



**Auditor of State  
Betty Montgomery**



**PICKAWAY COUNTY**  
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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Pickaway County  
207 South Court Street  
Circleville, Ohio 43113

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pickaway County, Ohio, (the "County") as of and for the year ended December 31, 2003, 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 the Brooks-Yates Center for Diversified Opportunities, Inc., one of the County's discretely presented component units, which represents 97% and 76% of the assets and revenues, respectively, of the aggregate discretely presented component units. 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 the Brooks-Yates Center for Diversified Opportunities, 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pickaway County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General, Auto License and Gas Tax, Job and Family Services, and Board of Mental Retardation funds, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 13 to the basic financial statements, the fund balances for the Auto License and Gas Tax fund and the Other Governmental funds were restated as of January 1, 2003, to adjust the County's funds for an insurance claim settlement from the CSX railroad.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the *Governmental Accounting Standards Board* requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**Betty Montgomery**  
Auditor of State

August 9, 2004

**Pickaway County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*Unaudited*

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The discussion and analysis of Pickaway County's financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2003. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the County's financial performance.

### **Financial Highlights**

Key financial highlights for 2003 are as follows:

- The assets of the County exceeded its liabilities at December 31, 2003, by \$35,809,843. Of this amount, \$2,472,891 may be used to meet the County's ongoing obligations to citizens and creditors.
- The net assets of governmental activities increased \$577,036, which represents a 1.6 percent increase from 2002, while the net assets of business-type activities decreased \$4,718, which represents a 2.6 percent decrease.
- For 2003, all revenues of the County totaled \$29,038,907. General revenues accounted for \$13,765,332 in revenue or 47.4 percent of all revenues. Program revenues in the form of charges for services and grants and contributions accounted for \$15,273,575 or 52.6 percent of all revenues.
- The County had \$28,309,075 in expenses related to governmental activities: only \$15,130,307 of these expenses was offset by program specific charges for services, grants and contributions. General revenues were \$13,755,804 of which \$10,436,518 was taxes with the remaining \$3,319,286 interest, grants, entitlements and miscellaneous revenues.
- As of December 31, 2003, the County's governmental funds reported combined ending fund balances of \$8,710,003, a decrease of \$1,388,678 or 13.75 percent in comparison with the prior year.

### **Overview of the Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pickaway County as a financial whole or as an entire operating entity. The statements then proceed to provide a detailed look at specific financial conditions.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to the basic financial statements.

#### *Government-Wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector businesses. The statement of net assets and the statement of activities provide information about activities of the County as a whole, presenting both an aggregate view of the County's finances and a longer-term view of those assets.

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. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's tax base, current property tax laws in Ohio restricting revenue growth, and the condition of the County's capital assets (roads, bridges, sewer lines, etc.). These factors need to be considered when assessing the overall health of the County.

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The statement of activities presents information showing how the County's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the County is divided into two distinct kinds of activities:

**Governmental Activities** - Most of the County's programs and services are reported here including human services, health, public safety, public works, economic development and assistance and general government (legislative and executive and judicial). 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 countywide sewer operation is reported here.

**Component Units** - The County's financial statements include financial data for the Pickaway County Airport Authority and Brook-Yates Center Diversified Opportunities, Inc. These component units are described in the notes to the basic financial statements. The component units are separate and may buy, sell, lease and mortgage property in their own name and can sue and be sued in their own name.

*Fund Financial Statements*

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General, Auto, License and Gas Tax, Job and Family Services, and Board of Mental Retardation.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. 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 one of three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental 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.



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**Proprietary Funds** - The County maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its Countywide Sewer fund, which is a major fund.

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

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

**Government-Wide Financial Analysis**

You may recall that the statement of net assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2003 compared to 2002:

Table 1  
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<i>Assets:</i>						
Current and Other Assets	\$17,237,920	\$17,567,092	\$120,922	\$155,721	\$17,358,842	\$17,722,813
Capital Assets, Net	27,675,325	26,418,496	1,115,706	79,813	28,791,031	26,498,309
Total Assets	<u>44,913,245</u>	<u>43,985,588</u>	<u>1,236,628</u>	<u>235,534</u>	<u>46,149,873</u>	<u>44,221,122</u>
<i>Liabilities:</i>						
Current Liabilities	6,060,114	5,390,373	14,144	49,758	6,074,258	5,440,131
Long-Term Liabilities	3,224,346	3,543,466	1,041,426	0	4,265,772	3,543,466
Total Liabilities	<u>9,284,460</u>	<u>8,933,839</u>	<u>1,055,570</u>	<u>49,758</u>	<u>10,340,030</u>	<u>8,983,597</u>
<i>Net Assets:</i>						
Invested in Capital Assets, Net of Related Debt	26,937,646	25,525,582	74,280	49,813	27,011,926	25,575,395
<i>Restricted For:</i>						
Debt Service	272,639	0	0	0	272,639	0
Capital Projects	737,487	1,445,791	0	0	737,487	1,445,791
Other Purposes	5,314,900	5,989,602	0	0	5,314,900	5,989,602
Unrestricted	<u>2,366,113</u>	<u>2,090,774</u>	<u>106,778</u>	<u>135,963</u>	<u>2,472,891</u>	<u>2,226,737</u>
Total Net Assets	<u>\$35,628,785</u>	<u>\$35,051,749</u>	<u>\$181,058</u>	<u>\$185,776</u>	<u>\$35,809,843</u>	<u>\$35,237,525</u>

Current assets remained relatively stable for the year ended 2003 when compared with 2002.

Capital assets increased due to improvements to roads and bridges during 2003.

Current liabilities increased due to two major factors. Wages and benefits accrued as liabilities increased for 2003. In addition, intergovernmental payables increased due to CDBG funds that were paid to other governmental entities in 2004 for projects completed in 2003.

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$35,809,843 (\$35,628,785 in governmental activities and \$181,058 in business-type activities) at the end of the 2003 year.

The County's net assets are reflected in three categories: invested in capital assets, net of related debt, restricted and unrestricted.

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The County's largest portion of net assets relates to invested in capital assets, net of related debt. This accounts for 75.4 percent of net assets. 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 capital assets themselves cannot be used to pay these liabilities.

The County's smallest portion of net assets is unrestricted. This accounts for 6.9 percent of net assets. These net assets represent resources that may be used to meet the County's ongoing obligations to its citizens and creditors.

The remaining balance of \$6,325,026 or 17.7 percent is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental and business-type activities. The same was true for the prior year.

Table 2 shows the changes in net assets for 2003 compared to 2002.

Table 2  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<i>Program Revenues:</i>						
Charges for Services	\$3,091,891	\$2,551,394	\$143,268	\$130,908	\$3,235,159	\$2,682,302
Operating Grants & Contributions	10,462,480	12,339,319	0	0	10,462,480	12,339,319
Capital Grants & Contributions	1,575,936	971,123	0	0	1,575,936	971,123
<i>Total Program Revenues</i>	<u>15,130,307</u>	<u>15,861,836</u>	<u>143,268</u>	<u>130,908</u>	<u>15,273,575</u>	<u>15,992,744</u>
<i>General Revenues:</i>						
Property Taxes	5,037,313	4,626,607	0	0	5,037,313	4,626,607
Sales Taxes	5,399,205	5,229,953	0	0	5,399,205	5,229,953
Grants & Entitlements	1,386,007	1,164,184	0	0	1,386,007	1,164,184
Interest	350,076	493,462	0	0	350,076	493,462
Miscellaneous	1,583,203	3,047,753	9,528	2,055	1,592,731	3,049,808
<i>Total General Revenues</i>	<u>13,755,804</u>	<u>14,561,959</u>	<u>9,528</u>	<u>2,055</u>	<u>13,765,332</u>	<u>14,564,014</u>
<i>Total Revenues</i>	<u>28,886,111</u>	<u>30,423,795</u>	<u>152,796</u>	<u>132,963</u>	<u>29,038,907</u>	<u>30,556,758</u>
<i>Program Expenses:</i>						
<i>General Government:</i>						
Legislative & Executive	3,763,161	3,564,717	0	0	3,763,161	3,564,717
Judicial	1,722,578	1,519,757	0	0	1,722,578	1,519,757
Public Safety	5,618,677	5,274,133	0	0	5,618,677	5,274,133
Public Works	5,294,650	1,942,977	0	0	5,294,650	1,942,977
Health	3,943,611	3,568,465	0	0	3,943,611	3,568,465
Human Services	6,821,011	7,503,452	0	0	6,821,011	7,503,452
Conservation & Recreation	429,380	358,391	0	0	429,380	358,391
Economic Development & Assistance	409,826	784,952	0	0	409,826	784,952
Other	210,310	78,526	0	0	210,310	78,526
Interest & Fiscal Charges	95,871	188,928	0	0	95,871	188,928
Countywide Sewer	0	0	157,514	133,582	157,514	133,582
<i>Total Program Expenses</i>	<u>28,309,075</u>	<u>24,784,298</u>	<u>157,514</u>	<u>133,582</u>	<u>28,466,589</u>	<u>24,917,880</u>
<i>Changes in Net Assets</i>	<u>577,036</u>	<u>5,639,497</u>	<u>(4,718)</u>	<u>(619)</u>	<u>572,318</u>	<u>5,638,878</u>
Net Assets at January 1	<u>35,051,749</u>	<u>29,412,252</u>	<u>185,776</u>	<u>186,395</u>	<u>35,237,525</u>	<u>29,598,647</u>
Net Assets at December 31	<u>\$35,625,058</u>	<u>\$35,051,749</u>	<u>\$181,058</u>	<u>\$185,776</u>	<u>\$35,809,843</u>	<u>\$35,237,525</u>

**Pickaway County, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

**Governmental Activities**

The most significant program expenses for the County are Human Services, Public Safety, Public Works, Health, and Legislative and Executive. These programs account for 89.3 percent of the total governmental activities. Human Services, which accounts for 23.9 percent of the total, represents costs associated with providing services for various state and locally mandated public assistance and welfare programs for families and individuals. These expenses reflect programs administered by Job and Family Services, Child Support Enforcement Agency and Children Services. Public Safety, which represents 19.7 percent of the total, represents costs mainly associated with the operation of the Sheriff's Department and County Jail. Public Works, which accounts for 18.6 percent of the total, represents costs associated with the operation of the County Engineer in maintaining the County's roads and bridges. Health, which accounts for 13.9 percent of the total, primarily represents costs associated with the services provided by the Board of Mental Retardation. Legislative and Executive expenses, which is 13.2 percent of the total, represents costs associated with the general administration of county government including the County Commissioners, Auditor, Treasurer, Prosecutor and Recorder.

Funding for the most significant programs indicated above is from charges for services, operating grants, and in some instances property and sales taxes. The Job and Family Services, Child Support Enforcement Agency and Children Services are basically funded with federal and state monies. The operation of the Sheriff's Department and County Jail is funded through General Fund general revenues and per diem charges to house prisoners from other jurisdictions. The Board of Mental Retardation is partially funded by a voted property tax levy. The most significant funding sources for the County Engineer are motor vehicle license fees and gasoline taxes.

As noted previously, the net assets for the governmental activities increased \$577,036 or 1.6 percent. This is a change from last year when net assets increased \$5,639,497 or 19.17 percent. Total revenues decreased \$1,537,684 or 5 percent over last year and expenses increased \$3,524,777 or 14.22 percent over last year.

The major factors in the change in revenues are significant decreases in program revenues for operating grants and decreases in miscellaneous revenue. Operating grants decreased \$1,876,839 or 15.21 percent, which is the result of decreased grant funding in the Engineer's Department and decreased Community Development Block Grant receipts. The decrease in miscellaneous revenues is due to the County receiving a railroad settlement during 2002 and there is no revenue of this kind during 2003.

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
	2003	2003	2002	2002
<i>General Government:</i>				
Legislative and Executive	\$3,763,161	\$2,233,482	\$3,564,717	\$2,681,027
Judicial	1,722,578	1,011,420	1,519,757	818,817
Public Safety	5,618,677	4,743,723	5,274,133	4,232,069
Public Works	5,294,650	314,133	1,942,977	(2,886,231)
Health	3,943,611	2,379,313	3,568,465	1,904,536
Human Services	6,821,011	1,722,800	7,503,452	1,450,190
Conservation and Recreation	429,380	422,635	358,391	348,452
Economic Development and Assistance	409,826	45,081	784,952	106,148
Other	210,310	210,310	78,526	78,526
Interest and Fiscal Charges	95,871	95,871	188,928	188,928
	<u>\$28,309,075</u>	<u>\$13,178,768</u>	<u>\$24,784,298</u>	<u>\$8,922,462</u>
Total Expenses				

**Pickaway County, Ohio**  
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Of the \$28,309,075 total governmental activities expenses, \$15,130,307 or 53.4 percent was covered by direct charges to users of the services and intergovernmental grants. The majority of program revenues are grants, with the remaining portion consisting of fees and charges for services. These charges are for fees charged for real estate transfers, for the collection of property taxes throughout the County, for title fees and for court fees. Public Safety charges for services include items such as fees for boarding prisoners, patrolling subdivisions, and for special details. Health includes charges for services provided to clients of the Mental Retardation Board.

Additional revenues were provided to the governmental activities by the state and federal governments for operations and capital improvements.

### **Business-Type Activities**

Until this year, program revenues have been adequate to cover the costs of operation for the County's business-type activities. This year, net assets decreased by \$4,718 or 2.6 percent. For 2003, there was an increase in revenues and expense which was the result of increased activity due to new customers being added during the year.

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

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

As of the end of the current year, the County's governmental funds reported combined ending fund balances of \$8,710,003. Of this total, \$8,268,298 represents unreserved fund balance, which is available for appropriation at the County's discretion within certain legal constraints and purposes restrictions. The remainder of fund balance is reserved to indicate that it is not available for new spending. While a large amount 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 their being restricted for use for a particular purpose mandated by the source of the resources such as the state or federal government or the local tax levy.

The General Fund is the primary operating fund of the County. At the end of the 2003, unreserved fund balance of the General Fund was \$3,298,146. Unreserved fund balance represents 30.1 percent of expenditures. This is one measurement of the General Fund's liquidity. The fund balance of the General Fund increased by \$162,421, with revenues exceeding expenditures by \$896,814.

The Auto, License and Gas Tax Fund balance decreased by \$35,739. The Job and Family Services Fund balance decreased by \$643,186, which is the result of reductions in state/federal funding and increased expenditure levels. The Board of Mental Retardation Fund balance increased by \$223,753, which is the result of increased property tax revenues.

**Proprietary Fund** - The County's only proprietary fund is the Countywide Sewer Fund, which accounts for the providing of sewer services to several subdivisions. This fund provides the same information found in the governmental-wide financial statements, but in more detail. Net assets of the proprietary fund at year end was \$181,058, of which \$106,778 was unrestricted.

### **Budgetary Highlights - General Fund**

By state statute, the Board of County Commissioners adopts the annual operating budget for the County. Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Ohio Revised Code.

**Pickaway County, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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The County had several revisions to the original appropriations approved by the County Commissioners. Overall these changes resulted in an increase from the original appropriations of 6.6 percent or \$702,984 in the General Fund. The majority of the increase occurred in the Legislative and Executive expenditure function \$378,913. This increase was largely due to the rising cost of insurance and workers compensation premiums which are paid from this function. The County spent 95.5 percent of the amount appropriated in the General Fund during 2003.

The General Fund's budgeted revenue only decreased \$29,508 over the original amount during 2003. This is a result of Pickaway County's steady economic conditions. Fluctuations in growth and diversity have typically not occurred in Pickaway County, allowing departmental managers the ability to consistently predict revenues. The County does not increase its estimated revenues unless there are insufficient revenues to cover the total appropriations of the General Fund.

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

#### *Capital Assets*

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2003 amounts to \$28,791,031 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, improvements other than buildings, machinery and equipment, furniture and fixtures, vehicles, and infrastructure.

The only significant capital asset events during 2003 were improvements to the County's infrastructure, which included \$721,815 for the paving of nine miles of County roads and \$1,357,482 for the repair or replacement of five bridges. Also the County entered into an agreement to construct and renovate sewer lines in the Darby Creek sewer expansion with cost spent to date totaling \$1,041,426.

For more information regarding the County's capital assets, see Note 7 of the notes to the basic financial statements.

#### *Debt*

Outstanding special assessment bonds at December 31, 2003, totaled \$138,000 with \$5,000 being retired during the year. Special assessment bonds are backed by the full faith and credit of the County. In the event of payment default by the property owner, the County would be responsible for the debt service payments.

General obligation bonds outstanding at December 31, 2003 were \$21,985 with \$9,903 being retired during the year. These bonds relate to proceeds used to construct and renovate County buildings. All bonds are backed by the full faith and credit of the County.

General obligation notes outstanding at December 31, 2003 were \$1,723,866 with \$246,705 being retired during the year. The County continues to monitor its outstanding debt. Information relative to the County's debt is identified in Note 9 of the notes to the basic financial statements.

Loans outstanding at December 31, 2003 including \$1,041,426 in loans from OWDA - This relates to proceeds used to complete renovations of the Darby Creek Sanitary Sewer System. The Ohio Water Development Authority has approved this loan up to a not to exceed amount of \$1,624,478 for this sewer project.

**Pickaway County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*Unaudited*

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**Economic Factors**

The County's budget for the General Fund in 2004 is conservative. Revenues are projected to come in at 7.9 percent less than what was actually received in 2003 and appropriations for 2004 are 3.1 percent larger than the actual expenditures for 2003. The budget in 2004, calls for a reduction in the ending fund balance of approximately \$849,000 or 29.1 percent.

The reason for the conservative budget centers on the slow down in economic growth and uncertainty of the future economic climate. The County continues to have an unemployment rate that is slightly higher than the state and federal rates. However, all of these rates have increased since 1999. A part of the decline is expected to occur in sales tax revenue, since it is the most volatile and subject to decline if the economic slow down was to continue. A decrease in the amount of interest income earned by the County is also projected based on the continuation of lower interest rates. The state legislature has reduced the amounts for state based programs including local government, local government revenue assistance and state funded grant programs which may require more local support in order to maintain the current level of service. Also included in the state reductions are the reduction of the personal property tax on business inventory and the elimination of the personal property tax exemption reimbursement from the state. Finally, the recent announcement of the closure of Thompson Consumer Electronics will have a significant impact on personal property taxes collected both in 2004 and in the future, as well as the overall unemployment levels in the County.

The County's business-type activity is projected to operate at a similar level as in 2003. The rates charged remain unchanged and expenses for sewer operations are anticipated to remain stable.

**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 County's finances. Questions concerning any of the information provided in this report, request for additional financial information or about obtaining the separately issued financial statements of the County's component units should be addressed to Melissa A. Betz, Pickaway County Auditor, 207 S. Court Street, Circleville, Ohio 43113.

**Pickaway County, Ohio**  
*Statement of Net Assets*  
*December 31, 2003*

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Pickaway County Airport Authority	Brooks-Yates Center Diversified Opportunities, Inc.
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$8,358,966	\$104,839	\$8,463,805	\$0	\$0
Cash and Cash Equivalents in					
Segregated Accounts	126,052	0	126,052	58,048	95,516
Materials and Supplies Inventory	323,151	0	323,151	0	0
Accrued Interest Receivable	60,889	0	60,889	0	0
Accounts Receivable	3,717	16,083	19,800	0	75,509
Intergovernmental Receivable	2,909,502	0	2,909,502	0	0
Restricted Assets			0		
Sales Taxes Receivable	918,687	0	918,687	0	0
Property Taxes Receivable	4,309,978	0	4,309,978	0	0
Special Assessments Receivable	138,393	0	138,393	0	0
Prepaid Items	88,585	0	88,585	0	0
Due From Primary Government	0	0	0	0	14,631
Workers Compensation Deposit	0	0	0	0	297
Nondepreciable Capital Assets	971,542	1,055,390	2,026,932	0	176,028
Depreciable Capital Assets, Net	26,703,783	60,316	26,764,099	0	1,597,124
<b>Total Assets</b>	<b>44,913,245</b>	<b>1,236,628</b>	<b>46,149,873</b>	<b>58,048</b>	<b>1,959,105</b>
<b>Liabilities:</b>					
Accounts Payable	701,711	12,616	714,327	0	24,190
Accrued Wages and Benefits	928,134	1,528	929,662	0	15,777
Contracts Payable	44,464	0	44,464	0	0
Intergovernmental Payable	290,815	0	290,815	0	2,762
Accrued Interest Payable	4,701	0	4,701	0	0
Deferred Revenue	3,945,701	0	3,945,701	0	0
Deposits Held and Due To Others	129,957	0	129,957	0	375
Due To Component Unit	14,631	0	14,631	0	0
<i>Long-Term Liabilities:</i>					
Due Within One Year	1,059,954	0	1,059,954	0	15,727
Due In More Than One Year	2,164,392	1,041,426	3,205,818	0	109,180
<b>Total Liabilities</b>	<b>9,284,460</b>	<b>1,055,570</b>	<b>10,340,030</b>	<b>0</b>	<b>168,011</b>
<b>Net Assets:</b>					
Invested in Capital Assets, Net of Related Debt	26,937,646	74,280	27,011,926	0	1,648,245
<i>Restricted for:</i>					
Roads and Bridges	2,451,808	0	2,451,808	0	0
Mental Retardation and Developmental Disabilities	868,953	0	868,953	0	0
Debt Service	272,639	0	272,639	0	0
Capital Projects	737,487	0	737,487	14,471	0
Other Purposes	1,994,139	0	1,994,139	0	269,301
Unrestricted	2,366,113	106,778	2,472,891	43,577	(126,452)
<b>Total Net Assets</b>	<b>\$35,628,785</b>	<b>\$181,058</b>	<b>\$35,809,843</b>	<b>\$58,048</b>	<b>\$1,791,094</b>

See accompanying notes to the basic financial statements

**Pickaway County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2003

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	\$3,763,161	\$1,510,961	\$18,718	\$0
Judicial	1,722,578	536,535	174,623	0
Public Safety	5,618,677	466,371	408,583	0
Public Works	5,294,650	141,073	3,263,508	1,575,936
Health	3,943,611	275,514	1,288,784	0
Human Services	6,821,011	154,692	4,943,519	0
Conservation and Recreation	429,380	6,745	0	0
Economic Development and Assistance	409,826	0	364,745	0
Other	210,310	0	0	0
Interest and Fiscal Charges	95,871	0	0	0
<i>Total Governmental Activities</i>	<u>28,309,075</u>	<u>3,091,891</u>	<u>10,462,480</u>	<u>1,575,936</u>
<b>Business-Type Activities:</b>				
Countywide Sewer	157,514	143,268	0	0
<i>Total Business-Type Activities</i>	<u>157,514</u>	<u>143,268</u>	<u>0</u>	<u>0</u>
<i>Total Primary Government</i>	<u>\$28,466,589</u>	<u>\$3,235,159</u>	<u>\$10,462,480</u>	<u>\$1,575,936</u>
<b>Component Units:</b>				
Pickaway County Airport Authority	\$214,212	\$0	\$10,000	\$152,622
Brooks-Yates Center Diversified Opportunities, Inc.	638,815	464,553	200,703	0
<i>Total Component Units</i>	<u>\$853,027</u>	<u>\$464,553</u>	<u>\$210,703</u>	<u>\$152,622</u>

**General Revenues:**

*Property Taxes Levied for:*

General Purposes  
Board of Mental Retardation

*Sales Tax for:*

General Purposes  
Capital Outlay

Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous

*Total General Revenues*

Changes in Net Assets

*Net Assets at Beginning of Year*

*Net Assets at 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 Activities	Total	Pickaway County Airport Authority	Brooks-Yates Center Diversified Opportunities, Inc.
(2,233,482)	\$0	(\$2,233,482)	\$0	\$0
(1,011,420)	0	(1,011,420)	0	0
(4,743,723)	0	(4,743,723)	0	0
(314,133)	0	(314,133)	0	0
(2,379,313)	0	(2,379,313)	0	0
(1,722,800)	0	(1,722,800)	0	0
(422,635)	0	(422,635)	0	0
(45,081)	0	(45,081)	0	0
(210,310)	0	(210,310)	0	0
(95,871)	0	(95,871)	0	0
<u>(13,178,768)</u>	<u>0</u>	<u>(13,178,768)</u>	<u>0</u>	<u>0</u>
0	(14,246)	(14,246)	0	0
0	(14,246)	(14,246)	0	0
<u>(13,178,768)</u>	<u>(14,246)</u>	<u>(13,193,014)</u>	<u>0</u>	<u>0</u>
0	0	0	(51,590)	0
0	0	0	0	26,441
<u>0</u>	<u>0</u>	<u>0</u>	<u>(51,590)</u>	<u>26,441</u>
2,690,723	0	2,690,723	0	0
2,346,590	0	2,346,590	0	0
5,114,304	0	5,114,304	0	0
284,901	0	284,901	0	0
1,386,007	0	1,386,007	0	0
350,076	0	350,076	213	14
1,583,203	9,528	1,592,731	47,590	15,249
<u>13,755,804</u>	<u>9,528</u>	<u>13,765,332</u>	<u>47,803</u>	<u>15,263</u>
577,036	(4,718)	572,318	(3,787)	41,704
<u>35,051,749</u>	<u>185,776</u>	<u>35,237,525</u>	<u>61,835</u>	<u>1,749,390</u>
<u>\$35,628,785</u>	<u>\$181,058</u>	<u>\$35,809,843</u>	<u>\$58,048</u>	<u>\$1,791,094</u>

**Pickaway County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2003*

	General	Auto, License and Gas Tax	Job and Family Services	Board of Mental Retardation	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$2,944,310	\$1,160,709	\$98,551	\$851,489	\$3,303,907	\$8,358,966
Cash and Cash Equivalents In Segregated Accounts	54,243	0	0	0	71,809	126,052
Materials and Supplies Inventory	35,730	282,683	0	0	4,738	323,151
Accrued Interest Receivable	60,889	0	0	0	0	60,889
Accounts Receivable	2,927	80	0	0	710	3,717
Interfund Receivable	29,472	0	25,000	0	0	54,472
Intergovernmental Receivable	912,229	1,325,922	0	244,102	427,249	2,909,502
Sales Taxes Receivable	842,757	0	0	0	75,930	918,687
Property Taxes Receivable	2,160,972	0	0	2,149,006	0	4,309,978
Special Assessments Receivable	0	0	0	0	138,393	138,393
Prepaid Items	75,735	0	3,068	9,782	0	88,585
<i>Total Assets</i>	<u>\$7,119,264</u>	<u>\$2,769,394</u>	<u>\$126,619</u>	<u>\$3,254,379</u>	<u>\$4,022,736</u>	<u>\$17,292,392</u>
<b>Liabilities:</b>						
Accounts Payable	\$294,886	\$74,538	\$77,603	\$54,817	\$199,867	\$701,711
Accrued Wages and Benefits	411,115	94,802	164,267	168,167	89,783	928,134
Contracts Payable	44,464	0	0	0	0	44,464
Interfund Payable	0	0	15,114	0	39,358	54,472
Intergovernmental Payable	98,169	0	58,570	1,563	132,513	290,815
Deferred Revenue	2,842,527	875,058	0	2,383,575	317,045	6,418,205
Deposits Held and Due To Others	129,957	0	0	0	0	129,957
Due To Component Unit	0	0	11,099	3,532	0	14,631
<i>Total Liabilities</i>	<u>3,821,118</u>	<u>1,044,398</u>	<u>326,653</u>	<u>2,611,654</u>	<u>778,566</u>	<u>8,582,389</u>
<b>Fund Balances:</b>						
Reserved for Encumbrances	0	153,506	0	0	168,391	321,897
Reserved for Debt Service	0	0	0	0	119,808	119,808
<i>Unreserved:</i>						
<i>Reported in:</i>						
General Fund	3,298,146	0	0	0	0	3,298,146
Special Revenue Funds	0	1,571,490	(200,034)	642,725	2,379,345	4,393,526
Capital Projects Funds	0	0	0	0	576,626	576,626
<i>Total Fund Balances</i>	<u>3,298,146</u>	<u>1,724,996</u>	<u>(200,034)</u>	<u>642,725</u>	<u>3,244,170</u>	<u>8,710,003</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,119,264</u>	<u>\$2,769,394</u>	<u>\$126,619</u>	<u>\$3,254,379</u>	<u>\$4,022,736</u>	<u>\$17,292,392</u>

See accompanying notes to the basic financial statements

**Pickaway County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2003*

**Total Governmental Funds Balances** \$8,710,003

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 27,675,325

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

Property Taxes	295,321
Intergovernmental Revenue	2,038,790
Special Assessments	138,393

Total 2,472,504

In statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds an interest expenditure is reported when due. (4,701)

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

General Obligation and Special Assessment Bonds	(159,985)
General Obligation Notes	(1,723,866)
Capital Leases Payable	(281,012)
Compensated Absences Payable	(1,059,483)

Total (3,224,346)

*Net Assets of Governmental Activities* \$35,628,785

See accompanying notes to the basic financial statements

**Pickaway County, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2003**

	General	Auto, License and Gas Tax	Job and Family Services	Board of Mental Retardation	All Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property Taxes	\$2,337,490	\$0	\$0	\$2,306,291	\$339,613	\$4,983,394
Sales Tax	5,114,304	0	0	0	284,901	5,399,205
Charges for Services	1,982,236	104,741	0	166,730	635,089	2,888,796
Licenses and Permits	8,971	0	0	0	0	8,971
Fines and Forfeitures	134,532	144	0	0	61,234	195,910
Intergovernmental	1,189,394	3,389,858	3,146,337	1,180,771	4,038,048	12,944,408
Special Assessments	0	0	0	0	20,191	20,191
Investment Earnings	333,554	0	0	0	16,522	350,076
Other	769,619	31,764	212,045	362,203	207,572	1,583,203
<b>Total Revenues</b>	<b>11,870,100</b>	<b>3,526,507</b>	<b>3,358,382</b>	<b>4,015,995</b>	<b>5,603,170</b>	<b>28,374,154</b>
<b>Expenditures:</b>						
<i>Current:</i>						
<i>General Government:</i>						
Legislative and Executive	3,517,420	0	0	0	422,593	3,940,013
Judicial	1,301,339	0	0	0	321,776	1,623,115
Public Safety	4,713,122	0	0	0	614,189	5,327,311
Public Works	132,922	3,556,823	0	0	436,292	4,126,037
Health	86,447	0	0	3,539,267	139,499	3,765,213
Human Services	418,381	0	4,193,016	0	2,189,984	6,801,381
Conservation and Recreation	351,991	0	0	0	14,483	366,474
Economic Development and Assistance	0	0	0	0	408,758	408,758
Other	210,310	0	0	0	0	210,310
Capital Outlay	64,539	0	0	130,733	2,585,528	2,780,800
<i>Debt Service:</i>						
Principal Retirement	150,109	4,650	42,012	67,876	140,244	404,891
Interest and Fiscal Charges	26,706	773	5,063	39,366	33,401	105,309
<b>Total Expenditures</b>	<b>10,973,286</b>	<b>3,562,246</b>	<b>4,240,091</b>	<b>3,777,242</b>	<b>7,306,747</b>	<b>29,859,612</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>896,814</b>	<b>(35,739)</b>	<b>(881,709)</b>	<b>238,753</b>	<b>(1,703,577)</b>	<b>(1,485,458)</b>
<b>Other Financing Sources (Uses):</b>						
Inception of Capital Lease	44,457	0	52,323	0	0	96,780
Transfers In	0	0	186,200	0	607,650	793,850
Transfers Out	(778,850)	0	0	(15,000)	0	(793,850)
<b>Total Other Financing Sources (Uses)</b>	<b>(734,393)</b>	<b>0</b>	<b>238,523</b>	<b>(15,000)</b>	<b>607,650</b>	<b>96,780</b>
<b>Net Change in Fund Balances</b>	<b>162,421</b>	<b>(35,739)</b>	<b>(643,186)</b>	<b>223,753</b>	<b>(1,095,927)</b>	<b>(1,388,678)</b>
<b>Fund Balances at Beginning of Year (Restated)</b>	<b>3,135,725</b>	<b>1,760,735</b>	<b>443,152</b>	<b>418,972</b>	<b>4,340,097</b>	<b>10,098,681</b>
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$3,298,146</b>	<b>\$1,724,996</b>	<b>(\$200,034)</b>	<b>\$642,725</b>	<b>\$3,244,170</b>	<b>\$8,710,003</b>

See accompanying notes to the basic financial statements

**Pickaway 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, 2003*

**Net Change in Fund Balances - Total Governmental Funds** (\$1,388,678)

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

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

Capital Asset Additions	3,450,779	
Current Year Depreciation	<u>(2,124,089)</u>	
Total		1,326,690

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (69,861)

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

Property Taxes	53,919	
Intergovernmental Revenue	462,945	
Special Assessments	<u>(4,907)</u>	
Total		511,957

Repayment of principal of long-term (e.g. bonds, notes, leases) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 404,891

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities:

Inception of Capital Leases (96,780)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 9,438

Compensated absences expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds. (120,621)

*Change in Net Assets of Governmental Activities* \$577,036

See accompanying notes to the basic financial statements

**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
**General Fund**  
*For the Year Ended December 31, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$2,721,250	\$2,721,250	\$2,337,490	(\$383,760)
Sales Tax	4,400,000	4,400,000	5,122,110	722,110
Charges for Services	1,563,727	1,559,219	2,026,429	467,210
Licenses and Permits	14,550	14,550	8,971	(5,579)
Fines and Forfeitures	117,490	117,490	136,167	18,677
Intergovernmental	1,268,053	1,268,053	1,186,821	(81,232)
Investment Earnings	404,500	404,500	335,663	(68,837)
Other	530,513	505,513	800,459	294,946
<i>Total Revenues</i>	11,020,083	10,990,575	11,954,110	963,535
<b>Expenditures:</b>				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	3,304,698	3,683,611	3,551,039	132,572
Judicial	1,318,608	1,292,730	1,254,140	38,590
Public Safety	4,782,684	4,934,514	4,643,481	291,033
Public Works	121,791	129,030	129,014	16
Health	89,969	101,847	99,851	1,996
Human Services	446,420	449,141	425,440	23,701
Conservation and Recreation	344,877	348,106	348,106	0
Other	57,285	222,476	213,240	9,236
Capital Outlay	60,388	68,249	68,249	0
<i>Total Expenditures</i>	10,526,720	11,229,704	10,732,560	497,144
<i>Excess of Revenues Over (Under) Expenditures</i>	493,363	(239,129)	1,221,550	1,460,679
<b>Other Financing Sources (Uses):</b>				
Advances In	20,000	20,000	363	(19,637)
Advances Out	0	0	(1,137)	(1,137)
Transfers In	90,000	90,000	0	(90,000)
Transfers Out	(789,194)	(779,750)	(778,850)	900
<i>Total Other Financing Sources (Uses)</i>	(679,194)	(669,750)	(779,624)	(109,874)
<i>Net Change in Fund Balance</i>	(185,831)	(908,879)	441,926	1,350,805
<i>Fund Balance at Beginning of Year</i>	2,479,498	2,479,498	2,479,498	0
<i>Fund Balance at End of Year</i>	\$2,293,667	\$1,570,619	\$2,921,424	\$1,350,805

See accompanying notes to the basic financial statements

**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
Auto, License and Gas Tax Fund  
For the Year Ended December 31, 2003*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for Services	\$85,000	\$85,000	\$111,607	\$26,607
Fines and Forfeitures	700	700	159	(541)
Intergovernmental	3,035,000	3,035,000	3,692,796	657,796
Other	29,300	29,300	31,684	2,384
<i>Total Revenues</i>	<u>3,150,000</u>	<u>3,150,000</u>	<u>3,836,246</u>	<u>686,246</u>
<b>Expenditures:</b>				
<i>Current:</i>				
Public Works	3,422,404	4,049,248	3,731,765	317,483
<i>Total Expenditures</i>	<u>3,422,404</u>	<u>4,049,248</u>	<u>3,731,765</u>	<u>317,483</u>
<i>Net Change in Fund Balance</i>	(272,404)	(899,248)	104,481	1,003,729
<i>Fund Balance at Beginning of Year</i>	736,234	736,234	736,234	0
Prior Year Encumbrances Appropriated	166,491	166,491	166,491	0
<i>Fund Balance at End of Year</i>	<u>\$630,321</u>	<u>\$3,477</u>	<u>\$1,007,206</u>	<u>\$1,003,729</u>

See accompanying notes to the basic financial statements

**Pickaway 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, 2003*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$5,056,581	\$4,866,581	\$3,547,056	(\$1,319,525)
Other	374,400	374,400	390,891	16,491
<i>Total Revenues</i>	<u>5,430,981</u>	<u>5,240,981</u>	<u>3,937,947</u>	<u>(1,303,034)</u>
<b>Expenditures:</b>				
<i>Current:</i>				
Human Services	5,222,395	5,566,063	4,160,607	1,405,456
<i>Total Expenditures</i>	<u>5,222,395</u>	<u>5,566,063</u>	<u>4,160,607</u>	<u>1,405,456</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>208,586</u>	<u>(325,082)</u>	<u>(222,660)</u>	<u>102,422</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	190,000	186,200	(3,800)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>190,000</u>	<u>186,200</u>	<u>(3,800)</u>
<i>Net Change in Fund Balance</i>	208,586	(135,082)	(36,460)	98,622
<i>Fund Balance at Beginning of Year</i>	<u>135,082</u>	<u>135,082</u>	<u>135,082</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$343,668</u></u>	<u><u>\$0</u></u>	<u><u>\$98,622</u></u>	<u><u>\$98,622</u></u>

See accompanying notes to the basic financial statements



**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
*Board of Mental Retardation Fund*  
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property Taxes	\$2,156,000	\$2,156,000	\$2,306,291	\$150,291
Charges for Services	90,000	90,000	166,730	76,730
Intergovernmental	1,158,000	1,141,434	1,272,645	131,211
Other	503,500	349,288	369,974	20,686
<i>Total Revenues</i>	<u>3,907,500</u>	<u>3,736,722</u>	<u>4,115,640</u>	<u>378,918</u>
<b>Expenditures:</b>				
<i>Current:</i>				
Health	3,420,300	3,680,680	3,533,683	146,997
Capital Outlay	142,000	142,000	130,733	11,267
<i>Debt Service:</i>				
Principal Retirement	65,000	70,894	67,876	3,018
Interest and Fiscal Charges	43,000	46,185	39,366	6,819
<i>Total Expenditures</i>	<u>3,670,300</u>	<u>3,939,759</u>	<u>3,771,658</u>	<u>168,101</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>237,200</u>	<u>(203,037)</u>	<u>343,982</u>	<u>547,019</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	345,000	184,807	0	(184,807)
Transfers Out	(245,000)	(90,000)	(15,000)	75,000
<i>Total Other Financing Sources (Uses)</i>	<u>100,000</u>	<u>94,807</u>	<u>(15,000)</u>	<u>(109,807)</u>
<i>Net Change in Fund Balance</i>	337,200	(108,230)	328,982	437,212
<i>Fund Balance Beginning of Year</i>	<u>522,509</u>	<u>522,509</u>	<u>522,509</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$859,709</u>	<u>\$414,279</u>	<u>\$851,491</u>	<u>\$437,212</u>

See accompanying notes to the basic financial statements

**Pickaway County, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*December 31, 2003*

	Enterprise Fund
	County Wide Sewer
<b>Assets:</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$104,839
Accounts Receivable	16,083
<i>Total Current Assets</i>	120,922
<i>Noncurrent Assets:</i>	
Nondepreciable Capital Assets	1,055,390
Depreciable Capital Assets, Net	60,316
<i>Total Noncurrent Assets</i>	1,115,706
<i>Total Assets</i>	1,236,628
<b>Liabilities:</b>	
<i>Current Liabilities:</i>	
Accounts Payable	12,616
Accrued Wages and Benefits	1,528
<i>Total Current Liabilities</i>	14,144
<i>Long-Term Liabilities:</i>	
Loan Payable	1,041,426
<i>Total Long-Term Liabilities</i>	1,041,426
<i>Total Liabilities</i>	1,055,570
<b>Net Assets:</b>	
Invested in Capital Assets	74,280
Unrestricted	106,778
<i>Total Net Assets</i>	\$181,058

See accompanying notes to the basic financial statements

**Pickaway County, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Fund  
For the Year Ended December 31, 2003*

	Enterprise Fund
	County Wide Sewer
<b>Operating Revenues:</b>	
Charges for Services	\$143,268
Other	9,528
	152,796
<i>Total Operating Revenues</i>	<i>152,796</i>
<b>Operating Expenses:</b>	
Personal Services	19,282
Fringe Benefits	2,620
Contractual Services	118,313
Materials and Supplies	3,858
Depreciation	5,533
Other	7,610
	157,216
<i>Total Operating Expenses</i>	<i>157,216</i>
<i>Operating Income (Loss)</i>	<i>(4,420)</i>
<b>Nonoperating Revenues (Expenses):</b>	
Interest and Fiscal Charges	(298)
	(298)
<i>Total Nonoperating Revenues (Expenses)</i>	<i>(298)</i>
<i>Change in Net Assets</i>	<i>(4,718)</i>
<i>Net Assets at Beginning of Year</i>	<i>185,776</i>
<i>Net Assets at End of Year</i>	<i>\$181,058</i>
See accompanying notes to the basic financial statements	

**Pickaway County, Ohio**  
**Statement of Cash Flows**  
**Proprietary Fund**  
For the Year Ended December 31, 2003

	Enterprise Fund
	County Wide Sewer
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$142,353
Other Cash Receipts	9,528
Cash Payments to Employees for Services	(18,916)
Cash Payments for Employee Benefits	(2,620)
Cash Payments for Goods and Services	(126,724)
Other Cash Payments	(7,610)
	(3,989)
<i>Net Cash from Operating Activities</i>	(3,989)
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal Paid on Notes	(30,000)
Interest Paid on Notes	(1,725)
Acquisition of Capital Assets	(1,041,426)
Proceeds of Loan	1,041,426
	(31,725)
<i>Net Cash from Capital and Related Financing Activities</i>	(31,725)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(35,714)
<i>Cash and Cash Equivalents at Beginning of Year</i>	140,553
<i>Cash and Cash Equivalents at End of Year</i>	\$104,839
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>	
Operating Income (Loss)	(\$4,420)
<i>Adjustments:</i>	
Depreciation	5,533
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	(915)
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	(4,553)
Accrued Wages and Benefits	366
	(\$3,989)
<i>Net Cash from Operating Activities</i>	(\$3,989)

See accompanying notes to the basic financial statements

**Pickaway County, Ohio**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*December 31, 2003*

	Private Purpose Trust	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$2,363	\$2,755,507
Cash and Cash Equivalents in Segregated Accounts	0	529,417
Intergovernmental Receivable	0	7,020,112
Property Taxes Receivable	0	32,208,765
	<u>2,363</u>	<u>32,208,765</u>
<i>Total Assets</i>	<u>2,363</u>	<u>\$42,513,801</u>
<b>Liabilities:</b>		
Accounts Payable	0	\$28,088
Accrued Wages and Benefits	0	67,888
Contracts Payable	0	2,860
Intergovernmental Payable	0	41,838,153
Deposits Held and Due To Others	0	93,256
Undistributed Monies	0	476,754
Due to Component Unit	0	6,802
	<u>0</u>	<u>41,838,153</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$42,513,801</u>
<b>Net Assets:</b>		
Held in Trust for Other Individuals and Organizations	<u>2,363</u>	
<i>Total Net Assets</i>	<u>2,363</u>	

See accompanying notes to the basic financial statements

**Pickaway County, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Year Ended December 31, 2003*

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	<u>Private Purpose Trust</u>
<b>Additions</b>	\$0
<b>Deductions</b>	<u>0</u>
<i>Change in Net Assets</i>	0
<i>Net Assets at Beginning of Year</i>	<u>2,363</u>
<i>Net Assets at End of Year</i>	<u><u>\$2,363</u></u>

See accompanying notes to the basic financial statements

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*

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**NOTE 1 - DESCRIPTION OF PICKAWAY COUNTY AND REPORTING ENTITY**

Pickaway County, Ohio (the County), was created in 1810. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff and a Common Pleas Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

**Reporting Entity**

The reporting entity is comprised 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 Pickaway County, this includes the Pickaway County Board of Mental Retardation and Development Disabilities, Pickaway County Children Services Board, Pickaway County Child Support Enforcement Agency, Pickaway County Job and Family Services and 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 organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise 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 issuance of debt or levying of taxes.

**Discretely Presented Components Units**

The component unit columns in the basic financial statements identify the financial data of the County's component units, Brooks-Yates Center Diversified Opportunities, Inc. and Pickaway County Airport Authority. They are reported separately to emphasize that they are legally separate from the County.

*Brooks-Yates Center Diversified Opportunities, Inc.* - Brooks-Yates Center Diversified Opportunities, Inc. is the new name for the restructured non-profit organization formally known as Pickaway Diversified Industries, Inc. The purpose of the Organization is to provide resources, support and opportunities to individuals with mental retardation and developmental disabilities of Pickaway County through the provision of services, ownership and management of properties, purchase of supplies or equipment, receipt and disbursement of funds by fees, reimbursement or donations and any other method as deemed appropriate. An eleven-member board of trustees governs the organization with five members being from Brooks-Yates Center MRDD Board, three members from the former Pickaway Residential Association, Inc., and three members from the former Pickaway Diversified Industries, Inc. The existing board will make any new appointments. The only restriction on board appointments is that there can never be a majority of board members being from Brooks-Yates Center MRDD Board. The superintendent of the Brooks-Yates Center MRDD Board serves as a non-voting ex-officio member and two members of the MRDD Board also serve as non-voting ex-officio members. All of Brooks-Yates Center Diversified Opportunities, Inc.'s activities are included in the financial statements which are presented as a component unit of Pickaway County. Brooks-Yates Center Diversified Opportunities, Inc. operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from Brooks-Yates Center Diversified Opportunities, Inc., located at 548 State Route 22 East, Circleville, Ohio 43113.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 1 - DESCRIPTION OF PICKAWAY COUNTY AND REPORTING ENTITY** *(Continued)*

Pickaway County Airport Authority - Pickaway County Airport Authority (the Authority) operates on a fiscal year ending December 31. The five member Board for the Authority is appointed by the County Commissioners. The Commissioners also review the budget and have the ability to impose its will on the Authority. All the Authority's land and fixed assets belong to the County. Pickaway County also provides utilities and insurance for the Authority. During 2003, the County made \$56,000 in financial contributions either to or on behalf of the Authority. Financial information is included in the accompanying financial statements.

The County is associated with certain organizations that are defined as jointly governed organizations or related organizations. These organizations are presented in Notes 18 and 19 to the basic financial statements. These organizations are:

- X Berger Hospital
- X Paint Valley Mental Health Alcohol and Drug Addiction Board
- X Ross, Pickaway, Highland, Fayette Joint Solid Waste Management District
- X County Risk Sharing Authority (CORSA)
- X Southern Ohio Council of Governments
- X Pickaway County Library

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the districts listed below, the County serves as fiscal agent, but the districts are not fiscally dependent on the County. Accordingly, the activity of the following districts is presented as agency funds within the County's financial statements.

- X Soil and Water Conservation District
- X Pickaway County Health District

**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 activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. 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 statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.



**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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 single business-type activity 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. 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.

**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** - This 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.

**Auto, License and Gas Tax Fund** - This fund accounts for the County road and bridge maintenance, repair and improvement programs. Revenue sources include Federal and State grants and distributions.

**Job and Family Services Fund** - This fund accounts for various Federal and State grants, as well as transfers from the General Fund that are used to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.

**Board of Mental Retardation Fund** - This fund accounts for the operation of a school, workshop and resident homes for the mentally retarded and developmentally disabled. Revenue sources include a County-wide property tax levy and Federal and State grants.

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

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**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. The following is the County's major Proprietary fund.

**Countywide Sewer 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 Countywide Sewer Fund is the only enterprise fund of the County and it is a major fund of the county to account for sewer services provided to individual users in several subdivisions of the County.

**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 a private-purpose trust fund and agency funds. The County's private-purpose trust fund is established to account for assets that are used by the Juvenile Court for the benefit of the children of the County. The County's agency funds account for assets held for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures that have been collected and which will be distributed to other political subdivisions.

**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.

**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.

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

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 11). 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 taxes, charges for services and fees, fines and forfeitures, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), grants, and interest.

**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, 2003, but which were levied to finance year 2004 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.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**E. Budgetary Process**

All funds, except Jail Commissary (special revenue), Law Enforcement - Prosecutor (special revenue) and fiduciary 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 level of control has been established by County Commissioners at the object level within each department.

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 2003.

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, Cash Equivalents, and Investments**

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents".

Cash and cash equivalents that are held separately with the departments of the County, and not included in the County Treasury, are recorded as "cash and cash equivalents in segregated accounts".

During 2003, investments were limited to STAR Ohio, U.S. Government Securities, and other interest bearing accounts with local commercial banks.

Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2003.

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 2003 amounted to \$333,554, which includes \$238,171 assigned from other County funds.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

For presentation on the financial statements, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

**G. Inventory**

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental funds and as an expense in the enterprise fund when used.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**I. 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 financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of one thousand dollars. The County's infrastructure consists of roads, bridges, culverts and sanitary sewer lines. 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 capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	30-40 years	30-40 years
Improvements Other Than Buildings	10-40 years	10-40 years
Machinery and Equipment	5-15 years	5-15 years
Furniture and Fixtures	10-20 years	10-20 years
Vehicles	5-10 years	5-10 years
Plant and Facilities	40 years	40 years
Infrastructure	10-60 years	70 years

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans 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 receivables and payables. As of December 31, 2003, there were no internal receivables and payables to report on the statement of net assets.

**K. Compensated Absences**

The County reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences" as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

Vacation and compensatory time 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 that the employer will compensate the employees for the benefits through paid time off or some other means.

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 employees for whom it is probable will become eligible to receive payment in the future. The County has determined that employees with the County for five or more years are probable to receive payment in the future. The liability is based on accumulated sick leave and employees' wage rates at year end.

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

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**L. Accrued Liabilities and Long-term Obligations**

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

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

**M. Fund Balance Reserves**

The County reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances and debt service.

**N. Net Assets**

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

**O. Operating Revenues and Expenses**

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

**P. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Q. 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. Neither type of transaction occurred during 2003.

**R. 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 - BUDGETARY BASIS OF ACCOUNTING**

While the County is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budget basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget and actual (budget basis) is presented for the General Fund and major special revenue funds on the budget basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified accrual GAAP basis are that:

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. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).



**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** *(Continued)*

The following table summarizes the adjustments necessary to reconcile the GAAP and budget basis statements for the General Fund and major special revenue funds:

<b>Net Change in Fund Balances</b>				
	<b>General</b>	<b>Auto, License and Gas Tax</b>	<b>Job and Family Services</b>	<b>Board of Mental Retardation</b>
GAAP Basis	\$162,421	(\$35,739)	(\$643,186)	\$223,753
<i>Adjustments:</i>				
Net Adjustment for Revenue Accruals	84,010	309,739	579,635	99,645
Net Adjustment for Expenditure Accruals	240,726	(16,013)	79,414	5,584
Encumbrances	0	(153,506)	0	0
Net Adjustment for Other Sources (Uses)	(42,231)	0	(52,323)	0
<b>Budget Basis</b>	<b>\$441,926</b>	<b>\$104,481</b>	<b>(\$36,460)</b>	<b>\$328,982</b>

**NOTE 4 - CASH, DEPOSITS AND INVESTMENTS**

**A. Primary Government**

*Policies And Procedures:* State Statute classifies moneys held by the County into two categories. Active moneys means an amount of public moneys determined to be necessary to meet current demand upon the County treasury. Active moneys 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.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 4 - CASH, DEPOSITS AND INVESTMENTS** *(Continued)*

Moneys held by the County that are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provide that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investment in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper with a maturity that does not exceed 180 days and an amount that does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; and
10. Bankers acceptances with a maturity that does not exceed 180 days and that are eligible for purchase by the Federal Reserve System.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that will be held to maturity.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 4 - CASH, DEPOSITS AND INVESTMENTS** *(Continued)*

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

GASB Statement No. 9 requires the County to report cash flows for its proprietary fund. For purposes of the Statement of Cash Flows, the County defines cash and cash equivalents in the proprietary fund as demand deposit accounts and all highly liquid investments with an original maturity of three months or less.

The County's deposits and investments are categorized to give an indication of the level of risk assumed by the County.

Category 1- Investments that are insured or registered, or securities held by the County or its agent in the County's name;

Deposits that are insured or collateralized with securities held by the County or its agent in the County's name.

Category 2- Investments that are uninsured and unregistered with securities held by the counter-party's trust department or agent in the County's name;

Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

**NOTE 4 - CASH, DEPOSITS AND INVESTMENTS** *(Continued)*

Category 3- Investments that are uninsured and unregistered, with securities held by the counter-party or its trust department or agent but not in the County's name;

Deposits that are uncollateralized or collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the County's name.

Based on the criteria, the County deposits and investments at December 31, 2003 are classified as follows:

	Category			
Deposits:	1	3	Bank Balance	Carrying Amount
Demand Deposits	\$532,991	\$811,687	\$1,344,678	\$614,474
Certificates of Deposit	150,000	0	150,000	150,000
Component Units	153,564	0	153,564	153,564
<b>Total Deposits</b>	<b>\$836,555</b>	<b>\$811,687</b>	<b>\$1,648,242</b>	<b>\$918,038</b>
<b>Investments:</b>				
U.S. Government Securities	\$0	\$7,973,602	\$0	\$7,973,602
STAROhio	0	0	0	3,139,068
<b>Total Investments</b>	<b>\$0</b>	<b>\$7,973,602</b>	<b>\$0</b>	<b>\$11,112,670</b>

STAROhio is a non-categorized investment since it is not evidenced by securities that exist in physical book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$12,030,708	\$0
<i>Investments:</i>		
U.S. Government Securities	(7,973,602)	7,973,602
STAROhio	(3,139,068)	3,139,068
<b>GASB Statement No. 3</b>	<b>\$918,038</b>	<b>\$11,112,670</b>

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

**NOTE 4 - CASH, DEPOSITS AND INVESTMENTS** *(Continued)*

**B. Component Units**

*Deposits and Investments*

Cash and cash equivalents held by Brooks-Yates Center Diversified Opportunities, Inc. and the Pickaway County Airport Authority are classified as "cash and cash equivalents in segregated accounts."

(1) Brooks-Yates Center Diversified Opportunities, Inc.

At year end, the carrying amount of Brooks-Yates Center Diversified Opportunities, Inc. deposits was \$95,516 and the bank balance was \$95,516. All of the bank balance was covered by federal depository insurance. There are no statutory guidelines regarding the deposit and investment of funds by the non-profit corporation.

(2) Pickaway County Airport Authority

At year end, the carrying amount of the Pickaway County Airport Authority deposits was \$58,048 and the bank balance was \$58,048. The entire bank balance was covered by federal depository insurance.

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at December 31, 2003, consist of the following receivables and payables:

	Interfund Receivables	Interfund Payable
General	\$29,472	\$0
Job and Family Services	25,000	15,114
Nonmajor Special Revenue Funds	0	39,358
Totals	\$54,472	\$54,472

A summary of interfund transfers for 2003 are as follows:

Transfers Out	Transfers In					Totals
	General	Job and Family Services	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	
General	\$0	\$186,200	\$337,004	\$147,066	\$108,580	\$778,850
Board of Mental Retardation	0	0	15,000	0	0	15,000
Totals	\$0	\$186,200	\$352,004	\$147,066	\$108,580	\$793,850

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2003 consisted of property taxes, sales taxes, accounts (billings for user charged services), interest and intergovernmental grants. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivable follows:

<b>Governmental Activities</b>	
<i>General Fund:</i>	
Local Government Distributions	\$650,160
State Property Tax Reimbursements	220,157
Other Grants and Reimbursements	41,912
Total General Fund	<u>912,229</u>
Auto, License and Gas Tax	1,325,922
Board of Mental Retardation	244,102
Nonmajor Special Revenue Funds	427,249
Total Intergovernmental Receivable	<u>\$2,909,502</u>
<b>Fiduciary Funds</b>	
Agency Funds	\$7,020,112

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
(Continued)

**NOTE 7- CAPITAL ASSETS**

A summary of changes in general capital assets during 2003 were as follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
<b>Governmental Activities:</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$902,042	\$69,500	\$0	\$971,542
Total Nondepreciable Capital Assets	902,042	69,500	0	971,542
<i>Depreciable Capital Assets:</i>				
Buildings	17,597,028	6,620	0	17,603,648
Improvements Other Than Buildings	1,007,688	322,294	0	1,329,982
Machinery and Equipment	6,092,261	642,412	(184,528)	6,550,145
Furniture and Fixtures	1,464,984	75,307	0	1,540,291
Vehicles	2,729,340	176,055	(94,494)	2,810,901
Infrastructure	18,433,726	2,158,591	(289,519)	20,302,798
Total Depreciable Capital Assets	47,325,027	3,381,279	(568,541)	50,137,765
<i>Accumulated Depreciation:</i>				
Buildings	(6,243,059)	(429,160)	0	(6,672,219)
Improvements Other Than Buildings	(162,067)	(46,167)	0	(208,234)
Machinery and Equipment	(4,663,959)	(391,265)	134,283	(4,920,941)
Furniture and Fixtures	(884,632)	(74,052)	0	(958,684)
Vehicles	(1,780,115)	(195,386)	84,761	(1,890,740)
Infrastructure	(8,074,741)	(988,059)	279,636	(8,783,164)
Total Accumulated Depreciation	(21,808,573)	(2,124,089)	498,680	(23,433,982)
Depreciable Capital Assets, Net	25,516,454	1,257,190	(69,861)	26,703,783
<b>Governmental Activities Capital Assets, Net</b>	<b>\$26,418,496</b>	<b>\$1,326,690</b>	<b>(\$69,861)</b>	<b>\$27,675,325</b>

At December 31, 2003, capital assets include \$209,284 of machinery and equipment, \$52,630 of furniture and fixtures, and \$226,490 of vehicles under capitalized leases.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
(Continued)

**NOTE 7- CAPITAL ASSETS (Continued)**

For governmental activities, depreciation expense was charged to functions as follows:

**Governmental Activities**

*General Government:*

Legislative and Executive	\$165,523
Judicial	61,307
Public Safety	421,219
Public Works	1,225,361
Health	98,247
Human Services	144,458
Conservation and Recreation	6,906
Economic Development and Assistance	1,068

<b>Governmental Activities Depreciation Expense</b>	<b>\$2,124,089</b>
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	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
<b>Business-Type Activities:</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$13,964	\$0	\$0	\$13,964
Construction in Progress	0	1,041,426	0	1,041,426
Total Nondepreciable Capital Assets	13,964	1,041,426	0	1,055,390
<i>Depreciable Capital Assets:</i>				
Plant and Facilities	376,966	0	0	376,966
Infrastructure	50,542	0	0	50,542
Total Depreciable Capital Assets	427,508	0	0	427,508
<i>Accumulated Depreciation:</i>				
Plant and Facilities	(333,753)	(4,811)	0	(338,564)
Infrastructure	(27,906)	(722)	0	(28,628)
Total Accumulated Depreciation	(361,659)	(5,533)	0	(367,192)
Depreciable Capital Assets, Net	65,849	(5,533)	0	60,316
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$79,813</b>	<b>\$1,035,893</b>	<b>\$0</b>	<b>\$1,115,706</b>

The business-type activities of the County are the sewer operations at various subdivisions throughout the County.



**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
(Continued)

**NOTE 8 - NOTES AND LOANS PAYABLE**

The County's note and loan transactions for the year ended December 31, 2003, were as follows:

Purpose	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
<b>Business-Type Activities:</b>				
<i>OWDA Loans Payable :</i>				
Darby Township Sewer Improvements 0%	\$0	\$1,041,426	\$0	\$1,041,426
<i>Revenue Anticipation Notes Payable:</i>				
Clark's Lake, 5.75%	30,000	0	(30,000)	0
<b>Business-Type Activities Notes and Loan Payable</b>	<b>\$30,000</b>	<b>\$1,041,426</b>	<b>(\$30,000)</b>	<b>\$1,041,426</b>

According to State statute, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50% of anticipated revenue collections. The County's note is backed by revenues collected by the county for sewer fees, and matured during the year. The note pertaining to the business-type activities was repaid from enterprise fund revenues.

The Ohio Water Development Authority (OWDA) Loan related to Improvements to the Darby Township Sanitary Sewer System. The OWDA has granted a maximum loan amount of \$1,624,478 to the County for this project. The loan will be repaid in semiannual installments effective January 1, 2005, over 20 years with the final installment payable in July 1, 2024. The debt is to be repaid by user charges to consumers that use the system. The County must set rates in an amount that guarantees repayment of the debt construction. As of the date of this report this project has not been completed and once completed the repayment schedule will be finalized. This loan is to be a zero percentage interest rate for the life of the loan. The above amounts include expenditures of the amount of construction as of December 31, 2003.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
(Continued)

**NOTE 9 - LONG-TERM OBLIGATIONS**

The County's long-term obligations activity for the year ended December 31, 2003, was as follows:

Purpose	Outstanding January 1, 2003	Additions	Deletions	Outstanding December 31, 2003	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<i>General Obligation Notes Payable:</i>					
Energy Conservation 1995-2005 4.20-5.30%	\$270,000	\$0	\$85,000	\$185,000	\$90,000
Voting Equipment Acquisition 1995-2006 6.75%	156,500	0	39,125	117,375	39,125
MRDD Capital Improvement 2000-2024 3.32%	591,951	0	32,283	559,668	36,050
Jail Window/Downtown Annex Consolidation 2002-2007 4.50%	234,011	0	54,704	179,307	57,144
MRDD Housing Improvements 2002-2012 4.75%	71,209	0	5,894	65,315	6,108
MRDD Capital Improvement 2002 Variable Rate	646,900	0	29,699	617,201	36,159
<i>Special Assessment Bonds with Governmental Commitment:</i>					
Northwood Park Sanitary Sewer Improvement 1999-2019 6.00%	143,000	0	5,000	138,000	5,000
<i>General Obligation Bonds Payable:</i>					
MRDD Facilities Improvement 1994-2005 5.75%	31,888	0	9,903	21,985	10,946
<i>Other Long-Term Obligations:</i>					
Compensated Absences	1,070,492	1,422,375	1,433,384	1,059,483	661,422
Capital Leases	327,515	96,780	143,283	281,012	118,000
<b>Governmental Activities Long-Term Obligations</b>	<b>\$3,543,466</b>	<b>\$1,519,155</b>	<b>\$1,838,571</b>	<b>\$3,224,346</b>	<b>\$1,059,954</b>

The Northwood Park Sanitary Sewer Improvement Bonds will be repaid through the collection of special assessments on the benefiting property owners in the debt service funds. The general obligation bonds, the Energy Conservation Notes, and Voting Equipment Acquisition Notes will also be repaid through the debt service funds. The compensated absences liability will be paid from the fund from which the employees are paid. The capital leases will be repaid through the General Fund and special revenue funds. The Jail Window/Downtown Annex Consolidation Notes will also be repaid through the General fund.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

**NOTE 9 - LONG-TERM OBLIGATIONS** *(Continued)*

The MRDD Capital Improvement Notes of \$559,668, and the MRDD Capital Improvement Notes of \$617,201 are reflected as long-term obligations, and the notes will be repaid through the MRDD special revenue fund.

The following is a summary of the County's future principal and interest requirements for long-term obligations, including \$312,138 of interest:

For the Year Ended December 31,	Energy Conservation Notes	Voting Equipment Acquisition Notes	MRDD Capital Improvement Notes	Jail Window/ Downtown Annex Notes	MRDD Housing Improvements Notes
2004	\$99,760	\$45,727	\$54,000	\$65,235	\$9,079
2005	100,034	43,527	54,000	65,235	9,079
2006	0	41,326	54,000	65,235	9,079
2007	0	0	54,000	0	9,079
2008	0	0	54,000	0	9,079
2009 - 2013	0	0	270,000	0	34,682
2014 - 2018	0	0	146,592	0	0
2019	0	0	0	0	0
<b>Totals</b>	<b>\$199,794</b>	<b>\$130,580</b>	<b>\$686,592</b>	<b>\$195,705</b>	<b>\$80,077</b>

For the Year Ended December 31,	MRDD Capital Improvement	Northwood Park Sanitary Sewer Improvement Bonds	MRDD Facilities Improvement Bonds	Totals
2004	\$54,000	\$13,280	\$12,211	\$353,292
2005	54,000	13,980	11,624	351,479
2006	54,000	13,620	0	237,260
2007	54,000	13,260	0	130,339
2008	54,000	13,900	0	130,979
2009 - 2013	270,000	68,780	0	643,462
2014 - 2018	120,886	67,920	0	335,398
2019	0	13,780	0	13,780
<b>Totals</b>	<b>\$660,886</b>	<b>\$218,520</b>	<b>\$23,835</b>	<b>\$2,195,989</b>

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
(Continued)

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The County has entered into agreements to lease equipment and other assets. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations in the basic financial statements. Capital lease payments are reflected as debt service in the basic financial statements for the governmental funds. New leases are, in substance, capital purchases and are reflected as current expenditures and proceeds from capital leases in the fund financial statements. The capital lease obligations reflected as part of the long-term obligations represent the present value of the net future minimum lease payments on all capital leases.

The following is a schedule of the future minimum lease payments under lease obligations which have been capitalized as of December 31, 2003.

For the Year Ended December 31,	Capital Lease Obligations
2004	\$139,577
2005	118,693
2006	35,595
2007	28,254
2008	6,732
Total Minimum Lease Payments	328,851
Less: Amount Representing Interest	(47,839)
Present Value of Minimum Lease Payments	\$281,012

**NOTE 11 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semiannually. The first payment is due February 27, with the remainder payable by July 17.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due October 15. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by October 9.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 11 - PROPERTY TAXES (Continued)**

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to itself its share of the taxes collected. The County records receipt of these taxes in various funds.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes that were measurable and unpaid as of December 31, 2003. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2003 operations. The receivable is therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2003, was \$7.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Category	Assessed Value
<i>Real Estate:</i>	
Agriculture	\$97,840,530
Residential	504,279,330
Commercial	81,882,720
Industrial	30,646,410
Minerals	250,150
Public Utilities	521,340
<i>Personal Property:</i>	
General	112,174,187
Public Utilities	65,248,460
Total Assessed Values	<u><u>\$892,843,127</u></u>

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
(Continued)

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**NOTE 12 - PERMISSIVE SALES TAX**

In 1988, in accordance with Sections 5739.02 and 5741.02 of the Revised Code, the County Commissioners, by resolution, imposed a one percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles. In December 2001, the County Commissioners, by resolution, imposed an additional one-half percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax were credited to the General Fund and the Capital Improvement Capital Projects Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2003 amounted to \$5,399,205.

**NOTE 13 – ACCOUNTABILITY AND RESTATEMENT**

The following funds had deficit fund balances as of December 31, 2003:

Job & Family Services Fund	\$200,034
<i>Nonmajor Special Revenue Funds:</i>	
Diversion Program Fund	1,926
Stag Grant Fund	5,000

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

**RESTATEMENT**

In the prior year, Other Revenue was overstated in the Auto, License and Gas Tax Fund and understated in the Other Governmental Funds. This had the following effect on fund balance as it was previously reported as of December 31, 2002. This was due to incorrect reporting of the settlement of the CSX railroad for an insurance claim for damage to a county bridge.

**Other Governmental Funds**

Fund Balance as Previously Reported at December 31, 2002	\$3,840,097
Other Revenue Previously Reported	<u>500,000</u>
Restated Fund Balance as of January 1, 2003	<u>\$4,340,097</u>

**Auto License and Gas Tax Fund**

Fund Balance as Previously Reported at December 31, 2002	\$2,260,735
Other Revenue Previously Reported	<u>(500,000)</u>
Restated Fund Balance as of January 1, 2003	<u>\$1,760,735</u>

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 14 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2003, the County contracted with County Risk Sharing Authority (CORSA), a jointly governed organization, for liability, property, and crime insurance. The CORSA program has a \$2,500 deductible.

Coverages provided by the program are as follows:

Property:

Blanket coverage (\$100,000 annual aggregate pool limit for flood and earthquake)

Liability:

General Liability	\$6,000,000
Public Officials	6,000,000
Law Enforcement	6,000,000
Automobile	6,000,000
Uninsured/Underinsured Motorist	250,000
Faithful Performance and Employee Bond	1,000,000
Boiler and Machinery (each occurrence)	100,000

Settlement amounts on claims have not exceeded insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

Health insurance is provided by United Healthcare. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The County pays all elected officials' bonds by statute.

**NOTE 15- DEFINED BENEFIT RETIREMENT PLANS**

**A. Ohio Public Employees Retirement System**

The County employees participates in the Ohio Public Employees Retirement System (OPERS), other than certified teachers with the Board of Mental Retardation and Development Disabilities (MRDD). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of 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.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
(Continued)

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**NOTE 15- DEFINED BENEFIT RETIREMENT PLANS (Continued)**

**A. Ohio Public Employees Retirement System (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$973,121, \$903,582, and \$1,198,089 respectively; 93.4 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Of the 2003 amount, \$64,689 was unpaid at December 31, 2003 and is recorded as a liability in the respective funds.

**B. State Teachers Retirement System of Ohio**

The Pickaway County Board of Mental Retardation and Developmental Disabilities contributes for all certified teachers to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, OH 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.



**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
(Continued)

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**NOTE 15- DEFINED BENEFIT RETIREMENT PLANS (Continued)**

**B. State Teachers Retirement System of Ohio (Continued)**

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

Plan members were required to contribute 9.3 percent of their annual covered salaries. The County was also required to contribute 14 percent; For fiscal year 2003, the portion used to fund pension obligations was 11 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$17,115, \$12,065, and \$10,202, respectively; 100 percent has been contributed for fiscal years 2003, 2002, and 2001.

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions.

The OPERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. For local government employer units the rate was 13.55% of covered payroll; 5.0% was the portion used to fund health care for the year. The 2003 employer rate was 16.7% and 5.0% was used to fund health care for both the law enforcement and public safety divisions.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8%. An annual increase of 4% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4% annually.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 16 - POSTEMPLOYMENT BENEFITS (Continued)**

**A. Ohio Public Employees Retirement System (Continued)**

OPEB are advance-funded on an actuarially determined basis. As of December 31, 2003, the number of active contributing participants was 364,881. The County contributions actually made to fund postemployment benefits during fiscal year 2003 were \$569,077. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002 was \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the OPERS Board adopted the Health Care Choices Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year cliff eligibility standard for the present plan.

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

**B. State Teachers Retirement System**

The State Teachers Retirement System provides access to health care benefits to retired teachers and their dependents. Benefits under the current program include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The State Teachers Retirement System is funded on a pay-as-you-go basis.

The State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1.0% of the covered payroll to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the County, this amount equaled \$1,317 during the 2003 fiscal year.

The balance in the Health Care Stabilization Fund was \$2.8 billion on June 30, 2003. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000. There were 108,294 eligible benefit recipients.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 17 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS**

**A. Measurement Focus and Basis of Accounting**

Brooks-Yates Center Diversified Opportunities, Inc. uses fund accounting to report on their operations and uses the full accrual basis of accounting as set forth in SFAS No. 117 for non-profit corporations. Pickaway County Airport Authority uses fund accounting to report on their operations and uses the cash basis of accounting that is then converted to accrual accounting at year end.

**B. Budgetary Basis of Accounting**

Budgetary information for the discretely presented component units is not presented because they are not included in the entity for which the "appropriated budget" is adopted and do not maintain separate budgetary financial records.

**C. Capital Assets**

Property and equipment for the component units are stated at historical cost and are updated for the costs of additions and retirements during the year. Donated fixed assets have been recorded at the fair market value at the date of the gift.

The assets for Brooks-Yates Center Diversified Opportunities, Inc. are depreciated on a straight line basis using the following estimated useful lives:

Category	Estimated Life
Buildings	40 years
Leasehold Improvements	39 years
Machinery and Equipment	5-7 years

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
(Continued)

**NOTE 17 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS**  
(Continued)

A summary of changes in capital assets during 2003 were as follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
<i><b>Nondepreciable Capital Assets:</b></i>				
Land	\$150,667	\$17,193	\$0	\$167,860
Construction in Progress	8,168	0	0	8,168
<b>Total Nondepreciable Capital Assets</b>	<b>158,835</b>	<b>17,193</b>	<b>0</b>	<b>176,028</b>
<i><b>Depreciable Capital Assets:</b></i>				
Buildings and Improvements	1,462,591	94,606	0	1,557,197
Land Improvements	15,000	0	0	15,000
Leasehold Improvements	109,465	0	0	109,465
Machinery and Equipment	52,105	4,500	0	56,605
Vehicles	65,426	0	0	65,426
<b>Total Depreciable Capital Assets</b>	<b>1,704,587</b>	<b>99,106</b>	<b>0</b>	<b>1,803,693</b>
<i><b>Accumulated Depreciation:</b></i>				
Buildings and Improvements	(42,608)	(38,930)	0	(81,538)
Land Improvements	(2,000)	(1,000)	0	(3,000)
Leasehold Improvements	(21,539)	(2,806)	0	(24,345)
Machinery and Equipment	(42,158)	(3,153)	0	(45,311)
Vehicles	(43,730)	(8,645)	0	(52,375)
<b>Total Accumulated Depreciation</b>	<b>(152,035)</b>	<b>(54,534)</b>	<b>0</b>	<b>(206,569)</b>
<b>Depreciable Capital Assets, Net</b>	<b>1,552,552</b>	<b>44,572</b>	<b>0</b>	<b>1,597,124</b>
<b>Capital Assets, Net</b>	<b>\$1,711,387</b>	<b>\$61,765</b>	<b>\$0</b>	<b>\$1,773,152</b>

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
(Continued)

**NOTE 17 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS**  
(Continued)

**D. Long-Term Obligations**

A summary of long-term obligations for the year ended December 31, 2003, was as follows:

Purpose	Outstanding January 1, 2003	Additions	Deletions	Outstanding December 31, 2003	Amounts Due Within One Year
<i>Long-Term Notes Payable:</i>					
Facilities Improvement 2001-2012 4.75%	\$70,731	\$0	\$70,731	\$0	\$0
Vehicle Purchase 1998-2003 5.65%	1,566	0	1,566	0	0
Facilities Improvement 2003-2018 4.75%	0	103,121	0	103,121	4,834
<i>Bonds Payable:</i>					
Facilities Improvement 1994-2005 5.75%	31,688	0	9,902	21,786	10,893
<b>Total Long-Term Obligations</b>	<b>\$103,985</b>	<b>\$103,121</b>	<b>\$82,199</b>	<b>\$124,907</b>	<b>\$15,727</b>

The following is a summary of the component unit's future principal and interest requirements for long-term obligations:

For the Year Ended December 31,	Facilities Improvement Notes	Facilities Improvement Bonds	Totals
2004	\$9,628	\$12,211	\$21,839
2005	9,628	11,624	21,252
2006	9,628	0	9,628
2007	9,628	0	9,628
2008	9,628	0	9,628
2009 – 2013	48,138	0	48,138
2014 – 2018	48,085	0	48,085
Total Payments	144,363	23,835	168,198
Less: Interest	(41,242)	(2,049)	(43,291)
Total Principal	<u>\$103,121</u>	<u>\$21,786</u>	<u>\$124,907</u>

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
(Continued)

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**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Berger Hospital**

Berger Hospital is a jointly governed organization that provides diversified health care services to the community. The hospital is governed by a 9 member board: Pickaway County Commissioners appoint 4 members of the board, the City of Circleville appoints 4 members of the board and the final board member is the City of Circleville's Mayor. The Mayor is the President of the Board but does not have voting privileges unless there is a tie. The City of Circleville holds legal title to the Hospital. The degree of control exercised by the County is limited to its representation on the Board. Pickaway County does not have an ongoing financial interest in or an ongoing financial responsibility for the Hospital. During 2003, the County did not make any contributions to the Hospital. Complete financial statements can be obtained from the Berger Hospital, 600 N. Pickaway, Circleville, Ohio, 43113.

**B. Paint Valley Mental Health Alcohol and Drug Addiction Board**

The Paint Valley Mental Health Alcohol and Drug Addiction Board serves Pike, Fayette, Highland, Pickaway and Ross Counties and is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. The Director of the Ohio Department of Mental Health appoints four members and the Director of the Ohio Department of Alcohol and Drug Addiction Services appoints four members. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway, and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board receives revenue from the participating counties and receives federal and state funding through grant monies that are applied for and received by the Board of Trustees. Pickaway County cannot significantly influence operations of the Board, who has sole budgetary authority and controls surpluses and deficits. Pickaway County has no ongoing financial interest or responsibility. During 2003, Pickaway County contributed \$556,865 to the program.

**C. Ross, Pickaway, Highland, Fayette Joint Solid Waste Management District**

The County is a member of the Ross, Pickaway, Highland, Fayette Joint Solid Waste Management District, which is a jointly governed organization of the four-named counties. The purpose of the District is to make disposal of waste in the four-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 Ross, Pickaway, Highland, Fayette Joint Solid Waste Management District is governed and operated through three groups. A twelve member board of directors, comprised of three commissioners from each county, is responsible for the District's financial matters. Financial records are maintained by the Ross County Auditor and Treasurer, and the Ross County Commissioners budget and finance the District with board approval. A twenty-nine member policy committee, comprised of seven members from each county and one at-large member appointed by the board of directors, is responsible for preparing the solid waste management plan of the District in conjunction with a twenty-three member Technical Advisory Council (members appointed by the policy committee). The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. Although the counties contributed amounts to the District at the time of its creation, all contributions have since been returned to the respective counties and no future contributions by the counties are anticipated. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS** *(Continued)*

**D. County Risk Sharing Authority (CORSA)**

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among forty-one 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 of 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 CORSA. The County's payment for insurance to CORSA in 2003 was \$196,276.

**E. Southern Ohio Council of Governments**

The County is a member of the Southern Ohio Council of Governments, which is a jointly governed organization created under the Ohio Revised Code Section 167.01. The governing body consists of a thirteen member board with each participating County represented by its Director of its Board of Mental Retardation and Development Disabilities. Member counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto and Vinton Counties. During 2003, the County contributed \$96,196 to this organization. Financial statements can be obtained from the Southern Ohio Council of Governments, 43 N. Paint St., Chillicothe, Ohio, 45601.

**NOTE 19 - RELATED ORGANIZATIONS**

**A. Pickaway County Library**

The Pickaway County District Library is statutorily created as a separate and distinct political subdivision of the State. Four trustees of the District Library are appointed by the County Commissioners, and three trustees are appointed by the judges of the Common Pleas Court. 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. Due process is required to remove board members. No subsidies are provided by the County.

**NOTE 20 - RELATED PARTY TRANSACTION**

**A. Brooks-Yates Center Diversified Opportunities, Inc.**

Brooks-Yates Center Diversified Opportunities, Inc. a discretely presented component unit of Pickaway 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 2003, these contributions were \$28,662.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2003*  
*(Continued)*

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**NOTE 21 - 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.



PICKAWAY COUNTY  
FINANCIAL CONDITION

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal C.F.D.A. Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed through Ohio Department of Education:</i>			
<i>Child Nutrition Cluster</i>			
National School Breakfast Program	N/A	10.553	1,846
National School Lunch Program	LL-P4 2001 & LL-P4 2002	10.555	2,694
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE-CHILD NUTRITION CLUSTER</b>			<b>4,540</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through the Ohio Department of Development:</i>			
Community Development Block Grant/State's Program	B-C-01-060-1	14.228	31,375
Community Development Block Grant/State's Program	B-F-01-060-1 & B-F-02-060-1	14.228	183,820
HOME Investment Partnership Program	B-C-01-060-2	14.239	65,768
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>280,963</b>
<b>U.S. DEPARTMENT OF CRIMINAL JUSTICE</b>			
<i>Passed through the Ohio Office of Criminal Justice Services</i>			
Byrne Formula Grant	2001-DG-D02-7215 & 2002-DG-D02-7215	16.579	27,499
<i>Passed through the Ohio Department of Youth Services</i>			
Juvenile Accountability Incentive Block Grant	83-65-0000	16.523	7,899
Juvenile Justice and Delinquency Prevention Allocation to States	31-6400083	16.540	38,490
<i>Passed through Ohio Office of the Attorney General</i>			
Crime Victim Assistance	2003VADOME095 & 2003VAGENE095T	16.575	44,958
Crime Victim Assistance	2003VAGENE593T	16.575	2,230
Crime Victim Assistance	2003VA593T & 2001VADOME095X	16.575	9,505
Crime Victim Assistance	2003-VAGENE501 & 2003-VAGENE501T	16.575	22,199
Total Crime Victim Assistance Grant			78,892
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<b>152,780</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed through the Ohio Department of Public Safety- Emergency Management Agency</i>			
State Domestic Preparedness Equipment Support Program	2002-TE-CX-0106 & 2002-TE-CX-0049	97.004	79,740
State and Local All Hazards Emergency Planning Operations	EMC-2003-GR-7026	97.051	5,800
Emergency Management Performance Grant	S03-FE03-65-0310	97.042	22,559
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b>108,099</b>
<b>U.S. Department of Education</b>			
<i>Passed through Ohio Department of Education</i>			
<i>Special Education Cluster</i>			
Special Education Grants to States	066191-6BSF-2003-P and 2004-P	84.027	15,610
Special Education Preschool Grants	066191-PGS1-2003-P and 2004-P	84.173	7,587
Total Special Education Cluster			23,197
Innovative Education Program Strategies	066191-C2-S1-2004	84.298	54
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>23,251</b>
<b>U.S. DEPARTMENT OF TREASURY</b>			
<i>Passed through Ohio Department of Youth Services</i>			
Americorps	YCP-025-02	94.006	403
<b>U.S. DEPARTMENT OF GENERAL ADMINISTRATIVE SERVICES</b>			
<i>Passed through Ohio Department of General Service Administration</i>			
Election Reform Payments	04-SOS-HAVA-65	39.011	6,876
<b>U.S. Department of Health and Human Services</b>			
<i>Passed through the Ohio Department of Job and Family Services</i>			
Medical Assistance Program	31-6400083	93.778	467,921
Social Services Block Grant	SFY03-04	93.667	42,442
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>510,363</b>
<b>U.S. Department of Labor</b>			
<i>Passed through Ohio Department of Job and Family Services</i>			
<i>WIA Cluster</i>			
Workforce Investment Act-Adult	N/A	17.258	124,725
Workforce Investment Act-Adult Administrative			3,559
Workforce Investment Act-Adult Total			128,284
Workforce Investment Act-Youth	N/A	17.259	81,998
Workforce Investment Act-Youth Administration			6,405
Workforce Investment Act-Youth Total			88,403
Workforce Investment Act-Dislocated Worker	N/A	17.260	307,501
Workforce Investment Act-Dislocated Worker Administrative			13,435
Workforce Investment Act-Dislocated Worker Total			320,936
<b>TOTAL U.S. DEPARTMENT OF LABOR-WORK INVESTMENT ACT - WIA Cluster</b>			<b>537,623</b>
<b>U.S. Department of Transportation</b>			
<i>Passed through Ohio Department of Transportation:</i>			
Highway Planning and Construction	PIC-CR7-9.080	20.205	579,568
<b>Total Federal Awards Financial Assistance</b>			<b>\$2,204,466</b>

The accompanying notes to this schedule are an integral part of this schedule

PICKAWAY COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
YEAR ENDED DECEMBER 31, 2003

**NOTE A-SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B-SUBRECIPIENTS**

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

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

**NOTE C- MATCHING REQUIREMENTS**

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

**NOTE D - U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS**

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the County previously received from other Federal agencies. The accompanying Federal Awards Expenditure Schedule reports all such 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirement of these programs has not changed. A comparison of the former Federal agency and CFDA number the County reported in its 2002 Schedule of Federal Award Expenditures compared with the Department's CFDA numbers reported in the 2003 Schedule follows:

<u>Previous Federal Agency</u>	<u>CFDA No. used In 2002</u>	<u>Homeland Security CFDA No. used for 2003</u>
Department of Justice	16.007	97.004



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Pickaway County  
207 South Court Street  
Circleville, Ohio 43113

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Pickaway County, Ohio, (the "County") as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 9, 2004, which indicated the financial statements of Brooks-Yates Center for Diversified Opportunities, Inc. were audited by other auditors, and our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of other auditors. In addition, we noted the County's Auto License and Gas Tax fund and Other Governmental funds' balances were restated. 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.

#### Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the County's management in a separate letter dated August 9, 2004.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the County's management in a separate letter dated August 9, 2004.

This report is intended solely for the information and use of management, the Board of County Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

August 9, 2004



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Pickaway County  
207 South Court Street  
Circleville, OH 43113

To the Board of Commissioners:

**Compliance**

We have audited the compliance of Pickaway County, Ohio, (the "County"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Pickaway County, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003. However we noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the County in separate letter dated August 9, 2004.

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### Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings as item 2003-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information and use of the management, the Board of Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

August 9, 2004

**PICKAWAY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 .505**  
**DECEMBER 31, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	<b>Yes</b>
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under ' .510?</b>	<b>No</b>
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<b>Community Development Block Grant: CFDA # 14.228,  Medical Assistance Program: CFDA #93.778,  Workforce Investment Act: CFDA #'s 17.258, 17.259, and 17.260</b>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	<b>Type A: &gt; \$ 300,000  Type B: all others</b>
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	<b>No</b>

**PICKAWAY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 .505**  
**DECEMBER 31, 2003**  
(Continued)

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	2003-001
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**CASH RECONCILIATION**

Reconciling cash is one of the most important controls instituted by management to assure the completeness and accuracy of cash transactions reflected in the financial statements. Monthly cash reconciliations and investigating unusual reconciling items should be performed by all entities regardless of their size or the number of financial transactions processed. By doing so, the entity can gain assurance as to the completeness and accuracy of the accounting records.

The County Treasurer did not complete monthly bank reconciliations from April 2003 to December 2003 timely. These reconciliations were prepared at a later date, sometimes being several months after month end. This was later resolved by the Treasurer who eventually reconciled to the County Auditor's ledgers. Failure to prepare or monitor reconciliations could result in errors and omissions to occur and not be detected by management in a timely manner.

We recommend the County continue to develop and implement procedures to ensure the accuracy, completeness and reasonableness of the reconciliation prepared by the Treasurer. Additionally any reconciling items should be identified and disposed of in a timely manner.

<b>Finding Number</b>	2003-002
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**TAX COLLECTIONS DAILY POSTING AND RECONCILIATION**

The Treasurer's Office converted to a new accounting software for the Real estate collections in July of 2003, which was the beginning of the 2<sup>nd</sup> half tax collections. This new system eliminated the need for additional manual reentry by the County Treasurer's office, as was the case in the former accounting system. Also, the settlement of the 1<sup>st</sup> half of the County's property taxes on the former system was not timely settled and disbursed to area governments. This settlement occurred in October of 2003, but usually takes place in August of each year. This delay in settling the first half real estate collections caused the County Treasurer to not fully implement the real time posting to the taxpayer accounts for the 2<sup>nd</sup> half collections. Due to this delay the Treasurer's office did not post tax receipts to their computer system from the due date of July 2003 until the settlement date of October 2003. Instead the taxes were posted by the cash register system into a holding account, called a 400 account. This holding account was not reconciled on a daily basis to the collections made by the County.

The new software has the ability to allow for taxes to be posted to the computer system and not be included on the settlement by putting a hold on the receipt. This allows the Treasurer to reconcile the daily cash received to taxes posted to the system on a daily basis. The Treasurer currently places receipts into a 400 holding account. These tax receipts then need to be re-scanned into the system after the settlement date. This subsequent reentry can allow for errors and irregularities to occur. Also, true cash reconciliations cannot be completed until the settlement is completed and receipts collected are updated to the taxpayer accounts. This has led to reconciliations not being performed for up to two months after the business transaction date. This method increases the risk of reconciliation and posting errors.



PICKAWAY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 .505  
DECEMBER 31, 2003  
(Continued)

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

We recommend the Treasurer develop and implement procedures to timely reconcile the daily tax collections to the related posting to the taxpayers accounts. This could be accomplished by posting tax receipts to the system on the date the monies are received with a hold being placed on the receipt for dates between the due date and the settlement date. We further recommend the TX170, a system generated report be run and reconciled to cash receipts on a daily basis. In the event these recommendations are not implemented, the Treasurer should reconcile daily cash receipts to the POS 600 report, which shows detail postings to the holding account.

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2003-003
<b>CFDA Title and Number</b>	Community Development Block Grant: CFDA # 14.228, Medical Assistance Program: CFDA #93.778, Workforce Investment Act: CFDA #'s 17.258, 17.259, and 17.260
<b>Federal Award Number /Year</b>	B-C-01-060-1; B-F-01-060-01;B-F-02-060-01
<b>Federal Agency</b>	U. S. Department of Housing and Urban Development; U.S. Department of Health and Human Services; U.S. Department of Labor
<b>Pass- Through Agency</b>	Ohio Department of Development; Ohio Department of Job and Family Services

**CASH RECONCILIATIONS**

See Findings Related to the Financial Statements Required to be reported Under GAGAS number 2003-001. This finding is also required to be reported under OMB Circular A-133- 505(d)(3).

PICKAWAY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 OMB CIRCULAR A -133 ' .315 (b)  
 DECEMBER 31, 2003

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b></u>
2002-001	The County did not expend funds received for Home Investment Partnership Program down to an amount of less than \$5,000 within 15 days of receipt.	Partially corrected	Partial corrected - funds were disbursed in a more timely manner.  Repeated in Management letter
2002-002	The County did not have an agreement with PICCA , Pickaway County Community Action Organization to carry out the CHIP or Community Housing Improvement Program received by the county. Additionally they failed to do timely subrecipient monitoring.	yes	The County has terminated most of its operations with PICCA and is handling these items in house.

PICKAWAY COUNTY

**CORRECTIVE ACTION PLAN**  
**OMB CIRCULAR A -133 ' .315 ©**  
**DECEMBER 31, 2003**

<u>Finding Number</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>	<u>Responsible Contact Person</u>
2003-001	The County Treasurer has is now completing the reconciliations at the close of each month	Corrected as of March 2004	Mr. Ellery Elick, County Treasurer
2003-002	The County Treasurer has worked with their computer software company in an attempt to expedite the settlement process, and to learn the account system.	Corrected as of August 2004	Mr. Ellery Elick, County Treasurer
2003-003	The County Treasurer has is now completing the reconciliations at the close of each month. The county has yet to develop proper timely monitoring controls of this reconciliation.	Corrected as of March 2004	Mr. Ellery Elick, County Treasurer





**Auditor of State  
Betty Montgomery**

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## **FINANCIAL CONDITION**

### **PICKAWAY 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  
NOVEMBER 23, 2004**