



**Auditor of State
Betty Montgomery**

ADAMS COUNTY
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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Adams County
110 West Main Street
West Union, Ohio 45693

To the Board of County Commissioners:

We have audited the accompanying financial statements of Adams County, Ohio (the County), as of and for the year ended December 31, 2003. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The County's financial statements do not include all receipts, disbursements and cash balances related to the Ambulance and EMS Special Revenue Fund (Fund # 010) which should be included in the Adams County financial statements to conform with accounting principles the Auditor of State has prescribed for governments not required to follow generally accepted accounting principles. There was insufficient documentation to support the completeness of these amounts. However, based on available documentation, had the omitted funds had been included, the Special Revenue Fund balance as of December 31, 2003 would have increased by approximately \$180,000, and receipts and disbursements would have increased approximately \$470,000 and \$460,000, respectively.

Ohio Administrative Code, Section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, except for the omission of Special Revenue funds' receipts, disbursements and cash balances referred to above, the financial statements referred to above present fairly, in all material respects, the combined cash deposits and combined fund cash balances of Adams County, as of December 31, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2005 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 federal awards expenditures schedule 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 financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole

This report is intended solely for the information and use of the fiscal review committee, management, elected officials, federal awarding agencies and pass-through entities, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, 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

January 7, 2005

ADAMS COUNTY

COMBINED STATEMENT OF CASH DEPOSITS
AND FUND CASH BALANCES - ALL FUND TYPES -
AS OF DECEMBER 31, 2003

Cash Deposits in County Treasury and Segregated Accounts	\$9,723,117
Cash with Fiscal Agent	<u>164,459</u>
Total Cash Deposits	<u><u>\$9,887,576</u></u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	555,235
Special Revenue Funds	6,532,657
Debt Service Funds	36,562
Capital Projects Funds	1,111,463
Proprietary Funds:	
Enterprise Funds	24,684
Fiduciary Funds:	
Expendable Trust Funds	114,411
Agency Funds	<u>1,512,566</u>
Total	<u><u>\$9,887,578</u></u>

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

ADAMS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS ·
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash receipts:						
Taxes	\$3,314,881	\$1,571,858	\$129,545	\$0	\$0	\$5,016,284
Charges for services	788,828	1,072,714				1,861,542
Licenses and permits	3,344					3,344
Fines and forfeitures	160,835	76,306				237,141
Intergovernmental receipts	1,343,173	11,113,797	1,072	491,563		12,949,605
Special Assessments	0		12,858			12,858
All other receipts	238,232	190,369			20,639	449,240
Total cash receipts	5,849,293	14,025,044	143,475	491,563	20,639	20,530,014
Cash disbursements:						
Current:						
General government:						
Legislative and executive	1,870,219	479,330				2,349,549
Judicial	1,004,567	65,976				1,070,543
Public safety	1,726,049	785,097				2,511,146
Public works	94,316	3,732,050				3,826,366
Health	79,696	2,352,883				2,432,579
Human services	384,384	6,061,514			14,868	6,460,766
Conservation - recreation	8,870					8,870
Miscellaneous	711,656					711,656
Capital outlay				458,185		458,185
Debt service:						
Principal retirement		54,854	94,593			149,447
Interest and fiscal charges		5,910	49,853			55,763
Total cash disbursements	5,879,757	13,537,614	144,446	458,185	14,868	20,034,870
Total cash receipts over/(under) cash disbursements	(30,464)	487,430	(971)	33,378	5,771	495,144
Other financing receipts/(disbursements):						
Operating transfers-in	14,800	110,540		6,496		131,836
Operating transfers-out	(117,036)	(14,800)				(131,836)
Advances-in	389,573	67,512	2,738	750,473		1,210,296
Advances-out	(820,724)	(4,502)	(1,055)	(379,415)		(1,205,696)
Other financing sources	105,367	182,052				287,419
Other financing uses	(205,291)	(7,682)		511		(212,462)
Total other financing receipts/(disbursements)	(633,311)	333,120	1,683	378,065	0	79,557
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(663,775)	820,550	712	411,443	5,771	574,701
Fund cash balances, January 1, 2003	1,219,010	5,712,107	35,850	700,020	108,640	7,775,627
Fund cash balances, December 31, 2003	\$555,235	\$6,532,657	\$36,562	\$1,111,463	\$114,411	\$8,350,328
Reserve for encumbrances, December 31, 2003	\$146,535	\$1,408,578	\$0	\$746,167	\$11,100	\$2,312,380

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

ADAMS COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS -
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Charges for services	\$25,202	\$0	\$25,202
Total operating cash receipts	25,202	0	25,202
Operating cash disbursements:			
Contractual services	1,108		1,108
Supplies and materials	18,146		18,146
Total operating cash disbursements	19,254	0	19,254
Operating income	5,948	0	5,948
Non-operating cash receipts:			
Other non-operating revenues		43,408,099	43,408,099
Total non-operating cash receipts	0	43,408,099	43,408,099
Non-operating cash disbursements:			
Other non-operating cash disbursements		42,896,434	42,896,434
Total non-operating cash disbursements	0	42,896,434	42,896,434
Excess of receipts over disbursements before interfund advances	5,948	511,665	517,613
Advances-in			0
Advances-out			0
Net receipts over disbursements	5,948	511,665	517,613
Fund cash balances, January 1, 2003	18,736	1,000,901	1,019,637
Fund cash balances, December 31, 2003	<u>\$24,684</u>	<u>\$1,512,566</u>	<u>\$1,537,250</u>
Reserve for encumbrances, December 31, 2003	<u>\$15,221</u>	<u>\$47,541</u>	<u>\$62,762</u>

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

ADAMS COUNTY

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental:			
General Fund	\$5,966,077	\$5,969,460	\$3,383
Special Revenue Funds	14,357,489	14,317,636	(39,853)
Debt Service Funds	146,141	143,475	(2,666)
Capital Projects Funds	1,240,770	498,059	(742,711)
Proprietary:			
Enterprise Funds	25,203	25,202	(1)
Fiduciary:			
Expendable Trust Funds	<u>20,626</u>	<u>20,639</u>	<u>13</u>
Totals (Memorandum only)	<u><u>\$21,756,306</u></u>	<u><u>\$20,974,471</u></u>	<u><u>(\$781,835)</u></u>

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

ADAMS COUNTY

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>	<u>Disbursements</u>	<u>Encumbrances Outstanding At 12/31/03</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:							
General Fund	\$182,151	\$6,646,489	\$6,828,640	\$6,202,084	\$146,535	\$6,348,619	\$480,021
Special Revenue Funds	1,512,517	16,314,981	17,827,498	13,560,096	1,408,578	14,968,674	2,858,824
Debt Service Funds	490	144,086	144,576	144,446	0	144,446	130
Capital Projects Funds	404,079	818,494	1,222,573	458,696	746,167	1,204,863	17,710
Proprietary:							
Enterprise Funds	190	35,584	35,774	19,254	15,221	34,475	1,299
Fiduciary:							
Expendable Trust Funds	14,093	27,000	41,093	14,868	11,100	25,968	15,125
Totals (Memorandum only)	<u>\$2,113,520</u>	<u>\$23,986,634</u>	<u>\$26,100,154</u>	<u>\$20,399,444</u>	<u>\$2,327,601</u>	<u>\$22,727,045</u>	<u>\$3,373,109</u>

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

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ADAMS COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

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

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

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

Adams County Hospital, a County Hospital created under Ohio Revised Code Section 339, is part of the primary government of Adams County. The Hospital is served by a board of trustees appointed by the Adams County Commissioners and Adams County judges. Adams County Hospital financial activity in not included as part of this report. Separately-issued financial statements can be obtained from Adams County Hospital, 210 North Wilson Drive, West Union, Ohio, 45693.

ADAMS COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County is a member of the Southern Ohio Council of Governments, a jointly governed organization which is described in Note 11 to the financial statements.

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

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Cash Deposits

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

D. Fund Accounting

The County maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

1. General Fund

The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

ADAMS COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if applicable.

4. Capital Project Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

5. Enterprise Funds

These funds account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. Funds for which the County is acting in an agency capacity are classified as agency funds.

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements 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.

2. Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2003, unencumbered fund balances. However, those fund balances were available for appropriations.

ADAMS COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

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

4. Encumbrances

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

5. Legal Level of Control

Each County department prepares a budget which is approved by the Board of County Commissioners. The County maintains budgetary control within an organizational unit and fund by not permitting expenditures and encumbrances to exceed appropriations at the object level (the legal level of control). Modifications to the original budget within expenditure objects require the approval of the Board of Commissioners.

F. Property, Plant and Equipment

Fixed assets acquired or constructed for the County are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded for these fixed assets.

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. CASH DEPOSITS

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

ADAMS COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. CASH DEPOSITS (Continued)

Inactive monies may be deposited or invested in the following securities:

- United States treasurer notes, bills, bonds, or any other obligation or security issued by the United States treasurer or any other obligation guaranteed as to principal or interest by the United States;
- 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;
- 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;
- Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
- Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
- No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasurer's investment pool (STAR Ohio);
- Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
- High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
- 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.

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.

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

ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

2. CASH DEPOSITS (Continued)

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. During 2003, the County held their funds in demand deposit accounts.

Deposits:

Government Accounting Standards Board (GASB) Statement No. 3 requires that all deposits be classified as to risk. The following categories are most typically used:

- Insured or collateralized with securities held by the County or by its agent in the County's name;
- Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name; and
- Ucollateralized - this includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Entity's name.

At December 31, 2003, the carrying amount of the County's deposits was \$9,887,578. The bank balance of deposits held by the County Treasury and in segregated accounts was \$10,290,594 and is classified by risk as follows:

- \$616,084 was insured by the Federal Depository Insurance Corporation (FDIC).
- \$9,510,051 was covered by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. The Code specifies that the total value of securities pledged as collateral must be at least equal to 110% of the total amount of the insured deposits, including any portion covered by federal deposit insurance. The Code also specifies what kind of securities are eligible to be pledged and what percentage of their face value counts as being eligible for collateral. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

\$164,459 was on hand with the Southern Ohio Council of Governments (the "Council"), as described in Note 11 to the financials statements. The Council, as fiscal agent, is responsible for obtaining adequate collateral for this money.

3. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$937,725	3.75-5.25%
Special Assessment Bonds	302,648	3.25%
Total	<u>\$1,240,373</u>	

ADAMS COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

3. DEBT (Continued)

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

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

Amortization of the above debt, including interest of \$384,609, is scheduled as follows:

	General Obligation Bonds	Special Assessment Bonds	Total
Year ending December 31:			
2004	\$197,024	\$14,541	\$211,565
2005	132,510	14,541	147,051
2006	128,660	14,541	143,201
2007	129,710	14,541	144,251
2008	130,457	14,541	144,998
2009-2013	397,683	72,706	470,389
2014-2018		72,704	72,704
2019-2023		72,705	72,705
2024-2028		72,706	72,706
2029-2033		72,706	72,706
2034-2038		72,706	72,706
Total	<u>\$1,116,044</u>	<u>\$508,938</u>	<u>\$1,624,982</u>

4. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended December 31, 2003, was \$8.86 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$7.0994 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$8.4197 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable.

ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

4. PROPERTY TAX (Continued)

The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2003, was \$8.86 per \$1,000 of assessed valuation.

Real Property – 2002 Valuation

Residential/Agricultural	\$ 199,046,520
Commercial/Industrial	107,184,760

Tangible Personal Property – Valuation

General – 2003	20,680,530
Public Utilities – 2002	<u>143,066,260</u>
Total Valuation	\$ 469,978,070

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

5. RISK MANAGEMENT

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

The County Risk Sharing Authority, Inc. (CORSA) is a risk sharing pool made up of fifty-two counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time.

ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

5. RISK MANAGEMENT (Continued)

Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of certificates.

Insurance coverage stayed the same as in the prior year. Settled claims during 2002 did not exceed commercial insurance coverage.

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

	<u>2002</u>
Assets	\$51,165,165
Liabilities	24,097,518
Equity	\$27,067,647

This is the latest information available.

6. PENSION PLANS

A. Public Employees Retirement System of Ohio

The County contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement benefits, disability, and survivor benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215

Plan members, other than those engaged in law enforcement, are required to contribute 8.5% of their annual covered salary to fund pension obligation and the employer is required to contribute 13.55%. For law enforcement employees, the employee contribution is 10.10% and the employer contribution is 16.70%. Contributions are authorized by state statute. The contribution rates are determined actuarially. The County's required contributions to PERS for the years ended December 31, 2003, 2002, and 2001 were \$1,012,098, \$1,100,508, and \$1,366,591, respectively. As of December 31, 2003, the County has made all required contributions.

B. State Teachers Retirement System of Ohio

The County contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, and survivor benefits based on eligible service credit to members and beneficiaries.

ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003 (Continued)

6. PENSION PLANS (Continued)

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.

Plan members are required to contribute 10% of their annual covered salary and the employer is required to contribute 14%. For fiscal year ended June 30, 2003, 13% was the portion of County contribution used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions to STRS for the years ended December 31, 2003, 2002, and 2001 were \$30,301, \$29,841, and \$13,453, respectively. As of December 31, 2003, the County has made all required contributions.

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

Benefits are funded on a pay-as-you-go basis. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$9,727 for 2003.

7. FEDERAL GRANTS

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

8. HEALTH CARE BENEFITS

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

9. PENDING LITIGATION

The County has various cases pending, the outcome of which is not determinable as of the date of this report; however, counsel believes that the resolution of these matters will not materially adversely affect the County's financial condition.

ADAMS COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

10. ADVANCES

Advances-in do not equal advances-out on the financial statements because of advances returned in 2003 to the County General Fund from the Adams County Health Department and the Adams County Family and Children First Council in the amount of \$4,600. The Health Department and Family and Children First Council are accounted for as Agency Funds in the financial statements. The General Fund presents the transactions as advances-in and advances-out while the Agency Funds present the transactions as other non-operating revenues and disbursements.

11. JOINTLY GOVERNED ORGANIZATION

The County is a member of the Southern Ohio Council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a thirteen member board with each participating County represented by its Director of its Board of Mental Retardation and Developmental Disabilities (MRDD). Member counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto and Vinton Counties. The Council acts as fiscal agent for the Adams County MRDD's supportive living program monies. During 2003, the Council received \$55,456 of supportive living monies from Adams County and as of December 31, 2003, the County had a \$164,459 balance on hand with the Council. Financial statements can be obtained from the Council at 43 N. Paint St., Chillicothe, Ohio, 45601.

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ADAMS COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Food Distribution Program (See Note B)	N/A	10.550	0	3,281
National School Breakfast Program (See Note C)	065813-05PU-2003	10.553	5,960	
National School Lunch Program (See Note C)	065813-LLP4-2003	10.555	8,065	
Total U.S. Department of Agriculture - Nutrition Cluster			14,025	3,281
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
<i>Passed Through Ohio Emergency Management Agency:</i>				
State Domestic Preparedness Equipment Program	2002-TE-CX-0106	97.004	51,248	
State Domestic Preparedness Equipment Program	2002-TE-CX-0049	97.004	39,266	
Emergency Management Performance Grant	EMC-2003-GR-7006	97.042	20,106	
FEMA-FY2002-Supplemental Grant	EMC-2003-GR-7026	97.051	22,915	
Public Assistance Grant	N/A	97.036	2,910	
Public Assistance Grant	FEMA-1453-DR-001-05866	97.036	47,460	
Total U.S. Department of Homeland Security			183,905	0
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed Through Ohio Department of Development</i>				
Community Development Block Grant (See Note G)	B-C-00-001-1	14.228	17,096	
	B-F-01-001-1	14.228	126,166	
	B-F-00-001-1	14.228	1,193	
	B-F-02-001-1	14.228	179,240	
(See Note D)	B-E-02-001-1	14.228	83,000	
	B-P-02-001-1	14.228	200,000	
			606,695	0
Home Investment Partnerships Program	B-C-00-001-2	14.239	179,712	
Total U.S. Department of Housing and Urban Development			786,407	0
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Social Services Block Grant	N/A	93.667	31,689	
Medical Assistance Program	N/A	93.778	159,647	
Total U.S. Department of Health and Human Services			191,336	0
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	065813-6BSF-2003P	84.027	11,651	
	065813-6BSF-2004P	84.027	3,996	
			15,647	0
Special Education Preschool Grants	065813-PG-PGS1-2003-P	84.173	2,096	
	065813-PG-PGS1-2004-P	84.173	708	
Total Special Education Cluster			2,804	0
Innovative Education Program Strategies	065813-C2S1-2003	84.298	166	
	065813-C2S1-2004	84.298	79	
			245	
Total U.S. Department of Education			18,696	0
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Federal Aviation Administration- Airport Improvement Program	N/A	20.106	23,571	
Federal Aviation Administration- Airport Improvement Program	N/A	20.106	20,865	
Total U.S. Department of Transportation			44,436	0
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Grants for Public Works and Economic Development Facilities	N/A	11.300	42,415	
Total U.S. Department of Commerce			42,415	0
TOTALS			1,281,220	3,281

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

ADAMS COUNTY

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003**

NOTE A – BASIS OF PRESENTATION

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities used. At December 31, 2003, the County had no significant food commodities in inventory.

NOTE C – NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

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

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

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

NOTE E – MATCHING REQUIREMENTS

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

NOTE F – U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS

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

Previous Federal Agency	CFDA No. used in 2002	Homeland Security CFDA No. used for 2003
Department of Justice	16.007	97.004
Department of Federal Emergency Management Assistance	83.552	97.042

ADAMS COUNTY

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003
(Continued)**

NOTE G – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

In February 2004, the Ohio Department of Development (ODOD) audited CDBG funds which they passed through to the County. Based upon this audit \$16,561 was repaid to the ODOD on August 18, 2004. The federal schedule above does not reflect this repayment since it occurred after year end.

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Auditor of State Betty Montgomery

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

Adams County
110 West Main Street
Winchester, Ohio 45693

To the Board of County Commissioners:

We have audited the financial statements of Adams County, Ohio (the County), as of and for the year ended December 31, 2003, and have issued our report thereon dated January 7, 2005, which was qualified for omitting financial transactions of the Ambulance and EMS Fund in the County's Special Revenue Fund type. We also noted the County prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). 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 which could directly and materially affect 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 instances of noncompliance that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to the County's management in a separate letter dated January 7, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-002 through 2003-004.

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 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 consider item 2003-002 to be a material weakness. We also noted certain matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the County in a separate letter dated January 7, 2005.

This report is intended solely for the information and use of the fiscal review committee, management, elected officials, 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

January 7, 2005



Auditor of State Betty Montgomery

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

Adams County
110 West Main Street
West Union, Ohio 45693

To the Board of County Commissioners:

Compliance

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

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

In our opinion, 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, 2003. We noted instances of noncompliance that did not require inclusion in this report that we have reported to the management of Adams County in a separate letter dated January 7, 2005.

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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted a matter involving the internal control over federal compliance that did not require inclusion in this report, that we have reported to management of the County in a separate letter dated January 7, 2005.

This report is intended for the information and use of the fiscal review committee, management, elected officials, 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

January 7, 2005

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<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)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance 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?	No
<i>(d)(1)(v)</i>	Type of Major Programs= Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under ' .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant, CFDA #14.228 Medical Assistance Program CFDA #93.778
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2003-001

Material Noncompliance – Not reporting in accordance with Generally Accepted Accounting Principles

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The County should comply with the Administrative Code. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

Should the County elect not to apply generally accepted accounting principles for its 2005 financial statements, the County must still modify its statements to conform to certain presentation requirements of Governmental Accounting Standard No. 34. If the County compiles its statements similar to its 2003 presentation, Auditor of State Bulletin 2003-006 would require us to provide an adverse opinion on those statements.

FINDING NUMBER 2003-002

Material Noncompliance / Material Weakness – Ambulance and EMS Fund

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

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

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

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

We recommend the County Commissioners consult with their legal counsel (the County Prosecutor) to assure they are in compliance with the requirements of this statute.

FINDING NUMBER 2003-003

Reportable Condition – Emergency Medical Services (EMS) Contract

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

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

FINDING NUMBER 2003-004

Reportable Condition – Proper Public Purpose Expenditures

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

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

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

3. FINDINGS FOR FEDERAL AWARDS

None

ADAMS COUNTY

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Adams County did not prepare its annual financial report in accordance with generally accepted accounting principles as required by Ohio Administrative Code Section 117-2-03 (B).	No	Not corrected, repeated as Finding #2003-001.
2002-002	Disbursements exceeded appropriations, contrary to Ohio Rev. Code, Section 5705.41(B).	No	Not fully corrected, repeated in Management Letter
2002-003	Adams County did not comply with the fifteen day rule related to prompt disbursement of CDBG funds.	No	Not corrected, reported in Management Letter.



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 20, 2005**