



**Auditor of State
Betty Montgomery**

ADAMS COUNTY
TABLE OF CONTENTS

| TITLE | PAGE |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Independent Accountants' Report..... | 1 |
| Management's Discussion and Analysis..... | 3 |
| Basic Financial Statements: | |
| Governmental-wide Financial Statements: | |
| Statement of Net Assets – Cash Basis as of December 31, 2004 | 10 |
| Statement of Activities – Cash Basis For the Year Ended December 31, 2004..... | 11 |
| Fund Financial Statements: | |
| Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Governmental Funds..... | 12 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances (Budgetary Basis)..... | 14 |
| Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances - Proprietary Funds..... | 16 |
| Statement of Fiduciary Net Assets..... | 17 |
| Notes to Basic Financial Statements | 19 |
| Schedule of Federal Awards Expenditures..... | 35 |
| Notes to Schedule of Federal Awards Expenditures | 37 |
| Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 39 |
| Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133..... | 41 |
| Schedule of Findings..... | 43 |
| Schedule of Prior Audit Findings..... | 47 |

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Adams County
110 West Main Street
West Union, Ohio 45693

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and aggregate remaining fund information of Adams County, Ohio (the County), as of and for the year ended December 31, 2004, 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 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.

Ohio Administrative Code Section 117-02-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

The County's financial statements do not include all receipts, disbursements and cash balances related to the Ambulance and EMS Special Revenue Fund (fund 010) which should be included in the Adams County financial statements. There was insufficient documentation to support the completeness of these amounts. However, based on available documentation, had the omitted funds been included, all other governmental funds balance as of December 31, 2004 would have increased by approximately \$353,454 and receipts and disbursements would have increased approximately \$717,717 and 538,586, respectively.

Additionally, the County did not include proprietary fund statements for the Adams County Hospital in its cash basis statements or Business-type Activities. Therefore in our opinion, the County's financial statements do not present fairly the financial position of the Business-Type Activities and proprietary funds of the County as of December 31, 2004 or the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 2.

In our opinion, except for the omission of the Ambulance and EMS Special Revenue Fund receipts, disbursements and cash balances referred to above, financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Adams County, Ohio, as of December 31, 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General, Mental Retardation, Motor Vehicle Gas Tax, and Public Assistance Funds, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the County revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

May 15, 2006

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The discussion and analysis of Adams County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2004, within the limitations of the County's cash basis of accounting. Please read this in conjunction with the County's financial statements that begin on page 10.

Financial Highlights

Key financial highlights for 2004 are as follows:

Overall:

Total net assets increased \$959,843 with Governmental Activities increasing by \$965,669 and Business-Type Activities decreasing by \$5,826.

Total cash receipts were \$21,866,473 in 2004.

Total program cash disbursements were \$20,906,630 in 2004.

Governmental Activities:

Total program cash receipts were \$14,090,680 in 2004, while program cash disbursements were \$20,869,811.

Program cash disbursements were primarily composed of Human Services and Public Works related cash disbursements which were \$6,538,388 and \$3,388,867 respectively, in 2004.

Business-Type Activities:

Program cash receipts were \$30,993 for Business Activities, while corresponding cash disbursements were \$36,819.

Using this Basic Financial Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's cash basis of accounting.

The *Statement of Net Assets-Cash Basis* and *Statement of Activities-Cash Basis* provide information about the activities of the whole County, presenting both an aggregate view of the County's cash basis finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of Adams County, the General Fund, the Motor Vehicle Gasoline Tax Fund, the Public Assistance Fund, and the Adams County Board of Mental Retardation and Developmental Disabilities Fund are the most significant funds and have been presented as major funds.

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Reporting the County as a Whole

The County's Reporting Entity Presentation

This annual report includes all activities for which Adams County is fiscally responsible. These activities, defined as the County's reporting entity, are operated within separate legal entities that make up the primary government and one other separate legal entity that is presented as a component unit. The primary government consists of Adams County. The component unit presentation includes the following separate legal entity:

- Venture Productions, Inc.

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether, for the County as a whole, the *cash basis financial position* of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets and the Statement of Activities, the County is divided into three distinct kinds of activities:

Governmental Activities – Most of the County's programs and services are reported here including general government, public safety, public works, health, human services, conservation and recreation, capital outlay, and debt service.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The County's wastewater treatment program and the airport are reported as business activities.

Component Unit Activities-Although Venture Productions, Inc. is a separate legal entity, the County includes their activity since the County is financially accountable for this entity.

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds begins on page 8. 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 most significant funds that have been presented as major governmental funds are the General Fund, the Motor Vehicle Gasoline Tax Fund, the Public Assistance Fund and the Mental Retardation and Developmentally Disabled Fund.

Governmental Funds Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed *view* of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various County programs. Since the County is reporting on the cash basis of accounting, there are no differences in the Net Assets and cash basis fund balances or changes in Net Assets and changes in cash basis fund balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross receipts and disbursements on the Fund Financial Statements to the Statement of Activities due to transfers and advances netted on the Statement of Activities. See Note 2 to the basic financial statements entitled *Government-Wide Financial Statements*.

Proprietary Funds The County's proprietary funds use the same basis of accounting (cash basis) as business-type activities; therefore, these statements will essentially match the information provided in statements for the County as a whole.

The County as a Whole

This is the first year for Adams County in implementing a new standard. Adams County has chosen to report on the *Other Comprehensive Basis of Accounting*. This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis (MD&A) section. Since this is the first year of implementing the new standard, comparative data is not available. In future years comparative data will be presented.

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 2004:

Table 1
 Net Cash Assets

| | <u>Governmental</u> <u>Activities</u> <u>2004</u> | <u>Business-Type Activities</u> <u>2004</u> | <u>Totals</u> <u>2004</u> |
|-------------------------|---------------------------------------------------------|------------------------------------------------|------------------------------|
| <i>Assets</i> | | | |
| Cash & Cash Equivalents | \$9,315,997 | \$18,858 | \$9,334,855 |
| <i>Total Assets</i> | 9,315,997 | 18,858 | 9,334,855 |
| <i>Net Cash Assets</i> | | | |
| Restricted | 8,637,432 | 0 | 8,637,432 |
| Unrestricted | 678,565 | 18,858 | 697,423 |
| <i>Total Net Assets</i> | \$9,315,997 | \$18,858 | \$9,334,855 |

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 2 shows the changes in Net Assets for fiscal year 2004.

Table 2
Changes In Net Cash Assets

| | Governmental Activities | Business-Type Activities | Totals |
|----------------------------------------------------------------|------------------------------------|-------------------------------------|-------------------|
| | <u>2004</u> | <u>2004</u> | <u>2004</u> |
| Cash Receipts | | | |
| <i>Program Cash Receipts</i> | | | |
| Charges For Services | \$2,367,103 | \$30,993 | \$2,398,096 |
| Operating Grants and Contributions | 10,993,262 | - | \$10,993,262 |
| Capital Grants and Contributions | 730,315 | - | \$730,315 |
| Total Program Cash Receipts | 14,090,680 | 30,993 | 14,121,673 |
| <i>General Cash Receipts</i> | | | |
| Property Taxes | 3,596,444 | - | 3,596,444 |
| Sales Taxes | 1,880,401 | - | 1,880,401 |
| Grants and Entitlements Not Restricted to Specific Programs | 1,317,611 | - | 1,317,611 |
| Miscellaneous | 641,884 | - | 641,884 |
| Interest | 63,925 | - | 63,925 |
| Special Assessments | 15,534 | - | 15,534 |
| Proceeds from Sale of Notes | 228,473 | - | 228,473 |
| Proceeds from Sale of Bonds | 528 | - | 528 |
| Total General Cash Receipts | 7,744,800 | - | 7,744,800 |
| Total Cash Receipts | 21,835,480 | 30,993 | 21,866,473 |
| Cash Disbursements | | | |
| <i>Program Cash Disbursements</i> | | | |
| <i>General Government</i> | | | |
| Legislative and Executive | 2,459,652 | - | 2,459,652 |
| Judicial | 1,082,413 | - | 1,082,413 |
| Public Safety | 2,459,804 | - | 2,459,804 |
| Public Works | 3,388,867 | - | 3,388,867 |
| Health | 2,833,304 | - | 2,833,304 |
| Human Services | 6,538,388 | - | 6,538,388 |
| Conservation and Recreation | 9,912 | - | 9,912 |
| Miscellaneous | 990,155 | - | 990,155 |
| Capital Outlay | 895,839 | - | 895,839 |
| <i>Debt Service:</i> | | | |
| Principal Retirement | 162,468 | - | 162,468 |
| Interest and Fiscal Charges | 49,009 | - | 49,009 |
| Airport | - | 35,194 | 35,194 |
| Sewer | - | 1,625 | 1,625 |
| Total Cash Disbursements | 20,869,811 | 36,819 | 20,906,630 |
| Increase (Decrease) In Net Cash Assets | 965,669 | (5,826) | 959,843 |
| Net Cash Assets at Beginning of Year | 8,350,328 | 24,684 | 8,375,012 |
| Net Cash Assets at End of Year | \$9,315,997 | \$18,858 | \$9,334,855 |

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Property taxes and sales taxes made up 16 percent and 9 percent, respectively, of cash receipts for governmental activities for Adams County in fiscal year 2004. Operating grants and contributions made up 50 percent of cash receipts for governmental activities for the County.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental and business-type activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. The dependence upon tax receipts and intergovernmental monies for governmental activities is apparent. Almost 100 percent of human services activities are supported through charges for services and operating grants and contributions; for all governmental activities general cash receipts support is 35 percent as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Adams County. Table 3 below shows the total and net cost of services (on a cash basis) for the County.

Governmental Activities and Business-Type Activities

Table 3

| | 2004 | |
|------------------------------------------------------------|--------------------------|------------------------|
| | Total Cost of Service | Net Cost of Service |
| Governmental Activities | | |
| General Government | | |
| Legislative and Executive | \$2,459,652 | \$1,739,178 |
| Judicial | 1,082,413 | 850,688 |
| Public Safety | 2,459,804 | 1,631,547 |
| Public Works | 3,388,867 | 344,471 |
| Health | 2,833,304 | 275,852 |
| Human Services | 6,538,388 | 717,549 |
| Conservation and Recreation | 9,912 | 8,356 |
| Miscellaneous | 990,155 | 834,489 |
| Capital Outlay | 895,839 | 165,524 |
| Debt Service | | |
| Principal Retirement | 162,468 | 162,468 |
| Interest and Fiscal Charges | 49,009 | 49,009 |
| Total Cash Disbursements - Governmental Activities | \$20,869,811 | \$6,779,131 |
| Business-Type Activities | | |
| Airport | 35,194 | 5,282 |
| Sewer | 1,625 | 544 |
| Total Cash Disbursements - Business-Type Activities | \$36,819 | \$5,826 |

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Business-Type Activities

Business-type activities include wastewater treatment services. Overall Net Assets decreased \$5,826 from 2003 to 2004. Only program cash receipts support business-type activities and during 2004 program cash disbursements exceeded program cash receipts, which resulted in the above decrease.

The County's Funds

Information about the County's major funds starts on page 12. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts of \$21,606,479 and cash disbursements of \$20,869,811. The net change in fund balance for the year was most significant in the Motor Vehicle Gas Tax Fund and the Public Assistance Fund, where the Motor Vehicle Gas Tax Fund cash balance went from \$1,392,342 at December 31, 2003 to \$1,831,577 at December 31, 2004 and the Public Assistance Fund cash balance went from \$496,401 in 2003 to \$752,779 for 2004. For the Motor Vehicle Gas Tax Fund, cash receipts exceeded cash disbursements in the amount of \$439,235 and in the Public Assistance Fund, cash receipts exceeded cash disbursements in the amount of \$256,378.

General Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. For the General Fund, final budget basis receipts were \$6,294,668, above original budget estimates of \$5,605,858. Of this \$688,810 difference, tax receipts were \$187,400 above original estimates, charges for services were \$87,418 above original estimates, other receipts were \$336,492 above original estimates, and various other receipt categories made up the difference. Total actual disbursements on the budget basis (cash outlays plus encumbrances) were \$7,208,397, which was \$82,655 below cash receipts. The actual fund balance for the General Fund exceeded the final budgeted fund balance by \$759,489.

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of \$895,839 during fiscal year 2004.

Debt

Under the cash basis of accounting the County does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds, long-term notes and short-term notes. At December 31, 2004 the County had \$1,077,905 in bonds and related long-term debt for Governmental Activities. As of December 31, 2004 the County had \$15,071 in short-term Equipment Acquisition Notes outstanding. For additional information on debt, please see Note 9.

Table 4 summarizes bonds and long-term notes outstanding for Governmental Activities for the past two years:

| Table 4 | | |
|---------------------------------|--------------------|--------------------|
| Outstanding Debt at December 31 | | |
| Governmental Activities | | |
| | <u>2004</u> | <u>2003</u> |
| General Obligation Bonds | \$780,000 | \$937,725 |
| Special Assessment Bonds | <u>297,905</u> | <u>302,648</u> |
| Totals | <u>\$1,077,905</u> | <u>\$1,240,378</u> |

Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Current Financial Related Activities

As the preceding information shows, the County heavily depends on its property and sales tax as well as intergovernmental monies. Since the property tax receipts do not grow at the same level as inflation and sales taxes are dependent upon the economy, the County will be faced with significant challenges over the next several years to contain costs and ultimately determine what options are available to the County to increase financial resources.

All of the County's financial abilities will be needed to meet the challenges of the future.

Contacting the County's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the County's cash basis finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information contact David Gifford, County Auditor at Adams County, 110 West Main Street, West Union, Ohio 45693-1395. Or email at adamscoaud@dragonbbs.com.

Adams County
Statement of Net Assets - Cash Basis
As of December 31, 2004

| | Primary Government | | | Component Unit |
|--------------------------------------------|--------------------------------|---------------------------------|---------------------|----------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Venture Productions, Inc. |
| ASSETS: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 9,315,997 | \$ 18,858 | \$ 9,334,855 | \$ 98,861 |
| <i>Total Assets</i> | <u>9,315,997</u> | <u>18,858</u> | <u>\$ 9,334,855</u> | <u>98,861</u> |
| NET ASSETS: | | | | |
| Restricted for Debt Service | 36,562 | - | \$ 36,562 | |
| Restricted for Capital Outlay | 650,760 | - | \$ 650,760 | |
| Restricted for Other Purposes | 7,950,110 | - | \$ 7,950,110 | |
| Unrestricted | 678,565 | 18,858 | \$ 697,423 | 98,861 |
| <i>Total Net Assets</i> | <u>\$ 9,315,997</u> | <u>\$ 18,858</u> | <u>\$ 9,334,855</u> | <u>\$ 98,861</u> |

The notes to the basic financial statements are an integral part of this statement.

Adams County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2004

| | Program Cash Receipts | | | | Net (Disbursements) Receipts and Changes in Net Assets | | | Component Unit Venture Productions, Inc. |
|---------------------------------------|-----------------------|-------------------------|------------------------------------------|----------------------------------------|--------------------------------------------------------|-----------------------------|--------------------|---------------------------------------------------|
| | Cash Disbursements | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | |
| Governmental Activities: | | | | | | | | |
| General Government: | | | | | | | | |
| Legislative and Executive | \$ 2,459,652 | \$ 362,158 | \$ 358,316 | - | \$ (1,739,178) | - | \$ (1,739,178) | - |
| Judicial | 1,082,413 | 165,490 | 66,235 | - | (850,688) | - | (850,688) | - |
| Public Safety | 2,459,804 | 354,458 | 473,799 | - | (1,631,547) | - | (1,631,547) | - |
| Public Works | 3,388,867 | 351,910 | 2,692,486 | - | (344,471) | - | (344,471) | - |
| Health | 2,833,304 | 293,348 | 2,264,104 | - | (275,852) | - | (275,852) | - |
| Human Services | 6,538,388 | 682,761 | 5,138,078 | - | (717,549) | - | (717,549) | - |
| Conservation and Recreation | 9,912 | 1,556 | 0 | - | (8,356) | - | (8,356) | - |
| Other | 990,155 | 155,422 | 244 | - | (834,489) | - | (834,489) | - |
| Capital Outlay | 895,839 | - | - | 730,315 | (165,524) | - | (165,524) | - |
| Debt Service: | | | | | | | | |
| Principal Retirements | 162,468 | - | - | - | (162,468) | - | (162,468) | - |
| Interest and Fiscal Charges | 49,009 | - | - | - | (49,009) | - | (49,009) | - |
| Total Governmental Activities | 20,869,811 | 2,367,103 | 10,993,262 | 730,315 | (6,779,131) | - | (6,779,131) | - |
| Business-Type Activities: | | | | | | | | |
| Airport | 35,194 | 29,912 | - | - | - | (5,282) | (5,282) | - |
| Sewer | 1,625 | 1,081 | - | - | - | (544) | (544) | - |
| Total Business-Type Activities | 36,819 | 30,993 | - | - | - | (5,826) | (5,826) | - |
| Component Unit: | | | | | | | | |
| Venture Productions, Inc. | 191,879 | 206,128 | - | - | - | - | - | 14,249 |
| Total Component Unit | 191,879 | 206,128 | - | - | - | - | - | 14,249 |
| Totals | 21,098,509 | 2,604,224 | 10,993,262 | 730,315 | - | - | - | 14,249 |

General Cash Receipts

| | | | | | | | | |
|----------------------------------------------------------------|--|--|--|--|---------------------|------------------|---------------------|------------------|
| Property Taxes Levied for: | | | | | | | | |
| General Purposes | | | | | 1,678,044 | - | 1,678,044 | - |
| Other Purposes | | | | | 1,782,140 | - | 1,782,140 | - |
| Debt Service | | | | | 136,260 | - | 136,260 | - |
| Sales Taxes Levied for General Purposes | | | | | 1,880,401 | - | 1,880,401 | - |
| Grants and Entitlements Not Restricted to Specific Programs | | | | | 1,317,611 | - | 1,317,611 | - |
| Miscellaneous | | | | | 641,884 | - | 641,884 | - |
| Interest | | | | | 63,925 | - | 63,925 | - |
| Special Assessments | | | | | 15,534 | - | 15,534 | - |
| Proceeds from Sale of Notes | | | | | 228,473 | - | 228,473 | - |
| Proceeds from Sale of Assets | | | | | 528 | - | 528 | - |
| Total General Cash Receipts | | | | | 7,744,800 | - | 7,744,800 | - |
| Change in Net Assets | | | | | 965,669 | (5,826) | 959,843 | 14,249 |
| Net Assets Beginning of Year | | | | | 8,350,328 | 24,684 | 8,375,012 | 84,612 |
| Net Assets End of Year | | | | | \$ 9,315,997 | \$ 18,858 | \$ 9,334,855 | \$ 98,861 |

The notes to the basic financial statements are an integral part of this statement.

Adams County
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances-Governmental Funds
As of and for the Year Ended December 31, 2004

| | General | Mental Retardation | Motor Vehicle Gas Tax | Public Assistance | All Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------------------------------------------|-------------------|-----------------------|--------------------------|----------------------|------------------------------------|--------------------------------|
| Cash Receipts: | | | | | | |
| Taxes | \$ 3,558,445 | \$ 697,842 | \$ - | \$ - | \$ 1,220,558 | \$ 5,476,845 |
| Special Assessments | - | - | - | - | 15,534 | 15,534 |
| Charges for Services | 831,428 | 17,394 | - | 148,548 | 1,147,597 | 2,144,967 |
| Licenses and Permits | 3,330 | - | - | - | - | 3,330 |
| Fines and Forfeitures | 156,573 | - | 45,539 | - | 16,694 | 218,806 |
| Intergovernmental | 1,317,611 | 930,611 | 3,123,617 | 3,331,277 | 4,338,072 | 13,041,188 |
| Interest | 63,925 | - | - | - | - | 63,925 |
| Other | 410,329 | 7,301 | 12,808 | 134,699 | 76,747 | 641,884 |
| Total Cash Receipts | 6,341,641 | 1,653,148 | 3,181,964 | 3,614,524 | 6,815,202 | 21,606,479 |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| Legislative and Executive | 1,986,364 | - | - | - | 438,313 | 2,424,677 |
| Judicial | 1,001,391 | - | - | - | 81,022 | 1,082,413 |
| Public Safety | 1,880,225 | - | - | - | 579,579 | 2,459,804 |
| Public Works | 95,260 | - | 2,682,053 | - | 611,554 | 3,388,867 |
| Health | 63,719 | 1,615,753 | - | - | 1,153,832 | 2,833,304 |
| Human Services | 253,189 | - | - | 3,524,692 | 2,760,507 | 6,538,388 |
| Conservation and Recreation | 9,912 | - | - | - | - | 9,912 |
| Other | 989,856 | - | - | - | 299 | 990,155 |
| Capital Outlay | - | - | 180,000 | - | 715,839 | 895,839 |
| Debt Service: | | | | | | |
| Principal Retirement | 33,399 | - | 57,725 | - | 104,743 | 195,867 |
| Interest and Fiscal Charges | 1,576 | - | 2,951 | - | 46,058 | 50,585 |
| Total Cash Disbursements | 6,314,891 | 1,615,753 | 2,922,729 | 3,524,692 | 6,491,746 | 20,869,811 |
| Excess (Deficiency) of Cash Receipt Over (Under) Cash Disbursements | 26,750 | 37,395 | 259,235 | 89,832 | 323,456 | 736,668 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Proceeds from the Sale of Notes | 48,473 | - | 180,000 | - | - | 228,473 |
| Proceeds from the Sale of Assets | 528 | - | - | - | - | 528 |
| Other Financing Sources | - | - | - | 166,546 | - | 166,546 |
| Other Financing Uses | (166,546) | - | - | - | - | (166,546) |
| Transfers In | - | - | - | - | 63,319 | 63,319 |
| Advances In | 900,410 | 275,000 | - | - | 663,641 | 1,839,051 |
| Transfers Out | (63,319) | - | - | - | - | (63,319) |
| Advances Out | (663,641) | - | - | - | (1,175,410) | (1,839,051) |
| Total Other Financing Sources (Uses) | 55,905 | 275,000 | 180,000 | 166,546 | (448,450) | 229,001 |
| Net Change in Fund Cash Balances | 82,655 | 312,395 | 439,235 | 256,378 | (124,994) | 965,669 |
| Cash Basis Fund Balance at Beginning of Year | 595,910 | 2,018,393 | 1,392,342 | 496,401 | 3,847,282 | 8,350,328 |
| Cash Basis Fund Balance at End of Year | \$ 678,565 | \$ 2,330,788 | \$ 1,831,577 | \$ 752,779 | \$ 3,722,288 | \$ 9,315,997 |
| Cash Basis Assets at End of Year Cash and Cash Equivalents | \$ 678,565 | \$ 2,330,788 | \$ 1,831,577 | \$ 752,779 | \$ 3,722,288 | \$ 9,315,997 |
| Cash Basis Fund Balances at End of Year | | | | | | |
| Reserved for Encumbrances | 95,509 | 80,935 | 576,627 | 270,294 | 998,632 | 2,021,997 |
| Unreserved, Undesignated | 583,056 | 2,249,853 | 1,254,950 | 482,485 | 2,723,656 | 7,294,000 |
| Total Cash Basis Fund Balances | \$ 678,565 | \$ 2,330,788 | \$ 1,831,577 | \$ 752,779 | \$ 3,722,288 | \$ 9,315,997 |

The notes to the financial statements are an integral part of this statement.

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Adams County
Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balances (Budgetary Basis)
For the Year Ended December 31, 2004

| | General Fund | | | | MRDD Fund | | | |
|-----------------------------------------------------------------------------------------------------------|---------------------|--------------------|-------------------|----------------------------|---------------------|---------------------|---------------------|----------------------------|
| | Original Budget | Final Budget | Actual | Variance with Final Budget | Original Budget | Final Budget | Actual | Variance with Final Budget |
| Budgetary Basis Receipts: | | | | | | | | |
| Taxes | \$ 3,331,200 | \$ 3,518,600 | \$ 3,558,445 | \$ 39,845 | \$ 585,000 | \$ 690,000 | \$ 697,842 | \$ 7,842.00 |
| Charges for Services | 749,460 | 836,878 | 831,428 | (5,450) | 16,500 | 16,500 | 17,394 | 894 |
| Licenses and Permits | 3,100 | 3,100 | 3,330 | 230 | - | - | - | - |
| Fines and Forfeitures | 135,000 | 155,800 | 156,573 | 773 | - | - | - | - |
| Intergovernmental | 1,243,770 | 1,296,570 | 1,317,611 | 21,041 | 924,516 | 946,516 | 930,611 | (15,905) |
| Interest | 60,250 | 64,150 | 63,925 | (225) | - | - | - | - |
| Other | 83,078 | 419,570 | 410,329 | (9,241) | - | - | 7,301 | 7,301 |
| Total Receipts | 5,605,858 | 6,294,668 | 6,341,641 | 46,973 | 1,526,016 | 1,653,016 | 1,653,148 | 132 |
| Budgetary Basis Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| General Government: | | | | | | | | |
| Legislative and Executive | 2,901,587 | 2,119,177 | 1,986,364 | 132,813 | - | - | - | - |
| Judicial | 1,057,815 | 1,190,360 | 1,001,391 | 188,969 | - | - | - | - |
| Public Safety | 1,773,716 | 1,926,617 | 1,880,225 | 46,392 | - | - | - | - |
| Public Works | 77,866 | 103,028 | 95,260 | 7,768 | - | - | - | - |
| Health | 64,617 | 67,627 | 63,719 | 3,908 | 2,505,322 | 2,657,493 | 1,615,753 | 1,041,740 |
| Human Services | 427,433 | 271,592 | 253,189 | 18,403 | - | - | - | - |
| Conservation and Recreation | - | 10,690 | 9,912 | 778 | - | - | - | - |
| Other | 520,830 | 1,060,044 | 989,856 | 70,188 | - | - | - | - |
| Capital Outlay | - | - | - | - | - | - | - | - |
| Debt Service: | | | | | | | | |
| Principal Retirement | - | 33,399 | 33,399 | - | - | - | - | - |
| Interest and Fiscal Charges | - | 1,576 | 1,576 | - | - | - | - | - |
| Total Disbursements | 6,823,864 | 6,784,110 | 6,314,891 | 469,219 | 2,505,322 | 2,657,493 | 1,615,753 | 1,041,740 |
| Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements | (1,218,006) | (489,442) | 26,750 | (422,246) | (979,306) | (1,004,477) | 37,395 | 1,041,872 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Proceeds from Sale of Assets | - | - | 528 | 528 | - | - | - | - |
| Proceeds from Sale of Debt | - | 48,473 | 48,473 | - | - | - | - | - |
| Advances In | - | - | 900,410 | 900,410 | - | 275,000 | 275,000 | - |
| Transfers Out | - | (69,319) | (63,319) | 6,000 | - | - | - | - |
| Transfers In | - | - | - | - | 88,000 | - | - | - |
| Other Financing Sources | - | (166,546) | (166,546) | - | - | - | - | - |
| Other Financing Uses | - | - | (663,641) | (663,641) | - | - | - | - |
| Advances Out | - | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | (187,392) | 55,905 | 243,297 | 88,000 | 275,000 | 275,000 | - |
| Excess of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses | (1,218,006) | (676,834) | 82,655 | (178,949) | (891,306) | (729,477) | 312,395 | 1,041,872 |
| Cash Basis Fund Balance at Beginning of Year | 449,375 | 449,375 | 449,375 | - | 1,821,684 | 1,821,684 | 1,821,684 | - |
| Prior Year Encumbrances Appropriated | 146,535 | 146,535 | 146,535 | - | 196,709 | 196,709 | 196,709 | - |
| Cash Basis Fund Balance at End of Year | \$ (622,096) | \$ (80,924) | \$ 678,565 | \$ (178,949) | \$ 1,127,087 | \$ 1,288,916 | \$ 2,330,788 | \$ 1,041,872 |

The notes to the financial statements are an integral part of this statement.

| Public Assistance Fund | | | | Motor Vehicle Gas Tax | | | |
|------------------------|------------------|-------------------|----------------------------|-----------------------|-------------------|---------------------|----------------------------|
| Original Budget | Final Budget | Actual | Variance with Final Budget | Original Budget | Final Budget | Actual | Variance with Final Budget |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 150,000 | 150,000 | 148,548 | (1,452) | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 35,000 | 45,000 | 45,539 | 539 |
| 3,821,500 | 3,329,648 | 3,331,277 | 1,629 | 2,875,000 | 3,117,000 | 3,123,617 | 6,617 |
| - | - | - | - | - | - | - | - |
| 134,500 | 134,500 | 134,699 | 199 | 40,000 | 19,784 | 12,808 | (6,976) |
| <u>4,106,000</u> | <u>3,614,148</u> | <u>3,614,524</u> | <u>376</u> | <u>2,950,000</u> | <u>3,181,784</u> | <u>3,181,964</u> | <u>180</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 4,197,714 | 4,182,155 | 3,524,692 | 657,463 | 2,950,000 | 4,195,582 | 2,682,053 | 1,513,529 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 180,000 | 180,000 | - |
| - | - | - | - | - | 57,725 | 57,725 | - |
| - | - | - | - | - | 2,951 | 2,951 | - |
| <u>4,197,714</u> | <u>4,182,155</u> | <u>3,524,692</u> | <u>657,463</u> | <u>2,950,000</u> | <u>4,436,258</u> | <u>2,922,729</u> | <u>1,513,529</u> |
| (91,714) | (568,007) | 89,832 | 657,839 | 0 | (1,254,474) | 259,235 | 1,513,709 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 180,000 | 180,000 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 166,546 | 166,546 | - | - | - | - | - |
| <u>-</u> | <u>166,546</u> | <u>166,546</u> | <u>-</u> | <u>-</u> | <u>180,000</u> | <u>180,000</u> | <u>-</u> |
| (91,714) | (401,461) | 256,378 | 657,839 | - | (1,074,474) | 439,235 | 1,513,709 |
| 282,514 | 282,514 | 282,514 | - | 786,607 | 786,607 | 786,607 | - |
| 213,887 | 213,887 | 213,887 | - | 605,735 | 605,735 | 605,735 | - |
| <u>\$ 404,687</u> | <u>\$ 94,940</u> | <u>\$ 752,779</u> | <u>\$ 657,839</u> | <u>\$ 1,392,342</u> | <u>\$ 317,868</u> | <u>\$ 1,831,577</u> | <u>\$ 1,513,709</u> |

Adams County
*Statement of Cash Basis Assets and Fund Balances and Cash Receipts,
Cash Disbursements and Changes in Cash Basis Fund Balances
Proprietary Funds
For the Fiscal Year Ended December 31, 2004*

| | <u>Enterprise Funds</u> |
|------------------------------------------------------------------------------|------------------------------------|
| OPERATING CASH RECEIPTS: | |
| Charges for Services | \$ 30,993 |
| <i>Total Operating Cash Receipts</i> | <u>30,993</u> |
| OPERATING CASH DISBURSEMENTS: | |
| Contractual Services | 1,625 |
| Materials and Supplies | <u>35,194</u> |
| <i>Total Operating Cash Disbursements</i> | <u>36,819</u> |
| <i>Operating Cash Receipts Over (Under) Operating Cash Disbursements</i> | <u>(5,826)</u> |
| <i>Changes in Net Cash Assets</i> | (5,826) |
| Net Cash Assets at Beginning of Year | <u>24,684</u> |
| <i>Net Cash Assets at End of Year</i> | <u><u>\$18,858</u></u> |
| <i>Cash Basis Assets at End of Year Cash and Cash Equivalents</i> | <u><u>\$18,858</u></u> |
| <i>Cash Basis Fund Balances at End of Year Unreserved, Undesignated</i> | <u><u>\$18,858</u></u> |

The notes to the basic financial statements are an integral part of this statement.

Adams County
Statement of Fiduciary Net Assets
Fiduciary Fund
As of December 31, 2004

| | <u>Agency Fund</u> |
|--------------------------------------------|----------------------------|
| ASSETS: | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 1,157,902</u> |
| <i>Total Assets</i> | <u>1,157,902</u> |
| | |
| NET ASSETS: | |
| Unrestricted | <u>1,157,902</u> |
| <i>Total Net Assets</i> | <u><u>\$ 1,157,902</u></u> |

The notes to the basic financial statements are an integral part of this statement.

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ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

Adams County, Ohio (the County), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County operates under the direction of a three-member elected Board of County Commissioners. The County Auditor and County Treasurer are responsible for fiscal control of the resources of the County which are maintained in the funds described below. Services provided by the County include: general government, public safety, public works, health, welfare, and conservation-recreation.

Entities for which the county provides services but are not included in this report are the Adams County Educational Service Center, Agricultural Society, Historical Society, and the Law Library Association.

Adams County Hospital (the Hospital) operates under Ohio Revised Code Section 339. The Hospital is served by a board of trustees appointed by the Adams County Commissioners and Adams County judges. The Hospital is not considered legally separate from the County and for financial reporting purposes is treated as an Enterprise Fund of the County. The Hospital prepares its financial statements in accordance with a basis of accounting, which is different from that used by the County and consequently, the Hospital's financial activity is not included as part of this report. Separately-issued financial statements can be obtained from Adams County Hospital, 210 North Wilson Drive, West Union, Ohio 45693.

Adams County has several County departments that maintain segregated bank accounts for funds held in a custodial capacity. Elected or appointed departmental officials are responsible for the financial records. The County Auditor does not have any operating control over these monies. The financial activity related to these accounts is reported in the accompanying financial statements as agency funds.

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 also includes organizations that are fiscally dependent on the County in that the County approves the organization's budget, the issuance of its debt, or levying of its taxes.

Venture Productions, Inc. is a legally separate, not-for-profit corporation, served by a board of trustees appointed by the Adams County Board of Mental Retardation and Developmental Disabilities (MRDD). The workshop, under contractual agreement with the Adams County Board of MRDD, provides sheltered employment for mentally and/or physically handicapped adults in Adams County. The Adams County board of MRDD provides the workshop with staff salaries, transportation, equipment, staff to administer and supervise training programs, and other funds necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the mentally and/or physically handicapped adults of Adams County, the workshop is considered a component unit of Adams County. Venture Productions, Inc.'s financial activity is included as part of this report. Separately issued financial statements can be obtained from Venture Productions, Inc., P.O. Box 86, Seaman, Ohio 45679.

The County is a member of the Southern Ohio Council of Governments, a jointly governed organization which is described in Note 10 to the financial statements.

Management believes the financial statements included in this report represent all of the funds for which the County is financially accountable.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Deposits

The County Treasurer invests all available funds of the County. County funds are invested in checking accounts with local commercial banks. The County pools its cash for investment purposes to capture the highest rate of return.

Fund Accounting

The County's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific County functions or activities. The operation of each fund is accounted for within a separate set of self-balancing set of accounts.

Governmental Funds

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

General Fund

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

Motor Vehicle Gasoline Tax Special Revenue Fund

This fund accounts for monies received from state gasoline tax and motor vehicle registration fees designated for maintenance and repair of roads and bridges.

Public Assistance Special Revenue Fund

This fund accounts for various federal and state grants as well as transfers from the General Fund used to provide public assistance to general relief recipients, pay their providers of medical assistance, and for certain public social services.

MRDD Special Revenue Fund

This fund accounts for various federal and state grants and a property tax levy used to provide assistance and training to mentally retarded and developmentally disabled individuals.

The other governmental funds of the County account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

Proprietary Funds

The proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Enterprise funds are the County's only proprietary fund type.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered through user charges. For the County, Enterprise Funds are the Sewer Fund which is used to account for the activities related to wastewater treatment in the County and the Airport Fuel fund which is used to account for fuel purchase and sales for the airport.

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. The County's only fiduciary funds are agency funds.

Agency Funds

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

Basis of Presentation

For fiscal year 2004 the County has implemented the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. However, there are no adjustments to beginning fund balances since the basis of accounting has not changed. The County's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and fund financial statements that 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 statement of net assets-cash basis presents the cash basis financial condition of governmental and business-type activities of the County at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the County's governmental and business-type activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the County. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the County.

The Government-wide Financial Statements also displays information regarding the legally separate entity or component units, for which the County is fiscally responsible. This component unit is Venture Productions, Inc. and is described further in Note 1 to the financial statements.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the County chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized

when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

For comparability purposes, the component unit's financial information has been presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

Cash Receipts – Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the taxes are received. Receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

Budgetary Process

Budget

In accordance with Section 5747.53 of the Ohio Revised Code, the County Budget Commission has provided for the apportionment of undivided local government funds under an alternative method that has been approved by governmental subdivisions within the County. Under this alternative method, the County Budget Commission has waived the requirement for the Taxing Authority of a subdivision to adopt a tax budget.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources that states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. Advances are not appropriated.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications. Prior to year-end, the County Commissioners passed appropriations that reflected actual expenditures/expenses for the year.

Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2004. To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. County funds are maintained in several checking accounts as well as invested in certificates of deposit with terms of one to twelve months and a repurchase agreement. Individual fund balance integrity is maintained through the County's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to Board of County Commissioners policy. For calendar year 2004, interest receipts amounted to \$63,925 in which all was recorded in the General Fund.

The County records all its investments at cost. For presentation on the statement of net assets-cash basis, investments of the cash management pool are considered to be cash equivalents.

Investments with original maturities of three months or less at the time they are purchased by the County are reported as cash equivalents.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Capital assets (fixed assets) acquired or constructed for the County are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported separately on the financial statements.

Compensated Absences

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

Long-Term Obligations

In general, bonds, long-term loans, and capital leases are recorded as cash disbursements in the basic financial statements when paid.

Net Cash Assets

Net cash assets consist of cash receipts reduced by cash disbursements for the current year. 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. Restricted for Other Purposes is comprised of net assets restricted for grants. The County applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net assets are available.

Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements 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. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements transfers within governmental activities or within business-type activities are eliminated.

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. The County maintains a cash pool which is used by all funds.

Interim monies can be invested or deposited in the following securities:

- A. 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 and interest by the United States;
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the 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;

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

- C. Written purchase agreements in the securities listed above provided that the market 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 market daily, and that the term of the agreement must not exceed thirty days;
- D. Bonds 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;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- G. The State Treasurer's investment pool (STAR Ohio);
- H. 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;
- I. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
- J. Certain Bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
- K. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year-end, the County had \$6,230 in undeposited cash on hand which is included as part of Net Cash Assets.

Deposits: At year-end, the carrying amount of the County's deposits was \$10,486,525, and the bank balance was \$10,984,449.

Of the bank balance:

- A. \$546,173 was covered by federal deposit insurance (FDIC);
- B. \$10,438,276 was considered uninsured and un-collateralized even though securities for collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the collateralization of deposits had been followed. Non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

\$212,780 was on hand with the Southern Ohio Council of Governments (the "Council"), as described in Note 10 to the financial statements. The Council, as fiscal agent, is responsible for obtaining adequate collateral for this money.

**ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

B. Component Unit

At year-end, the carrying amount of Venture Productions, Inc.'s deposits was \$98,861 and the bank balance was \$101,446. The bank balance was covered by federal deposit insurance.

NOTE 4- BUDGETARY BASIS FUND BALANCES

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The table below presents those differences for the County's Major Funds:

| | General Fund | Mental Retardation | Public Assistance | Motor Vehicle Gas Tax |
|-------------------------------|------------------|--------------------|-------------------|-----------------------|
| Budgetary Basis Fund Balances | \$583,056 | \$2,249,853 | \$482,505 | \$1,254,950 |
| Encumbrances | <u>95,509</u> | <u>80,935</u> | <u>270,294</u> | <u>576,627</u> |
| Fund Cash Balances | <u>\$678,565</u> | <u>\$2,330,788</u> | <u>\$752,799</u> | <u>\$1,831,577</u> |

NOTE 5 - PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2004 for real and public utility property taxes represents collection of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2004 taxes.

2004 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility property is assessed at 35 percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value.

The assessed value for the taxes levied in 2004 was 460,088,590 of which real property represented 65 percent (\$297,635,220) of the total, public utility property represented 31 percent (\$141,772,840) of the total, and tangible personal property represented 4 percent (\$20,680,530) of the total. The full tax rate for all County operations for taxes collected in 2004 was \$8.86 per \$1,000 of assessed valuation.

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

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

The Adams County Treasurer collects property tax on behalf of all taxing districts within the County. The Adams County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 6 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The County Risk Sharing Authority, Inc. (CORSA) is a risk sharing pool made up of fifty-two counties in Ohio. CORSA was formed as an Ohio nonprofit 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 **NOTE 6 - RISK MANAGEMENT (Continued)**

jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage 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 certificates.

Insurance coverage stayed the same as in the prior year. Settled claims during 2004 did not exceed commercial insurance coverage.

The Pool's audited financial statements conform with generally accepted accounting principles and reported the following assets, liabilities, and equity at April 30:

| | |
|-------------|-----------------------------|
| Assets | <u>2004</u> \$64,588,798 |
| Liabilities | <u>32,751,305</u> |
| Equity | <u>\$31,837,493</u> |

This is the latest information available.

NOTE 7 - RETIREMENT SYSTEMS

Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.

The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 7 - RETIREMENT SYSTEMS (Continued)

The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

The 2004 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. Members in the law enforcement classification, which consists generally of sheriffs and deputy sheriffs contributed at a rate of 10.1%. Public safety division members contributed at 9%. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The 2004 employer contribution rate for local government employer units was 13.55% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2004 was 16.7%. The County's contributions to OPERS for all employees for the years ended December 31, 2004, 2003, and 2002, were \$1,134,182, \$1,012,098, and \$1,100,508, respectively; 100 percent has been contributed for 2004, 2003, and 2002.

State Teachers Retirement System (STRS)

Certified teachers employed by the school for the Mentally Retarded/ Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 7 - RETIREMENT SYSTEMS (Continued)

DB Plan Benefits B Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offer by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependent. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio Law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years’ credited service who become disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members’ beneficiaries.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 7 - RETIREMENT SYSTEMS (Continued)

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries and the County was required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions to STRS for the years ended December 31, 2004, 2003, and 2002, were \$28,903, \$30,301, and \$29,841, respectively; 100 percent has been contributed for 2004, 2003, and 2002.

STRS Ohio issues a publicly available financial report. Additional information or copies of STRS Ohio's 2003 *Comprehensive Annual Financial Report* may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by visiting the STRS Ohio Web site www.strsoh.org

Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate state system. As of December 31, 2004, none have elected Social Security.

NOTE 8 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS)

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

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.55% of covered payroll for both fiscal years 2004 and 2003; 4.0% was used to fund health care for the year 2004 and 5.0% was used to fund health care for the year 2003.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on OPERS' latest Actuarial Reviews performed as of December 31, 2003.

Funding Method – 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 unfunded actuarial accrued liability.

Assets Valuation Method – 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 annually.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

Investment Return – The investment assumption rate for 2003 was 8.00%.

Active Employee Total Payroll – An annual increase of 4.0%, 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 4.0% base increase, were assumed to range from .50% to 6.30%.

Health Care – Health care cost were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885 for 2004. The employer contributions that were used to fund postemployment benefits were \$334,811 for 2004. \$10.5 billion represents the actuarial value of OPERS' net assets available for OPEBs at December 31, 2003.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

OPERS Retirement Board adopts a Health Care Preservation Plan:

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

State Teachers Retirement System: The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated employees and their dependents through the Ohio Public Employees Retirement System (OPERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare B premiums. Pursuant to the Revised Code (R. C.), 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 Ohio. All benefits recipients pay a portion of the health care costs in the form of a monthly premium

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. Through June 30, 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, the amount equaled \$289 for the year ended December 31, 2004. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 9 - DEBT OBLIGATIONS

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. However, information regarding the County's general long-term obligations during 2004 is as follows:

| | Principal | Interest Rate |
|--------------------------|--------------|---------------|
| General Obligation Bonds | \$ 780,000 | 3.75-5.25% |
| Special Assessment Bonds | 297,905 | 3.25% |
| Total | \$ 1,077,905 | |

Outstanding general obligation bonds consist of Human Services Building Refunding Bonds and Truck Acquisition Bonds. General obligation bonds are direct obligations of the County for which its full faith, credit and resource are pledged and are payable from taxes levied on all taxable property in the County.

During 2004, the Board of Elections issued \$48,473 of debt for the purpose of purchasing voting equipment. The County also issued \$180,000 of new debt for the purchase of four dump trucks. Information regarding the County's short-term obligations during 2004 is as follows:

| | Principal | Interest Rate |
|------------------------|------------|---------------|
| Voting Equipment Loan | \$ 15,074 | 5.25% |
| Truck Acquisition Bond | 180,000 | 4.50% |
| Total | \$ 195,074 | |

Outstanding special assessment bonds were issued for the purpose of financing part of the cost of constructing a sanitary sewer line extension, in the Peebles area. It is anticipated that the debt will be paid by the benefited property owners and not from the general funds of the County. However, County general funds are pledge for repayment. The bonds are payable over a period of thirty-nine years at 3.25% per annum.

Amortization of the above debt, including interest of \$333,197, is scheduled as follows:

| | | | | |
|--|-----------|--------------|------------|--------------|
| | 2005 | \$ 209,042 | \$ 14,541 | \$ 223,583 |
| | 2006 | 205,207 | 14,541 | 219,748 |
| | 2007 | 206,250 | 14,541 | 220,791 |
| | 2008 | 141,502 | 14,541 | 156,043 |
| | 2009 | 134,574 | 14,541 | 149,115 |
| | 2010-2014 | 266,790 | 72,706 | 339,496 |
| | 2015-2019 | | 72,704 | 72,704 |
| | 2020-2024 | | 72,705 | 72,705 |
| | 2025-2029 | | 72,706 | 72,706 |
| | 2030-2034 | | 72,706 | 72,706 |
| | 2035-2038 | | 58,165 | 58,165 |
| | Total | \$ 1,163,365 | \$ 494,397 | \$ 1,657,762 |

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

The County is a member of the Southern Ohio Council of Governments (the "Council"), which is a jointly governed organization created under 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 Developmental Disabilities (MRDD). Member counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto, and Vinton Counties. The Council acts as fiscal agent for the Adams County MRDD's supportive living program monies. During 2004, the Council received \$169,457 of supportive living monies from Adams County and as of December 31, 2004, the County had a \$212,780 balance on hand with the Council. Financial statements can be obtained from the Council at 43 N. Paint St., Chillicothe, Ohio, 45601.

ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 11 - PUBLIC ENTITY SHARED RISK POOLS

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at the meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year and each elected member shall be a County Commissioner.

NOTE 12 – HEALTH CARE BENEFITS

The County provides life insurance and accidental death and dismemberment insurance to most employees through Medical Mutual of Ohio. The County has elected to provide employee medical/surgical benefits through Community Mutual. The employees share the cost of the monthly premium with the Board of Commissioners. The premium varies with employee depending on the terms of the union contract or personnel policy. Dental and vision insurance are provided by the County to employees.

NOTE 13 - CONTINGENT LIABILITIES

A. Primary Government

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.

At December 31, 2004, there are several lawsuits pending against the County. The County's legal counsel is uncertain as to the exact outcome of the lawsuits, but does not estimate any liability on the County's part.

B. Component Unit

Currently, there is no pending litigation against Venture Productions, Inc..

**ADAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 14 - TRANSFERS

TRANSFERS OUT:

| | | General Fund | Other Governmental Funds | Total: |
|--------------------------|--------------------------|-------------------|--------------------------------|------------|
| TRANSFERS IN: | General Fund | \$(63,319) | \$0 | \$(63,319) |
| | Other Governmental Funds | 0 | 63,319 | 63,319 |
| | Total: | \$(63,319) | \$63,319 | \$0 |

Transfers are used to move revenues from the fund that collects them in accordance with statute or budget to the fund that is required to expend them in accordance with statute or budget; to segregate money for anticipated capital projects; to provide resources for current operations; or to service debt.

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

As part of the implementation of the GASB 34 format for the County, certain fund reclassifications, as well as some adjustments for corrections of errors, were made. The corrections are as follows:

| | General Fund | MRDD Fund | Motor Vehicle Gas Tax Fund | Public Assistance Fund | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------------|--------------|--------------|-------------------------------|------------------------------|--------------------------------|--------------------------------|
| Balance as Previously Reported - 12/31/03 | \$ 555,235 | \$ 2,018,393 | \$ 1,392,342 | \$ 496,401 | \$ 3,887,957 | \$ 8,350,328 |
| Fund Reclassifications | 40,675 | - | - | - | (40,675) | - |
| Restated Balance - 12/31/03 | \$ 595,910 | \$ 2,018,393 | \$ 1,392,342 | \$ 496,401 | \$ 3,847,282 | \$ 8,350,328 |

ADAMS COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements | Non-Cash Disbursements |
|---------------------------------------------------------------------------------------------|----------------------------------|---------------------------|----------------|---------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Child Nutrition Cluster: | | | | |
| Food Distribution Program (See Note B) | N/A | 10.550 | \$0 | \$ 4,103 |
| National School Breakfast Program (See Note C) | 065813-05PU-2004 | 10.553 | 6,094 | |
| National School Lunch Program (See Note C) | 065813-LLP4-2004 | 10.555 | 8,494 | |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | 14,588 | 4,103 |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | | |
| <i>Passed Through Ohio Emergency Management Agency:</i> | | | | |
| Emergency Management Performance Grant | EMC-2004-GR-7007 | 97.042 | 21,506 | |
| | | | 21,506 | |
| State Homeland Security Equipment Program | 2003-MUP-30015 | 97.004 | 89,178 | |
| State Homeland Security Equipment Program (Admn/Planning) | 2003-MUP-30015 | 97.004 | 19,559 | |
| State Homeland Security Equipment Program | 2003-TE-TX-0199 | 97.004 | 60,000 | |
| State Homeland Security Program (SHSP) Grant | 2004-GE-T4-0025 | 97.004 | 104,609 | |
| | | | 273,346 | |
| Public Assistance Grant - Large Projects | FEMA-1453-DR-001-05866 | 97.036 | 98,142 | |
| Public Assistance Grant - Small Projects | FEMA-1453-DR-001-05866 | 97.036 | 24,914 | |
| Public Assistance Grant | FEMA-1484-DR-001-05866 | 97.036 | 118,650 | |
| | | | 241,706 | |
| Total U.S. Department of Homeland Security | | | 536,558 | 0 |
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | |
| <i>Passed Through Ohio Department of Development</i> | | | | |
| Community Development Block Grant | B-C-00-001-1 | 14.228 | 428 | |
| | B-F-01-001-1 | 14.228 | 6,582 | |
| | B-F-03-001-1 | 14.228 | 124,552 | |
| | B-F-02-001-1 | 14.228 | 18,457 | |
| | B-P-03-001-1 | 14.228 | 182,690 | |
| | B-C-03-001-1 | 14.228 | 130,034 | |
| | | | 462,743 | 0 |
| Home Investment Partnerships Program | B-C-03-001-2 | 14.239 | 155,154 | |
| Total U.S. Department of Housing and Urban Development | | | 617,897 | 0 |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | |
| <i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i> | | | | |
| Social Services Block Grant | N/A | 93.667 | 24,855 | |
| Medical Assistance Program - TCM | N/A | 93.778C | 5,613 | |
| Medical Assistance Program - CAFS | N/A | 93.778B | 57,033 | |
| State-Children's Health Insurance Program | N/A | 93.767 | 1,802 | |
| Total U.S. Department of Health and Human Services | | | 89,303 | 0 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Special Education Cluster: | | | | |
| Special Education Grants to States (IDEA Part B) | 065813-6BSF-2005P | 84.027 | 8,681 | |
| | 065813-6BSF-2004P | 84.027 | 11,255 | |
| | | | 19,936 | 0 |
| Special Education Preschool Grants | 065813-PG-PGS1-2005P | 84.173 | 2,844 | |
| | 065813-PG-PGS1-2004P | 84.173 | 1,819 | |
| | | | 4,663 | 0 |
| Total Special Education Cluster | | | 24,599 | |
| Innovative Education Program Strategies | 065813-C2S1-2005 | 84.298 | 91 | |
| | 065813-C2S1-2004 | 84.298 | 222 | |
| | | | 313 | |
| Total U.S. Department of Education | | | 24,912 | 0 |

(Continued)

ADAMS COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements | Non-Cash Disbursements |
|--------------------------------------------------------------------------------|----------------------------------|---------------------------|---------------------|---------------------------|
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | | |
| Federal Aviation Administration- Airport Improvement Program | N/A | 20.106 | 454 | |
| Federal Aviation Administration- Airport Improvement Program | N/A | 20.106 | 10,400 | |
| Federal Aviation Administration- Airport Improvement Program | N/A | 20.106 | 41,485 | |
| Total U.S. Department of Transportation | | | 52,339 | 0 |
| <u>U.S DEPARTMENT OF COMMERCE</u> | | | | |
| Grants for Public Works and Economic Development Facilities | N/A | 11.300 | 350,116 | |
| Total U.S. Department of Commerce | | | 350,116 | 0 |
| <u>U.S. GENERAL SERVICES ADMINISTRATION</u> | | | | |
| <i>Passed through Ohio Secretary of State</i> Help America Vote Act of 2002 | 04-SOS-HAVA-01 | 39.011 | 6,000 | 0 |
| Total U.S. General Services Administration | | | 6,000 | 0 |
| TOTALS | | | \$ 1,691,713 | \$ 4,103 |

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

ADAMS COUNTY

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2004**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal grant activity of Adams County and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities used. At December 31, 2004, the County had no significant food commodities in inventory.

NOTE C – NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

Cash receipts from the U.S. Department of Agriculture for the National School Breakfast and Lunch Program are commingled with State grants. It is assumed federal revenues were expended on a first in/first-out basis.

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

The County has established a revolving loan program to provide low-interest loans to businesses in order to create jobs for persons primarily from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Housing and Urban Development. The initial loan amount is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

NOTE E – 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.

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**Auditor of State
Betty Montgomery**

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

Adams County
110 West Main Street
West Union, Ohio 45693

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Adams County, Ohio (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 15, 2006, wherein, we noted the County uses a comprehensive basis of accounting other than generally accepted accounting principles, and wherein we noted the County's cash basis financial statements do not include amounts related to the Hospital in its fund statements or its entity wide statements. Accordingly, the County's financial statements do not present fairly the financial position of the proprietary funds or business type activities for the County as of December 31, 2004 or the changes in its cash basis financial position for the year then ended. We qualified our report on all other governmental funds because financial transactions of the Ambulance and EMS Fund were omitted. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. 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 2004-002 through 2004-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. 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 material weaknesses. We consider reportable condition 2004-002 listed above to be a material weakness. In a separate letter to the County's management dated May 15, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the County's management dated May 15, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

May 15, 2006



Auditor of State Betty Montgomery

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

Adams County
110 West Main Street
West Union, Ohio 45693

To the Board of County Commissioners:

Compliance

We have audited the compliance of Adams County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 reasonable assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004. In a separate letter to the County's management dated May 15, 2006, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program 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.

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Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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 timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Betty Montgomery
Auditor of State

May 15, 2006

ADAMS COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (d)(1)(i) | Type of Financial Statement Opinion | Qualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | Community Development Block Grant CFDA# 14.228 Grants for Public Works and Economic Development Facilities CFDA# 11.300 State Homeland Security Equipment Program CFDA# 97.004 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

FINDING NUMBER 2004-001

Material Noncompliance

Ohio Admin. Code, Section 117-2-03(B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time, the County can be fined and various other administrative remedies may be taken against the County, as such, we recommend the County prepare its annual financial report in accordance with generally accepted accounting principles.

FINDING NUMBER 2004-002

Material Noncompliance / Material Weakness – Ambulance and EMS Fund

Ohio Rev. Code, Sections 307.05 and 9.60, provide authority for the County to contract for emergency medical services with private organizations or with another political subdivision. ORC Section 307.05 also provides the authority for the County to operate an ambulance service organization or emergency medical service organization. A contract for services shall include the terms, conditions, and stipulations as agreed to by the parties to the contract. It may provide for a fixed annual charge to be paid or for compensation to be based upon a stipulated per service fee, number of persons served, elapsed time of services, pieces of apparatus employed, or any combination thereof.

The County has used up to five separate nonprofit organizations to operate their emergency medical services. However, there were no written contracts between the County and the nonprofit organizations as provided by the above section of law.

Ohio Revised Code Section 307.05 requires contracts shall not be entered into with a nonprofit corporation that receives more than half of its operating funds from governmental entities with intention of directly competing with the operation of other ambulance service organizations unless the contract is awarded after submission of bids and awarding to the lowest and best bid.

Adams County operates emergency medical services under a voted tax levy which funds these services provided to County residents. There are five separate EMS organizations that service the County. Each of the five EMS organizations have separate bank accounts which the EMS maintain and contain funds each EMS organization have collected for billing to individuals for EMS services they provide. Some of the EMS organizations bank accounts also contain funds they have obtained via fundraising activities of the organization. These bank accounts are not currently held by the County and the funds are not deposited into the County's Ambulance and EMS Fund. Thus the financial statements of the County do not include the receipts, disbursements or cash balances related to these bank accounts.

We recommend the County Commissioners consult with their legal counsel (the County Prosecutor) to assure they are in compliance with the requirements of this statute, which may include the establishment of contracts (refer to finding 2004-003) or inclusion of these funds in the County financials.

FINDING NUMBER 2004-003

Reportable Condition – Emergency Medical Services (EMS) Contract

Currently the County does not contract with the five EMS organizations operating in the County to provide EMS services. According to ORC Section 307.05, the County may operate or contract to provide these services. Should the County determine to enter into contracts with outside organizations for EMS services, we suggest inclusion of the following items:

- Due to weaknesses in not segregating the accounting for the County tax levy funds, we recommend the contract require that the EMS organizations not commingle those public tax levy funds with any private funds. The public funds should be accounted for separately from the private funds to provide accountability to the taxpayers of the County that levy funds are being used in accordance with the actual tax levy language.
- The EMS organizations should be required to provide annual financial statements to the County to provide accountability of the use of public tax levy funds. In order to provide additional assurance regarding these financial statements, the County may require audits of the financial statements.
- The County should annually evaluate the need for the county wide tax levy, based upon review of the operations of these EMS organizations and review of those revenues each organization generates as a result of billings for EMS transports or other income generating methods. Additionally the County may require the individual EMS organization to submit yearly budgets which detail the needs of levy funds for the upcoming contract year.
- The County should include in the contract a policy provision regarding the use of public tax levy funds. Policies should be set in accordance with Auditor of State Bulletin # 2003-005 and 2004-002 which discusses the allowable use of public funds.
- Each EMS organization should consult with its legal counsel to determine its legal rights and responsibilities regarding billing individuals for transport services.
- The contract should detail specifically the services, considerations, responsibilities and other contractual issues expected of the parties.
- The contract should address the status, supervision and management of the 21 individuals currently on the County payroll who are dispatchers/ EMTs for the various organizations. Specifically, the contract should also address whether the individuals are contractors or County employees, compensation levels, PERS, etc.
- The contract should address the employment status of the Squad Chiefs. Currently the Chiefs receive \$300 per month from the County; however PERS is not withheld. We were unable to find written contracts with the County outlining the Chief's duties, employee status, management responsibilities, or compensation levels.

FINDING NUMBER 2004-004

Reportable Condition – Proper Public Purpose Expenditures

The Ohio Supreme Court case of State ex. rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. As described in Auditor of State Bulletin 2003-005, citing Ohio Attorney General Opinion 82-006, the determination of the proper public purpose of an expenditures of funds for “coffee, meals, refreshments, and other amenities is a legislative decision....”. As such, the decision to expend public funds”...must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision and the rationale for the decision must be memorialized by a duly enacted ordinance or resolution ...”

Auditor of State Bulletin 2004-002 states that policies related to the expenditure of public funds and the “proper public purpose” should be in writing and in effect prior to the making the expenditure. Therefore, the public entity can specify what constitutes a public purpose through policies and procedures, which have been memorialized by the public entity in a resolution with a prospective effect only.

All five EMS organizations had expenditures for, among other things: meals, gifts, flowers, annual dinners, baseball game outings, and personal loans. The expenditures were not covered under any written or adopted policy. Policies should be established and followed to assure that public funds are expended for a proper public purpose.

3. FINDINGS FOR FEDERAL AWARDS

None

ADAMS COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2004**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| 2003-001 | Adams County did not prepare its annual financial report in accordance with generally accepted accounting principles as required by Ohio Administrative Code Section 117-2-03 (B). | No | Not corrected, repeated as Finding #2004-001. |
| 2003-002 | Contrary to ORC 9.60, the financial statements of the County do not include the receipts, disbursements or cash balances related to the EMS bank accounts. | No | Not corrected, repeated as Finding #2004-002 |
| 2003-003 | Contrary to ORC 307.05, there were no written contracts between the County and nonprofit organizations providing emergency medical services. | No | Not corrected, repeated as Finding #2004-003 |
| 2003-004 | All five EMS organizations had expenditures which were not covered under any written or adopted policy to assuring that public funds are expended for a proper public purpose. | No | Not corrected, repeated as Finding #2004-004 |



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

ADAMS 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
JUNE 13, 2006**