



Dave Yost • Auditor of State



WASHINGTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Washington County  
205 Putnam Street  
Marietta, Ohio 45750

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of WASCO, Inc., a discretely presented component unit, which represents 87 percent of assets, 85 percent of net assets, and 94 percent of revenues for the discretely presented component units of the County. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for WASCO, Inc., on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Job and Family Services Fund, Motor Vehicle and Gasoline Tax Fund, Board of Developmental Disabilities Fund, County Home Fund, and Mental Health and Addiction Recovery Board Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis and Schedules for infrastructure assets accounted for using the modified approach, as listed in the table of contents, to supplement the basic financial statement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The Federal Awards Expenditures Schedule provides additional information required by the 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. The Federal Awards Expenditure Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

September 20, 2011

**Washington County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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The discussion and analysis of Washington County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2010. 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 2010 are as follows:

- In total, net assets increased \$5,133,024. Net assets of governmental activities increased \$4,833,130 or 2.9 percent from 2009. Net assets of the business-type activity increased \$299,894, which represents an 8.3 percent increase from 2009.
- At the end of the current year, the County reported unrestricted net assets for governmental activities of \$10,657,919.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$28,650,324, an increase of \$4,765,389 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 2010?" The Statement of Net Assets and the Statement of Activities answer this question.

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

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

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

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

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

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

***Fund Financial Statements***

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

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

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



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

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

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

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

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

**Government-Wide Financial Analysis**

Table 1 provides a summary of the County's net assets for 2010 compared to 2009:

Table 1  
Net Assets

	Governmental Activities		Business-Type Activity		Totals	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Current and						
Other Assets	\$46,478,771	\$39,484,845	\$1,166,323	\$492,846	\$47,645,094	\$39,977,691
Capital Assets, Net	142,022,040	142,315,312	5,153,416	4,580,235	147,175,456	146,895,547
<i>Totals Assets</i>	188,500,811	181,800,157	6,319,739	5,073,081	194,820,550	186,873,238
<b>Liabilities</b>						
Current and						
Other Liabilities	11,770,274	9,463,379	702,847	174,921	12,473,121	9,638,300
Long-Term Liabilities	5,404,714	5,844,085	1,700,441	1,281,603	7,105,155	7,125,688
<i>Total Liabilities</i>	17,174,988	15,307,464	2,403,288	1,456,524	19,578,276	16,763,988
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	137,326,947	137,238,111	3,453,717	3,299,512	140,780,664	140,537,623
Restricted	23,340,957	20,522,333	0	0	23,340,957	20,522,333
Unrestricted	10,657,919	8,732,249	462,734	317,045	11,120,653	9,049,294
<i>Total Net Assets</i>	\$171,325,823	\$166,492,693	\$3,916,451	\$3,616,557	\$175,242,274	\$170,109,250

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As noted earlier, the County's net assets, when reviewed over time, may serve as a useful indicator of the County's financial position. In the case of the County, assets exceeded liabilities by \$175,242,274 (\$171,325,823 in governmental activities and \$3,916,451 in the business-type activity) as of December 31, 2010. By far, the largest portion of the County's net assets (80.33 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, \$23,340,957 or 13.32 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted net assets, \$11,120,653 or 6.33 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 2010 compared to 2009:

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Table 2  
Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activity			
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$5,872,014	\$5,892,900	\$786,379	\$666,462	\$6,658,393	\$6,559,362
Operating Grants, Contributions, and Interest	26,174,794	27,477,111	743,920	0	26,918,714	27,477,111
Capital Grants, Contributions, and Interest	601,721	481,330	0	0	601,721	481,330
<b>Total Program Revenues</b>	<b>32,648,529</b>	<b>33,851,341</b>	<b>1,530,299</b>	<b>666,462</b>	<b>34,178,828</b>	<b>34,517,803</b>
General Revenues						
Property Taxes	8,187,200	7,848,451	0	0	8,187,200	7,848,451
Permissive Sales Taxes	9,809,132	9,982,427	0	0	9,809,132	9,982,427
Intergovernmental	2,136,556	2,737,420	0	0	2,136,556	2,737,420
Interest	1,160,530	1,250,894	0	0	1,160,530	1,250,894
Rent	254,633	99,808	0	0	254,633	99,808
Contributions and Donations	8,704	2,569	0	0	8,704	2,569
Gain on Sale of Capital Assets	0	41,950	700	0	700	41,950
Miscellaneous	220,403	241,088	6,842	922	227,245	242,010
<b>Total General Revenues</b>	<b>21,777,158</b>	<b>22,204,607</b>	<b>7,542</b>	<b>922</b>	<b>21,784,700</b>	<b>22,205,529</b>
<b>Total Revenues</b>	<b>54,425,687</b>	<b>56,055,948</b>	<b>1,537,841</b>	<b>667,384</b>	<b>55,963,528</b>	<b>56,723,332</b>
<b>Program Expenses</b>						
General Government:						
Legislative and Executive	5,660,377	6,264,475	0	0	5,660,377	6,264,475
Judicial	2,095,250	2,097,490	0	0	2,095,250	2,097,490
Public Safety	8,557,181	8,200,601	0	0	8,557,181	8,200,601
Public Works	5,701,350	6,137,832	0	0	5,701,350	6,137,832
Health:						
Alcohol, Drug, and Mental Health Board of	5,078,388	5,143,456	0	0	5,078,388	5,143,456
Developmental Disabilities	7,760,724	7,886,819	0	0	7,760,724	7,886,819
County Home	2,586,814	2,585,456	0	0	2,586,814	2,585,456
Other Health	276,622	291,962	0	0	276,622	291,962
Human Services:						
Child Support Enforcement	888,165	965,769	0	0	888,165	965,769
Children Services	2,541,083	2,926,766	0	0	2,541,083	2,926,766
Job and Family Services	5,206,164	6,042,217	0	0	5,206,164	6,042,217
Other Human Services	1,749,949	2,537,939	0	0	1,749,949	2,537,939
Economic Development and Assistance	590,777	836,932	0	0	590,777	836,932
Intergovernmental	649,353	413,944	0	0	649,353	413,944
Interest and Fiscal Charges	250,360	283,659	0	0	250,360	283,659
Sewer	0	0	1,237,947	799,621	1,237,947	799,621
<b>Total Program Expenses</b>	<b>49,592,557</b>	<b>52,615,317</b>	<b>1,237,947</b>	<b>799,621</b>	<b>50,830,504</b>	<b>53,414,938</b>
<b>Net Increase (Decrease) in Net Assets</b>	<b>4,833,130</b>	<b>3,440,631</b>	<b>299,894</b>	<b>(132,237)</b>	<b>5,133,024</b>	<b>3,308,394</b>
<b>Net Assets Beginning of Year</b>	<b>166,492,693</b>	<b>163,052,062</b>	<b>3,616,557</b>	<b>3,748,794</b>	<b>170,109,250</b>	<b>166,800,856</b>
<b>Net Assets End of Year</b>	<b>\$171,325,823</b>	<b>\$166,492,693</b>	<b>\$3,916,451</b>	<b>\$3,616,557</b>	<b>\$175,242,274</b>	<b>\$170,109,250</b>

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*Management's Discussion and Analysis*  
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**Governmental Activities**

Operating grants were the largest program revenues, accounting for \$26,174,724 or 48.09 percent of total governmental activities revenues. The major recipients of intergovernmental program revenues were the Job and Family Services, Mental Health, Motor Vehicle and Gasoline Tax, Board of Developmental Disabilities, and Children Services governmental activities.

Property tax revenues account for \$8,187,200 or 15.04 percent of total governmental activities revenues. Another major component of governmental activities revenues was permissive sales taxes, which accounted for \$9,809,132 or 18.02 percent of total revenues.

The County's direct charges to users of governmental services made up \$5,872,014 or 10.79 percent of total governmental activities revenues. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Health programs accounted for \$15,702,548, or 31.66 percent of total expenses for governmental activities. Other major program expenses for governmental activities include human service programs, which accounted for \$10,385,361, or 20.94 percent of total expenses.

Also, Public Works programs expenses decreased \$436,482 in 2010 from 2009 due to a return to a more normal historical expenditure level during 2010 for asphalt paving and bridge rehabilitation.

Jobs and Family Services expenses decreased by approximately \$836,053. According to the JFS Fiscal Officer this is due to the budget cuts being experienced by JFS agencies throughout Ohio.

**Business-Type Activity**

The net assets for business-type activities increased by \$299,894 during 2010. Charges for services accounted for \$786,379, or 51.14 percent of revenues. Operating grants accounted for \$743,920, or 48.37 percent of revenues.

Sewer enterprise expenses increased \$438,326 from 2009. This increase is a result of increased expenses related to the OPWC and OWDA projects.

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

Table 3  
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2010	2010	2009	2009
General Government:				
Legislative and Executive	\$5,660,377	\$3,309,428	\$6,264,475	\$3,826,553
Judicial	2,095,250	838,988	2,097,490	1,055,832
Public Safety	8,557,181	6,661,712	8,200,601	6,495,690
Public Works	5,701,350	(678,713)	6,137,832	(142,308)
Health:				
Alcohol, Drug, and Mental Health	5,078,388	(24,977)	5,143,456	249,976
Board of Developmental Disabilities	7,760,724	2,252,239	7,886,819	2,946,531
County Home	2,586,814	1,565,543	2,585,456	1,526,321
Other Health	276,622	121,057	291,962	137,987
Human Services:				
Child Support Enforcement	888,165	(256,002)	965,769	(93,796)
Children Services	2,541,083	1,185,136	2,926,766	596,133
Job and Family Services	5,206,164	297,334	6,042,217	(118,698)
Other Human Services	1,749,949	1,352,928	2,537,939	2,126,454
Economic Development and Assistance	590,777	(247,791)	836,932	186,798
Intergovernmental	649,353	316,786	413,944	(313,156)
Interest and Fiscal Charges	250,360	250,360	283,659	283,659
Total Expenses	<u>\$49,592,557</u>	<u>\$16,944,028</u>	<u>\$52,615,317</u>	<u>\$18,763,976</u>

Charges for services, operating grants, and capital grants of \$32,648,529, or 65.83 percent of the total costs of services, are received and used to fund governmental activities expenses of the County. The remaining \$16,944,028 in governmental activities expenses is funded by property taxes, permissive sales taxes, intergovernmental revenues, interest, rents, contributions and donations, and miscellaneous revenues.

The \$3,913,862 in net cost of services for Health demonstrates the costs of services that are not supported from state and federal resources. As such, the taxpayers have approved property tax levies for several programs including Alcohol, Drug and Mental Health, Board of Developmental Disabilities, and the County Home.

**Financial Analysis of County Funds**

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

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

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*Management's Discussion and Analysis*  
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As of December 31, 2010, the County's governmental funds reported a combined ending fund balance of \$28,650,324, an increase of \$4,765,389 in comparison with the prior year. \$26,399,497, or 92.14 percent of this total constitutes unreserved, undesignated fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year (\$2,191,122) or a variety of other restricted purposes (\$59,705). 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 2010, unreserved fund balance was \$8,562,197, while total fund balance was \$9,154,994. 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 55.46 percent to total General Fund expenditures, while total fund balance represents 59.30 percent of that same amount.

The fund balance of the County's General Fund increased by \$1,951,602 during 2010. The primary causes for the increase were conservative revenue estimates being exceeded and under spending from allotted appropriations.

The fund balance of the Job and Family Services Special Revenue Fund decreased by \$15,146 during 2010. This was because of a decrease in intergovernmental revenues received.

The fund balance of the Motor Vehicle and Gasoline Tax Special Revenue Fund increased by \$1,215,540 during 2010. According to the County Engineer this is due to conservative revenue estimates being exceeded and under spending in the allocated appropriations.

The fund balance of the Board of Developmental Disabilities Special Revenue Fund increased by \$611,065 during 2010. After consulting with the Board Finance Director, it was determined that this was primarily due to increased Medicaid billing combined with an increase in grants received.

The fund balance of the County Home Special Revenue Fund increased by \$40,929 during 2010. After consulting with the Administrator of the County Home, it was determined that the increase was primarily due to the resident population during 2010 being below capacity while the budget was prepared to address a greater resident population. This led to under spending from the operational accounts.

The fund balance of the Mental Health and Addiction Recovery Board Special Revenue Fund increased by \$477,222 during 2010. This increase is a result of more grant monies being received in the available period.

As of December 31, 2010, net assets for the County's enterprise fund were \$3,916,451. Of that total, \$462,734 represents unrestricted net assets. The increase in charges for services was due to the increase in sewer rates for businesses during 2010. Expenditures increased as a result of the ongoing projects associated with the County's sewer system.

### **Budgetary Highlights**

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

**Washington County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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For the General Fund, budget basis revenue was \$18,664,113, above final estimates of \$18,116,790. Final estimated receipts were above original estimates of \$16,892,503, due to a combination of factors, primarily due to an increase of \$694,880 in sales taxes and \$393,727 in charges for services. It is interesting to note that final receipts were within 10% of the original estimate even in these volatile economic times. The sales taxes and interest income that was received during 2010 was above estimates. Actual expenditures for the year were \$16,005,352, under final estimated appropriations of \$17,957,480.

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

*Capital Assets* - The County's capital assets for governmental and business-type activities as of December 31, 2010, were \$147,175,456 (net of accumulated depreciation). This includes land and improvements, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, infrastructure, and vehicles.

For governmental activities, the most significant capital asset additions during 2010 included the addition of several new vehicles and equipment for the highway department.

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

Note 8 (Capital Assets) provides capital asset activity during 2010.

*Debt Administration* - As of December 31, 2010, the County had total bonded debt outstanding of \$4,837,172. All of this debt is expected to be repaid through governmental activities. The County's long-term general obligation bonded debt decreased by \$418,192 (7.96 percent) during 2010. Other outstanding long-term debt included OPWC loans of \$192,249, OWDA Loans of \$750,950, FHA loans payable of \$756,500, and capital leases of \$32,224.

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

### **Economic Factors**

The unemployment rate for the County is currently 9.0 percent, which is a decrease from 9.8 percent a year ago. This rate is lower than the State's current rate of 9.5 percent and lower than the current national rate of 9.4 percent. The continued high level of unemployment demonstrates that the economic recession seen nationally and across the State remains in Washington County. The unemployment level is below the state and national average and it remains better than many surrounding counties in southeast Ohio.

The County's \$1.063 billion tax base is a slight increase from the \$1.057 billion value from the prior year. 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 activities decreased from 2009 to 2010 by 1.7%.

**Washington County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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Various economic factors were considered in the preparation of the County's 2011 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, 2010*

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$25,906,460	\$291,550	\$26,198,010	\$0	\$0
Cash and Cash Equivalents	0	0	0	289,297	84,217
Cash and Cash Equivalents in Segregated Accounts	17,902	0	17,902	0	0
Accounts Receivable	139,360	189,931	329,291	275,065	0
Internal Balances	970	(970)	0	0	0
Accrued Interest Receivable	2,934	0	2,934	0	0
Intergovernmental Receivable	7,802,848	564,469	8,367,317	0	20,893
Property Taxes Receivable	8,896,040	0	8,896,040	0	0
Sales Taxes Receivable	2,543,860	0	2,543,860	0	0
Loans Receivable	2,132	0	2,132	0	0
Prepaid Items	265,700	9,789	275,489	14,246	1,348
Materials and Supplies Inventory	421,730	0	421,730	9,878	0
Special Assessments Receivable	0	111,554	111,554	0	0
Investments in Segregated Accounts	401,394	0	401,394	0	0
Deferred Charges	77,441	0	77,441	0	0
Non-Depreciable Capital Assets	125,863,611	1,026,452	126,890,063	0	0
Depreciable Capital Assets, Net	16,158,429	4,126,964	20,285,393	155,518	272
<i>Total Assets</i>	<u>188,500,811</u>	<u>6,319,739</u>	<u>194,820,550</u>	<u>744,004</u>	<u>106,730</u>
<b>Liabilities</b>					
Accounts Payable	722,466	16,383	738,849	24,491	6,834
Contracts Payable	52,272	588,368	640,640	0	0
Accrued Wages Payable	326,465	1,899	328,364	38,557	0
Vacation Benefits Payable	1,172,629	2,710	1,175,339	92,147	0
Matured Compensated Absences Payable	2,437	0	2,437	0	0
Intergovernmental Payable	929,074	23,218	952,292	22,806	0
Accrued Interest Payable	23,799	6,355	30,154	0	0
Retainage Payable	98,267	63,914	162,181	0	0
Deferred Revenue	8,442,865	0	8,442,865	0	0
Long-Term Liabilities:					
Due Within One Year	441,278	57,806	499,084	3,654	0
Due In More Than One Year	4,963,436	1,642,635	6,606,071	5,481	0
<i>Total Liabilities</i>	<u>17,174,988</u>	<u>2,403,288</u>	<u>19,578,276</u>	<u>187,136</u>	<u>6,834</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	137,326,947	3,453,717	140,780,664	146,383	1,087
Restricted for:					
Capital Projects	691,071	0	691,071	0	0
Debt Service	9,816	0	9,816	0	0
Road and Bridge Projects	6,068,074	0	6,068,074	0	0
Mental Health	2,402,158	0	2,402,158	0	0
County Home	4,038,449	0	4,038,449	0	0
Board of Developmental Disabilities	4,397,867	0	4,397,867	0	0
Child Support Enforcement Agency	175,692	0	175,692	0	0
Children Services	1,162,971	0	1,162,971	0	0
Senior Services	218,999	0	218,999	0	0
Unclaimed Monies	57,629	0	57,629	0	0
Other Purposes	4,118,231	0	4,118,231	0	0
Unrestricted	10,657,919	462,734	11,120,653	410,485	98,809
<i>Total Net Assets</i>	<u>\$171,325,823</u>	<u>\$3,916,451</u>	<u>\$175,242,274</u>	<u>\$556,868</u>	<u>\$99,896</u>

See accompanying notes to the basic financial statements

**Washington County, Ohio**  
**Statement of Activities**  
For the Year Ended December 31, 2010  
For the Fiscal Year Ended August 31, 2010 - WASCO, Inc. Component Unit

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government:				
Legislative and Executive	\$5,660,377	\$2,295,770	\$55,179	\$0
Judicial	2,095,250	1,254,499	1,763	0
Public Safety	8,557,181	1,397,869	475,050	22,550
Public Works	5,701,350	103,561	5,697,331	579,171
Health:				
Alcohol, Drug, and Mental Health	5,078,388	0	5,103,365	0
Board of Developmental Disabilities	7,760,724	222,126	5,286,359	0
County Home	2,586,814	278,268	743,003	0
Other Health	276,622	155,565	0	0
Human Services:				
Child Support Enforcement	888,165	133,035	1,011,132	0
Children Services	2,541,083	5,093	1,350,854	0
Job and Family Services	5,206,164	4,985	4,903,845	0
Other Human Services	1,749,949	21,243	375,778	0
Economic Development and Assistance	590,777	0	838,568	0
Intergovernmental	649,353	0	332,567	0
Interest and Fiscal Charges	250,360	0	0	0
<i>Total Governmental Activities</i>	49,592,557	5,872,014	26,174,794	601,721
<b>Business-Type Activity</b>				
Sewer	1,237,947	786,379	743,920	0
<i>Total Primary Government</i>	\$50,830,504	\$6,658,393	\$26,918,714	\$601,721
<b>Component Units</b>				
WASCO, Inc.	\$2,691,230	\$2,732,669	\$0	\$0
Southeastern Ohio Port Authority	\$170,179	\$0	\$172,942	\$0

**General Revenues**

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

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue  
and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
(\$3,309,428)	\$0	(\$3,309,428)	\$0	\$0
(838,988)	0	(838,988)	0	0
(6,661,712)	0	(6,661,712)	0	0
678,713	0	678,713	0	0
			0	
24,977	0	24,977	0	0
(2,252,239)	0	(2,252,239)	0	0
(1,565,543)	0	(1,565,543)	0	0
(121,057)	0	(121,057)	0	0
256,002	0	256,002	0	0
(1,185,136)	0	(1,185,136)	0	0
(297,334)	0	(297,334)	0	0
(1,352,928)	0	(1,352,928)	0	0
247,791	0	247,791	0	0
(316,786)	0	(316,786)	0	0
(250,360)	0	(250,360)	0	0
(16,944,028)	0	(16,944,028)	0	0
0	292,352	292,352	0	0
(16,944,028)	292,352	(16,651,676)	0	0
0	0	0	41,439	0
0	0	0	0	2,763
2,262,400	0	2,262,400	0	0
1,770,886	0	1,770,886	0	0
3,229,220	0	3,229,220	0	0
740,732	0	740,732	0	0
183,962	0	183,962	0	0
9,809,132	0	9,809,132	0	0
2,136,556	0	2,136,556	0	0
1,160,530	0	1,160,530	1,689	480
254,633	0	254,633	0	0
8,704	0	8,704	0	0
0	700	700	5,530	0
220,403	6,842	227,245	864	0
21,777,158	7,542	21,784,700	8,083	480
4,833,130	299,894	5,133,024	49,522	3,243
166,492,693	3,616,557	170,109,250	507,346	96,654
<u>\$171,325,823</u>	<u>\$3,916,451</u>	<u>\$175,242,274</u>	<u>\$556,868</u>	<u>\$99,897</u>

**Washington County, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2010*

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	County Home
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$7,653,070	\$506,023	\$3,705,397	\$3,661,048	\$3,800,311
Cash and Cash Equivalents in Segregated Accounts	16,628	0	0	0	0
Investments in Segregated Accounts	0	0	0	0	0
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	57,629	0	0	0	0
Materials and Supplies Inventory	56,670	11,899	328,293	0	17,565
Receivables:					
Property Taxes	2,280,820	0	0	3,276,157	1,960,515
Sales Taxes	2,543,860	0	0	0	0
Accounts	21,035	0	3,004	485	23,652
Intergovernmental	890,498	16,311	2,320,314	1,333,860	195,568
Interfund	45,275	0	1,911	6,000	0
Accrued Interest	0	0	0	0	0
Loans	0	0	0	0	0
Prepaid Items	131,515	3,638	9,882	41,730	11,321
<b>Total Assets</b>	<b>\$13,697,000</b>	<b>\$537,871</b>	<b>\$6,368,801</b>	<b>\$8,319,280</b>	<b>\$6,008,932</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$187,168	\$28,349	\$78,356	\$103,695	\$44,645
Contracts Payable	0	0	25,500	0	0
Retainage Payable	0	0	0	0	0
Accrued Wages Payable	126,117	34,564	28,786	64,365	24,006
Matured Compensated Absences Payable	0	2,437	0	0	0
Accrued Vacation Leave Payable	0	902	0	0	0
Interfund Payable	0	4,694	0	15,028	0
Intergovernmental Payable	381,061	102,536	43,590	201,191	39,173
Deferred Revenue	3,847,660	241,668	1,525,655	4,255,276	2,156,083
<b>Total Liabilities</b>	<b>4,542,006</b>	<b>415,150</b>	<b>1,701,887</b>	<b>4,639,555</b>	<b>2,263,907</b>
<b>Fund Balances</b>					
Reserved for Encumbrances	535,168	32,741	978,985	119,996	110,536
Reserved for Unclaimed Monies	57,629	0	0	0	0
Reserved for Loans	0	0	0	0	0
Unreserved:					
Undesignated, Reported in:					
General Fund	8,562,197	0	0	0	0
Special Revenue Funds	0	89,980	3,687,929	3,559,729	3,634,489
Debt Service Fund	0	0	0	0	0
Capital Projects Funds	0	0	0	0	0
<b>Total Fund Balances</b>	<b>9,154,994</b>	<b>122,721</b>	<b>4,666,914</b>	<b>3,679,725</b>	<b>3,745,025</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$13,697,000</b>	<b>\$537,871</b>	<b>\$6,368,801</b>	<b>\$8,319,280</b>	<b>\$6,008,932</b>

See accompanying notes to the basic financial statements

Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
\$684,238	\$5,504,015	\$25,514,102
0	1,274	17,902
0	401,394	401,394
0	0	57,629
0	7,303	421,730
0	1,378,548	8,896,040
0	0	2,543,860
59,983	31,201	139,360
1,805,362	1,240,935	7,802,848
0	0	53,186
0	2,934	2,934
0	2,132	2,132
9,558	58,056	265,700
<u>\$2,559,141</u>	<u>\$8,627,792</u>	<u>\$46,118,817</u>
\$118,303	\$161,950	\$722,466
0	26,772	52,272
0	98,267	98,267
3,783	44,844	326,465
0	0	2,437
0	0	902
0	32,494	52,216
8,581	152,942	929,074
790,816	2,467,236	15,284,394
<u>921,483</u>	<u>2,984,505</u>	<u>17,468,493</u>
150,225	263,471	2,191,122
0	0	57,629
0	2,076	2,076
0	0	8,562,197
1,487,433	4,629,567	17,089,127
0	62,165	62,165
0	686,008	686,008
<u>1,637,658</u>	<u>5,643,287</u>	<u>28,650,324</u>
<u>\$2,559,141</u>	<u>\$8,627,792</u>	<u>\$46,118,817</u>

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**Washington County, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
December 31, 2010*

<b>Total Governmental Fund Balances</b>		\$28,650,324
 <b><i>Amounts reported for governmental activities  in the statement of net assets are different  because</i></b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		142,022,040
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	689,024	
Sales Taxes	952,640	
Intergovernmental Revenues	5,152,574	
Charges for Services	42,177	
Interest Revenues	2,934	
Contributions and Donations	2,025	
Miscellaneous Revenue	155	
	6,841,529	6,841,529
An internal service fund is used by management to charge the costs of providing health care insurance to the Board of Developmental Disabilities employees and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		334,729
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(1,171,727)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		77,441
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds Payable	(4,533,373)	
Compensated Absences Payable	(535,318)	
Accrued Interest Payable	(23,799)	
Energy Conservation Bonds Payable	(303,799)	
Capital Leases Payable	(32,224)	
	(5,428,513)	(5,428,513)
<b>Net Assets of Governmental Activities</b>		<b><u><u>\$171,325,823</u></u></b>

See accompanying notes to the basic financial statements

**Washington County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2010*

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	County Home
<b>Revenues</b>					
Property Taxes	\$2,310,043	\$0	\$0	\$3,038,140	\$1,807,835
Sales Taxes	9,811,460	0	0	0	0
Charges for Services	2,845,899	0	55,910	208,787	255,008
Licenses and Permits	3,355	0	0	0	0
Fines and Forfeitures	107,393	0	31,786	0	0
Intergovernmental	2,266,507	4,900,968	6,242,221	5,046,280	722,090
Interest	1,162,173	0	138,812	0	0
Rent	120,557	0	0	0	23,260
Contributions and Donations	5,004	0	0	25,284	1,025
Miscellaneous	170,461	70	3,141	21,641	256
<i>Total Revenues</i>	<u>18,802,852</u>	<u>4,901,038</u>	<u>6,471,870</u>	<u>8,340,132</u>	<u>2,809,474</u>
<b>Expenditures</b>					
Current:					
General Government:					
Legislative and Executive	4,738,027	0	0	0	0
Judicial	1,575,160	0	0	0	0
Public Safety	7,152,865	0	0	0	0
Public Works	1,011,057	0	5,261,186	0	0
Health:					
Alcohol, Drug, and Mental Health	0	0	0	0	0
Board of Developmental Disabilities	0	0	0	7,644,325	0
County Home	0	0	0	0	2,768,545
Other Health	114,109	0	0	0	0
Human Services:					
Child Support Enforcement	0	0	0	0	0
Children Services	0	0	0	0	0
Job and Family Services	0	5,136,465	0	0	0
Other Human Services	454,184	0	0	0	0
Economic Development and Assistance	117,782	0	0	0	0
Intergovernmental	0	0	0	0	0
Debt Service:					
Principal Retirement	155,747	9,074	0	80,541	0
Interest and Fiscal Charges	119,539	214	0	4,201	0
<i>Total Expenditures</i>	<u>15,438,470</u>	<u>5,145,753</u>	<u>5,261,186</u>	<u>7,729,067</u>	<u>2,768,545</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,364,382</u>	<u>(244,715)</u>	<u>1,210,684</u>	<u>611,065</u>	<u>40,929</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Capital Assets	21,075	0	0	0	0
Inception of Capital Lease	39,611	0	0	0	0
Proceeds of OWDA Loans	0	0	0	0	0
Transfers In	159,953	229,569	4,856	0	0
Transfers Out	(1,633,419)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,412,780)</u>	<u>229,569</u>	<u>4,856</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,951,602	(15,146)	1,215,540	611,065	40,929
<i>Fund Balances Beginning of Year</i>	<u>7,203,392</u>	<u>137,867</u>	<u>3,451,374</u>	<u>3,068,660</u>	<u>3,704,096</u>
<i>Fund Balances End of Year</i>	<u><u>\$9,154,994</u></u>	<u><u>\$122,721</u></u>	<u><u>\$4,666,914</u></u>	<u><u>\$3,679,725</u></u>	<u><u>\$3,745,025</u></u>

See accompanying notes to the basic financial statements



Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
\$0	\$944,370	\$8,100,388
0	0	9,811,460
0	1,794,524	5,160,128
0	188,966	192,321
0	375,210	514,389
5,534,761	4,199,077	28,911,904
0	11,393	1,312,378
0	134,076	277,893
0	6,295	37,608
184	24,495	220,248
<u>5,534,945</u>	<u>7,678,406</u>	<u>54,538,717</u>
0	596,143	5,334,170
0	523,286	2,098,446
0	1,038,594	8,191,459
0	1,200	6,273,443
5,087,723	0	5,087,723
0	0	7,644,325
0	0	2,768,545
0	158,859	272,968
0	884,189	884,189
0	2,434,948	2,434,948
0		5,136,465
0	1,186,686	1,640,870
0	472,995	590,777
0	719,353	719,353
0	282,517	527,879
0	128,355	252,309
<u>5,087,723</u>	<u>8,427,125</u>	<u>49,857,869</u>
<u>447,222</u>	<u>(748,719)</u>	<u>4,680,848</u>
0	7,500	28,575
0	0	39,611
0	16,355	16,355
30,000	1,368,994	1,793,372
0	(159,953)	(1,793,372)
<u>30,000</u>	<u>1,232,896</u>	<u>84,541</u>
477,222	484,177	4,765,389
<u>1,160,436</u>	<u>5,159,110</u>	<u>23,884,935</u>
<u>\$1,637,658</u>	<u>\$5,643,287</u>	<u>\$28,650,324</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, 2010*

**Net Change in Fund Balances - Governmental Funds** \$4,765,389

**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 depreciation exceeded capital outlay in the current period:

Capital Asset Additions	1,377,557	
Capital Contribution	6,195	
Current Year Depreciation	<u>(1,410,508)</u>	(26,756)

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

Disposal of Capital Assets	(237,941)	
Proceeds from Sale of Capital Assets	<u>(28,575)</u>	(266,516)

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

Property Taxes	86,813	
Sales Tax	(2,328)	
Intergovernmental	(187,708)	
Interest	(98)	
Charges for Services	(18,084)	
Contributions and Donations	2,025	
Miscellaneous	<u>155</u>	(119,225)

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

General Obligation Bonds Payable	411,162	
Loans Payable	16,355	
Capital Lease Payable	<u>19,821</u>	447,338

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	6,430	
Energy Conservation Bond Premium	2,333	
Accrued Interest Payable	2,450	
Amortization of Issuance Costs	(7,531)	
Amortization of Discount	<u>(1,733)</u>	1,949

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. (39,611)

Debt proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. Governmental funds report the effect of premiums and discounts when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities: (16,355)

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	70,078	
Early Retirement Incentive Payable	80,541	
Compensated Absences Payable	<u>(39,572)</u>	111,047

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. (24,130)

**Change in Net Assets of Governmental Activities** \$4,833,130

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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$2,311,730	\$2,314,395	\$2,314,406	\$11
Sales Taxes	8,656,915	9,351,795	9,664,884	313,089
Charges for Services	2,389,064	2,782,791	2,857,796	75,005
Licenses and Permits	3,000	3,100	3,355	255
Fines and Forfeitures	113,000	109,810	110,399	589
Intergovernmental	2,195,916	2,225,808	2,241,453	15,645
Interest	1,047,025	1,038,763	1,149,136	110,373
Rent	128,412	112,312	120,557	8,245
Contributions and Donations	0	0	5,004	5,004
Miscellaneous	47,441	178,016	197,123	19,107
<i>Total Revenues</i>	<u>16,892,503</u>	<u>18,116,790</u>	<u>18,664,113</u>	<u>547,323</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	5,380,534	5,601,628	5,005,103	596,525
Judicial	1,744,247	1,759,430	1,662,796	96,634
Public Safety	8,148,495	8,175,593	7,334,616	840,977
Public Works	1,347,679	1,354,808	1,048,561	306,247
Health	118,215	118,215	118,081	134
Human Services	1,293,097	565,097	457,486	107,611
Economic Development and Assistance	118,521	118,521	114,521	4,000
Debt Service:				
Principal Retirement	264,188	145,000	145,000	0
Interest and Fiscal Charges	0	119,188	119,188	0
<i>Total Expenditures</i>	<u>18,414,976</u>	<u>17,957,480</u>	<u>16,005,352</u>	<u>1,952,128</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,522,473)</u>	<u>159,310</u>	<u>2,658,761</u>	<u>2,499,451</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	875	20,575	21,075	500
Advance In	40,000	66,113	68,999	2,886
Advance Out	(40,000)	(64,696)	(64,696)	0
Transfers In	55,000	159,953	159,953	0
Transfers Out	(210,658)	(1,641,106)	(1,633,419)	7,687
<i>Total Other Financing Sources (Uses)</i>	<u>(154,783)</u>	<u>(1,459,161)</u>	<u>(1,448,088)</u>	<u>11,073</u>
<i>Net Change in Fund Balance</i>	<u>(1,677,256)</u>	<u>(1,299,851)</u>	<u>1,210,673</u>	<u>2,510,524</u>
<i>Fund Balance Beginning of Year</i>	4,641,646	4,641,646	4,641,646	0
Prior Year Encumbrances Appropriated	838,642	838,642	838,642	0
<i>Fund Balance End of Year</i>	<u>\$3,803,032</u>	<u>\$4,180,437</u>	<u>\$6,690,961</u>	<u>\$2,510,524</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, 2010*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$6,064,607	\$6,064,607	\$4,550,669	(\$1,513,938)
Other	0	0	70	70
<i>Total Revenues</i>	6,064,607	6,064,607	4,550,739	(1,513,868)
<b>Expenditures</b>				
Current:				
Human Services	6,478,647	5,629,013	5,163,578	465,435
<i>Total Expenditures</i>	6,478,647	5,629,013	5,163,578	465,435
<i>Excess of Revenues Under Expenditures</i>	(414,040)	435,594	(612,839)	(1,048,433)
<b>Other Financing Uses</b>				
Transfers In	229,569	229,569	229,569	0
<i>Net Change in Fund Balance</i>	(184,471)	665,163	(383,270)	(1,048,433)
<i>Fund Balance Beginning of Year</i>	569,710	569,710	569,710	0
Prior Year Encumbrances Appropriated	235,471	235,471	235,471	0
<i>Fund Balance End of Year</i>	<u>\$620,710</u>	<u>\$1,470,344</u>	<u>\$421,911</u>	<u>(\$1,048,433)</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, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for Services	\$15,000	\$55,093	\$55,910	\$817
Fines and Forfeitures	40,000	31,068	36,797	5,729
Intergovernmental	5,708,000	5,652,710	6,214,716	562,006
Interest	40,000	138,812	138,812	0
Miscellaneous	1,600	2,662	2,662	0
<i>Total Revenues</i>	<u>5,804,600</u>	<u>5,880,345</u>	<u>6,448,897</u>	<u>568,552</u>
<b>Expenditures</b>				
Current:				
Public Works	8,130,054	8,211,598	6,480,436	1,731,162
<i>Excess of Revenues Under Expenditures</i>	(2,325,454)	(2,331,253)	(31,539)	2,299,714
<b>Other Financing Source</b>				
Transfers In	0	4,856	4,856	0
<i>Net Change in Fund Balance</i>	(2,325,454)	(2,326,397)	(26,683)	2,299,714
<i>Fund Balance Beginning of Year</i>	2,356,568	2,356,568	2,356,568	0
Prior Year Encumbrances Appropriated	293,926	293,926	293,926	0
<i>Fund Balance End of Year</i>	<u>\$325,040</u>	<u>\$324,097</u>	<u>\$2,623,811</u>	<u>\$2,299,714</u>

See accompanying notes to the basic financial statements

**Washington County, Ohio**  
*Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Budget Basis)*  
Board of Developmental Disabilities Func  
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$3,030,308	\$3,030,309	\$3,043,699	\$13,390
Charges for Services	265,000	265,000	216,899	(48,101)
Intergovernmental	4,869,020	4,752,960	5,256,952	503,992
Contributions and Donations	10,000	21,624	25,284	3,660
Miscellaneous	57,500	57,500	20,808	(36,692)
<i>Total Revenues</i>	8,231,828	8,127,393	8,563,642	436,249
<b>Expenditures</b>				
Current:				
Health	8,366,358	8,682,982	7,864,302	818,680
<i>Net Change in Fund Balance</i>	(134,530)	(555,589)	699,340	1,254,929
<i>Fund Balance Beginning of Year</i>	2,422,402	2,422,402	2,422,402	0
Prior Year Encumbrances Appropriated	220,868	220,868	220,868	0
<i>Fund Balance End of Year</i>	<u>\$2,508,740</u>	<u>\$2,087,681</u>	<u>\$3,342,610</u>	<u>\$1,254,929</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, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,793,914	\$1,793,914	\$1,811,277	\$17,363
Charges for Services	354,985	354,985	248,701	(106,284)
Intergovernmental	714,269	714,269	722,090	7,821
Rent	22,557	22,557	23,260	703
Contributions and Donations	0	0	1,025	1,025
Miscellaneous	0	0	256	256
<i>Total Revenues</i>	<u>2,885,725</u>	<u>2,885,725</u>	<u>2,806,609</u>	<u>(79,116)</u>
<b>Expenditures</b>				
Current:				
Health	<u>3,266,690</u>	<u>3,266,690</u>	<u>2,915,270</u>	<u>351,420</u>
<i>Net Change in Fund Balance</i>	<u>(380,965)</u>	<u>(380,965)</u>	<u>(108,661)</u>	<u>272,304</u>
<i>Fund Balance Beginning of Year</i>	3,589,674	3,589,674	3,589,674	0
Prior Year Encumbrances Appropriated	<u>128,640</u>	<u>128,640</u>	<u>128,640</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,337,349</u></u>	<u><u>\$3,337,349</u></u>	<u><u>\$3,609,653</u></u>	<u><u>\$272,304</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, 2010*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$10,579,828	\$5,125,455	\$5,102,644	(\$22,811)
<b>Expenditures</b>				
Current:				
Health	<u>5,629,431</u>	<u>5,686,662</u>	<u>5,319,899</u>	<u>366,763</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	4,950,397	(561,207)	(217,255)	(389,574)
<b>Other Financing Source</b>				
Transfers In	<u>173,543</u>	<u>30,000</u>	<u>30,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	5,123,940	(531,207)	(187,255)	343,952
<i>Fund Balance Beginning of Year</i>	352,411	352,411	352,411	0
Prior Year Encumbrances Appropriated	<u>318,043</u>	<u>318,043</u>	<u>318,043</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$5,794,394</u></u>	<u><u>\$139,247</u></u>	<u><u>\$483,199</u></u>	<u><u>\$343,952</u></u>

See accompanying notes to the basic financial statements



**Washington County, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2010*

	Business-Type Activity	Governmental Activities
	Sewer Enterprise Fund	Internal Service Funds
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$291,550	\$334,729
Receivables:		
Accounts	189,931	0
Intergovernmental	564,469	0
Special Assessments	111,554	0
Prepaid Items	9,789	0
<i>Total Current Assets</i>	1,167,293	334,729
Noncurrent Assets:		
Non-Depreciable Capital Assets	1,026,452	0
Depreciable Capital Assets, Net	4,126,964	0
<i>Total Assets</i>	6,320,709	334,729
<b>Liabilities</b>		
Current Liabilities:		
Accounts Payable	16,383	0
Contracts Payable	588,368	0
Accrued Wages Payable	1,899	0
Vacation Benefits Payable	2,710	0
Intergovernmental Payable	23,218	0
Accrued Interest Payable	6,355	0
Retainage Payable	63,914	0
Interfund Payable	970	0
Current Portion of OWDA Loan Payable	21,270	0
Current Portion of OPWC Loans Payable	23,536	0
Current Portion of FHA Loan Payable	13,000	0
<i>Total Current Liabilities</i>	761,623	0
Long-Term Liabilities (Net of Current Portion):		
Compensated Absences Payable	742	0
OWDA Loans Payable	729,680	0
OPWC Loans Payable	168,713	0
FHA Sewer Loan Payable	743,500	0
<i>Total Long-Term Liabilities</i>	1,642,635	0
<i>Total Liabilities</i>	2,404,258	0
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	3,453,717	0
Unrestricted	462,734	334,729
<i>Total Net Assets</i>	\$3,916,451	\$334,729

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, 2010*

	Business-Type Activity <u>Sewer Enterprise Fund</u>	Governmental Activities <u>Internal Service Funds</u>
<b>Operating Revenues</b>		
Charges for Services	\$786,379	\$0
<i>Total Operating Revenues</i>	<u>786,379</u>	<u>0</u>
<b>Operating Expenses</b>		
Personal Services	101,660	0
Fringe Benefits	36,103	0
Contractual Services	759,657	0
Contractual Services - Workers Compensation	0	24,130
Materials and Supplies	34,966	0
Depreciation	190,929	0
Capital Outlay	14,082	0
Other	41,411	0
<i>Total Operating Expenses</i>	<u>1,178,808</u>	<u>24,130</u>
<i>Operating Loss</i>	(392,429)	(24,130)
<b>Non-Operating Revenue (Expenses)</b>		
Intergovernmental	743,920	0
Gain on Sale of Capital Assets	700	0
Other Non-Operating Revenue	6,842	0
Interest and Fiscal Charges	(59,139)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>692,323</u>	<u>0</u>
<i>Change in Net Assets</i>	299,894	(24,130)
<i>Net Assets Beginning of Year</i>	<u>3,616,557</u>	<u>358,859</u>
<i>Net Assets End of Year</i>	<u><u>\$3,916,451</u></u>	<u><u>\$334,729</u></u>

See accompanying notes to the basic financial statements

**Washington County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2010

	Business-Type Activity Sewer Enterprise Fund	Governmental Activities- Internal Service Funds
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$754,713	\$0
Cash Payments for Employee Services and Benefits	(135,082)	0
Cash Payments for Goods and Services	(283,611)	0
Cash Payments for Workers' Compensation Premiums	0	(24,130)
Other Operating Expenses	(41,207)	0
	<u>294,813</u>	<u>(24,130)</u>
<i>Net Cash Used for Operating Activities</i>		
	<u>294,813</u>	<u>(24,130)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Intergovernmental	179,451	0
	<u>179,451</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Capital Assets	700	0
Special Assessments	36,814	0
Payments for Capital Acquisitions	(764,110)	0
Proceeds from OWDA Loan	536,717	0
Principal Paid on Debt	(127,342)	0
Interest and Fiscal Charges Paid on Debt	(58,548)	0
	<u>(375,769)</u>	<u>0</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>		
	<u>(375,769)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>		
	<u>98,495</u>	<u>(24,130)</u>
<i>Cash and Cash Equivalents Beginning of Year</i>		
	<u>193,055</u>	<u>358,859</u>
<i>Cash and Cash Equivalents End of Year</i>		
	<u>\$291,550</u>	<u>\$334,729</u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>		
Operating Loss	(\$392,429)	(\$24,130)
Adjustments:		
Depreciation	190,929	0
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(31,666)	0
Increase in Prepaid Items	(188)	0
Decrease in Accounts Payable	(46,206)	0
Increase in Accrued Wages Payable	773	0
Increase in Vacation Benefits Payable	1,184	0
Decrease in Compensated Absences Payable	(138)	0
Decrease in Interfund Payable	(12,132)	0
Increase in Contracts Payable	588,368	0
Increase in Retainage Payable	63,914	0
Decrease in Judgement Payable	(80,000)	0
Increase in Intergovernmental Payable	12,404	0
	<u>12,404</u>	<u>0</u>
<i>Net Cash Used for Operating Activities</i>		
	<u>\$294,813</u>	<u>(\$24,130)</u>

See accompanying notes to the basic financial statements

**Washington County, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2010*

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,712,438
Cash and Cash Equivalents in Segregated Accounts	427,752
Investments in Segregated Accounts	30,434
Receivables:	
Property Taxes	39,993,116
Accounts	223,200
Special Assessments	631,531
Intergovernmental	<u>3,037,553</u>
 <i>Total Assets</i>	 <u><u>\$46,056,024</u></u>
 <b>Liabilities</b>	
Intergovernmental Payable	\$44,753,501
Undistributed Monies	<u>1,302,523</u>
 <i>Total Liabilities</i>	 <u><u>\$46,056,024</u></u>

See accompanying notes to the basic financial statements

**NOTE 1 - REPORTING ENTITY**

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

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

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

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

***Discretely Presented Component Units***

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

Southeastern Ohio Port Authority (the Authority) was created during 2003, pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution, and research and development interest of Southeastern Ohio, including rendering financial and other assistance to such enterprises situated in the region and to induce the location in Southeastern Ohio of other manufacturing, commerce, distribution, and research entities; to purchase, subdivide, sell, and lease real property in Southeastern Ohio; and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio. The Authority's Board of Directors consists of the number of Directors it deems necessary. They are appointed by the Washington County Commissioners. The County assumes the responsibility to provide financial support to the Authority and is obligated for the debt of the Authority; therefore, it is included as a discretely presented component unit. Separately issued financial statements can be obtained from the Authority in Marietta, Ohio.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
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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 17 and 19 to the Basic Financial Statements. The organizations are:

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

The County is associated with the Washington County Public Library, which is classified as a related organization. Additional information concerning the related organization is presented in Note 18.

**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.

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

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

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

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

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

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

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

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

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

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

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



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

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

*C. Measurement Focus*

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

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

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

*D. Basis of Accounting*

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 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 2010 upon which the final appropriations were based.

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

*F. Cash and Cash Equivalents*

Cash balances of the County's funds, except cash held by a trustee or fiscal agent or held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2010, the County had investments in certificates of deposit, which are reported at cost, and in Federal Home Loan Mortgage Corporation Bonds, 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.

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 2010 amounted to \$1,162,173, which includes \$847,346 assigned from other County funds.

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

WASCO, Inc. considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. As of August 31, 2010, WASCO, Inc. had no investments.

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

*G. Inventory*

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

*H. Restricted Assets*

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

*I. Receivables and Payables*

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

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

*J. Prepaid Items*

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

*K. Interfund Balances*

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

*L. Capital Assets*

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

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

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

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

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

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

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

*M. Compensated Absences*

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

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

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

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

*N. Accrued Liabilities and Long-term Obligations*

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

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

*O. Fund Balance Reserves*

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

*P. Net Assets*

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

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

*Q. Operating Revenues and Expenses*

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

*R. Internal Activity*

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

*S. Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. The County did not have any extraordinary or special items in 2010.

*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 - CHANGE IN ACCOUNTING PRINCIPLE**

For 2010, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the County's financial statements.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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Net Change in Fund Balances  
 General and Major Special Revenue Funds

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	County Home	Mental Health and Addiction Recovery Board
GAAP Basis	\$1,951,602	(\$15,146)	\$1,215,540	\$611,065	\$40,929	\$477,222
Net Adjustment for Revenue Accruals	(128,031)	(350,299)	(23,143)	193,889	(6,307)	(432,378)
Beginning of the Year:						
Unrecorded Cash	36,174	0	649	24,062	0	167
Unreported Interest	94,756	0	0	0	0	0
Segregated Accounts	23,340	0	0	0	0	0
Agency Fund Cash Allocation	70,837	0	0	90,234	55,881	0
Prepaid Items	122,088	2,880	1,097	10,744	1,889	6,848
End of the Year:						
Unrecorded Cash	(44,920)	0	(479)	0	0	(90)
Unreported Interest	(107,793)	0	0	0	0	0
Segregated Accounts	(16,628)	0	0	0	0	0
Agency Fund Cash Allocation	(66,474)	0	0	(84,675)	(52,439)	0
Prepaid Items	(131,515)	(3,638)	(9,882)	(41,730)	(11,321)	(9,558)
Principal Retirement	10,747	9,074	0	80,541	0	0
Net Adjustment for Expenditure Accruals	192,738	57,971	(129,358)	48,973	926	(28,517)
Advances In	68,999	0	0	0	0	0
Advances Out	(64,696)	0	0	0	0	0
Encumbrances	(800,551)	(84,112)	(1,081,107)	(233,763)	(138,219)	(200,949)
Budget Basis	<u>\$1,210,673</u>	<u>(\$383,270)</u>	<u>(\$26,683)</u>	<u>\$699,340</u>	<u>(\$108,661)</u>	<u>(\$187,255)</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

***PRIMARY GOVERNMENT***

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



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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.

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the County's bank balance was \$29,351,595. Of the bank balance, \$771,890 was covered by Federal depository insurance and \$28,579,705 was collateralized with securities held by the pledging financial institution. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

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**Investments** As of December 31, 2010, the County had the following investments:

	Fair Value	Maturity
Federal Home Loan Mortgage Corporation Bonds	\$75,332	10/7/2013
Federal Home Loan Bank Bonds	77,456	3/14/2014
Federal National Mortgage Association Bonds	74,791	12/30/2013
Federal National Mortgage Association Bonds	53,544	4/8/2013
Federal National Mortgage Association Bonds	50,707	7/28/2015
Total	<u>\$331,830</u>	

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

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

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

**Concentration of Credit Risk** Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The County places no limit on the amount it may invest in any one issuer. The County has 54 percent in Federal National Mortgage Association Bonds, 23 percent of its investments in Federal Home Loan Mortgage Corporation Bonds, 23 percent in Federal Home Loan Bank Bonds.

**COMPONENT UNITS**

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

At year end, the Authority's bank balance of \$84,217 was covered by Federal Deposit Insurance Corporation.

**NOTE 6 - RECEIVABLES**

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2010 for real and public utility property taxes represents collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2010 taxes.

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2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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

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

2010 tangible personal property taxes are levied after October 1, 2009, on the value as of December 31, 2009. Collections are made in 2010. In prior years, tangible personal property was assessed at 25 percent of true value for machinery and equipment and 23 percent for inventory. The tangible personal property tax is being phased out – the assessed percentage for all property including inventory for 2010 it was reduced to zero.

The full tax rate for all County operations for the year ended December 31, 2010, was \$9.05 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	\$936,992,430
Public Utility Tangible Personal Property	<u>126,048,040</u>
Total Assessed Value	<u><u>\$1,063,040,470</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2010, 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 2010 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**

<b>Governmental Activities</b>	<u>Amounts</u>
Local Government	\$594,583
Homestead and Rollback	884,740
School Lunch Reimbursement	953
Estate Tax	271
Defense of Indigents	8,340
Job & Family Services Reimbursements	16,311
CSEA Reimbursements	83,215
Prisoner Care	51,301
Board of Developmental Disabilities Reimbursements	53,950
Special Education Part B- IDEA	41,129
Early Childhood Special Education	12,530
Children Services Reimbursements	59,420
VOCA - Victim Assistance	18,287
State Subsidy - Mental Health	697,966
Employment Retention Program Grant	32,747
Motor Vehicle License Tax	1,117,795
Gas Excise Tax	1,152,395
Permissive Motor Vehicle License Tax	49,955
Violence Against Women Grant	7,397
State Homeland Security	19,751
Therapy Services Reimbursement	19,932
Urban Transit Grants	110,545
Title XIX - Medicaid	754,576
Title XX	31,036
Women's Prevention	22,449
Adult Drug Block Grant	28,626
Treatment and Prevention	237,364
Targeted Case Management	72,000
Waiver Administration	213,373
Pathways	76,943
Community Development Block Grants	768,785
Board of DD State Subsidy	368,283
Miscellaneous	195,900
<b>Total Governmental Activities</b>	<u>7,802,848</u>
<b>Business-Type Activities</b>	
OPWC - Lift Stations	341,220
Sewer Program Grant	223,249
<b>Total Business-Type Activities</b>	<u>564,469</u>
<b>Total Intergovernmental Receivable</b>	<u><u>\$8,367,317</u></u>

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**C. Loans Receivable**

The Community Development Block Grant Special Revenue Fund reflects loans receivable of \$2,132. 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 \$2,076.

**NOTE 7 - PERMISSIVE SALES AND USE TAX**

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

A receivable is recognized at year end for amounts that will be received from sales which occurred during 2010.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010
<b>Governmental Activities:</b>				
Non-Depreciable Capital Assets:				
Land	\$626,861	\$0	\$0	\$626,861
Infrastructure	124,767,733	718,255	(249,238)	125,236,750
<b>Total Non-Depreciable Capital Assets</b>	<b>125,394,594</b>	<b>718,255</b>	<b>(249,238)</b>	<b>125,863,611</b>
Depreciable Capital Assets:				
Land Improvements	680,180	0	0	680,180
Buildings and Improvements	21,467,388	137,687	0	21,605,075
Machinery and Equipment	5,649,387	306,391	(52,000)	5,903,778
Furniture and Fixtures	1,213,959	90,310	0	1,304,269
Vehicles	5,736,488	131,109	(160,621)	5,706,976
<b>Total Depreciable Capital Assets</b>	<b>34,747,402</b>	<b>665,497</b>	<b>(212,621)</b>	<b>35,200,278</b>
Accumulated Depreciation:				
Land Improvements	(387,134)	(26,917)	0	(414,051)
Buildings and Improvements	(9,035,678)	(547,243)	0	(9,582,921)
Machinery and Equipment	(3,489,797)	(375,637)	52,000	(3,813,434)
Furniture and Fixtures	(695,262)	(51,498)	0	(746,760)
Vehicles	(4,218,813)	(409,213)	143,343	(4,484,683)
<b>Total Accumulated Depreciation</b>	<b>(17,826,684)</b>	<b>(1,410,508) *</b>	<b>195,343</b>	<b>(19,041,849)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>16,920,718</b>	<b>(745,011)</b>	<b>(17,278)</b>	<b>16,158,429</b>
<b>Governmental Capital Assets, Net</b>	<b>\$142,315,312</b>	<b>(\$26,756)</b>	<b>(\$266,516)</b>	<b>\$142,022,040</b>

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\* Depreciation expense was charged to governmental activities as follows:

General Government:	
Legislative and Executive	\$115,233
Judicial	23,042
Public Safety	466,470
Public Works	360,144
Health:	
Board of Developmental Disabilities	106,825
County Home	95,618
Other Health	2,930
Human Services:	
Child Support Enforcement	1,653
Children Services	115,833
Job and Family Services	100,519
Other Human Services	22,241
Total Depreciation Expense	<b>\$1,410,508</b>

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010
<b>Business-Type Activity:</b>				
Non-Depreciable Capital Assets:				
Land	\$189,760	\$0	\$0	189,760
Construction in Progress	72,582	764,110	0	836,692
Total Non-Depreciable Capital Assets	262,342	764,110	0	1,026,452
Depreciable Capital Assets:				
Buildings and Improvements	851,885	0	0	851,885
Machinery and Equipment	459,273	0	0	459,273
Infrastructure	6,240,666	0	0	6,240,666
Vehicles	16,807	0	(16,807)	0
Total Depreciable Capital Assets	7,568,631	0	(16,807)	7,551,824
Accumulated Depreciation:				
Buildings and Improvements	(564,136)	(18,338)	0	(582,474)
Machinery and Equipment	(375,890)	(26,862)	0	(402,752)
Infrastructure	(2,293,905)	(145,729)	0	(2,439,634)
Vehicles	(16,807)	0	16,807	0
Total Accumulated Depreciation	(3,250,738)	(190,929)	16,807	(3,424,860)
Total Depreciable Capital Assets, Net	4,317,893	(190,929)	0	4,126,964
Business-Type Capital Assets, Net	\$4,580,235	\$573,181	\$0	\$5,153,416

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**COMPONENT UNIT**

Capital asset activity for the Authority for the year ended December 31, 2010, was as follows:

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010
<b>Port Authority:</b>				
Depreciable Capital Assets:				
Equipment and Furniture	\$6,489	\$0	\$0	\$6,489
Accumulated Depreciation:				
Equipment and Furniture	(5,402)	(815)	0	(6,217)
Total Port Authority Capital Assets, Net	<u>\$1,087</u>	<u>(\$815)</u>	<u>\$0</u>	<u>\$272</u>

**NOTE 9 - RISK MANAGEMENT**

**PRIMARY GOVERNMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. During 2010, the County contracted with the County Risk Sharing Authority, Inc. (CORSA), an insurance purchasing pool (see Note 19), 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	103,866,739	2,500
Equipment Breakdown	1,000,000	2,500
Crime	1,000,000	2,500
Stop Gap Liability	1,000,000	2,500
Medical Professional Liability	1,000,000	2,500

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

**COMPONENT UNIT**

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The County's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008, were \$1,898,021, \$1,676,418, and \$1,305,676, respectively. For 2010, 91.75 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$25,825 made by the County and \$18,446 made by the plan members.



***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the fiscal years ended December 31, 2010, 2009, and 2008, were \$72,436, \$73,270, and \$67,069, respectively. For 2010, 98.26 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Contributions to the DC and Combined plans for 2010 were \$3,443 made by the County and \$2,459 made by the plan members.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

***A. Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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.

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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 mandate, 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). The Ohio Revised Code provides the statutory authority requiring 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 members. In 2010, state and local government employers contributed 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

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, 2010, 2009, and 2008, were \$1,010,286, \$1,087,059 and \$1,237,219, respectively. For 2010, 91.75 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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

**B. State Teachers Retirement System**

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

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Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2010, 2009, and 2008, were \$5,572, \$5,636, and \$5,159, respectively. For 2010, 98.26 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

**NOTE 12 - OTHER EMPLOYER BENEFITS**

*A. Deferred Compensation Plan*

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

*B. Compensated Absences*

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

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

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

*C. Insurance Benefits*

During 2010, the County participated with the County Employee Benefits Consortium of Ohio, Inc. (CEBCO) (a risk-sharing pool – see Note 19). CEBCO charges a fixed premium per month per enrolled employee. The premiums, along with an administrative charge, are paid into each participating County funds and, in turn, the premiums are paid to CEBCO. Premiums charged by CEBCO are based upon the County's claims experience. An excess coverage policy covers annual individual claims in excess of \$50,000 with an unlimited maximum. CEBCO retains liability for claims that exceed the expected losses and charged premiums.

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The County provides employee medical/surgical benefits, life insurance, and accidental death and dismemberment insurance to employees, except Children Services, through Anthem Blue Cross/Blue Shield. The plan has \$1,000 single and \$2,000 family deductible limits. Except for employees of the Mental Health, Soldiers Relief, and Health Department, the County pays 80 percent of the total monthly premium for both single and family coverage. The County pays 100 percent for both single and family coverage for employees of the Mental Health Department and Soldiers Relief. The County pays 81 percent for both single and family coverage for employees of the Health Department. Premiums are paid from the same funds that pay the employee's salaries.

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

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

*D. Early Retirement Incentive*

In prior years, the Washington County Board of Developmental Disabilities approved an early retirement incentive program for employees who are members of the State Teachers Retirement System (STRS). Participation was open to employees who were eligible to retire on July 1, 2005, upon purchase of service credit under the incentive program. The Board purchased five years of service credit for each eligible participant. The Board is paying the liability for the purchased credit in installments. At December 31, 2010, the Early Retirement Incentive was paid in full.

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

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

Equipment acquired by leases has been capitalized in the government wide statements for governmental activities in the amount of \$96,099, 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 \$43,540 as of December 31, 2010. Principal payments for all capital leases during 2010 totaled \$19,821.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2010*

Future minimum lease payments through 2014 are as follows:

Year	Governmental Activities	
	Principal	Interest
2011	\$8,849	\$2,248
2012	7,166	1,984
2013	7,775	1,375
2014	8,434	716
Total	\$32,224	\$6,323

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

	Original Issue Amount	Principal Outstanding 12/31/09	Additions	Deductions	Principal Outstanding 12/31/10	Amounts Due within One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
1998 - Juvenile Center - 4.4%-5.9%	\$1,800,000	\$1,045,000	\$0	\$95,000	\$950,000	\$100,000
2004 - Capital Facilities Jail:						
Serial - 2%-4.25%	2,090,000	1,335,000	0	145,000	1,190,000	150,000
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		89,493	0	6,430	83,063	0
Bond Discount		(24,111)	0	(1,733)	(22,378)	0
2009 - Capital Facilities Clerk of Courts - 3.75%	193,850	193,850	0	46,162	147,688	47,429
1996 - Building Acquisition - Job and Family Services - 3.75%-5.5%	1,740,000	960,000	0	85,000	875,000	90,000
Total General Obligation Bonds		4,909,232	0	375,859	4,533,373	387,429
2006 Energy Conservation Bond - 5.00%	440,000	330,000	0	40,000	290,000	45,000
Bond Premium		16,132	0	2,333	13,799	0
2009 OWDA Home Sewage Treatment Systems Loan - 0%	180,000	0	16,355	16,355	0	0
Compensated Absences - Sick Leave		495,746	129,682	90,110	535,318	0
Early Retirement Incentive Payable		80,541	0	80,541	0	0
Capital Leases		12,434	39,611	19,821	32,224	8,849
Total Governmental Activities		\$5,844,085	\$185,648	\$625,019	\$5,404,714	\$441,278

*(continued)*

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2010

	Original Issue Amount	Principal Outstanding 12/31/09	Additions	Deductions	Principal Outstanding 12/31/10	Amounts Due within One Year
<b>Business-Type Activities:</b>						
OPWC Loans:						
1995 - Devola Sewer Loan - 0%	\$328,552	\$82,138	\$0	\$16,428	\$65,710	\$8,214
1999 - Cherry Blossom Sewer Loan - 2.00%	80,370	44,170	0	2,006	42,164	4,072
1998 - Barlow Vincent Sewer Plant Loan - 0%	225,000	90,000	0	5,625	84,375	11,250
Total OPWC Loans		216,308	0	24,059	192,249	23,536
1997 - FHA Sewer Loan - 0%	873,000	768,500	0	12,000	756,500	13,000
OWDA Loans:						
2004 - OWDA Sewer Loan - 3.41%	279,030	223,333	0	12,138	211,195	6,225
2008 - OWDA Sewer Planning Loan - 4.95%	818	16	0	16	0	0
2009 - OWDA Sewer Planning and Design Loan - 5.45%	94,720	70,860	23,860	42,250	52,470	0
2009 - OWDA River Sewer Rehabilitation Loan - 1.50%	283,024	989	203,582	12,233	192,338	0
2009 - OWDA Sewer Design Loan - 4.42%	210,021	717	209,305	5,108	204,914	5,108
2010 - OWDA Oak Grove Sewer Design Loan - 4.42%	384,053	0	9,601	9,601	0	0
2010 - OWDA Devola Samitary Sewer Improvements Design Loan - 4.42%	397,986	0	73,509	9,937	63,572	9,937
2010 - OWDA Lift Station and Sewer Improvements Loan - 1.50%	226,522	0	26,461	0	26,461	0
Total OWDA Loans		295,915	546,318	91,283	750,950	21,270
Compensated Absences - Sick Leave		880	0	138	742	0
Total Business-Type Activity		\$1,281,603	\$546,318	\$127,480	\$1,700,441	\$57,806

**A. Governmental Activities**

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

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

Early retirement incentive liabilities were paid from the Board of Developmental Disabilities Special Revenue Fund.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2010

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
2011	\$432,429	\$230,499	\$662,928
2012	449,207	211,647	660,854
2013	466,052	191,806	657,858
2014	435,000	170,242	605,242
2015	455,000	149,617	604,617
2016-2020	1,810,000	432,369	2,242,369
2021-2023	715,000	83,662	798,662
Total	<u>\$4,762,688</u>	<u>\$1,469,842</u>	<u>\$6,232,530</u>

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

Year	Amount
2017	\$190,000

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

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

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

*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.

*OWDA Loan* On August 18, 2009, the County entered into an agreement with the Ohio Water Development Authority (OWDA) for a loan through the Water Pollution Control Loan Account to finance the Home Sewage Treatment System Improvements Projects. The loan was approved for the total project costs estimated in the amount of \$180,000. This entire amount represents Water Pollution Control Assistance Fund (WPCLF) American Recovery and Reinvestment Act (ARRA) Principal Forgiveness. As of December 31, 2010, the County had requested \$82,429 from the Water Pollution Loan Account and the entire amount has been forgiven, therefore no liability exists.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2010*

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***B. Business-Type Activity***

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

The 2008 Ohio Water Development Authority (OWDA) Sewer Planning Loan relates to a project for engineering design of various Sewer projects. As of December 31, 2010, this loan has been fully drawn down, but no amortization schedule exists. The loan is payable solely from net revenues along with a one time charge of \$1,000 per household to the residents in the Oxbow area. The loan is payable through 2024.

The 2009 Ohio Water Development Authority (OWDA) Planning & Design for I & I Remediation Loan relates to a project for engineering and design of the Oxbow and Riverview sewer systems. As of December 31, 2010, this loan has not been fully drawn down and no amortization schedule exists. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

The 2009 Ohio Water Development Authority (OWDA) Force Main & Lift Station Design Loan relates to the construction of two lift stations to provide sanitary sewer service to the Devola and Oak Grove communities. As of December 31, 2010, this loan has been fully drawn down and an amortization schedule exists and will be paid through 2015. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 2010 Ohio Water Development Authority (OWDA) Oak Grove Sewer Design Loan relates to the rehabilitation of sewer lines in the Oak Grove Community. As of December 31, 2010, this loan has not been fully drawn down and no amortization schedule exists. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 2010 Ohio Water Development Authority (OWDA) Devola Sanitary Sewer Improvements Phase II Design Loan relates to the rehabilitation of sewer lines in the Devola Community. As of December 31, 2010, this loan has not been fully drawn down and no amortization schedule exists. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 2010 Ohio Water Development Authority (OWDA) Lift Station and Sewer Improvements Loan relates to the rehabilitation of sewer lines for the Oxbow Sanitary Sewer System. As of December 31, 2010, this loan has not been fully drawn down and no amortization schedule exists. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The County has pledged future customer revenues, net of specified operating expenses, to repay \$750,950 in OWDA loans issued from 2004 to 2010. Proceeds from these loans provided financing for various sewer projects. The loans are payable solely from customer net revenues and are 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 bonds are expected to require less than 75 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans is \$845,119. Principal and interest payments for the current year were \$48,453, net revenues were \$549,962, and total revenues were \$1,537,841.



**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2010*

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
2011	\$42,761	\$38,469	\$81,230
2012	58,101	41,172	99,273
2013	59,614	39,949	99,563
2014	60,663	38,758	99,421
2015	53,506	37,526	91,032
2016-2020	221,391	167,298	388,689
2021-2025	194,898	128,371	323,269
2026-2030	159,500	92,009	251,509
2031-2035	208,500	51,963	260,463
2036-2037	101,000	6,897	107,897
Total	<u>\$1,159,934</u>	<u>\$642,412</u>	<u>\$1,802,346</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 \$25,076,012 and the unvoted debt margin was \$20,603,324 at December 31, 2010.

*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, 2010, \$90,330,000 of industrial revenue bonds had been issued, and \$67,829,176 of those remained outstanding.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2010

**NOTE 15 – INTERFUND TRANSFERS AND BALANCES**

Interfund balances, as of December 31, 2010, consist of the following individual interfund receivables and payables:

Interfund Payable	Interfund Receivable			Total
	Major Funds			
	General	Board of Developmental Disabilities	Motor Vehicle and Gasoline Tax	
Major Funds:				
Job and Family Services	\$ 4,694	\$0	\$0	\$ 4,694
County Board of Developmental Disabilities	15,028	0	0	15,028
Sewer	970	0	0	970
Other Governmental Funds	24,583	6,000	1,911	32,494
	<u>\$ 45,275</u>	<u>\$ 6,000</u>	<u>\$ 1,911</u>	<u>\$ 53,186</u>

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

Interfund transfers for the year ended December 31, 2010, consisted of the following:

Transfer Out	Transfer In				Total
	Major Funds				
	General	Job and Family Services	Mental Health and Addiction Recovery Board	Motor Vehicle and Gasoline Tax	Other Nonmajor Governmental
Major Funds:					
General Fund	\$0	\$229,569	\$30,000	\$4,856	\$1,368,994
Other Nonmajor Governmental	159,953	0	0	0	0
Total All Funds	<u>\$159,953</u>	<u>\$229,569</u>	<u>\$30,000</u>	<u>\$4,856</u>	<u>\$1,368,994</u>
					<u>\$1,793,372</u>

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

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2010*

**NOTE 16 - CONTRACTUAL COMMITMENTS**

As of December 31, 2010, the County had a contractual purchase commitment as follows:

<u>Project</u>	<u>Fund</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of 12/31/2010</u>	<u>Amount Remaining on Contract</u>
Revaluation	Misc. Local Funds	\$1,015,000	\$1,004,234	\$10,766
Lift Station	Sewer	245,240	0	245,240
Riverview	Sewer	133,350	124,810	8,540
Oxbow Sanitary Sewer Rehabilitation	Sewer	476,750	101,775	374,975
		<u>\$1,870,340</u>	<u>\$1,230,819</u>	<u>\$639,521</u>

**NOTE 17 - 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 2010, the District received \$27,915 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 2010. 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.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2010*

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Washington-Morgan Community Action Corporation

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

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 Council include the Washington County Health Department, the Regional Office of Youth Services, the Washington County Juvenile Court, the Washington County Mental Health Board, Washington County Children Services, the General Health District, a representative from the City of Marietta Health Department, and a representative of the Washington County School Districts. The operation of the Council is controlled by an advisory committee which consists of a representative from each agency. In 2010, the County contributed \$133,117.

D. 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 2010, 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.

E. 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 2010, the Council received \$700 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

**Washington County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2010*

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

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

*H. Ohio Valley Employment Resource (OVER)*

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

**NOTE 18 - 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 19 - 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 2010 was \$291,700.

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

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

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

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

**NOTE 20 - 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 \$673,594.

**NOTE 21 - FOOD STAMPS**

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

**NOTE 22 - CONTINGENT LIABILITIES**

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

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

**Washington County, Ohio**  
*Required Supplementary Information*  
*Condition Assessments of the County's Infrastructure*  
*Reported Using the Modified Approach*  
*December 31, 2010*

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

**County Roads**

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

Conditon 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, 2010*

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, 2010, 2009, 2008, and 2007:

Condition Category	Road Condition as of December 31,							
	2010		2009		2008		2007	
	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation
Excellent	33%	100%	36%	100%	39%	100%	44%	100%
Good	61%	67%	60%	64%	57%	61%	43%	56%
Fair	4%	6%	4%	4%	3%	4%	9%	13%
Poor	2%	2%	0%	0%	1%	1%	4%	0%
Failed	0%	0%	0%	0%	0%	0%	0%	0%

Bridge General Appraisal	Bridge Condition as of December 31,							
	2010		2009		2008		2007	
	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation
9	2%	2%	0%	0%	2%	2%	1%	1%
8	8%	10%	4%	4%	6%	8%	6%	7%
7	41%	51%	31%	35%	23%	31%	23%	30%
6	35%	86%	44%	79%	42%	73%	42%	72%
5	10%	96%	16%	95%	18%	91%	18%	90%
4	4%	100%	5%	100%	8%	99%	8%	98%
3	0%	100%	0%	100%	1%	100%	1%	99%
2	0%	100%	0%	100%	0%	100%	1%	100%
1	0%	100%	0%	100%	0%	100%	0%	100%

Budget versus actual expenditures for roads and bridges maintenance for 2010, 2009, 2008, and 2007:

Total Road and Bridge Maintenance Expense	Budgeted	Actual	Difference
2010	\$5,940,672	\$4,467,918	\$1,472,754
2009	4,594,964	3,726,816	868,148
2008	4,692,793	4,076,340	616,453
2007	2,089,066	1,665,705	423,361



WASHINGTON COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass-Through Entity Number or Grant Year	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
SNAP Cluster:			
State Administrative Grants for the Supplemental Nutrition Assistance Program	G-89-20-1165/G-1011-11-5128	10.561	\$ 439,118
ARRA - State Administrative Grants for the Supplemental Nutrition Assistance Program	2010	10.561	<u>25,448</u>
Total SNAP Cluster			464,566
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Cash Assistance:			
School Breakfast Program	2009/2010	10.553	34,600
National School Lunch Program	2009/2010	10.555	22,260
Summer Food Service Program for Children	2009/2010	10.559	<u>29,338</u>
Total Child Nutrition Cluster			<u>86,198</u>
Total U.S. Department of Agriculture			550,764
<b><u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants - State's Program Cluster			
Community Development Block Grants - State's Program	B-C-08-077-1	14.228	2,500
	B-F-07-077-1	14.228	18,500
	B-F-08-077-1	14.228	104,716
	B-F-09-077-1	14.228	94,500
ARRA - Community Development Block Grants - State's Program	B-R-09-077-1	14.255	<u>177,450</u>
Total Community Development Block - State's Program Cluster			397,666
HOME Investment Partnerships Program	B-C-08-077-2	14.239	<u>159,175</u>
Total U.S. Department of Housing and Urban Development			556,841
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<i>Direct Award:</i>			
Edward Byrne Memorial Justice Assistance Grant Programs Cluster:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	2009-RA-C01-2093	16.803	37,719
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	2009-SB-B9-2660	16.804	<u>19,191</u>
Total Edward Byrne Memorial Justice Assistance Grant Programs Cluster			56,910
<i>Passed Through Ohio Attorney General's Office:</i>			
Crime Victim Assistance	2010VAGENE253	16.575	16,433
	2011VAGENE253		<u>5,561</u>
Total Crime Victim Assistance			21,994
<i>Passed Through Ohio Office of Criminal Justice Services:</i>			
ARRA - Violence Against Women Formula Grants (Recovery)	2009-AR-VA4-1268	16.588	<u>27,499</u>
Total U.S. Department of Justice			106,403
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Direct Award:</i>			
Federal Transit - Formula Grants	OH-90-0697	20.507	199,187
	OH-90-0619		1,096
	OH-90-0661		7,817
ARRA - Federal Transit - Formula Grants	OH-96-X028-00		<u>291,492</u>
Total Federal Transit - Formula Grants			499,592

WASHINGTON COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number or Grant Year	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF TRANSPORTATION (Continued)</u></b>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	N/A	20.205	417,527
Total Highway Planning and Construction Cluster			417,527
<i>Passed Through Ohio Department of Public Safety:</i>			
State and Community Highway Safety	HVEO-2010-84-00-00-00282-00 HVEO-2011-84-00-00-00471-00	20.600	23,495
			6,699
Total State and Community Highway Safety			30,194
Total U.S. Department of Transportation			947,313
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>			
<i>Passed Through Ohio Environmental Protection Agency:</i>			
ARRA - Capitalization Grants for Clean Water State Revolving Funds	N/A	66.458	18,379
Total U.S. Environmental Protection Agency			18,379
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	2010	84.027	32,889
ARRA - Special Education Grants to States, Recovery Act	2010	84.391	33,621
Special Education - Preschool Grants	2010	84.173	9,695
ARRA - Special Education - Preschool Grants, Recovery Act	2010	84.392	265
Total Special Education Cluster			76,470
Rehabilitation Services - Vocational Rehabilitation Grants to States	2010	84.126	5,916
Total U.S. Department of Education			82,386
<b><u>U.S. ELECTION ASSISTANCE COMMISSION</u></b>			
<i>Passed Through Ohio Secretary of State:</i>			
Help America Vote Act Requirements Payments	04-SOS-HAVA-84	90.401	818
Total U.S. Election Assistance Commission			818
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<b><i>Social Services Block Grant</i></b>			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Social Services Block Grant	2010	93.667	18,271
<i>Passed Through Ohio Department of Mental Health:</i>			
Social Services Block Grant	2010	93.667	47,407
Total Social Services Block Grant			65,678
<b><i>Title XIX - Medical Assistance Program</i></b>			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Medical Assistance Program	N/A	93.778	42,852
ARRA - Medical Assistance Program	N/A	93.778	176,687
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Medical Assistance Program	N/A	93.778	163,703
ARRA - Medical Assistance Program	N/A	93.778	23,648
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program	N/A	93.778	2,028,366
ARRA - Medical Assistance Program	N/A	93.778	312,055
Total Title XIX - Medical Assistance Program			2,747,311

WASHINGTON COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number or Grant Year	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u></b>			
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Block Grants for Prevention and Treatment of Substance Abuse - Substance Abuse Prevention and Treatment Block Grant	2010 2011	93.959	150,001 47,052
Women's Setaside	84-2293-WOMENP-P-06-9011		<u>29,932</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			226,985
<i>Passed Through Ohio Department of Mental Health:</i>			
Child Care and Development Block Grant	2010	93.575	28,098
Block Grants for Community Mental Health Services	2010	93.958	57,254
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Promoting Safe and Stable Families	G-89-20-1167/G-1011-11-5130	93.556	73,471
Temporary Assistance for Needy Families Cluster: Temporary Assistance for Needy Families	G-89-20-1165/G-1011-11-5128 G-89-20-1167	93.558	2,096,694
ARRA - Emergency Fund for Temporary Assistance for Needy Families (TANF) State Program	JFSFTF10S-3V60	93.714	<u>365,183</u>
Total Temporary Assistance for Needy Families Cluster			2,461,877
Child Support Enforcement	G-89-20-1166/G-1011-11-5129	93.563	245,548
ARRA - Child Support Enforcement	N/A	93.563	<u>300,345</u>
Total Child Support Enforcement			545,893
CCDF Cluster:			
Child Care and Development Block Grant	G-89-20-1165/G-1011-11-5128	93.575	6,390
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-89-20-1165/G-1011-11-5128	93.596	<u>101,953</u>
Total CCDF Cluster			108,343
Child Welfare Services - State Grants	G-89-20-1167/G-1011-11-5130	93.645	50,355
Foster Care - Title IV-E	G-89-20-1167/G-1011-11-5130	93.658	287,380
ARRA - Foster Care - Title IV-E	N/A	93.658	<u>10,676</u>
Total Foster Care - Title IV-E			298,056
Adoption Assistance	G-89-20-1167/G-1011-11-5130	93.659	272,786
Social Services Block Grant	G-89-20-1165/G1011-11-5128	93.667	375,772
Child Abuse and Neglect State Grants	N/A	93.669	2,000
Chafee Foster Care Independence Program	G-89-20-1167/G-1011-11-5130	93.674	8,410
Medical Assistance Program	G-89-20-1165/G-1011-11-5128	93.778	276,083

WASHINGTON COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number or Grant Year	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u></b>			
<i>Passed Through Ohio Secretary of State:</i>			
Voting Access for Individual's with Disabilities - Grants to States	06-SOS-HHHS-84	93.617	5,454
<i>Passed Through Ohio Office of Criminal Justice Services:</i>			
Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	2007-VP-003-4157	93.671	<u>15,317</u>
Total U.S. Department of Health and Human Services			7,619,143
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>			
<i>Direct Award:</i>			
Retired and Senior Volunteer Program	07SRNOH003	94.002	<u>64,500</u>
Total Corporation for National and Community Service			<u>64,500</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 9,946,547</u></b>

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

## WASHINGTON COUNTY

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

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

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

#### **NOTE B – SUBRECIPIENTS**

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

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

#### **NOTE C – CHILD NUTRITION CLUSTER**

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

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

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

These loans are collateralized by mortgages on the property. At December 31, 2010, the gross amount of loans outstanding under this program was \$2,132.

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

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

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# Dave Yost • Auditor of State

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

Washington County  
205 Putnam Street  
Marietta, Ohio 45750

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 20, 2011. Our report refers to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of WASCO, Inc., in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit.

### Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 20, 2011.

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

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



**Dave Yost**  
Auditor of State

September 20, 2011





# Dave Yost • Auditor of State

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

Washington County  
205 Putnam Street  
Marietta, Ohio 45750

To the Board of County Commissioners:

### Compliance

We have audited the compliance of Washington County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2010. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of WASCO, Inc., a discretely presented component unit. Our audit of Federal awards, described below, did not include the operations of Wasco, Inc., because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of Federal awards for the year ended December 31, 2010, it was not subject to OMB Circular A-133 audit requirements.

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

In our opinion, Washington County complied, in all material respects, with the requirements referred to above that could materially affect each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings and Questioned Costs lists this instance as Finding 2010-002.

### Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying Schedule of Findings and Questioned Costs as item 2010-002. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 20, 2011.

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

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



**Dave Yost**  
Auditor of State

September 20, 2011

WASHINGTON COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 § .505  
 DECEMBER 31, 2010

**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 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 significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	-SNAP Cluster, CFDA #10.561 - Community Development Block Grants – State's Program Cluster, CFDA 14.228, 14.255 -Federal Transit – Formula Grants, CFDA #20.507 -Temporary Assistance for Needy Families, CFDA #93.558, 93.714 -Child Support Enforcement, CFDA #93.563 -Child Care Cluster, CFDA #93.575, 93.596 -Social Services Block Grant, CFDA #93.667 -Medical Assistance Program, CFDA # 93.778
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**WASHINGTON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2010**  
**(Continued)**

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

**FINDING NUMBER 2010-001**

**Finding for Recovery Repaid Under Audit**

The County Home Union Agreement Section 25.1 states employees may buy back up to ten (10) days sick leave per year. This buy back shall be paid at the rate of the employee's regular hourly rate of pay, for sick leave earned between January 1 and Payroll #24. Any sick days used during the year will be deducted from the ten (10) days allowed.

During 2010, we found sick leave buy backs occurred during Payroll #22. Additional leave was used during pay periods 22 through 24, which resulted in the following overpayments of sick leave:

County Home Employee	Allowed Buy Back Amount	Actual Buy Back Amount	Variance
Dora Copen	\$550	\$645	(\$95)
Betty Hall	0	175	(175)
Tammy Hardie	339	424	(85)
Diane Haught	623	684	(61)
Twila Luke	181	475	(294)
Sharon Roberts	421	593	(172)
Janet Wells	342	428	(86)
Total			(\$968)

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 Dora Copen in the amount of \$95, Betty Hall in the amount of \$175, Tammy Hardie in the amount of \$85, Diane Haught in the amount of \$61, Twila Luke in the amount of \$294, Sharon Roberts in the amount of \$172, and Janet Wells in the amount of \$86, and in favor of the County Home Fund of Washington County.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Accordingly, County Home Administrator, Ted Williams, will be jointly and severally liable in the amount of \$968, in favor of the County Home Fund of Washington County to the extent that recovery is not obtained from the individuals listed above.

**Officials' Response:**

The finding was paid in full by Ted Williams on September 8, 2011.

**WASHINGTON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2010**  
**(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2010-002
<b>CFDA Title and Number</b>	Temporary Assistance for Needy Families - #93.558/93.714
<b>Federal Award Number / Year</b>	G-89-20-1165 G-89-20-1167 G-1011-11-5128
<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services

**Noncompliance and Significant Deficiency and Questioned Cost**

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

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

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

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

**WASHINGTON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2010**  
**(Continued)**

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

**FINDING NUMBER 2010-002 (Continued)**

**Noncompliance and Significant Deficiency and Questioned Cost (Continued)**

During 2010, a total of \$134,076 of rental payments was paid by the Washington County Job and Family Services department to the Washington County Board of Commissioners. Maintenance is paid directly by the County Job and Family Services department, and insurance is part of the Cost Allocation Plan. Therefore, maintenance and insurance are not included as part of the rent. The unallowable cost is shown in the schedule below:

Acquisition Cost of the Building	\$1,569,569
Expected Useful Life of the Asset	40 Years
Annual Depreciation Calculation:	\$39,239
Annual Interest on Building Bond (2010)	52,800
Total Allowable Rental Cost	\$92,039
Total Rent Paid by Washington County JFS	\$134,076
Unallowable rental costs (questioned costs)	\$42,037

The \$42,037 excess cost was allocated through an indirect cost pool to the Job and Family Service departments federally funded programs as noted in the following table. Of the \$42,037 allocated to the individual programs, \$31,296 was funded from Federal dollars and the remaining \$10,741 was funded from state (GRF) monies, which is in violation of Ohio Admin. Code Section 5101:9-4-11(A) listed above.

Grant	CFDA #	Total Excess Rent by Program	Excess Rent Funded from Federal Programs Dollars
SNAP	10.561	\$10,843	\$5,421
Medicaid	93.778	10,984	5,739
TANF	93.558, 93.714	14,472	14,472
Child Care Block Grant	93.575, 93.596	1,314	1,314
Social Services Block Grant	93.667	4,424	4,350
Total Unallowable Rental Costs		\$42,037	\$31,296

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

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

**Officials' Response:** Rent will be adjusted to reflect annual depreciation of 40 years plus the actual annual interest incurred on the building bond.

**WASHINGTON COUNTY**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**OMB CIRCULAR A-133 § .315 (b)**  
**DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Finding for recovery for public monies illegally expended was issued against Jolena Best, former CSEA Fiscal Communication Supervisor, in the amount of \$468, in favor of the CSEA Fund of Washington County	No	Not corrected. As of December 31, 2010, no payments have been made.
2009-001	Finding for recovery for public property converted or misappropriated was issued against Charles Moody, former Maintenance Supervisor, in the amount of \$67,593, in favor of the General Fund of Washington County.	No	Not corrected. As of December 31, 2010 the County has recovered \$53,170.
2009-002	Significant deficiency for no detailed supporting documentation provided for a contract with Perfection Group.	Yes	
2009-003	Federal noncompliance, Material Weakness and Federal Questioned Cost for excess JFS rent paid with federal dollars.	No	Not corrected. Reissued in the current Schedule of Findings as 2010-002.

**WASHINGTON COUNTY**  
**CORRECTIVE ACTION PLAN**  
**OMB CIRCULAR A -133 § .315 (c)**  
**DECEMBER 31, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-002	Rent will be adjusted to reflect annual depreciation of 40 years plus the actual annual interest incurred on the building bond.	12/31/11	Paul Cunningham, County Administrator





# Dave Yost • Auditor of State

## WASHINGTON COUNTY FINANCIAL CONDITION

### WASHINGTON COUNTY

#### CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 29, 2011