



**Auditor of State
Betty Montgomery**

WASHINGTON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Washington County
305 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

We have audited the accompanying general purpose financial statements of Washington County, Ohio (the County), as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of Wasco, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts discretely presented for Wasco, Inc., is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Washington County, Ohio, as of December 31, 2002, and the results of its operations and cash flows of its proprietary fund types and component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2003, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Expenditures is presented for additional analysis as 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

June 24, 2003

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Washington County, Ohio
 Combined Balance Sheet
 All Fund Types, Account Groups, and
 Discretely Presented Component Unit
 December 31, 2002 - Primary Government
 August 31, 2002 - Component Unit

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Cash and Cash Equivalents	\$852,709	\$20,668,904	\$96,098	\$6,440,753
Cash and Cash Equivalents in Segregated Accounts	34,096	395	0	2,388
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	0	0
Investments	0	0	0	0
Investments in Segregated Accounts	0	197,789	0	0
<u>Receivables:</u>				
Taxes	275,480	1,101,854	0	0
Accounts	9,854	72,183	0	0
Special Assessments	0	0	0	0
Accrued Interest	28,266	1,833	0	0
Loans	0	17,571	0	0
Intergovernmental	859,153	4,378,583	9,057	166,133
Interfund	0	24,084	0	0
Due from Other Funds (excluding Agency Funds)	5,051	5,820	0	0
<u>Due from Agency Funds:</u>				
Property Taxes	2,436,313	5,502,392	203,442	0
Accounts	25,517	28,835	0	0
Special Assessments	0	0	0	0
Delinquent Sewer Accounts	0	0	0	0
Materials and Supplies Inventory	43,872	427,842	0	0
Prepaid Items	18,399	119,061	0	6,149
<u>Fixed Assets (Net, where applicable, of Accumulated Depreciation)</u>				
Construction in Progress	0	0	0	0
<u>Other Debits:</u>				
Amount to be Provided from General Government Resources	0	0	0	0
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Total Assets and Other Debits	<u>\$4,588,710</u>	<u>\$32,547,146</u>	<u>\$308,597</u>	<u>\$6,615,423</u>

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Primary Government Totals (Memorandum Only)	Component Unit	Reporting Entity Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations			
\$16,804	\$0	\$1,722,933	\$0	\$0	\$29,798,201	\$84,654	\$29,882,855
0	0	327,534	0	0	364,413	0	364,413
0	9,591	0	0	0	9,591	0	9,591
0	0	0	0	0	0	77,667	77,667
0	0	38,142	0	0	235,931	0	235,931
0	0	47,154,647	0	0	48,531,981	0	48,531,981
104,920	74,081	30,700	0	0	291,738	149,880	441,618
0	0	427,317	0	0	427,317	0	427,317
0	0	0	0	0	30,099	0	30,099
0	0	0	0	0	17,571	0	17,571
0	0	3,343,226	0	0	8,756,152	0	8,756,152
0	0	0	0	0	24,084	0	24,084
0	0	14,119	0	0	24,990	0	24,990
0	0	0	0	0	8,142,147	0	8,142,147
0	0	0	0	0	54,352	0	54,352
292,831	0	0	0	0	292,831	0	292,831
8,604	0	0	0	0	8,604	0	8,604
0	0	0	0	0	471,714	4,793	476,507
0	0	0	0	0	143,609	11,055	154,664
4,917,792	0	0	25,452,950	0	30,370,742	133,634	30,504,376
0	0	0	3,046,945	0	3,046,945	0	3,046,945
0	0	0	0	4,821,167	4,821,167	0	4,821,167
0	0	0	0	96,098	96,098	0	96,098
<u>\$5,340,951</u>	<u>\$83,672</u>	<u>\$53,058,618</u>	<u>\$28,499,895</u>	<u>\$4,917,265</u>	<u>\$135,960,277</u>	<u>\$461,683</u>	<u>\$136,421,960</u>

(Continued)

Washington County, Ohio
 Combined Balance Sheet
 All Fund Types, Account Groups, and
 Discretely Presented Component Unit (Continued)
 December 31, 2002 - Primary Government
 August 31, 2002 - Component Unit

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
<u>Liabilities:</u>				
Accounts Payable	\$126,394	\$534,942	\$0	\$0
Contracts Payable	0	452,552	0	1,188,690
Accrued Wages and Benefits Payable	97,498	314,969	0	0
Compensated Absences Payable	22,836	61,400	0	0
Retainage Payable	0	55,865	0	168,942
Interfund Payable	0	24,084	0	0
Due to Other Funds	10,301	14,689	0	0
Intergovernmental Payable	106,369	386,568	0	0
Deferred Revenue	3,031,705	10,290,790	212,499	0
Due to Others	0	0	0	0
Accrued Interest Payable	0	0	0	75,543
Notes Payable	0	0	0	5,754,000
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
OPWC Loans Payable	0	0	0	0
FHA Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,395,103	12,135,859	212,499	7,187,175
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	190,964	1,717,628	0	4,103,879
Reserved for Inventory	43,872	427,842	0	0
Reserved for Unclaimed Monies	90,842	0	0	0
Reserved for Loans	0	17,571	0	0
Unreserved:				
Undesignated (Deficit)	867,929	18,248,246	96,098	(4,675,631)
Total Fund Equity and Other Credits	1,193,607	20,411,287	96,098	(571,752)
Total Liabilities, Fund Equity and Other Credits	\$4,588,710	\$32,547,146	\$308,597	\$6,615,423

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Primary Government Totals (Memorandum Only)	Component Unit	Reporting Entity Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations			
\$5,849	\$0	\$0	\$0	\$0	\$667,185	\$12,365	\$679,550
0	0	0	0	0	1,641,242	0	1,641,242
2,109	0	0	0	0	414,576	25,246	439,822
2,400	0	0	0	796,968	883,604	10,490	894,094
0	0	0	0	0	224,807	0	224,807
0	0	0	0	0	24,084	0	24,084
0	0	8,497,934	0	0	8,522,924	0	8,522,924
3,276	0	43,749,675	0	0	44,245,888	2,354	44,248,242
0	0	0	0	0	13,534,994	0	13,534,994
0	0	811,009	0	0	811,009	0	811,009
7,092	0	0	0	0	82,635	0	82,635
8,000	0	0	0	80,164	5,842,164	0	5,842,164
0	102,863	0	0	0	102,863	0	102,863
0	0	0	0	70,133	70,133	6,726	76,859
468,614	0	0	0	0	468,614	0	468,614
837,500	0	0	0	0	837,500	0	837,500
0	0	0	0	3,970,000	3,970,000	0	3,970,000
<u>1,334,840</u>	<u>102,863</u>	<u>53,058,618</u>	<u>0</u>	<u>4,917,265</u>	<u>82,344,222</u>	<u>57,181</u>	<u>82,401,403</u>
0	0	0	28,499,895	0	28,499,895	0	28,499,895
5,002,111	0	0	0	0	5,002,111	0	5,002,111
(996,000)	(19,191)	0	0	0	(1,015,191)	404,502	(610,689)
0	0	0	0	0	6,012,471	0	6,012,471
0	0	0	0	0	471,714	0	471,714
0	0	0	0	0	90,842	0	90,842
0	0	0	0	0	17,571	0	17,571
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,536,642</u>	<u>0</u>	<u>14,536,642</u>
<u>4,006,111</u>	<u>(19,191)</u>	<u>0</u>	<u>28,499,895</u>	<u>0</u>	<u>53,616,055</u>	<u>404,502</u>	<u>54,020,557</u>
<u>\$5,340,951</u>	<u>\$83,672</u>	<u>\$53,058,618</u>	<u>\$28,499,895</u>	<u>\$4,917,265</u>	<u>\$135,960,277</u>	<u>\$461,683</u>	<u>\$136,421,960</u>

Washington County, Ohio
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2002

	<u>General</u>	<u>Governmental Special Revenue</u>
<u>Revenues:</u>		
Property Taxes	\$2,321,543	\$5,272,768
Sales Taxes	1,300,820	7,259,643
Charges for Services	2,061,180	1,352,066
Licenses and Permits	6,608	822,884
Fines and Forfeitures	147,352	694,725
Intergovernmental	1,763,640	24,543,155
Interest	1,279,695	138,640
Rent	1,203	0
Other	287,809	406,894
	<hr/>	<hr/>
Total Revenues	9,169,850	40,490,775
<u>Expenditures:</u>		
Current:		
General Government:		
Legislative and Executive	3,336,054	722,639
Judicial	1,073,764	300,447
Public Safety	2,653,497	3,253,135
Public Works	723,308	7,183,190
Health	97,560	11,946,950
Human Services	428,933	13,010,516
Economic Development and Assistance	6,911	1,466,704
Refund of Property Taxes	2,733	5,811
Capital Outlay	0	0
Intergovernmental	480,580	198,537
Debt Service:		
Principal Retirement	8,133	17,552
Interest and Fiscal Charges	1,242	6,214
	<hr/>	<hr/>
Total Expenditures	8,812,715	38,111,695
Excess of Revenues Over (Under) Expenditures	<hr/>	<hr/>
	357,135	2,379,080
<u>Other Financing Sources (Uses):</u>		
Operating Transfers In	100,500	1,528,336
Inception of Capital Lease	0	65,114
Operating Transfers Out	(1,336,109)	(2,872,452)
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(1,235,609)	(1,279,002)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<hr/>	<hr/>
	(878,474)	1,100,078
Fund Balances at Beginning of Year - Restated (Note 3)	2,083,111	19,278,545
Increase (Decrease) in Reserve for Inventory	<hr/>	<hr/>
	(11,030)	32,664
Fund Balances (Deficit) at End of Year	<hr/>	<hr/>
	\$1,193,607	\$20,411,287

See accompanying notes to the general purpose financial statements

Fund Types		Totals
Debt Service	Capital Projects	(Memorandum Only)
\$198,383	\$0	\$7,792,694
0	0	8,560,463
0	85,456	3,498,702
0	0	829,492
0	0	842,077
24,603	2,592,942	28,924,340
0	0	1,418,335
134,076	0	135,279
0	0	694,703
<u>357,062</u>	<u>2,678,398</u>	<u>52,696,085</u>
4,563	0	4,063,256
0	0	1,374,211
0	0	5,906,632
0	0	7,906,498
0	0	12,044,510
0	0	13,439,449
0	0	1,473,615
228	0	8,772
0	5,677,268	5,677,268
0	0	679,117
270,000	0	295,685
<u>216,323</u>	<u>76,843</u>	<u>300,622</u>
<u>491,114</u>	<u>5,754,111</u>	<u>53,169,635</u>
<u>(134,052)</u>	<u>(3,075,713)</u>	<u>(473,550)</u>
140,454	2,433,468	4,202,758
0	0	65,114
0	0	(4,208,561)
<u>140,454</u>	<u>2,433,468</u>	<u>59,311</u>
6,402	(642,245)	(414,239)
89,696	70,493	21,521,845
0	0	21,634
<u>\$96,098</u>	<u>(\$571,752)</u>	<u>\$21,129,240</u>

Washington County, Ohio
 Combined Statement of Revenues, Expenditures, and Changes
 in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended December 31, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$2,318,810	\$2,318,810	\$0
Sales Taxes	1,320,000	1,320,000	0
Charges for Services	2,061,951	2,061,951	0
Licenses and Permits	6,608	6,608	0
Fines and Forfeitures	132,302	132,302	0
Intergovernmental	1,765,164	1,765,164	0
Interest	1,280,350	1,280,350	0
Rent	3,203	3,203	0
Other	287,814	287,812	(2)
Total Revenues	9,176,202	9,176,200	(2)
<u>Expenditures:</u>			
Current:			
General Government:			
Legislative and Executive	3,512,861	3,451,090	61,771
Judicial	1,076,634	1,054,430	22,204
Public Safety	2,706,858	2,689,797	17,061
Public Works	763,010	762,569	441
Health	123,842	123,842	0
Human Services	515,374	449,931	65,443
Economic Development and Assistance	8,768	8,768	0
Capital Outlay	0	0	0
Intergovernmental	488,580	488,580	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	9,195,927	9,029,007	166,920
Excess of Revenues Over (Under) Expenditures	(19,725)	147,193	166,918
<u>Other Financing Sources (Uses):</u>			
Proceeds of Notes	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	100,500	100,500	0
Operating Transfers Out	(1,427,182)	(1,336,109)	91,073
Total Other Financing Sources (Uses)	(1,326,682)	(1,235,609)	91,073
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,346,407)	(1,088,416)	257,991
Fund Balances at Beginning of Year	1,177,506	1,177,506	0
Prior Year Encumbrances Appropriated	287,525	287,525	0
Fund Balances at End of Year	\$118,624	\$376,615	\$257,991

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$5,266,957	\$5,266,957	\$0	\$198,155	\$198,155	\$0
7,336,391	7,336,391	0	0	0	0
1,290,762	1,290,762	0	0	0	0
821,329	821,329	0	0	0	0
669,124	669,124	0	0	0	0
24,167,877	24,167,877	0	24,603	24,603	0
137,129	138,186	1,057	0	0	0
0	0	0	134,076	134,076	0
406,192	406,192	0	0	0	0
<u>40,095,761</u>	<u>40,096,818</u>	<u>1,057</u>	<u>356,834</u>	<u>356,834</u>	<u>0</u>
976,011	909,341	66,670	4,613	4,563	50
468,024	300,110	167,914	0	0	0
4,238,941	3,327,085	911,856	0	0	0
13,090,327	8,449,222	4,641,105	0	0	0
13,539,175	12,738,012	801,163	0	0	0
15,133,763	13,554,724	1,579,039	0	0	0
1,473,628	1,324,737	148,891	0	0	0
0	0	0	0	0	0
206,808	206,808	0	0	0	0
11,452	11,452	0	270,156	270,000	156
4,696	4,696	0	216,323	216,323	0
<u>49,142,825</u>	<u>40,826,187</u>	<u>8,316,638</u>	<u>491,092</u>	<u>490,886</u>	<u>206</u>
<u>(9,047,064)</u>	<u>(729,369)</u>	<u>8,317,695</u>	<u>(134,258)</u>	<u>(134,052)</u>	<u>206</u>
0	0	0	0	0	0
28,800	28,800	0	0	0	0
(39,851)	(28,800)	11,051	0	0	0
1,528,336	1,528,336	0	140,454	140,454	0
(2,872,882)	(2,872,452)	430	0	0	0
<u>(1,355,597)</u>	<u>(1,344,116)</u>	<u>11,481</u>	<u>140,454</u>	<u>140,454</u>	<u>0</u>
(10,402,661)	(2,073,485)	8,329,176	6,196	6,402	206
17,243,976	17,243,976	0	89,696	89,696	0
2,926,940	2,926,940	0	0	0	0
<u>\$9,768,255</u>	<u>\$18,097,431</u>	<u>\$8,329,176</u>	<u>\$95,892</u>	<u>\$96,098</u>	<u>\$206</u>

(Continued)

Washington County, Ohio
 Combined Statement of Revenues, Expenditures, and Changes
 in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types (Continued)
 For the Year Ended December 31, 2002

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$0	\$0	\$0
Sales Taxes	0	0	0
Charges for Services	84,036	84,036	0
Licenses and Permits	0	0	0
Fines and Forfeitures	0	0	0
Intergovernmental	2,426,809	2,426,809	0
Interest	0	0	0
Rent	0	0	0
Other	0	0	0
Total Revenues	2,510,845	2,510,845	0
<u>Expenditures:</u>			
Current:			
General Government:			
Legislative and Executive	0	0	0
Judicial	0	0	0
Public Safety	0	0	0
Public Works	0	0	0
Health	0	0	0
Human Services	0	0	0
Economic Development and Assistance	0	0	0
Capital Outlay	10,655,325	9,610,873	1,044,452
Intergovernmental	0	0	0
Debt Service:			
Principal Retirement	81,000	81,000	0
Interest and Fiscal Charges	3,119	3,119	0
Total Expenditures	10,739,444	9,694,992	1,044,452
Excess of Revenues Over (Under) Expenditures	(8,228,599)	(7,184,147)	1,044,452
<u>Other Financing Sources (Uses):</u>			
Proceeds of Notes	5,754,000	5,754,000	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	2,433,468	2,433,468	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	8,187,468	8,187,468	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(41,131)	1,003,321	1,044,452
Fund Balances at Beginning of Year	137,587	137,587	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balances at End of Year	\$96,456	\$1,140,908	\$1,044,452

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$7,783,922	\$7,783,922	\$0
8,656,391	8,656,391	0
3,436,749	3,436,749	0
827,937	827,937	0
801,426	801,426	0
28,384,453	28,384,453	0
1,417,479	1,418,536	1,057
137,279	137,279	0
694,006	694,004	(2)
<u>52,139,642</u>	<u>52,140,697</u>	<u>1,055</u>
4,493,485	4,364,994	128,491
1,544,658	1,354,540	190,118
6,945,799	6,016,882	928,917
13,853,337	9,211,791	4,641,546
13,663,017	12,861,854	801,163
15,649,137	14,004,655	1,644,482
1,482,396	1,333,505	148,891
10,655,325	9,610,873	1,044,452
695,388	695,388	0
362,608	362,452	156
224,138	224,138	0
<u>69,569,288</u>	<u>60,041,072</u>	<u>9,528,216</u>
<u>(17,429,646)</u>	<u>(7,900,375)</u>	<u>9,529,271</u>
5,754,000	5,754,000	0
28,800	28,800	0
(39,851)	(28,800)	11,051
4,202,758	4,202,758	0
<u>(4,300,064)</u>	<u>(4,208,561)</u>	<u>91,503</u>
<u>5,645,643</u>	<u>5,748,197</u>	<u>102,554</u>
(11,784,003)	(2,152,178)	9,631,825
18,648,765	18,648,765	0
<u>3,214,465</u>	<u>3,214,465</u>	<u>0</u>
<u>\$10,079,227</u>	<u>\$19,711,052</u>	<u>\$9,631,825</u>

Washington County, Ohio
Statement of Revenues,
Expenses, and Changes in Retained Earnings
All Proprietary Fund Types and Discretely Presented Component Unit
For the Year Ended December 31, 2002 - Primary Government
For the Fiscal Year Ended August 31, 2002 - Component Unit

	Proprietary Fund Types		Primary Government Totals (Memorandum Only)
	Enterprise	Internal Service	
<u>Operating Revenues:</u>			
Charges for Services	\$297,815	\$738,765	\$1,036,580
In-Kind Contributions	0	0	0
Other	1,073	0	1,073
Total Operating Revenues	298,888	738,765	1,037,653
<u>Operating Expenses:</u>			
Salaries and Wages	83,251	0	83,251
Fringe Benefits	14,364	0	14,364
Contractual Services	109,115	196,717	305,832
Materials and Supplies	21,667	0	21,667
Claims	0	561,239	561,239
Other Operating Expenses	26,410	0	26,410
Cost of Sales	0	0	0
Depreciation	157,704	0	157,704
Total Operating Expenses	412,511	757,956	1,170,467
Operating Loss	(113,623)	(19,191)	(132,814)
<u>Non-Operating Revenues (Expenses):</u>			
Interest and Fiscal Charges	(41,321)	0	(41,321)
Capital Contributions - Tap-in Fees	12,586	0	12,586
Capital Contributions - Grant	0	0	0
Loss on Disposal of Fixed Assets	0	0	0
Interest Income	0	0	0
Total Non-Operating Revenues (Expenses)	(28,735)	0	(28,735)
Income (Loss) before Transfers	(142,358)	(19,191)	(161,549)
Operating Transfers In	5,803	0	5,803
Net Income (Loss)	(136,555)	(19,191)	(155,746)
Retained Earnings (Deficit) at Beginning of Year - Restated (See Note 3)	(859,445)	0	(859,445)
Retained Earnings (Deficit) at End of Year	(\$996,000)	(\$19,191)	(\$1,015,191)

See accompanying notes to the general purpose financial statements

Component Unit	Reporting Entity Totals (Memorandum Only)
\$941,721	\$1,978,301
327,481	327,481
0	1,073
<u>1,269,202</u>	<u>2,306,855</u>
739,532	822,783
56,002	70,366
153,764	459,596
103,672	125,339
0	561,239
80,247	106,657
109,927	109,927
28,152	185,856
<u>1,271,296</u>	<u>2,441,763</u>
<u>(2,094)</u>	<u>(134,908)</u>
0	(41,321)
0	12,586
26,808	26,808
(41)	(41)
<u>3,442</u>	<u>3,442</u>
<u>30,209</u>	<u>1,474</u>
28,115	(133,434)
<u>0</u>	<u>5,803</u>
28,115	(127,631)
<u>376,387</u>	<u>(483,058)</u>
<u><u>\$404,502</u></u>	<u><u>(\$610,689)</u></u>

Washington County, Ohio
Statement of Cash Flows
All Proprietary Fund Types and Discretely Presented Component Unit
For the Year Ended December 31, 2002 - Primary Government
For the Fiscal Year Ended August 31, 2002 - Component Unit

	Proprietary Fund Types		Primary Government Totals (Memorandum Only)
	Enterprise	Internal Service	
Increase (Decrease) in <u>Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$287,347	\$0	\$287,347
Cash Received from Quasi-External Transactions with Other Funds	0	664,684	664,684
Cash Payments for Employee Services and Benefits	(97,745)	0	(97,745)
Cash Payments for Goods and Services	(128,768)	(196,717)	(325,485)
Cash Payments for Claims	0	(458,376)	(458,376)
Contributions from Other Governments	0	0	0
Other Operating Revenues	1,073	0	1,073
Other Operating Expenses	(26,410)	0	(26,410)
Net Cash Provided by (Used for) Operating Activities	35,497	9,591	45,088
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Transfers In	5,803	0	5,803
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(2,324)	0	(2,324)
Sale of Capital Assets	0	0	0
Capital Lease Payments	0	0	0
Note Proceeds	8,000	0	8,000
Capital Contributions from Tap-in Fees	12,586	0	12,586
Special Assessments	21,363	0	21,363
Principal Paid on Notes and Loans Payable	(60,732)	0	(60,732)
Interest Paid on Notes and Loans Payable	(41,532)	0	(41,532)
Net Cash Used for Capital and Related Financing Activities	(62,639)	0	(62,639)
<u>Cash Flows from Investing Activities:</u>			
Acquisition of Investment	0	0	0
Interest Income	0	0	0
Net Cash Provided by Investing Activities	0	0	0
Net Increase (Decrease) in Cash and Cash Equivalents	(21,339)	9,591	(11,748)
Cash and Cash Equivalents at Beginning of Year	38,143	0	38,143
Cash and Cash Equivalents at End of Year	\$16,804	\$9,591	\$26,395

Component Unit	Reporting Entity Totals (Memorandum Only)
\$904,905	\$1,192,252
0	664,684
(791,576)	(889,321)
(377,388)	(702,873)
0	(458,376)
327,481	327,481
0	1,073
<u>(80,247)</u>	<u>(106,657)</u>
<u>(16,825)</u>	<u>28,263</u>
<u>0</u>	<u>5,803</u>
(39,091)	(41,415)
146	146
(745)	(745)
0	8,000
0	12,586
0	21,363
0	(60,732)
<u>0</u>	<u>(41,532)</u>
<u>(39,690)</u>	<u>(102,329)</u>
(2,227)	(2,227)
<u>3,442</u>	<u>3,442</u>
<u>1,215</u>	<u>1,215</u>
(55,300)	(67,048)
<u>139,954</u>	<u>178,097</u>
<u>\$84,654</u>	<u>\$111,049</u>

(Continued)

Washington County, Ohio
Statement of Cash Flows
All Proprietary Fund Types and Discretely Presented Component Unit (Continued)
For the Year Ended December 31, 2002 - Primary Government
For the Fiscal Year Ended August 31, 2002 - Component Unit

	Proprietary Fund Types		Primary Government Totals (Memorandum Only)
	Enterprise	Internal Service	
Reconciliation of Operating Loss to <u>Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Loss	(\$113,623)	(\$19,191)	(\$132,814)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:			
Depreciation Expense	157,704	0	157,704
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(7,544)	(74,081)	(81,625)
Increase in Due from Other Funds	(2,924)	0	(2,924)
Increase in Materials and Supplies Inventory	0	0	0
(Increase) Decrease in Prepaid Items	286	0	286
Decrease in Accounts Payable	(264)	0	(264)
Increase in Claims Payable	0	102,863	102,863
Increase in Accrued Wages and Benefits Payable	13	0	13
Decrease in Compensated Absences Payable	(782)	0	(782)
Increase in Intergovernmental Payables	2,631	0	2,631
Net Cash Provided by (Used for) Operating Activities	<u>\$35,497</u>	<u>\$9,591</u>	<u>\$45,088</u>

Noncash Capital and Related Financing Activities:

During 2002, the 1% Permissive Sales Tax Special Revenue Fund acquired fixed assets for the Sewer Enterprise Fund in the amount of \$10,989.

See accompanying notes to the general purpose financial statements

<u>Component Unit</u>	<u>Reporting Entity Totals (Memorandum Only)</u>
(\$2,094)	(\$134,908)
28,152	185,856
(36,816)	(118,441)
0	(2,924)
(1,572)	(1,572)
(3,192)	(2,906)
(5,800)	(6,064)
0	102,863
4,874	4,887
(916)	(1,698)
<u>539</u>	<u>3,170</u>
<u><u>(\$16,825)</u></u>	<u><u>\$28,263</u></u>

Washington County, Ohio
Statement of Revenues, Expenses, and Changes in
Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund
For the Year Ended December 31, 2002

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$287,347	\$287,347	\$0
Tap-In Fees	12,586	12,586	0
Other Operating Revenues	1,073	1,073	0
Note Proceeds	8,000	8,000	0
Special Assessments	21,363	21,363	0
Total Revenues	330,369	330,369	0
<u>Expenses:</u>			
Salaries and Wages	84,020	84,020	0
Fringe Benefits	13,905	13,725	180
Contractual Services	109,278	109,278	0
Materials and Supplies	21,694	21,694	0
Other Operating Expenses	27,090	26,430	660
Capital Outlay	2,324	2,324	0
Debt Principal Retirement	60,732	60,732	0
Interest and Fiscal Charges	41,532	41,532	0
Total Expenses	360,575	359,735	840
Excess of Revenues Under Expenses	(30,206)	(29,366)	840
Operating Transfers In	5,803	5,803	0
Excess of Revenues Under Expenses and Operating Transfers	(24,403)	(23,563)	840
Fund Equity at Beginning of Year	28,125	28,125	0
Prior Year Encumbrances Appropriated	10,018	10,018	0
Fund Equity at End of Year	\$13,740	\$14,580	\$840

See accompanying notes to the general purpose financial statements

Washington County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2002

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

A. Reporting Entity

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

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

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

Discretely Presented Component Unit Wasco, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. Wasco, Inc., under a contractual agreement with the Washington County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Washington County. The Washington County Board of MR/DD provides Wasco, Inc. with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of Wasco, Inc. Based on the significant services and resources provided by the County to Wasco, Inc., and the sole purpose of Wasco, Inc. being to provide assistance to the retarded and handicapped adults of Washington County, Wasco, Inc. is presented as a component unit of Washington County. Wasco, Inc. operates on a fiscal year ending August 31. The financial statements of Wasco, Inc. were prepared in accordance with Governmental Accounting Standards Board Statement 29 following the governmental model of reporting. Wasco, Inc. is required only to report operating information at the program level; however, since it operates under a single program, object level information is presented to provide more comprehensive financial information. Separately issued financial statements can be obtained from Wasco, Inc., Marietta, Ohio.

Washington County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2002

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

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

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statements:

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

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

The County is associated with certain organizations which are defined as jointly governed organizations and insurance purchasing pools. These organizations are presented in Notes 19 and 21 to the General Purpose Financial Statements. The organizations are:

- Buckeye Hills-Hocking Valley Regional Development District
- Joint Solid Waste District
- Washington County Family and Children First Council
- Washington-Morgan Community Action Corporation
- Wood, Washington, and Wirt Planning Commission
- Buckeye Joint-County Self-Insurance Council
- County Commissioners Association of Ohio Workers' Compensation Group Rating Plan
- Buckeye Hills Resource Conservation and Development Project

The County is associated with the Washington County Public Library which is classified as a related organization. Additional information concerning the related organization is presented in Note 20.

Washington County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2002

B. Basis of Presentation - Fund Accounting

The County (primary government) and Wasco, Inc. (component unit) uses funds and account groups to report on its financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories: governmental, proprietary, and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The following are the County's governmental fund types:

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

Special Revenue Funds These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund This fund is used to account for the accumulation of financial resources for, and the payment of, general long-term obligations principal, interest, and related costs.

Capital Projects Funds These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type The proprietary fund is used to account for the County's ongoing activities which are similar to those found in the private sector. The following are the County's proprietary fund types:

Enterprise Fund This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis.

Washington County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2002

Fiduciary Fund Types These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The County's fiduciary funds are all classified as agency funds. Agency funds are purely custodial (assets equal liabilities) thus do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Asset Account Group The general fixed assets account group is used to account for all fixed assets of the County, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group The general long-term obligations account group is used to account for all long-term obligations of the County, except those accounted for in the proprietary funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to Generally Accepted Accounting Principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The County applies Financial Accounting Standards Board statements and interpretations issued prior to November 30, 1989, to proprietary activities provided they do not conflict with Governmental Accounting Standards Board statements and interpretations.

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is used for proprietary funds.

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

Washington County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2002

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include sales tax, permissive motor vehicle license taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the tax is levied (See Note 7). Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: state-levied locally shared taxes, sales taxes, interest, grants, fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2002, and delinquent property taxes whose availability is indeterminable, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

Wasco, Inc. uses the full accrual method of accounting for its operations similar to the proprietary funds of the County.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, legally are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners. Budgetary information for Wasco, Inc. (component unit) is not reported because it is not included in the entity for which "the appropriated budget" is adopted, and does not itself maintain budgetary financial records.

Tax Budget A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Washington County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2002

Estimated Resources The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued December 31, 2002.

Appropriations A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the Notes to the Financial Statements for proprietary funds.

Lapsing of Appropriations At the close of each 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 year and is not reappropriated.

Budgetary Basis of Accounting While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of Generally Accepted Accounting Principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts and disbursements and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and the Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis), Proprietary Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Washington County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2002

3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis). Material encumbrances are disclosed in the Notes to the Financial Statements for proprietary fund types (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. Revenues received by year end and not posted to cash (budget basis) are recorded as revenue (GAAP basis).

C. Cash and Cash Equivalents

To improve cash management, cash received by the County is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the County's records. Interest in the pool is presented as "Cash and Cash Equivalents" on the Combined Balance Sheet.

During 2002, the County had investments in certificates of deposit, which are reported at cost, and in money market funds and United States Government Bonds as part of the ES Lacey/HE Hall Trust Special Revenue Fund. These investments have maturities greater than three months and are reported at fair value which is based on quoted market prices. The County Court Agency Fund certificate of deposit and the investments of the ES Lacey/HE Hall Trust Special Revenue Fund are reflected on the Combined Balance Sheet as "Investments in Segregated Accounts".

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2002 amounted to \$1,279,695, which includes \$1,248,661 assigned from other County funds.

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

For purposes of the Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Wasco, Inc. considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. Investments for Wasco, Inc. (component unit) consist of certificates of deposit. These investments have maturities of more than three months.

D. Receivables and Payables

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

Washington County, Ohio
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Using these criteria, the County has elected to not record child support arrearages within the special revenue and agency fund types. This amount, while potentially significant, is not considered measurable, and because collection is often significantly in arrears, the County is unable to determine a reasonable value.

E. Inventory

Inventories of governmental funds are stated at cost, while inventory of the proprietary fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund type when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventory of Wasco, Inc. is stated at cost on a first-in, first-out basis.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Interfund Assets and Liabilities

Short-term interfund loans or the short-term portion of advances are classified as interfund receivables/payables.

Amounts owed to a particular fund by another fund for goods or services rendered are classified as "Due from Other Funds/Due to Other Funds." The agency funds receive all tax collections and special assessments (including the County's portion) within the County and then distribute them to the political subdivisions. Therefore, receivables for the County's portion of property taxes, accounts, special assessments, and delinquent sewer accounts were reported as "Due from Agency Funds" in the governmental fund types. Their corresponding payables were reported as "Due to Other Funds" in the agency funds.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are reported in the General Fixed Assets Account Group at historical cost or estimated historical cost. Assets in the General Fixed Assets Account Group are not depreciated. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are capitalized at estimated fair market value on the date donated. Wasco, Inc.'s asset values were determined at original acquisition cost when purchased.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost in the General Fixed Assets Account Group and the proprietary funds.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the County. The County maintains a capitalization threshold of five hundred dollars.

Washington County, Ohio
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Property, plant, and equipment reflected in the enterprise fund are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation in proprietary funds and by Wasco, Inc. has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	Primary Government <u>Estimated Lives</u>	Wasco, Inc. <u>Estimated Lives</u>
Buildings	40 years	10 years
Improvements other than Buildings	40 years	N/A
Equipment and Fixtures	5-20 years	10 years
Vehicles	5 years	10 years

Fixed asset values of the primary government initially were determined at December 31, 1991, assigning original acquisition costs when such information was available. In cases when original costs were not practicably determinable, estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

I. Compensated Absences

Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the County's termination policy. For Wasco, Inc., all unused vacation leave at fiscal year end is accrued as a liability.

The County records a liability for accumulated, unused vacation and compensatory time when earned for all employees exceeding their probation period. The County records a liability for accumulated, unused sick leave for all employees of the following departments after fifteen years of service: Recorder, Veterans, Commissioners, Auditor, Treasurer, Common Pleas Court, County Home, Juvenile/Probate Court, Clerk of Courts, and Board of Elections, and after twenty years of service for the remaining departments. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In the proprietary fund and Wasco, Inc., the entire amount of compensated absences is reported as a fund liability.

J. Long-Term Obligation

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless whether they will be liquidated with current resources. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Bonds and long-term loans are recognized as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by the proprietary fund are reported as liabilities in the proprietary fund.

Washington County, Ohio
Notes to the General Purpose Financial Statements
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K. Contributed Capital

Prior to 2001, contributed capital represents resources from other funds, other governments, and customers provided to the enterprise fund that is not subject to repayment. Tap-in fees are recorded as capital contributions to the extent they exceed the actual costs of the connection to the waste water system. Except for contributions from other funds, capital contributions received after 2000 have been recorded as revenues and are reported as increases in retained earnings based on new guidelines established by GASB Statement 33 "Accounting and Reporting for Nonexchange Transactions". During 2002, the 1% Permissive Sales Tax Special Revenue Fund acquired fixed assets for the Sewer Enterprise Fund in the amount of \$10,989.

Because the County had not prepared financial statements in accordance with Generally Accepted Accounting Principles prior to 1991, the exact amount of contributed capital at December 31, 1991, cannot be determined. Consequently, only those amounts that have been able to be identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds have been classified as retained earnings.

L. Capitalization of Interest

The County's policy is to capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax/exempt borrowing used to finance the project and interest earned from temporary investments on the debt proceeds. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset.

For 2002, interest costs incurred on construction projects of the proprietary funds were not material.

M. Reserves of Fund Equity

The County records reservations for portions of fund equity which are legally separated for a specific future use or which do not represent available, spendable resources, and, therefore, are not available for appropriations for expenditures. Designated fund balances represent tentative plans for future use of financial resources. Undesignated fund balance indicates that portion of fund equity which is available for appropriations in future periods. Fund balance reserves have been established for encumbrances, inventory, unclaimed monies, and loans (community development block grant monies loaned to individuals). By law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

N. Interfund Transactions

During the course of normal operations the County has numerous transactions between funds. The most significant include operating transfers and reimbursements.

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

O. Estimates

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

Washington County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2002

P. Total Columns on General Purpose Financial Statements

Total Columns on the General Purpose Financial Statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with Generally Accepted Accounting Principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates that a component unit is included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "Reporting Entity" and includes the activity and operations of the County's legally separate discretely presented component unit. (See Note 1). The total column on statements which do not include a component unit have no additional caption.

NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCES

During 2002, the County determined that the ES Lacey/HE Hall Trust Fund had been incorrectly classified as an expendable trust fund. The fund should have been classified as a special revenue fund. Therefore, the fund balances of the special revenue funds and expendable trust funds have been restated at December 31, 2001, from \$18,966,225 to \$19,278,545 and from \$312,320 to \$0, respectively.

Also, during 2002, the County determined that contributed capital of the Sewer Enterprise Fund had been understated by \$10,397 and the General Fixed Assets Account Group was understated by \$188,843. Retained earnings of the proprietary funds have been increased from (\$849,048) to (\$859,445) at December 31, 2001. The balance of the General Fixed Assets Account Group has been increased from \$24,733,142 to \$24,921,985.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

Washington County, Ohio
Notes to the General Purpose Financial Statements
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Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	(\$878,474)	\$1,100,078	\$6,402	(\$642,245)
Revenue Accruals	32,813	(345,799)	0	(166,133)
Beginning of the Year:				
Unreported Cash	28,968	10,562	0	3,169
Unreported Interest	93,589	0	0	0
Segregated Accounts	42,055	0	0	2,266
Prepaid Items	14,983	79,545	0	10,290
End of the Year:				
Unreported Cash	(40,560)	(58,325)	0	(4,467)
Unreported Interest	(116,419)	0	0	0
Segregated Accounts	(34,096)	(395)	0	(2,388)
Prepaid Items	(18,399)	(119,061)	0	(6,149)
Advances In	0	28,800	0	0
Proceeds of Notes	0	0	0	5,754,000
Expenditure Accruals	106,239	(29,153)	0	1,434,475
Debt Service:				
Principal Retirement	0	0	0	(81,000)
Interest and Fiscal Charges	0	0	0	(3,119)
Advances Out	0	(28,800)	0	0
Encumbrances	(319,115)	(2,710,937)	0	(5,295,378)
Budget Basis	<u>(\$1,088,416)</u>	<u>(\$2,073,485)</u>	<u>\$6,402</u>	<u>\$1,003,321</u>

Washington County, Ohio
Notes to the General Purpose Financial Statements
 December 31, 2002

Net Income (Loss)/Excess of Revenues Over (Under) Expenses
 All Proprietary Fund Types and Discretely Presented Component Unit

	Enterprise	Internal Service	Component Unit
GAAP Basis	(\$136,555)	(\$19,191)	\$28,115
Revenue Accruals	10,895	0	0
Note Proceeds	8,000	0	0
Expenditure Accruals	1,673	0	0
Depreciation	157,704	0	0
Debt Principal	(60,732)	0	0
Capital Outlay	(2,324)	0	0
Excess of Revenues Over Expenses for			
Non-Budgeted Activity	0	19,191	(28,115)
Encumbrances	(2,224)	0	0
Budget Basis	(\$23,563)	\$0	\$0

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

The following funds had deficit fund balances/retained earnings as of December 31, 2002:

	Deficit Balances
<u>Capital Projects Funds:</u>	
County Jail Construction	\$580,132
County Garage/Office Building Construction	424,121
 <u>Enterprise Fund:</u>	
Sewer	996,000
 <u>Internal Service Fund:</u>	
MRDD Self Insurance	19,191

The deficits in the capital projects funds are the result of the recognition of payables in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit in the Sewer Enterprise Fund is due to accumulated losses. Management is reviewing and analyzing the sewer operations to determine appropriate measures necessary to eliminate this deficit. The deficit in the MR/DD Self Insurance Fund is due to claims expense exceeding assessed charges.

Washington County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2002

NOTE 6 - DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT

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

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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;
4. 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;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) of this section or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Washington County, Ohio
Notes to the General Purpose Financial Statements
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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 qualified trustee 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 \$106,501 in undeposited cash on hand which is included on the balance sheet of the County as part of "Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year end, the carrying amount of the County's deposits was \$30,103,846 and the bank balance was \$31,591,869. Of the bank balance:

1. \$763,686 was covered by federal depository insurance; and
2. \$30,544,511 was collateralized with securities held by the pledging financial institution's trust department in the County's name.
3. \$283,672 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the County held to a successful claim by the FDIC.

Investments The County's investments are required to be categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name.

	Interest Rates	Category 3	Fair Value
US Government Bonds	4.875 - 7.21%	\$197,789	\$197,789

The US Government Bonds have maturities ranging from August 15, 2003 to March 17, 2008.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

Washington County, Ohio
Notes to the General Purpose Financial Statements
 December 31, 2002

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$30,172,205	\$235,931
Cash on Hand	(106,501)	0
Certificates of Deposit	38,142	(38,142)
GASB Statement 3	\$30,103,846	\$197,789

COMPONENT UNIT

At fiscal year end, the carrying amount of Wasco, Inc.'s deposits was \$84,654 and the bank balance was \$106,548. All of the bank balances were covered by federal depository insurance. Wasco, Inc. holds two certificates of deposit totaling \$77,667. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

NOTE 7 - RECEIVABLES

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) is for 2002 taxes.

2002 real property taxes are levied after October 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value for all property except inventory, which is 24 percent.

The full tax rate for all County operations for the year ended December 31, 2002, was \$9.05 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property	\$722,643,680
Public Utility Tangible Personal Property	83,905,410
Tangible Personal Property	241,482,410
Total Assessed Value	\$1,048,031,500

Washington County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2002

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2002 operations. The receivable is offset by deferred revenue.

B. Intergovernmental Receivables

	Amounts
General Fund:	
Local Government	\$708,560
Homestead and Rollback	108,681
School Lunch Reimbursement	2,397
Estate Tax	1,397
Judge Reimbursements	1,636
Court Fines	15,864
Defense of Indigents	9,918
Sheriff Contracts	2,530
Juvenile Center Child Support	1,486
Elected Officials Pay Raise Reimbursements	6,684
Total General Fund	859,153

Washington County, Ohio
Notes to the General Purpose Financial Statements
 December 31, 2002

	Amounts
Special Revenue Funds:	
Physical Therapy Services	\$1,643
Preschool Tuition	27,935
Court Fines	25,601
Equipment Reimbursement from School District	178
Unit Funding - MRDD	16,747
Waiver Administration	9,871
House and Road Signs	390
Social Security Support	4,686
Title XIX Medicaid	378,687
Womens Setaside	17,166
ODMH - PASARR	1,985
Southern Consortium	37,263
ADA HB 484	4,177
Community Plan BG	21,599
D&A State (Treatment and Prevention)	25,294
Treatment Capacity Expansion	4,261
ODADAS Womens Match	5,446
Child Adolescent Block Grant	8,534
TANF (ODADAS)	9,183
State Subsidy	770,918
Ryan White	7,258
Title XX - Mental Health	52,964
Federal Block Grant	91,599
Take Pride, Ohio	27,944
Title XX - MRDD	42,748
Food Reimbursement	6,702
Job Coach Services	3,053
Title XIX Medicaid - MRDD	99,010
Children Services Grants	293,002
Community Development Block Grant	129,348
Chip Grant	85,364
Victim Assistance	18,321
Juvenile Victim Assistance	14,361
Urban Mass Transportation Grant	4,952

Washington County, Ohio
Notes to the General Purpose Financial Statements
 December 31, 2002

	Amounts
Special Revenue Funds, cont'd	
Census Transition	\$3,914
Supplemental Treatment	2,551
Entry Year Grant	2,000
Retired Senior Volunteer Program - Federal Grant	2,520
Area Agency on Aging Grant	5,197
CSEA Advance	24,570
Gas Excise Tax	672,821
Motor Vehicle License	1,169,633
Permissive Motor Vehicle License	24,804
Homestead and Rollback	222,383
Total Special Revenue Funds	4,378,583
Debt Service Fund:	
Homestead and Rollback	9,057
Capital Projects Funds:	
Ohio Department of Transportation	166,133
Agency Funds:	
Gas Excise Tax	535,240
Library and Local Government	1,423,034
Local Government	867,070
Motor Vehicle License	517,882
Total Agency Funds	3,343,226
Total Intergovernmental Receivable	\$8,756,152

NOTE 8 - PERMISSIVE SALES AND USE TAX

In 1983, the County Commissioners, by resolution, imposed a one percent tax on all retail sales made in the County and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. At the November 1989 general election, an additional one-half percent tax was approved by the voters of the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of the month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited to the General Fund and the 1% Permissive Sales Tax and Sheriff's Sales Tax Special Revenue Funds. Sales tax revenues that are measurable and available at year end are accrued as revenue. Sales and use tax revenue in 2002 amounted to \$8,560,463.

Washington County, Ohio
Notes to the General Purpose Financial Statements
 December 31, 2002

NOTE 9- FIXED ASSETS

A summary of the Enterprise Fund's fixed assets at December 31, 2002, and the fixed assets of Wasco, Inc. at August 31, 2002 follows:

Asset Category	Primary Government	Component Unit
Land	\$3,143	\$0
Buildings	418,785	9,548
Improvements other than buildings	6,239,875	0
Equipment and Furniture	90,963	133,516
Vehicles	60,213	203,827
Total	6,812,979	346,891
Less Accumulated Depreciation	(1,895,187)	(213,257)
Net Fixed Assets	<u>\$4,917,792</u>	<u>\$133,634</u>

A summary of the changes in general fixed assets during 2002 follows:

Asset Category	Balance at 12/31/01	Additions	Deletions	Balance at 12/31/02
Land	\$1,926,292	\$27,798	\$0	\$1,954,090
Buildings	10,746,193	0	0	10,746,193
Machinery and Equipment	7,112,609	749,282	353,900	7,507,991
Furniture and Fixtures	2,074,201	23,302	44,276	2,053,227
Vehicles	3,062,690	269,055	140,296	3,191,449
Construction in Progress	0	3,046,945	0	3,046,945
Totals	<u>\$24,921,985</u>	<u>\$4,116,382</u>	<u>\$538,472</u>	<u>\$28,499,895</u>

Washington County, Ohio
Notes to the General Purpose Financial Statements
 December 31, 2002

NOTE 10 - RISK MANAGEMENT

PRIMARY GOVERNMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. During 2002, the County contracted with the Buckeye Joint-County Self-Insurance Council, an insurance purchasing pool (see Note 21), for liability, auto, and crime insurance. Each member pays a premium for their coverage. The agreement provides that the Council will be self-sustaining through member premiums. In the event of losses, the first \$250 to \$2,500 of any valid claim, depending on type of loss, will be paid by the member. The next payment, with a maximum pay out ranging from \$100,000 to \$1,000,000 per occurrence, will come from the self-insurance pool based on the member's percentage of contribution. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments. Washington County does not have any ongoing financial interest or responsibility. The agreement between the counties and the Council indicates that a voluntary withdrawal or termination by any county shall constitute a forfeiture of any pro rate share of the Council reserve fund. Current calculation of this potential residual interest is, therefore, not possible. During 2002, Washington County paid \$220,464 to the Council for insurance coverage. Coverage provided by the program and applicable deductibles are as follows:

	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$2,000,000/4,000,000	\$1,000
Property Damage Liability	100,000/100,000	1,000
Public Official Liability	2,000,000/4,000,000	1,000
Law Enforcement	2,000,000/4,000,000	1,000
Automobile	2,000,000 Per Occurrence	0
Uninsured Motorist	1,000,000 Per Occurrence	0
Pollution Liability	10,000	1,000
Risk Blanket Property	Per Schedule	500
Extra Expense	1,000,000	500
Personal Property of Others	100,000	500
Flood	10,000,000	5,000
Earthquake	10,000,000	25,000
Electronic Data Processing Equipment	500,000	500
Blanket Bond	250,000	0
Elected Officials Bond	Per Schedule	0
Money and Securities	500,000	500
Boiler and Machinery	25,000,000	500
Inland Marine	Per Schedule	100
Auto Comprehensive	Per Schedule	100
Auto Collision	Per Schedule	250
Nurse Liability	1,000,000	1,000
EMT/EMTA/Paramedics	1,000,000/2,000,000	1,000

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

Washington County, Ohio
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Employee Medical Benefits

Starting in 2002, medical/surgical benefits, vision, dental, and prescription insurance are offered to MR/DD employees through a self-insurance internal service fund through Administrative Service Consultants. The claims liability of \$102,863 reported in the internal service fund at December 31, 2002, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for 2002 are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2002	\$0	\$561,239	\$458,376	\$102,863

For 2002, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 21). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The worker's compensation experience of the participating Counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to Counties that can meet the Plan's selection criteria. The firm of Gates McDonald, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

The County pays all elected official bonds by State statute.

COMPONENT UNIT

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

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

Washington County, Ohio
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December 31, 2002

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All County full-time employees, other than teachers, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the County is required to contribute 8.55 percent. For law enforcement employees, the employee contribution is 10.1 percent and the employer contribution is 16.7 percent. Contributions are authorized by State statute. The County's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000, were \$1,399,597, \$1,425,669, and \$996,462, respectively, 97.48 percent has been contributed for year 2002 and 100 percent for years 2001 and 2000. \$35,271 represents the unpaid contribution for year 2002 and is recorded as a liability within the respective funds.

During 2002, the OPERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits.

B. State Teachers Retirement System

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's required contributions for pension obligations to STRS for the years ended December 31, 2002, 2001, and 2000, were \$64,353, \$48,528 and \$47,097, respectively; 97.38 percent has been contributed for 2002 and 100 percent for 2001 and 2000. \$1,687 represents the unpaid contribution for 2002 and is recorded as a fund liability.

Washington County, Ohio
Notes to the General Purpose Financial Statements
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NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The County's actual contributions for 2002 which were used to fund postemployment benefits were \$790,591. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

B. State Teachers Retirement System

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$30,483 for 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

Washington County, Ohio
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NOTE 13 - OTHER EMPLOYER BENEFITS

A. Deferred Compensation Plan

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

B. Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. Accumulated, unused vacation time, accumulated, unused sick leave, and compensatory time are paid to a terminated employee at varying rates depending on length of service and department policy.

C. Insurance Benefits

The County provides employee medical/surgical benefits, life insurance, and accidental death and dismemberment insurance to employees, except Children Services and MR/DD, through Anthem Blue Cross/Blue Shield. The plan has \$100 single and \$250 family deductible limits. Except for employees of the Department of Human Services, Child Support Enforcement Agency, County Home, Mental Health, Sheriff's Department, Health Department, and the Engineer Department, the County pays 75 percent of the total monthly premium for family coverage and 80 percent for single coverage. The County pays 80 percent for both single and family coverage for employees of the Department of Human Services, the Child Support Enforcement Agency, County Home, and the Sheriff's Department. The County pays 100 percent for both single and family coverage for employees of the Mental Health Department. The County pays 90 percent for single coverage and 85 percent for family coverage for employees of the Engineer Department. The County pays 81 percent for both single and family coverage for employees of the Health Department. Premiums are paid from the same funds that pay the employee's salaries.

Employee medical/surgical benefits, life insurance, and accidental death and dismemberment insurance to employees of the Children Services Department is provided through Medical Benefits Mutual and Anthem Blue Cross/Blue Shield. For MR/DD employees, the MR/DD Board provides life insurance and accidental death and dismemberment insurance through Safeco, in the amount of \$25,000 for all employees.

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

Washington County, Ohio
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 December 31, 2002

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

PRIMARY GOVERNMENT

In current and prior years, the County has entered into capitalized leases for several Job and Family Services copiers and a postage meter. The leases met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defined a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the General Purpose Financial Statements for the governmental funds. The items acquired by leases have been capitalized in the General Fixed Assets Account Group in the amount of \$98,817, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2002.

Year	Amount
2003	\$27,659
2004	20,628
2005	18,284
2006	10,666
Total	77,237
Less: Amount Representing Interest	(7,104)
Present Value of Net Minimum Lease Payments	\$70,133

COMPONENT UNIT

In 2002, Wasco, Inc. entered into a capital lease for a risograph. The lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defined a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as expenses in the General Purpose Financial Statements. The item acquired by the lease has been capitalized in the amount of \$7,471, which is equal to the present value of the future minimum lease payments at the time of acquisition.

The following is a schedule of future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of August 31, 2002.

	Amount
Total Future Minimum Lease Payments	\$6,726
Less: Amount Representing Interest	0
Present Value of Net Minimum Obligations	6,726
Less: Current Obligation Under Capital Lease	(1,495)
Long Term Obligations Under Capital Lease	\$5,231

Washington County, Ohio
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NOTE 15 - CONTRACTUAL COMMITMENTS

As of December 31, 2002, the County had contractual purchase commitments as follows:

Projects	Fund	Purchase Commitments	Amounts Paid as of 12/31/2002	Amounts Remaining on Contracts
Lower Salem Gym Renovations	CDBG Special Revenue Fund	\$12,800	\$11,520	\$1,280
2004 Sexennial Reappraisal	Real Estate Assesment Special Revenue Fund	732,000	275,232	456,768
Cassady Bridge	1% Permissive Sales Tax Special Revenue Fund	673,300	183,206	490,094
County Roads 16&27 Culvert Rehabilitation	1% Permissive Sales Tax Special Revenue Fund	40,200	30,150	10,050
Huck Bridge	1% Permissive Sales Tax Special Revenue Fund	390,113	0	390,113
Hall Bridge	1% Permissive Sales Tax Special Revenue Fund	151,521	0	151,521
Tax Parcel Conversion	1% Permissive Sales Tax Special Revenue Fund	327,986	293,700	34,286
Washington County Comprehensive Plan	1% Permissive Sales Tax Special Revenue Fund	97,000	54,200	42,800
Children Services Building	Children Services Construction Capital Projects Fund	2,939,994	2,106,663	833,331
County Garage and Office Building	County Garage/Office Building Capital Projects Fund	1,904,334	392,612	1,511,722
New County Jail	County Jail Construction Capital Projects Fund	7,565,492	543,371	7,022,121

NOTE 16 - LONG-TERM OBLIGATIONS

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

Washington County, Ohio
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	Original Issue Amount	Principal Outstanding 12/31/01	Additions	Deductions	Principal Outstanding 12/31/02
General Long-Term Obligations:					
General Obligation Bonds:					
1998 - Juvenile Center - 4.4%-5.9%	\$1,800,000	\$1,640,000	\$0	\$60,000	\$1,580,000
1996 - Courthouse Renovation					
Renovation - 3.75%-5.00%	1,350,000	875,000	0	110,000	765,000
1996 - Building Acquisition - Job and Family Services - 3.75%-5.5%	1,740,000	1,515,000	0	60,000	1,455,000
1996 - Building Acquisition - Commissioners - 3.75%-4.75%	380,000	210,000	0	40,000	170,000
Total General Obligation Bonds		4,240,000	0	270,000	3,970,000
1999 - Energy Conservation Note - 5.125%	114,523	91,616	0	11,452	80,164
Compensated Absences		633,789	909,021	745,842	796,968
Capital Leases		19,252	65,114	14,233	70,133
Tax Refund Payable		8,772	0	8,772	0
Total General Long-Term Obligations		4,993,429	974,135	1,050,299	4,917,265
Enterprise Fund Obligations:					
OPWC Loans:					
1995 - Devola Sewer Loan - 0%	328,552	213,557	0	16,427	197,130
1995 - Waste Water Treatment Plant Loan - 4.0%	112,665	44,594	0	12,116	32,478
1999 - Cherry Blossom Sewer Loan - 2.00%	80,370	73,695	0	3,439	70,256
1998 - Barlow Vincent Sewer Plant Loan - 0%	225,000	180,000	0	11,250	168,750
Total OPWC Loans		511,846	0	43,232	468,614
1997 - FHA Sewer Loans	506,000	845,000	0	7,500	837,500
Total Enterprise Fund Obligations		1,356,846	0	50,732	1,306,114
Total Long-Term Obligations		\$6,350,275	\$974,135	\$1,101,031	\$6,223,379

Washington County, Ohio
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The Courthouse Renovation, Juvenile Center Construction, and the Commissioners portion of the Building Acquisition general obligation bonds are unvoted and will be retired from the General Bond Retirement Fund with general property tax revenues. The Job and Family Services portion of the Building Acquisition general obligation bonds is unvoted and will be retired from the Job and Family Services Bond Retirement Fund with rental payments received from the Job and Family Special Revenue Fund. The Energy Conservation Note is unvoted and will be retired with monies realized through energy savings. The capital leases are being paid for by the General Fund and the Job and Family Services Special Revenue Fund.

Compensated absences reported in the "Compensated Absences Payable" account will be paid from the fund which the employees' salaries are paid.

Based on the March 26, 1997 decision by the Ohio State Supreme Court, the County is required to refund to Texas Eastern Transmission Corporation public utility property taxes collected for the 1991 through 1996 tax years. The liability was paid from the General Fund, the County Home and MR/DD Special Revenue Funds, and the Bond Retirement Fund through reductions in tax settlements. No interest was charged on the liability for the 1992 through 1996 tax years.

The following is a summary of the County's future annual principal and interest (of \$1,677,623) requirements to retire general obligation bonds:

Year Ended December 31,	Total
2003	\$483,542
2004	485,032
2005	480,552
2006	480,378
2007	434,352
2008-2012	1,569,142
2013-2017	1,355,475
2023-2023	359,150
Total	<u>\$5,647,623</u>

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

The following is a summary of the County's future annual principal and interest (of \$888,928) requirements to retire loans:

Washington County, Ohio
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Year Ended December 31,	Total
2003	\$92,547
2004	92,264
2005	85,890
2006	79,071
2007	85,669
2008-2012	394,760
2013-2017	349,982
2018-2022	250,964
2023-2027	259,321
2028-2037	504,574
Total	\$2,195,042

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total valuation of the County. The Code further provides that the total shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The County's overall legal debt margin was \$15,072,887 at December 31, 2002.

Pursuant to State statute, various industrial revenue bonds have been issued for private industry within the County. The proceeds of the industrial revenue bonds are used by the various private industries for new construction or improvements. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. As of December 31, 2002, \$67,655,000 of industrial revenue bonds had been issued, and \$53,878,579 of those remained outstanding.

Washington County, Ohio
Notes to the General Purpose Financial Statements
 December 31, 2002

NOTE 17 - NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2002, follows:

	Outstanding 12/31/2001	Additions	Reductions	Outstanding 12/31/2002
Capital Projects Funds:				
New County Jail - 2.24%	\$0	\$2,800,000	\$0	\$2,800,000
Children Services Building - 2.24%	0	500,000	0	500,000
County Garage/Office Building - 2.24%	0	2,400,000	0	2,400,000
Detention Center Computers - 2.24%	81,000	54,000	81,000	54,000
Total Capital Projects Funds	81,000	5,754,000	81,000	5,754,000
Enterprise Fund:				
Cherry Blossom - 2.24%	10,000	8,000	10,000	8,000
Total All Funds	\$91,000	\$5,762,000	\$91,000	\$5,762,000

The notes are backed by the full faith and credit of Washington County and will mature in one year. The note liability is reflected in the fund which received the proceeds. The notes are issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

NOTE 18 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables at December 31, 2002, consisted of the following:

Interfund Receivables and Payables	Receivable	Payable
Special Revenue Funds:		
1% Permissive Sales Tax	\$577	\$0
Urban Mass Transportation	0	577
Youth Services	23,507	0
Felony Delinquent Care	0	23,507
Total	\$24,084	\$24,084

Washington County, Ohio
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Due from Other Funds and Due to Other Funds at December 31, 2002, consisted of the following:

<u>Due from/to Other Funds</u>	<u>Recipient</u>	<u>Payer</u>
General Fund	\$2,466,881	\$10,301
Special Revenue Funds:		
Mental Health	3,770	2,050
Child Support Enforcement Agency	0	4,941
Certificate of Title Administration	15,938	0
MR/DD	2,801,319	120
County Home	1,895,222	0
Public Assistance	0	3,880
Children Services	12,897	3,698
Senior Citizens Levy	807,901	0
Total Special Revenue Funds	<u>5,537,047</u>	<u>14,689</u>
Bond Retirement Fund	<u>203,442</u>	<u>0</u>
Sewer Enterprise Fund	<u>301,435</u>	<u>0</u>
Agency Funds:		
Health	10,421	0
County Court Agency	0	15,938
Family and Children First	3,698	12,897
Undivided Tax	<u>0</u>	<u>8,469,099</u>
Total Agency Funds	<u>14,119</u>	<u>8,497,934</u>
Total Due from/to Other Funds	<u>\$8,522,924</u>	<u>\$8,522,924</u>

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Developmental District serves as the Area Agency on Aging for Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and implementing plans and programs. The District is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens, one member from the City of Marietta, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The District administers County Community Development Block Grant and Issue II monies. During 2002, the District received \$16,518 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

Washington County, Ohio
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B. Joint Solid Waste District

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

The Joint Solid Waste District is governed and operated through three groups. An eighteen-member board of directors, composed of the three Commissioners from each County, is responsible for the District's financial matters. Financial records were maintained by Muskingum County until May 1993 at which time Noble County assumed the responsibility. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no contributions were received from the County in 2002. No future contributions by the County are anticipated. A thirty-one member policy committee composed of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the Policy Committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

C. Washington County Family and Children First Council

The Washington County Family and Children First Council provides services to multi-need youth in Washington County. Members of the Cluster include the Washington County Health Department, the Regional Office of Youth Services, the Washington County Juvenile Court, the Washington County Mental Health Board, Washington County Children Services, the General Health District, a representative from the City of Marietta Health Department, and a representative of the Washington County School Districts. The operation of the Council is controlled by an advisory committee which consists of a representative from each agency. In 2002, the County contributed \$10,313. The continued existence of the Council is not dependent on the County's continued participation and no equity interest exists.

D. Washington-Morgan Community Action Corporation

The Community Action Program Corporation of Washington-Morgan Counties is operated as non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Children's Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program, and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. The continued existence of the Corporation is not dependent on the County's continued participation and no equity interest exists.

Washington County, Ohio
Notes to the General Purpose Financial Statements
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E. Wood, Washington, and Wirt Planning Commission

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is composed of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives and one Washington County Commissioner serves on the Commission. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. In 2002, the County did not contribute to the Commission. The continued existence of the Commission is not dependent on the County's continued participation and no equity interest exists.

F. Buckeye Hills Resource Conservation and Development Project

The Buckeye Hills Resource Conservation and Development Project was organized to lead local efforts directed toward improving social and economic conditions of the Buckeye Hills RC&D Area through development, conservation, and proper use of all the resources of the area. It serves Athens, Belmont, Hocking, Meigs, Monroe, Morgan, Noble, Perry and Washington Counties. The Project is governed by an executive council. The Council is composed of one County Commissioner from each county, one member from the Soil and Water Conservation District of each county, a representative chosen jointly by the county commissioners and Soil and Water Conservation Districts of each county, a member from the Muskingum Watershed Conservancy District, and one member from the Rush Creek Conservancy District. The Council has total control over budgeting, personnel, and all other financial matters. During 2002, the Council received \$340 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

NOTE 20 - RELATED ORGANIZATION

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

NOTE 21 - INSURANCE PURCHASING POOLS

A. Buckeye Joint-County Self-Insurance Council

The Buckeye Joint-County Self-Insurance Council is an insurance purchasing pool that serves Washington, Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, and Vinton Counties. It was formed as an Ohio not-for-profit corporation for the purpose of establishing an insurance pool to obtain general liability, law enforcement, professional, and fleet insurance. Member counties provide operating resources to the Council based on actuarially determined rates.

Washington County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2002

The degree of control exercised by any participating government is limited to its representation on the Council. The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers which include a President, Vice President, Second Vice President, and two Governing Board members. The expenses and investment of funds by the officers must be approved by the Governing Board unless specific limits have been set by the Governing Board to permit otherwise.

B. 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 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 member of the group executive committee in any year and each elected member shall be a County Commissioner.

NOTE 22 - FOOD STAMPS

The County's Department of Human Services (Welfare) distributes, through contracting issuance centers, federal food stamps to entitled recipients within Washington County. The receipt and issuance of these stamps have the characteristics of a federal grant. However, the Department of Human Services merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements as the only economic interest related to these stamps rests with the ultimate recipient. The County's Department of Human Services had on hand for distribution approximately \$6,690 of federal food stamps at December 31, 2002.

NOTE 23 - RELATED PARTY TRANSACTIONS

Wasco, Inc., a discretely presented component unit of Washington County, received contributions from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its program. These contributions are reflected as operating revenues and operating expenses at cost or fair market value, as applicable, in the General Purpose Financial Statements in the amount of \$327,481. Additional habilitative services provided directly to the component unit's clients by the County amounted to \$999,465.

NOTE 24 - CONTINGENT LIABILITIES

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

Washington County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2002

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

NOTE 25 – SUBSEQUENT EVENTS

On May 9, 2003, the County received \$32,348 recovered from the findings of the regular audit for years January 1, 1996, through December 31, 2002, for utility receipts and other monies received through the commissioner's office. The monies were deposited into the General Fund, the CDBG Loan, Litter Control and Recycling, 1% Permissive Sales Tax Special Revenue Funds, and the Sewer Enterprise Fund.

On May 29, 2003, the County refinanced bond anticipation notes at December 31, 2002, and issued new notes in the amount of \$4,433,000. The notes have an interest rate of 1.46 percent and mature on May 27, 2004.

On May 13, 2003, the Probate Court of Washington County approved \$450,000, to the Estate of Delbert D. Bonar, Sr., in settlement and distribution claims from the wrongful death suit resulting from a 1998 arrest by the Washington County Sheriff's office. The County paid a \$1,000 deductible and the Buckeye Joint-County Self Insurance Council paid a \$4,000 deductible to Columbia Casualty Company, the insurance carrier for the County in 1998.

WASHINGTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE:				
<i>Passed through the Ohio Department of Education:</i>				
Nutrition Cluster:				
Food Donation	10.550	N/A	\$ 18,445	\$ 3,113
School Breakfast Program	10.553	05PU	35,112	
National School Lunch Program	10.555	LLP4	<u>53,557</u>	<u>3,113</u>
Total Nutrition Cluster				
Total United States Department of Agriculture			53,557	3,113
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed through the Ohio Department of Development:</i>				
Community Development Block Grants - State's Program	14.228	B-C-00-077-1 B-F-00-077-1 B-F-01-077-1 B-W-99-077-1	118,332 169,452 99,715 499,613 <u>887,112</u>	<u>0</u>
Total Community Development Block Grant Program				
HOME Investment Partnerships Program	14.239	B-C-00-077-2	<u>131,188</u>	
Total United States Department of Housing and Urban Development			1,018,300	0
UNITED STATES DEPARTMENT OF JUSTICE				
<i>Passed through the Office of Criminal Justice Services:</i>				
Juvenile Accountability Incentive Block Grants	16.523	2000-JB-002-A142	35,367	
Local Law Enforcement Block Grants Program	16.592	2001-LB-BX-4429 2002-LB-BX-2721	10,382 1,524 <u>11,906</u>	<u>0</u>
Total Local Law Enforcement Block Grants Program				
<i>Passed through the Ohio Attorney General's Office</i>				
Crime Victim Assitance	16.575	2002VAGENE514T 2002VAGENE514 2002VAGENE253T 2002VAGENE253	3,371 13,963 7,219 22,143 <u>46,696</u>	<u>0</u>
Total Crime Victim Assistance				
Total United States Department of Justice			93,969	0
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed through the Ohio Department of Job and Family Services:</i>				
WIA Adult Program	17.258	N/A	249,001	
WIA Adult Administration			23,810	
Total WIA Adult			<u>272,811</u>	
WIA Youth Activities	17.259	N/A	357,911	
WIA Youth Administration			28,050	
Total WIA Youth			<u>385,961</u>	
WIA Dislocated Workers	17.260	N/A	56,096	
WIA Dislocated Workers Administration			11,372	
Total WIA Dislocated Workers			<u>67,468</u>	
Total United States Department of Labor			726,240	0
UNITED STATES DEPARTMENT OF TRANSPORTATION				
<i>Passed through the Ohio Department of Transportation:</i>				
Highway Planning and Construction	20.205	N/A	1,430,626	
Formula Grants for Other Than Urbanized Areas	20.509	OH-18-X021	<u>110,318</u>	
Total United States Department of Transportation			1,540,944	0

WASHINGTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
FEDERAL EMERGENCY MANAGEMENT AGENCY				
<i>Passed through Ohio Emergency Management Agency:</i>				
Emergency Management Performance Grants	83.552			
Federal Emergency Management Performance Grant		J733	14,543	
Terrorism Consequence Management Preparedness Assistance Grant		J732	3,091	
Total Emergency Management Performance Grant			<u>17,634</u>	<u>0</u>
Total Federal Emergency Management Agency			17,634	0
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed through the Ohio Department of Education</i>				
Special Education - Preschool Grants	84.173	066274-PG-2002P	<u>10,845</u>	
Total United States Department of Education			10,845	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Social Services Block Grant	93.667	N/A	54,067	
Medical Assistance Program	93.778	N/A	599,519	
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>				
Temporary Assistance for Needy Families	93.558	N/A	18,365	
Block Grants for Prevention and Treatment of Substance Abuse	93.959			
Substance Abuse Prevention & Treatment Block Grant		N/A	215,575	
Women's Setaside		N/A	40,056	
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>255,631</u>	<u>0</u>
Medical Assistance Program	93.778	N/A	174,316	
<i>Passed through the Ohio Department of Mental Health:</i>				
Social Services Block Grant	93.667	N/A	39,925	
Medical Assistance Program	93.778	N/A	1,111,195	
Block Grants for Community Mental Health Services	93.958			
Community Plan		N/A	43,199	
Child and Adolescent Block Grant		N/A	17,068	
Total Block Grants for Community Mental Health Services			<u>60,267</u>	<u>0</u>
<i>Passed through the Ohio Department of Job and Family Services:</i>				
Promoting Safe and Stable Families	93.556	N/A	40,150	
Grants to States for Access and Visitation Programs	93.597	G-01-09-438	47,374	
Child Welfare Services - State Grants	93.645	N/A	104,074	
<i>Passed through the Southern Consortium for Rural Care:</i>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	<u>14,564</u>	
Total United States Department of Health and Human Services			2,519,447	0
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
<i>Passed through the North Central Service Center:</i>				
Retired and Senior Volunteer Program	94.002	N/A	<u>49,123</u>	
Total Corporation for National and Community Service			<u>49,123</u>	<u>0</u>
Total Federal Awards Expenditures			<u>\$ 6,030,059</u>	<u>\$ 3,113</u>

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

WASHINGTON COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES DECEMBER 31, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - FOOD DONATION

Non-monetary assistance, such as commodities (food donation) received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities consumed, with the exception of the MRDD. In July of 2002, the Ohio Department of Education no longer required donated and purchased commodities to be reported separately and the Board did not maintain internal records to track donated and purchased commodities. The entitlement data for fiscal year 2002 was used for commodities consumed for MRDD and amounted to \$1,685. The Juvenile Center also received donated commodities. Internal records were maintained for the donated commodities; the amount consumed during 2002 was \$1,428. At December 31, 2002, the County had no significant food commodities in inventory.

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

The County has established a revolving loan program to provide low-interest loans to eligible persons for water and sewer rehabilitation. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money was recorded as a disbursement in the year received on the Schedule. 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.

These loans are collateralized by mortgages on the property. At December 31, 2002, the gross amounts of loans outstanding under this program were \$19,526. Delinquent amounts due are \$17,411.

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.

WASHINGTON COUNTY
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2002
(Continued)

NOTE F – PASS-THROUGH AWARDS

The County received Medical Assistance Program (CFDA #93.778), Social Services Block Grant (CFDA #93.667) and Block Grants for Prevention and Treatment of Substance Abuse (CFDA #93.959) from various pass-through entities. The total federal expenditures in 2002 from these grants were as follows: Medical Assistance Program - \$1,885,030; Social Services Block Grant - \$93,992; and, Block Grants for Prevention and Treatment of Substance Abuse - \$270,195.



**Auditor of State
Betty Montgomery**

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

Washington County
305 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

We have audited the general purpose financial statements of Washington County, Ohio (the County), as of and for the year ended December 31, 2002, and have issued our report thereon dated June 24, 2003. We did not audit the financial statements of Wasco, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for Wasco, Inc., is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated June 24, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated June 24, 2003.

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

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

Betty Montgomery
Auditor of State

June 24, 2003



**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**

Washington County
305 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

Compliance

We have audited the compliance of Washington County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings as items 2002-003 and 2002-004. We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the County in a separate letter dated June 24, 2003.

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Internal Control Over Compliance

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

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings as item 2002-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated June 24, 2003.

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



Betty Montgomery
Auditor of State

June 24, 2003

WASHINGTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grants, CFDA #14.228 Highway Planning and Construction, CFDA# 20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2002-001

Finding for Recovery – Repaid under Order of Restitution

Janell Hinton, former County Commissioners Clerk, was responsible for depositing monies received for sewer payments made to the County. Once the Sewer Department Clerk placed the payments in the safe, Ms. Hinton was responsible for totaling the cashbook, preparing a pay-in slip and walking the money to the Treasurer's Office.

WASHINGTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002
(Continued)

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

FINDING NUMBER 2002-001 (Continued)

Finding for Recovery – Repaid under Order of Restitution (Continued)

Our testing disclosed the following variances between amounts recorded in the cashbook and the amount deposited with the Treasurer:

Year	Total Payments per Cashbook	Total Deposited with County Treasurer	Variance
1996	\$ 165,550.75	\$ 165,173.75	\$ (377.00)
1997	171,322.23	170,421.23	(901.00)
1998	324,592.34	318,884.23	(5,708.11)
1999	284,089.69	279,710.60	(4,379.09)
2000	268,764.89	265,809.95	(2,954.94)
2001	280,525.45	278,029.52	(2,495.93)
2002	302,206.82	298,346.54	(3,860.28)
Total			<u><u>\$ (20,676.35)</u></u>

Ms. Hinton was responsible for depositing monies received for Water and Sewer Revolving Loan Fund payments made to the County. Once the Sewer Department Clerk placed the payments in the safe, Ms. Hinton was responsible for preparing a pay in slip and walking the money to the Treasurer's Office.

Our testing disclosed the following variances between amounts recorded in the Water and Sewer Revolving Loan Fund Reports and the amount deposited with the Treasurer:

Year	Total Payments per Reports	Total Deposited with County Treasurer	Variance
1996	\$ 865.88	\$ 188.25	\$ (677.63)
1997	2,424.84	1,929.78	(495.06)
1998	9,067.53	8,518.62	(548.91)
1999	6,159.55	4,857.94	(1,301.61)
2000	5,454.07	2,903.63	(2,550.44)
2001	10,951.33	9,427.25	(1,524.08)
2002	5,015.01	3,862.41	(1,152.60)
Total			<u><u>\$ (8,250.33)</u></u>

Ms. Hinton was responsible for depositing monies received for miscellaneous payments made in the County Commissioner's office. Once payments were placed in the safe, Ms. Hinton was responsible for preparing a pay in slip and walking the money to the Treasurer's Office.

WASHINGTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002
(Continued)

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

FINDING NUMBER 2002-001 (Continued)

Finding for Recovery – Repaid under Order of Restitution (Continued)

Our testing disclosed the following variances between amounts recorded in the duplicate receipt books in the County Commissioner’s office and the amount deposited with the Treasurer:

Year	Cash Payments Tested	Total Deposited with County Treasurer	Variance
1996	\$ 677.60	\$ 677.60	\$ 0.00
1997	1,191.65	1,191.65	0.00
1998	1,707.71	1,557.71	(150.00)
1999	1,898.34	1,401.34	(497.00)
2000	1,725.75	349.75	(1,376.00)
2001	1,618.20	584.20	(1,034.00)
2002	456.00	92.00	(364.00)
Total			<u>\$ (3,421.00)</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for monies collected but not accounted for against Janell Hinton and Buckeye Joint-County Self Insurance Council, her bonding company, jointly and severally, in the amount of \$32,347.68, in favor of Washington County.

On March 26, 2003, Ms. Hinton pled guilty to a bill of information of theft in office under Ohio Rev. Code Section 2921.41(A)(1), (2), and (B) (an F4 Felony), in the amount of \$32,347.68 (Case Number 03CR000070). The County received full restitution from Ms. Hinton on April 24, 2003. This restitution was credited to the following funds: Sewer Fund - \$20,676.35; Litter Control and Recycling Fund - \$2,430.00; Water and Sewer Revolving Loan Fund - \$8,250.33; Permissive Sales Tax Fund - \$540.00; and, General Fund - \$451.00.

WASHINGTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-002

Material Weakness

The internal accounting controls in the County Commissioners' Office were not adequate for the duties assigned to the Clerk. The County Commissioners' Clerk was responsible for depositing all monies placed in the Commissioner's safe with the County Treasurer. There was no reconciliation process for comparing the pay-ins made by the Clerk to the Treasurer with the payments recorded in the cashbook, duplicate receipt books, and the Water and Sewer Revolving Loan Fund Reports. In addition, procedures for receipting monies received in the County Commissioner's Office were inconsistent.

The County Commissioners had oversight responsibilities for their office. They did not have the necessary controls to prevent and detect errors or fraud from occurring. As a result, a finding for recovery was issued against the former Commissioners' Clerk (see Finding Number 2002-001).

We recommend the County Commissioners develop and implement effective controls to ensure all monies received in their office are properly receipted, recorded, and safeguarded.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2002-003
CFDA Title and Number	Community Development Block Grant Program, CFDA #14.228
Federal Award Number/Year	B-C-00-077-1, B-F-00-077-1, B-F-01-077-1, B-W-99-077-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Cash Management

The Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section A(3)(f), states that the grantee must develop a cash management system to ensure compliance with the Fifteen-Day rule relating to the prompt disbursement of funds. The rule states that funds drawn down should be limited to an amount that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds.

For 34% of the Community Development Block Grant receipts tested, the County did not make the corresponding disbursements in a timely manner.

We recommend the County establish a cash management system that ensures compliance with the Fifteen-Day disbursement rule.

WASHINGTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2002-004

Noncompliance Citation/Reportable Condition – Federal Schedule

Office of Management and Budget Circular A-133 §.300(a) and (d) require the County to identify all federal awards received and disbursed, and to prepare the Schedule of Federal Awards Expenditures. The County did not maintain or prepare a schedule of federal program activity during 2002. This resulted in an extensive amount of audit time spent compiling a complete record of receipts and disbursements of federal money. Additionally, this could result in inaccurate reporting of federal receipts and disbursements.

We recommend each department provide a copy of all grant agreements to the County Auditor's Office, identifying the CFDA number and County fund that will be used for the grant activity. After December 31 of each year, the departments should also provide information to the County Auditor on the total amount of federal receipts and disbursements for each program during the year, along with supporting documentation (i.e., copies of financial reports provided to the grantor) and how this activity is recorded in the County's records. This should then be used to prepare the federal schedule that will appear in the County's report.

Persons responsible for preparing this schedule should be aware that federal awards passed through other governments (such as the State of Ohio) retain their identity as federal assistance. Therefore, when analyzing amounts received from potential pass-through entities such as the State, County personnel should determine whether awards may represent pass-through assistance.

WASHINGTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A-133 § .315 (b)
 DECEMBER 31, 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
N/A	The Municipal Court Judge was overpaid by the County in the amount of \$3,600 for the period of 1998-2001.	No	Not Corrected: The finding has not been repaid. The City and County are negotiating a plan with the Municipal Court Judge to reduce the Judge's salary over a period of four years to recover the overpayment.

WASHINGTON COUNTY
CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
DECEMBER 31, 2002

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-003	The County Commissioners intend to reduce the period between the draw down date and the date of disbursement by improving procedures to draw down funds only when needed.	June 30, 2003	Sam Cook, President of Board of County Commissioners
2002-004	The County Auditor will request each department to provide a copy of all grant agreements to his office, identifying the CFDA number and County fund that will be used for the grant activity. After December 31 of each year, the County Auditor will request each department to provide information to his office on the total amount of federal receipts and disbursements for each program during the year and supporting documentation (i.e., copies of financial reports provided to the grantor). The County Auditor will then use this information to prepare the federal schedule that will appear in the County's report.	June 30, 2003	William D. McFarland, County Auditor



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FINANCIAL CONDITION

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 19, 2003**