
1997 - FHA Sewer Loan	506,000	801,500	0	10,500	791,000	11,000
2004 - OWDA Loan - 3.41%	279,030	257,378	0	10,967	246,411	5,624
2006 - OWDA Loan - 4.99%		415	0	415	0	0
Compensated Absences - Sick Leave		503	169	0	672	0
Total Business-Type Activity		\$1,370,763	\$169	\$53,358	\$1,317,574	\$32,391

A. Governmental Activities

The Courthouse Renovation, Juvenile Center, and the Commissioners portion of the Building Acquisition general obligation bonds are unvoted and will be retired from the General Bond Retirement Fund with general property tax revenues. The Capital Facilities Jail Bonds are unvoted and will be retired from the General Bond Retirement Fund with permissive sales tax revenues. The Job and Family Services portion of the Building Acquisition general obligation bonds is unvoted and will be retired from the Job and Family Services Bond Retirement Fund with rental payments received from the Job and Family Special Revenue Fund. The Energy Conservation Note and 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 Gasoline Tax, County Home, Mental Retardation and 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 Mental Retardation and Developmental Disabilities Special Revenue Fund.

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
2008	\$480,000	\$276,660	\$756,660
2009	350,000	255,298	605,298
2010	365,000	240,738	605,738
2011	385,000	224,962	609,962
2012	400,000	207,887	607,887
2013-2017	2,440,000	817,238	3,257,238
2018-2022	1,140,000	206,422	1,346,422
2023	250,000	14,375	264,375
Total	\$5,810,000	\$2,243,580	\$8,053,580

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Bond Anticipation Notes At December 31, 2007, the County had \$302,000 outstanding in long-term bond anticipation notes.

The computer equipment bond anticipation notes issued on May 11, 2006, for \$83,600 matured on May 11, 2007. These notes were issued for the purpose of purchasing new computer equipment.

The court vehicles bond anticipation notes issued on May 11, 2006, for \$21,980 matured on May 11, 2007. These notes were issued for the purpose of purchasing court vehicles.

The court vehicles bond anticipation notes issued on May 11, 2006, for \$51,360 matured on May 11, 2007. These notes were issued for various purposes.

The health department roof bond anticipation note issued on March 2, 2006, for \$57,500 matured on March 2, 2007. These notes were issued for the purpose of replacing the health department building roof.

The building acquisition/improvement bond anticipation notes issued on March 2, 2006, for \$495,000 matured on March 2, 2007. These notes were issued for the purpose of acquiring a building beside the courthouse and making renovations to that building for various county uses.

The various purpose bond anticipation notes issued on March 2, 2007, for \$302,000 will mature on February 28, 2008. The various purpose bond anticipation notes were issued to retire the \$57,500 health department roof bond anticipation notes issued March 2, 2007, and the \$495,000 building acquisition/improvement bond anticipation notes issued March 2, 2007. The \$57,500 health department roof bond anticipation notes rolled over into bond anticipation notes in the amount of \$53,200. The \$495,000 building acquisition/improvement bond anticipation notes rolled over into bond anticipation notes in the amount of \$248,800.

The new notes are reported as fund obligations to the extent that they were repaid upon maturity on February 28, 2008 (See Note 25). The portion that was refinanced prior to the issuance of the financial statements is reported as long-term obligations.

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:

<u>Year</u>	<u>Amount</u>
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:

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

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

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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 Ohio Water Development Authority (OWDA) Sewer Design Loan relates to a project for engineering design of various Sewer projects. As of December 31, 2007, the County had paid off the Loan. The County has pledged future sewer customer revenues, net of specified operating expenses, to repay \$246,411 in a sewer system OWDA loan. 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. 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 9 percent of net revenues in future years. The total principal and interest remaining at to be paid on the loan is \$324,540. Principal and interest payments for the current year were \$19,651, net revenues were \$224,274, and total revenues were \$478,163.

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
2008	\$32,391	\$40,414	\$72,805
2009	54,628	44,195	98,823
2010	55,603	43,203	98,806
2011	57,094	42,172	99,266
2012	58,100	41,472	99,572
2013-2017	247,532	187,469	435,001
2018-2022	204,371	152,366	356,737
2023-2027	166,683	112,992	279,675
2028-2032	168,000	77,304	245,304
2033-2037	272,500	32,637	305,137
Total	<u>\$1,316,902</u>	<u>\$774,224</u>	<u>\$2,091,126</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 \$26,174,716 and the unvoted debt margin was \$20,467,716 at December 31, 2007.

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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, 2007, \$79,330,000 of industrial revenue bonds had been issued, and \$65,063,000 of those remained outstanding.

E. Component Unit

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

Year Ended December 31,	Principal	Interest	Total
2008	\$2,063	\$1,265	\$3,328
2009	2,126	1,202	3,328
2010	2,190	1,138	3,328
2011	2,257	1,071	3,328
2012	2,326	1,002	3,328
2013-2024	32,133	5,857	37,990
Total	\$43,095	\$11,535	\$54,630

NOTE 17 – SHORT-TERM OBLIGATIONS

A summary of the note transactions for the year ended December 31, 2007, follows:

	Outstanding 12/31/2006	Additions	Deductions	Outstanding 12/31/2007
Governmental Activities:				
2007 - \$250,500 Bond Anticipation Notes - 7.00%:				
Building Acquisition and Improvement	\$0	\$246,200	\$0	\$246,200
Health Department Roof	0	4,300	0	4,300
2007 - \$156,940 Bond Anticipation Note - 5.50%:				
County Vehicles - \$21,980	0	21,980	0	21,980
Various Purposes - \$51,360	0	51,360	0	51,360
Computer Equipment - \$83,600	0	83,600	0	83,600
2006 - \$208,000 Bond Anticipation Note - 6.00%:				
County Vehicles - \$65,940	43,960	0	43,960	0
Various Purposes - \$54,060	2,700	0	2,700	0
Computer Equipment - \$88,000	4,400	0	4,400	0
<i>Total Governmental Funds</i>	\$51,060	\$407,440	\$51,060	\$407,440
Business-Type Activity:				
Sewer Improvements - 2006 - 6.00%	\$93,000	\$0	\$93,000	\$0

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The county vehicles bond anticipation notes issued on May 11, 2006, for \$43,960 matured on May 10, 2007. These notes were issued for the purpose of buying new county vehicles.

The various purposes bond anticipation notes issued on May 11, 2006, for \$2,700 matured on May 10, 2007. These notes were issued for various purposes.

The computer equipment bond anticipation notes issued on May 11, 2006, for \$4,400 matured on May 10, 2007. These notes were issued for the purpose of buying new computer equipment.

The various purpose bond anticipation notes issued on May 10, 2007, for \$156,940 will mature on May 10, 2008. The various purpose bond anticipation notes were issued to retire the \$83,600 computer equipment bond anticipation notes issued on May 17, 2006. \$83,600 of the computer equipment bond anticipation notes were retired on May 10, 2008. The County issued \$51,360 in bond anticipation notes to pay for various projects of the County. \$51,360 of the various purpose bond anticipation notes were retired on May 10, 2008. The County issued \$21,980 in bond anticipation notes for the purpose of purchasing new County vehicles. \$21,980 of the County vehicles bond anticipation notes were retired on May 10, 2008 (See Note 25).

The various purpose bond anticipation notes issued on February 28, 2007, for \$552,500 will mature on February 27, 2008. The various purpose bond anticipation notes were issued to retire the \$495,000 building and acquisition and improvement bond anticipation notes issued on March 2, 2006. The \$495,400 building acquisition and improvement bond anticipation note rolled over into bond anticipation notes in the amount of \$248,800. \$246,200 of the building acquisition and improvement bond anticipation notes were retired on February 27, 2008. The County issued \$57,500 in bond anticipation notes to pay for a health department roof. The \$52,500 health department roof bond anticipation note rolled over into bond anticipation notes in the amount of \$53,200. \$4,300 of the various purpose bond anticipation notes were retired on February 27, 2008 (See Note 25).

The Sewer Enterprise Fund bond anticipation note was issued on May 17, 2006, for \$93,000 and matured on May 10, 2007, which was then paid in full. The bond anticipation note was issued for sewer improvements.

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NOTE 18 – INTERNAL BALANCES AND TRANSFERS

Interfund balances, as of December 31, 2007, consist of the following individual interfund receivables and payables:

Interfund Payable	Interfund Receivable				
	Major Funds				
	General	Mental Retardation and Developmental Disabilities	Other Governmental Funds	Self Insurance - Workers' Compensation	Total
Major Funds:					
General	\$0	\$0	\$68	\$149,043	\$149,111
Job and Family Services	100	0	0	20,450	20,550
Motor Vehicle and Gasoline Tax	0	0	0	140,720	140,720
Mental Retardation and Developmental Disabilities	0	0	0	58,966	58,966
County Home	0	0	0	30,508	30,508
Mental Health and Addiction Recovery Board	0	5,107	0	3,572	8,679
Sewer	0	0	0	958	958
Other Governmental Funds	18,940	481	0	28,529	47,950
Self Insurance - Health	22,358	0	0	0	22,358
	<u>\$41,398</u>	<u>\$5,588</u>	<u>\$68</u>	<u>\$432,746</u>	<u>\$479,800</u>

The interfund receivable in the Self Insurance - Workers' Compensation Fund, which is due from all the funds listed above, except the Self Insurance – Health Fund, is a result of the liability from County Funds to the Self Insurance – Workers' Compensation Fund for the payment of premiums. The Self Insurance - Health interfund payable to the General Fund is due to a cash deficit at December 31, 2007. 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, 2007, consisted of the following:

Transfer Out	Transfer In				
	Major Funds				
	General	Job and Family Services	Mental Health and Addiction Recovery Board	Other Nonmajor Governmental	Total
Major Funds:					
General Fund	\$0	\$280,563	\$30,000	\$1,380,235	\$1,690,798
Other Nonmajor Governmental	152,934	0	0	0	152,934
Total All Funds	<u>\$152,934</u>	<u>\$280,563</u>	<u>\$30,000</u>	<u>\$1,380,235</u>	<u>\$1,843,732</u>

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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 receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, 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.

NOTE 19 - 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 2007, the District received \$24,838 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 2007. No future contributions by the County are anticipated. A thirty-one member policy committee composed of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the Policy Committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

C. Washington County Family and Children First Council

The Washington County Family and Children First Council provides services to multi-need youth in Washington County. Members of the Cluster include the Washington County Health Department, the Regional Office of Youth Services, the Washington County Juvenile Court, the Washington County Mental Health Board, Washington County Children Services, the General Health District, a representative from the City of Marietta Health Department, and a representative of the Washington County School Districts. The operation of the Council is controlled by an advisory committee which consists of a representative from each agency. In 2007, the County contributed \$424,405.

D. 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

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Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program, and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. The continued existence of the Corporation is not dependent on the County's continued participation and no equity interest exists.

E. Wood, Washington, and Wirt Planning Commission

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is composed of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives and one Washington County Commissioner serves on the Commission. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. In 2007, 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 2007, the Council received \$900 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

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

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

H. Ohio Valley Employment Resource

The Ohio Valley Employment Resource is a jointly governed organization whereby the three county commissioners from Monroe, Noble, Morgan, and Washington Counties serve on the governing board. The Ohio Valley Employment Resource was formed for the purpose of creating and providing employment and

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2007

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 the Ohio Valley Employment Resource is not dependent on the County's continued participation and no equity interest exists. The Ohio Valley Employment Resource has no outstanding debt.

NOTE 20 - 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 21 - 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 2007 was \$306,752.

NOTE 22 - RELATED PARTY TRANSACTIONS

Wasco, Inc., a discretely presented component unit of Washington County, received contributions from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its program. These contributions are reflected as operating revenues and operating expenses at cost or fair market value, as applicable, in the Basic Financial Statements in the amount of \$191,919. Additional habilitative services provided directly to the component unit's clients by the County amounted to \$472,067.

NOTE 23 - 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.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2007

NOTE 24 - CONTINGENT LIABILITIES

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

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

NOTE 25 – SUBSEQUENT EVENTS

On February 28, 2008, the County entered into a wastewater improvements design loan agreement with Ohio Water Development Authority in the amount of \$230,006. The loan has an interest rate of 4.95 percent and will mature on January 1, 2014.

On February 27, 2008, the County refinanced bond anticipation notes and issued new notes in the amount of \$302,000 to pay for the acquisition of a new building and a new Health Department Roof. The notes have an interest rate of 7.00 percent and mature on February 25, 2009. The \$57,500 health department roof bond anticipation notes dated February 28, 2007, rolled over into bond anticipation notes in the amount of \$53,200. The \$495,000 building acquisition/improvement bond anticipation notes dated February 28, 2007, rolled over into bond anticipation notes in the amount of \$248,800.

On February 26, 2008, the County issued taxable capital facility limited tax general obligation bond anticipation notes in the amount of \$190,000 to finance the clerk of courts computer system and other various purposes.

On May 9, 2008, the County paid off various purposes bond anticipation notes in the amount of \$156,940.

Washington County, Ohio
Required Supplementary Information
Condition Assessments of the County's Infrastructure
Reported Using the Modified Approach
December 31, 2007

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, 2007

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, 2007, 2006, 2005 and 2004:

Condition Category	Road Condition as of December 31,							
	2007		2006		2005		2004	
	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation
Excellent	44%	100%	38%	100%	42%	100%	36%	100%
Good	43%	56%	47%	62%	56%	58%	44%	64%
Fair	9%	13%	15%	15%	2%	2%	17%	20%
Poor	4%	0%	0%	0%	0%	0%	3%	3%
Failed	0%	0%	0%	0%	0%	0%	0%	0%

Bridge General Appraisal	Bridge Condition as of December 31,							
	2007		2006		2005		2004	
	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation
9	1%	1%	1%	1%	1%	1%	0%	0%
8	6%	7%	5%	6%	4%	5%	4%	4%
7	23%	30%	22%	28%	18%	22%	16%	20%
6	42%	72%	43%	71%	44%	66%	50%	70%
5	18%	90%	18%	89%	22%	88%	21%	91%
4	8%	98%	9%	98%	10%	98%	7%	97%
3	1%	99%	1%	99%	1%	99%	3%	100%
2	1%	100%	1%	100%	1%	100%	0%	100%
1	0%	100%	0%	100%	0%	100%	0%	100%

Budget versus actual expenditures for roads and bridges maintenance for 2007, 2006, 2005, and 2004:

Total Road Maintenance Expense	Budgeted	Actual	Difference
2007	\$1,807,817	\$1,426,111	\$381,706
2006	3,477,203	2,359,037	1,118,166
2005	3,330,450	2,760,370	570,079
2004	3,215,237	2,729,711	485,526
Total Bridge Maintenance Expense	Budgeted	Actual	Difference
2007	\$281,249	\$239,594	\$41,655
2006	347,298	256,120	91,178
2005	348,613	324,768	23,845
2004	363,992	301,082	62,910

WASHINGTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Passed through the Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	10.553	05PU-2007	\$ 18,453	
		05PU-2008	6,628	
Total School Breakfast Program			25,081	0
National School Lunch Program	10.555	LLP1-2007	2,193	
		LLP1-2008	1,255	
		LLP4-2007	28,021	
		LLP4-2008	9,944	
National School Lunch Program (Food Distribution)	10.555	N/A		\$ 422
Total National School Lunch Program			41,413	422
Summer Food Service Program For Children	10.559	25NP	32,306	
Total Nutrition Cluster			98,800	422
Total United States Department of Agriculture			98,800	422
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed through the Ohio Department of Development:</i>				
Community Development Block Grants - State's Program	14.228	B-F-05-077-1	75,336	
		B-F-06-077-1	46,419	
		B-P-06-077-2	40,900	
Total Community Development Block - State's Program			162,655	0
HOME Investment Partnerships Program	14.239	B-C-04-077-2	22,991	
Total United States Department of Housing and Urban Development			185,646	0
UNITED STATES DEPARTMENT OF JUSTICE				
<i>Direct Award:</i>				
Supervised Visitation, Safe Havens for Children	16.527	N/A	103,000	
<i>Passed through the Ohio Attorney General's Office:</i>				
Crime Victim Assistance	16.575	2007SAGENE253	25,511	
		2008SAGENE253	6,406	
		2007VAGENE616	15,696	
		2008VAGENE616	4,435	
Total Crime Victim Assistance			52,048	0
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>				
Drug Court Discretionary Grant Program	16.585	2004-DC-BX-0061	110,491	0
Total United States Department of Justice			265,539	0
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed through the Ohio Department of Development:</i>				
WIA Adult - Ohio Third Frontier Internship Program	17.258	N/A	118,561	0
Total United States Department of Labor			118,561	0
UNITED STATES DEPARTMENT OF TRANSPORTATION				
<i>Passed through the Ohio Department of Transportation:</i>				
Highway Planning and Construction	20.205	N/A	744,887	
Federal Transit - Formula Grants	20.507	N/A	244,821	
<i>Passed through Ohio Department of Public Safety:</i>				
State and Community Highway Safety	20.600	HVEO-2007-84-00-00-00398-00	21,057	
		HVEO-2008-84-00-00-00250-00	3,679	
Total State and Community Highway Safety			24,736	0
Total United States Department of Transportation			1,014,444	0

WASHINGTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed through the Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education - Grants to States	84.027	066274-6BSF-2007 066274-6BSF-2008	\$ 50,570 5,420	\$ 0
Total Special Education - Grants to States			<u>55,990</u>	<u>0</u>
Special Education - Preschool Grants	84.173	066274-PGS1-2007 066274-PGS1-2008	14,620 291	 0
Total Special Education - Preschool Grants			<u>14,911</u>	<u>0</u>
Total Special Education Cluster			70,901	0
State Grants for Innovative Programs	84.298	066274-C2S1-2007 066274-C2S1-2008	173 15	 0
Total State Grants for Innovative Programs			<u>188</u>	<u>0</u>
Total United States Department of Education			71,089	0
ELECTION ASSISTANCE COMMISSION				
<i>Passed through the Ohio Secretary of State:</i>				
Help America Vote Act - Training	39.011	E06-0068-005	11,477	 0
Total Election Assistance Commission			11,477	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Social Services Block Grant	93.667	N/A	51,767	
State Children's Insurance Program	93.767	N/A	4,815	
Medical Assistance Program - TCM	93.778	N/A	174,458	
Medical Assistance Program - Waiver Administration	93.778	N/A	304,331	
Total Medical Assistance Program			<u>478,789</u>	<u>0</u>
<i>Passed through the 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	93.959	N/A	210,324	
Women's Setaside		84-02293-WOMEN-P-07-9011 84-2293-WOMENP-P-08-9011	17,167 17,166	
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>244,657</u>	<u>0</u>
State Children's Insurance Program	93.767	N/A	45,163	
Medical Assistance Program	93.778	N/A	109,748	
<i>Passed through the Ohio Department of Mental Health:</i>				
Social Services Block Grant	93.667	N/A	36,361	
State Children's Insurance Program	93.767	N/A	233,304	
Medical Assistance Program	93.778	N/A	1,685,690	
Block Grants for Community Mental Health Services	93.958			
Community Plan		N/A	43,199	
Child and Adolescent Block Grant		N/A	17,068	
Total Block Grants for Community Mental Health Services			<u>60,267</u>	<u>0</u>

WASHINGTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Promoting Safe and Stable Families	93.556	N/A	\$ 63,874	\$
Child Welfare Services - State Grants	93.645	N/A	114,354	
Grants to States for Access and Visitation Programs	93.597	G-67-09-1027 G-89-09-0189	8,877 6,623	
Total Grants to States for Access and Visitation Programs			<u>15,500</u>	<u>0</u>
<i>Passed through the Ohio Secretary of State:</i>				
Voting Access for Individual's with Disabilities - Grants to States	93.617	06-SOS-HHHS-84	<u>35,545</u>	
Total United States Department of Health and Human Services			3,179,834	0
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
<i>Passed through the North Central Service Center:</i>				
Retired and Senior Volunteer Program	94.002	07SRNOH003	<u>53,292</u>	
Total Corporation for National and Community Service			53,292	0
UNITED STATES DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through the Ohio Department of Public Safety:</i>				
Homeland Security Grant Program	97.067	N/A	24,645	
<i>Passed through the Ohio Emergency Management Agency:</i>				
Hazard Mitigation Grant	97.039	DR-1519.22R	<u>2,450</u>	
Total United States Department of Homeland Security			<u>27,095</u>	<u>0</u>
Total Federal Awards Expenditures			<u>\$ 5,025,777</u>	<u>\$ 422</u>

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

WASHINGTON COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

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

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

NOTE C – NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) LOAN PROGRAMS

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

These loans are collateralized by mortgages on the property. At December 31, 2007, the gross amount of loans outstanding under this program was \$7,166.

NOTE F – MATCHING REQUIREMENTS

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

WASHINGTON COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE G – U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES GRANT PROGRAMS

The County has several U.S. Department of Health and Human Services grants that pass through different state agencies. The following schedule combines these amounts to show the total by grant program:

<u>CFDA #</u>	<u>Program</u>	<u>Pass through Agency</u>	<u>Amount</u>
93.667	Social Services Block Grant	Ohio Department of Mental Retardation and Developmental Disabilities	\$ 51,767
		Ohio Department of Mental Health	36,361
		Total Social Services Block Grant	<u>\$ 88,128</u>
93.767	State Children's Insurance Program	Ohio Department of Mental Retardation and Developmental Disabilities	\$ 4,815
		Ohio Department of Alcohol and Drug Addiction Services	45,163
		Ohio Department of Mental Health	233,304
		Total State Children's Insurance Program	<u>\$ 283,282</u>
93.778	Medical Assistance Program	Ohio Department of Mental Retardation and Developmental Disabilities	\$ 478,789
		Ohio Department of Alcohol and Drug Addiction Services	109,748
		Ohio Department of Mental Health	1,685,690
		Total Medical Assistance Program	<u>\$ 2,274,227</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 Southeastern Ohio Port Authority, a discretely presented component unit, each major fund, and the aggregate remaining fund information of Washington County, Ohio (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 31, 2008. 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., a discretely presented component unit, 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be 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.

We noted certain matters that we reported to the County's management in a separate letter dated October 31, 2008.

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 as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated October 31, 2008.

The County's response to the finding identified in our audit is described in the accompanying Schedule of Findings. 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, 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

October 31, 2008



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 IN ACCORDANCE WITH 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, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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, 2007, 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, 2007. In a separate letter to the County's management dated October 31, 2008, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section that would necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated October 31, 2008.

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

October 31, 2008

WASHINGTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

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

WASHINGTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2007
(Continued)

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

FINDING NUMBER 2007-001

Finding For Recovery

Washington County Personnel Policy Manual Section 6.02(D)(3) states an employee with one or more years of service, who resigns, retires, or dies, is entitled to compensation at his/her current rate of pay, for the pro-rated portion of any earned but unused vacation leave to his/her credit for the current year to time of separation. In addition, the employee is entitled to compensation for unused vacation leave accrued to his/her credit, for up to an additional eighty (80) hours carried over from the previous year.

Jolena Best, Fiscal Communication Supervisor for the Child Support Enforcement Agency (CSEA), left employment with the County on August 21, 2007. She was compensated for unused vacation leave accrued and compensatory hours earned. There were discrepancies between Jolena Best's timesheets and approved leave requests causing the balances paid to be overstated, amounting to a total overpayment of \$468. The following table reflects the amount overpaid:

	<u>Vacation</u>	<u>Comp Time</u>	<u>Total</u>
Balances paid	133.50	46.99	180.49
Audited balances	104.36	44.49	148.85
Balances overpaid	29.14	2.5	31.64
Current rate of pay	\$14.80	\$14.80	\$14.80
Overpayment	<u>\$431.27</u>	<u>\$37.00</u>	<u>\$468.27</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jolena Best, CSEA Fiscal Communication Supervisor, in the amount of \$468, in favor of the CSEA Fund of Washington County.

Officials' Response: The Auditor of State has sent a letter to the former employee to notify her of the finding for recovery against her and in favor of the CSEA. Should voluntary restitution not be made, management will respectfully encourage the Washington County Prosecuting Attorney and/or State of Ohio Attorney General to proceed with actions as necessary to collect the subject funds.

3. FINDINGS FOR FEDERAL AWARDS

None.

WASHINGTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A-133 § .315 (b)
 DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-001	Ohio Admin. Code Section 117-2-02(A) - Highway Planning and Construction grant money spent on behalf of the County was not recorded on the County's ledgers.	Yes	
2006-002	Ohio Admin. Code Section 117-2-02 (C)(1) - Estimated receipts approved by the Budget Commission and appropriations approved by the Board of County Commissioners did not agree to amounts posted to the County's accounting system.	Yes	



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 11, 2008**