



Dave Yost • Auditor of State

WASHINGTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Statement of Net Position	15
Statement of Activities.....	16
Balance Sheet – Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	25
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Motor Vehicle and Gasoline Tax Fund.....	26
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Board of Developmental Disabilities Fund	27
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – County Home Fund.....	28
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Mental Health and Addiction Recovery Board Fund	29
Statement of Fund Net Position – Proprietary Funds	30
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	31
Statement of Cash Flows – Proprietary Funds	32
Statement of Fiduciary Assets and Liabilities – Agency Funds	33
Notes to the Basic Financial Statements	35
Required Supplementary Information – Condition Assessments of the County's Infrastructure Reported Using the Modified Approach.....	77

WASHINGTON COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Federal Awards Expenditures Schedule	79
Notes to the Federal Awards Expenditures Schedule	82
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	83
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Required by OMB Circular A-133.	85
Schedule of Findings – OMB Circular A-133 § .505	89
Schedule of Prior Audit Findings – OMB Circular A-133 § .315(b)	91



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of WASCO, Inc., which represents twenty percent of assets, eighty-five percent of net assets, and eleven percent of revenues for the discretely presented component units of the County. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the County, is based on the report of the other auditors. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. The other auditors audited the financial statements of WASCO, Inc., in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Motor Vehicle and Gasoline Tax Fund, Board of Developmental Disabilities Fund, County Home Fund, and Mental Health and Addiction Recovery Board Fund thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole. The Federal Awards Expenditures Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2013, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 29, 2013

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Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The discussion and analysis of Washington County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net position increased \$80,131. Net position of governmental activities increased \$434,678 or .3 percent from 2011. Net assets of the business-type activity decreased \$354,547, which represents a 7.5 percent decrease from 2011.
- At the end of the current year, the County reported unrestricted net position for governmental activities of \$13,657,031.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$29,123,996, an increase of \$413,136 from the prior year.

Using This Annual Financial Report

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the County as a financial whole or as an entire operating entity.

The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the whole County, presenting an aggregate view of the County's finances as well as a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's most significant funds. Non-major funds are presented separately from major funds in total and in one column.

County-Wide Financial Statements

The County-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Position and the Statement of Activities answer this question.

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

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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

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

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

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

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

Fund Financial Statements

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

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

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

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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

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

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

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

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

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net position for 2012 compared to 2011:

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Totals	
	2012	2011*	2012	2011*	2012	2011
Assets						
Current and						
Other Assets	\$46,397,350	\$45,545,338	\$560,488	\$1,280,759	\$46,957,838	\$46,826,097
Capital Assets, Net	142,021,964	142,546,755	7,885,816	7,506,319	149,907,780	150,053,074
<i>Totals Assets</i>	<u>188,419,314</u>	<u>188,092,093</u>	<u>8,446,304</u>	<u>8,787,078</u>	<u>196,865,618</u>	<u>196,879,171</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding	156,638	0	0	0	156,638	0
Liabilities						
Current and						
Other Liabilities	3,469,979	3,438,777	365,599	947,300	3,835,578	4,386,077
Long-Term Liabilities	5,318,840	5,345,111	3,729,143	3,133,669	9,047,983	8,478,780
<i>Total Liabilities</i>	<u>8,788,819</u>	<u>8,783,888</u>	<u>4,094,742</u>	<u>4,080,969</u>	<u>12,883,561</u>	<u>12,864,857</u>
Deferred Inflows of Resources						
Property Taxes Not Levied to Finance Current Year Operations	8,314,717	8,270,467	0	0	8,314,717	8,270,467
Net Position						
Net Investment in						
Capital Assets	137,508,599	137,963,100	4,157,293	4,373,662	141,665,892	142,336,762
Restricted	20,306,786	20,398,499	0	0	20,306,786	20,398,499
Unrestricted	13,657,031	12,676,139	194,269	332,447	13,851,300	13,008,586
<i>Total Net Position</i>	<u>\$171,472,416</u>	<u>\$171,037,738</u>	<u>\$4,351,562</u>	<u>\$4,706,109</u>	<u>\$175,823,978</u>	<u>\$175,743,847</u>

* - As restated (see Note 3)

As noted earlier, the County's net position, when reviewed over time, may serve as a useful indicator of the County's financial position. In the case of the County, assets exceeded liabilities by \$175,823,978 (\$171,472,416 in governmental activities and \$4,351,562 in the business-type activity) as of December 31, 2012. By far, the largest portion of the County's net position (80.57 percent) reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, infrastructure, and vehicles), less any related debt, used to acquire those assets, that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$20,306,786 or 11.55 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted net assets, \$13,851,300 or 7.88 percent, is to be used to meet the County's ongoing obligations to citizens and creditors. Table 2 shows the changes in net position for 2012 compared to 2011:

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Table 2
Changes in Net Position

	Governmental		Business-Type		Total	
	Activities		Activity			
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	\$6,498,807	\$6,208,322	\$812,893	\$644,942	\$7,311,700	\$6,853,264
Operating Grants, Contributions, and Interest	22,968,096	24,223,570	0	178,546	22,968,096	24,402,116
Capital Grants, Contributions, and Interest	718,029	114,850	0	0	718,029	114,850
<i>Total Program Revenues</i>	<u>30,184,932</u>	<u>30,546,742</u>	<u>812,893</u>	<u>823,488</u>	<u>30,997,825</u>	<u>31,370,230</u>
General Revenues:						
Property Taxes	8,357,085	8,370,155	0	0	8,357,085	8,370,155
Permissive Sales Taxes	11,181,641	10,535,832	0	0	11,181,641	10,535,832
Intergovernmental	1,471,373	1,553,038	0	0	1,471,373	1,553,038
Interest	355,291	637,784	0	0	355,291	637,784
Rent	0	3,643	0	0	0	3,643
Gain on Sale of Capital Assets	0	22,761	0	0	0	22,761
Miscellaneous	335,861	449,168	38,181	5,951	374,042	455,119
<i>Total General Revenues</i>	<u>21,701,251</u>	<u>21,572,381</u>	<u>38,181</u>	<u>5,951</u>	<u>21,739,432</u>	<u>21,578,332</u>
<i>Total Revenues</i>	<u>51,886,183</u>	<u>52,119,123</u>	<u>851,074</u>	<u>829,439</u>	<u>52,737,257</u>	<u>52,948,562</u>
Program Expenses						
General Government:						
Legislative and Executive	5,807,373	5,857,809	0	0	5,807,373	5,857,809
Judicial	2,719,929	2,625,544	0	0	2,719,929	2,625,544
Public Safety	8,838,537	8,263,666	0	0	8,838,537	8,263,666
Public Works	7,864,821	8,538,763	0	0	7,864,821	8,538,763
Health:						
Alcohol, Drug, and Mental Health	3,975,916	5,213,977	0	0	3,975,916	5,213,977
Board of Developmental Disabilities	8,463,261	7,683,949	0	0	8,463,261	7,683,949
County Home	2,887,663	2,876,062	0	0	2,887,663	2,876,062
Other Health	269,746	274,081	0	0	269,746	274,081
Human Services:						
Child Support Enforcement	880,206	900,901	0	0	880,206	900,901
Children Services	2,587,013	2,468,022	0	0	2,587,013	2,468,022
Job and Family Services	3,971,160	4,592,982	0	0	3,971,160	4,592,982
Other Human Services	1,707,094	1,661,477	0	0	1,707,094	1,661,477
Economic Development and Assistance	835,434	718,998	0	0	835,434	718,998
Intergovernmental	380,302	501,707	0	0	380,302	501,707
Interest and Fiscal Charges	263,050	229,270	0	0	263,050	229,270
Sewer	0	0	1,205,621	934,621	1,205,621	934,621
<i>Total Program Expenses</i>	<u>\$51,451,505</u>	<u>\$52,407,208</u>	<u>\$1,205,621</u>	<u>\$934,621</u>	<u>\$52,657,126</u>	<u>\$53,341,829</u>

(continued)

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Table 2
Changes in Net Position (continued)

	Governmental Activities		Business-Type Activity		Total	
	2012	2011	2012	2011	2012	2011
<i>Net Increase (Decrease) in Net Position</i>	\$434,678	(\$288,085)	(\$354,547)	(\$105,182)	\$80,131	(\$393,267)
<i>Net Position Beginning of Year</i>	171,037,738 *	171,325,823	4,706,109 *	4,811,291	175,743,847	176,137,114
<i>Net Position End of Year</i>	<u>\$171,472,416</u>	<u>\$171,037,738</u>	<u>\$4,351,562</u>	<u>\$4,706,109</u>	<u>\$175,823,978</u>	<u>\$175,743,847</u>

* - As restated (see Note 3)

Governmental Activities

The operating grants, contributions and interest category of program revenues were the largest program revenues, accounting for \$22,968,096 or 44.27 percent of total governmental activities revenues. The major recipients of intergovernmental program revenues were the Job and Family Services, Mental Health, Motor Vehicle and Gasoline Tax, Board of Developmental Disabilities, and Children Services governmental activities. This category of program revenues consists of grants, entitlements, interest earned on restricted monies, motor vehicle license taxes, and gasoline excise taxes.

Property tax revenues account for \$8,357,085 or 16.11 percent of total governmental activities revenues. Another major component of governmental activities revenues was permissive sales taxes, which accounted for \$11,181,641 or 21.55 percent of total revenues.

The County's direct charges to users of governmental services made up \$6,498,807 or 12.53 percent of total governmental activities revenues. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Health programs accounted for \$15,596,586, or 30.31 percent of total expenses for governmental activities. Other major program expenses for governmental activities include human service programs, which accounted for \$9,145,473, or 17.77 percent of total expenses.

Public works program expenses decreased \$673,942 in 2012 from 2011. According to the County Engineer, this is due to greater than normal 2011 expenses as project work contracted in 2010 was not performed until 2011 for asphalt paving and bridge rehabilitation.

Job and family services expenses decreased by \$621,822. According to the JFS Fiscal Officer, this is due to the continued budget cuts being experienced by JFS agencies throughout Ohio in funding from State and Federal sources.

Alcohol, drug, and mental health expenses decreased \$1,238,061 in 2012 from 2011. According to the MHAR Executive Director, this decrease is due largely to certain treatment claims being processed directly to providers from the State rather than being processed through the local Board.

Business-Type Activity

The net position for business-type activities decreased \$354,547 during 2012. Charges for services accounted for \$812,893, or 95.51 percent of revenues. This increased \$167,951 from 2011.

Sewer enterprise expenses increased \$271,000 from 2011. This increase is primarily a result of expenses related to capital improvement projects.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2012	2012	2011	2011
General Government:				
Legislative and Executive	\$5,807,373	\$2,685,534	\$5,857,809	\$2,981,917
Judicial	2,719,929	1,177,805	2,625,544	1,089,055
Public Safety	8,838,537	7,665,730	8,263,666	6,803,389
Public Works	7,864,821	1,494,550	8,538,763	1,868,610
Health:				
Alcohol, Drug, and Mental Health	3,975,916	122,236	5,213,977	1,278,659
Board of Developmental Disabilities	8,463,261	3,203,559	7,683,949	2,507,214
County Home	2,887,663	2,137,346	2,876,062	2,051,720
Other Health	269,746	85,168	274,081	80,096
Human Services:				
Child Support Enforcement	880,206	(252,528)	900,901	(205,955)
Children Services	2,587,013	1,066,218	2,468,022	1,192,674
Job and Family Services	3,971,160	(74,268)	4,592,982	189,178
Other Human Services	1,707,094	1,364,966	1,661,477	1,308,707
Economic Development and Assistance	835,434	352,774	718,998	418,535
Intergovernmental	380,302	(25,567)	501,707	67,397
Interest and Fiscal Charges	263,050	263,050	229,270	229,270
Total Expenses	<u>\$51,451,505</u>	<u>\$21,266,573</u>	<u>\$52,407,208</u>	<u>\$21,860,466</u>

Charges for services, operating grants, and capital grants of \$30,184,932 or 58.67 percent of the total costs of services, are received and used to fund governmental activities expenses of the County. The remaining \$21,266,573 in governmental activities expenses is funded by property taxes, permissive sales taxes, intergovernmental revenues, interest, and miscellaneous revenues.

The \$5,548,309 in net cost of services for health demonstrates the costs of services that are not supported from state and federal resources. As such, the taxpayers have approved property tax levies for programs including the Board of Developmental Disabilities and the County Home.

Financial Analysis of County Funds

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

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

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

As of December 31, 2012, the County's governmental funds reported a combined ending fund balance of \$29,123,996, an increase of \$413,136 in comparison with the prior year. Of that total ending fund balance, \$977,804 is nonspendable, \$15,980,692 is restricted, \$528,482 is committed, \$3,950,126 is assigned, and \$7,686,892 is unassigned, as defined in (GASB) Statement No. 54.

The General Fund is the primary operating fund of the County. At the end of 2012, the unassigned fund balance was \$7,686,892, while total fund balance was \$12,076,843. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 45.13 percent to total General Fund expenditures, while total fund balance represents 70.91 percent of that same amount. The County's General Fund balance increased \$947,804 during 2012.

The fund balance of the Motor Vehicle and Gasoline Tax Special Revenue Fund decreased \$163,171 during 2012. After consulting with the County Engineer, it was determined that this decrease is due to costs escalating faster than revenues, resulting in what is projected to be an ongoing pattern of a declining balance without revenue enhancement.

The fund balance of the Board of Developmental Disabilities Special Revenue Fund decreased \$233,248 during 2012. After consulting with the Board Executive Director, it was determined that this was primarily due to a delay in the timing of receipts from Medicaid billing.

The fund balance of the County Home Special Revenue Fund decreased \$230,051 during 2012. According to the County Administrator, this decrease is a result of expenditures for needed capital projects related to the County Home building itself.

The fund balance of the Mental Health and Addiction Recovery Board Special Revenue Fund decreased \$342,107 during 2012. After consulting with the Board Executive Director, it was determined that this was a continuation of the State changing how and from where certain claims are paid, such as the agency no longer processing federal Medicaid reimbursement claims dollars.

As of December 31, 2012, net position for the County's enterprise fund was \$4,351,562. Of that total, \$194,269 represents unrestricted net position.

Budgetary Highlights

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

For the General Fund, budget basis revenue was \$19,266,356, above final estimates of \$18,759,324. Final estimated receipts were above original estimates of \$17,691,333, due to a combination of factors, primarily due to an increase of \$513,066 in sales taxes and \$192,400 in intergovernmental revenue. The sales taxes and charges for services that were received during 2012 were above estimates. Actual expenditures for the year were \$18,043,952, under final estimated appropriations of \$20,125,247, of which \$925,908 and \$873,981 of the actual expenditures under spending versus budgeted were for legislative and executive and public safety, respectively.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Capital Assets and Debt Administration

Capital Assets - The County's capital assets for governmental and business-type activities as of December 31, 2012, were \$149,907,780 (net of accumulated depreciation). This includes land and improvements, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, infrastructure, and vehicles.

For governmental activities, the most significant capital asset additions during 2012 included the addition of several new vehicles and equipment for the highway department.

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

Note 9 (Capital Assets) provides capital asset activity during 2012.

Debt Administration - As of December 31, 2012, the County had total bonded debt outstanding of \$4,244,816. All of this debt is expected to be repaid through governmental activities. The County's long-term general obligation bonded debt decreased by \$194,734 (4.39 percent) during 2012. Other outstanding long-term debt included OPWC loans of \$722,875, OWDA Loans of \$2,461,048, FHA loans payable of \$730,000, and capital leases of \$261,783.

In addition, the County's long-term obligations include compensated absences for sick leave benefits. Additional information on the County's long-term obligations can be found in Note 15 of this report.

Economic Factors

The unemployment rate for the County is currently 7.0 percent, which is a decrease from 8.1 percent a year ago. This rate is higher than the State's current rate of 6.6 percent and lower than the current national rate of 7.6 percent. The level of unemployment trending downward is consistent with what was seen nationally and across the State. Notably, the unemployment level remains below the national average and it remains better than many surrounding counties in southeast Ohio.

The County's \$1.0954 billion tax base is a 0.7% decrease from the \$1.1035 billion value from the prior year. This is attributable to reductions in commercial real estate and public utility personal property values. Residential and agricultural valuations increased slightly for the year and are at an all-time high.

The County's permissive sales tax revenues in governmental activities increased from 2011 to 2012 by 9.6% on a cash basis, significantly exceeding estimates.

Various economic factors were considered in the preparation of the County's 2013 budget and will be considered in the preparation of future budgets. Appropriate measures will continue to be taken to ensure spending is within available resources.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: William D. McFarland, Washington County Auditor, 205 Putnam Street, Marietta, Ohio 45750.

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Washington County, Ohio
Statement of Net Position
December 31, 2012
August 31, 2012 - WASCO, Inc. Component Unit

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
Assets					
Equity in Pooled Cash and Cash Equivalents	\$27,042,889	\$402,880	\$27,445,769	\$0	\$0
Cash and Cash Equivalents	0	0	0	373,528	62,924
Cash and Cash Equivalents in Segregated Accounts	18,258	0	18,258	0	0
Accounts Receivable	78,046	86,281	164,327	416,750	0
Accrued Interest Receivable	2,351	0	2,351	0	0
Intergovernmental Receivable	6,350,036	0	6,350,036	0	102,684
Property Taxes Receivable	9,017,164	0	9,017,164	0	0
Sales Taxes Receivable	2,954,840	0	2,954,840	0	0
Loans Receivable	2,076	0	2,076	0	0
Prepaid Items	341,167	249	341,416	19,351	1,295
Materials and Supplies Inventory	563,236	0	563,236	29,007	0
Special Assessments Receivable	0	71,078	71,078	0	0
Investments in Segregated Accounts	27,287	0	27,287	0	0
Non-Depreciable Capital Assets	126,247,774	2,904,975	129,152,749	0	4,116,761
Depreciable Capital Assets, Net	15,774,190	4,980,841	20,755,031	248,930	664
<i>Total Assets</i>	<u>188,419,314</u>	<u>8,446,304</u>	<u>196,865,618</u>	<u>1,087,566</u>	<u>4,284,328</u>
Deferred Outflows of Resources					
Deferred Charge on Refunding	156,638	0	156,638	0	0
Liabilities					
Accounts Payable	814,241	17,499	831,740	34,276	14,564
Contracts Payable	151,240	286,402	437,642	0	0
Accrued Wages Payable	436,331	2,045	438,376	53,144	0
Matured Compensated Absences Payable	8,788	0	8,788	0	0
Leave Benefits Payable	980,407	2,821	983,228	101,436	0
Intergovernmental Payable	1,020,981	46,693	1,067,674	16,546	0
Accrued Interest Payable	10,277	5,475	15,752	0	0
Retainage Payable	0	4,664	4,664	0	0
Unearned Revenue	47,714	0	47,714	0	0
Long-Term Liabilities:					
Due Within One Year	596,196	66,663	662,859	11,064	586,492
Due In More Than One Year	4,722,644	3,662,480	8,385,124	15,551	3,530,269
<i>Total Liabilities</i>	<u>8,788,819</u>	<u>4,094,742</u>	<u>12,883,561</u>	<u>232,017</u>	<u>4,131,325</u>
Deferred Inflows of Resources					
Property Taxes not Levied to Finance Current Year Operations	8,314,717	0	8,314,717	0	0
Net Position					
Net Investment in Capital Assets	137,508,599	4,157,293	141,665,892	222,315	664
Restricted for:					
Capital Projects	681,765	0	681,765	0	0
Debt Service	292,812	0	292,812	0	0
Road and Bridge Projects	4,994,033	0	4,994,033	0	0
Mental Health	1,052,164	0	1,052,164	0	0
County Home	3,665,998	0	3,665,998	0	0
Board of Developmental Disabilities	4,819,508	0	4,819,508	0	0
Child Support Enforcement Agency	451,238	0	451,238	0	0
Job and Family Services	175,513	0	175,513	0	0
Children Services	646,571	0	646,571	0	0
Senior Services	190,616	0	190,616	0	0
Unclaimed Monies	71,325	0	71,325	0	0
Other Purposes	3,265,243	0	3,265,243	0	0
Unrestricted	13,657,031	194,269	13,851,300	633,234	152,339
<i>Total Net Position</i>	<u>\$171,472,416</u>	<u>\$4,351,562</u>	<u>\$175,823,978</u>	<u>\$855,549</u>	<u>\$153,003</u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
Statement of Activities
For the Year Ended December 31, 2012
For the Fiscal Year Ended August 31, 2012 - WASCO, Inc. Component Unit

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$5,807,373	\$2,902,204	\$219,635	\$0
Judicial	2,719,929	1,351,830	190,294	0
Public Safety	8,838,537	1,016,728	156,079	0
Public Works	7,864,821	163,045	5,489,197	718,029
Health:				
Alcohol, Drug, and Mental Health	3,975,916	0	3,853,680	0
Board of Developmental Disabilities	8,463,261	281,003	4,978,699	0
County Home	2,887,663	369,455	380,862	0
Other Health	269,746	184,578	0	0
Human Services:				
Child Support Enforcement	880,206	79,495	1,053,239	0
Children Services	2,587,013	3,239	1,517,556	0
Job and Family Services	3,971,160	105,292	3,940,136	0
Other Human Services	1,707,094	16,228	325,900	0
Economic Development and Assistance	835,434	25,710	456,950	0
Intergovernmental	380,302	0	405,869	0
Interest and Fiscal Charges	263,050	0	0	0
<i>Total Governmental Activities</i>	51,451,505	6,498,807	22,968,096	718,029
Business-Type Activity				
Sewer	1,205,621	812,893	0	0
<i>Total Primary Government</i>	\$52,657,126	\$7,311,700	\$22,968,096	\$718,029
Component Units				
WASCO, Inc.	\$3,202,577	\$3,380,998	\$0	\$0
Southeastern Ohio Port Authority	\$280,983	\$0	\$318,333	\$0

General Revenues

Property Taxes Levied for:

- General Purposes
- County Home
- Board of Developmental Disabilities
- Senior Services
- Bond Retirement

Sales Taxes Levied for General Purposes

Grants and Entitlements not Restricted to Specific Programs

Interest

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year - Restated (See Note 3)

Net Position End of Year

Net (Expense) Revenue
and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
(\$2,685,534)	\$0	(\$2,685,534)	\$0	\$0
(1,177,805)	0	(1,177,805)	0	0
(7,665,730)	0	(7,665,730)	0	0
(1,494,550)	0	(1,494,550)	0	0
			0	
(122,236)	0	(122,236)	0	0
(3,203,559)	0	(3,203,559)	0	0
(2,137,346)	0	(2,137,346)	0	0
(85,168)	0	(85,168)	0	0
252,528	0	252,528	0	0
(1,066,218)	0	(1,066,218)	0	0
74,268	0	74,268	0	0
(1,364,966)	0	(1,364,966)	0	0
(352,774)	0	(352,774)	0	0
25,567	0	25,567	0	0
(263,050)	0	(263,050)	0	0
(21,266,573)	0	(21,266,573)	0	0
0	(392,728)	(392,728)	0	0
(21,266,573)	(392,728)	(21,659,301)	0	0
0	0	0	178,421	0
0	0	0	0	37,350
2,220,253	0	2,220,253	0	0
1,833,343	0	1,833,343	0	0
3,080,387	0	3,080,387	0	0
838,830	0	838,830	0	0
384,272	0	384,272	0	0
11,181,641	0	11,181,641	0	0
1,471,373	0	1,471,373	0	0
355,291	0	355,291	413	17
335,861	38,181	374,042	27,057	0
21,701,251	38,181	21,739,432	27,470	17
434,678	(354,547)	80,131	205,891	37,367
171,037,738	4,706,109	175,743,847	649,658	115,636
<u>\$171,472,416</u>	<u>\$4,351,562</u>	<u>\$175,823,978</u>	<u>\$855,549</u>	<u>\$153,003</u>

Washington County, Ohio
Balance Sheet
Governmental Funds
December 31, 2012

	General	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities
Assets			
Equity in Pooled Cash and Cash Equivalents	\$10,587,316	\$2,384,188	\$4,094,121
Cash and Cash Equivalents in Segregated Accounts	0	0	18,258
Investments in Segregated Accounts	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	71,325	0	0
Materials and Supplies Inventory	88,105	442,163	0
Receivables:			
Property Taxes	2,377,261	0	3,313,716
Sales Taxes	2,954,840	0	0
Accounts	23,131	0	2,659
Accrued Interest	0	0	0
Loans	0	0	0
Intergovernmental	830,897	2,579,226	1,317,965
Interfund	22,482	0	0
Prepaid Items	200,834	4,606	10,049
<i>Total Assets</i>	<u>\$17,156,191</u>	<u>\$5,410,183</u>	<u>\$8,756,768</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$437,071	\$110,003	\$89,367
Contracts Payable	38,534	97,732	0
Accrued Wages Payable	190,760	35,133	80,840
Matured Compensated Absences Payable	1,857	0	0
Leave Benefits Payable	2,016	0	0
Interfund Payable	613	0	0
Intergovernmental Payable	372,628	41,646	325,593
Unearned Revenue	0	0	0
<i>Total Liabilities</i>	<u>1,043,479</u>	<u>284,514</u>	<u>495,800</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	2,181,166	0	3,061,043
Unavailable Revenue	1,854,703	1,643,824	1,028,463
<i>Total Deferred Inflows of Resources</i>	<u>4,035,869</u>	<u>1,643,824</u>	<u>4,089,506</u>
Fund Balances			
Nonspendable	360,264	446,769	10,049
Restricted	0	3,035,076	4,161,413
Committed	79,561	0	0
Assigned	3,950,126	0	0
Unassigned	7,686,892	0	0
<i>Total Fund Balances</i>	<u>12,076,843</u>	<u>3,481,845</u>	<u>4,171,462</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$17,156,191</u>	<u>\$5,410,183</u>	<u>\$8,756,768</u>

See accompanying notes to the basic financial statements.

County Home	Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
\$3,510,055	\$512,616	\$5,551,517	\$26,639,813
0	0	0	18,258
0	0	27,287	27,287
0	0	0	71,325
17,967	0	15,001	563,236
1,982,959	0	1,343,228	9,017,164
0	0	0	2,954,840
22,204	0	30,052	78,046
0	0	2,351	2,351
0	0	2,076	2,076
124,003	579,156	918,789	6,350,036
400	0	2,361	25,243
10,870	4,663	110,145	341,167
<u>\$5,668,458</u>	<u>\$1,096,435</u>	<u>\$8,002,807</u>	<u>\$46,090,842</u>
\$43,589	\$12,565	\$121,646	\$814,241
0	0	14,974	151,240
30,794	4,070	94,734	436,331
1,236	0	5,695	8,788
1,266	0	1,591	4,873
0	0	24,630	25,243
36,227	11,168	233,719	1,020,981
0	0	47,714	47,714
<u>113,112</u>	<u>27,803</u>	<u>544,703</u>	<u>2,509,411</u>
1,832,242	0	1,240,266	8,314,717
274,720	478,238	862,770	6,142,718
<u>2,106,962</u>	<u>478,238</u>	<u>2,103,036</u>	<u>14,457,435</u>
28,837	4,663	127,222	977,804
3,419,547	585,731	4,778,925	15,980,692
0	0	448,921	528,482
0	0	0	3,950,126
0	0	0	7,686,892
<u>3,448,384</u>	<u>590,394</u>	<u>5,355,068</u>	<u>29,123,996</u>
<u>\$5,668,458</u>	<u>\$1,096,435</u>	<u>\$8,002,807</u>	<u>\$46,090,842</u>

Washington County, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2012*

Total Governmental Fund Balances		\$29,123,996
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		142,021,964
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Delinquent Property Taxes	687,565	
Sales Taxes	1,136,158	
Intergovernmental Revenues	4,294,813	
Charges for Services	24,182	6,142,718
Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		156,638
An internal service fund is used by management to charge the costs of providing workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		331,751
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(975,534)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds Payable	(385,448)	
Refunding Bonds Payable	(3,650,233)	
OPWC Loans Payable	(185,400)	
Energy Conservation Bonds Payable	(209,135)	
Accrued Interest Payable	(10,277)	
Capital Leases Payable	(261,783)	
Compensated Absences Payable	(626,841)	(5,329,117)
Net Position of Governmental Activities		\$171,472,416

See accompanying notes to the basic financial statements.

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Washington County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities
Revenues			
Property Taxes	\$2,207,320	\$0	\$3,074,198
Sales Taxes	11,148,788	0	0
Charges for Services	3,420,017	112,036	297,138
Licenses and Permits	2,945	0	0
Fines and Forfeitures	111,306	42,589	0
Intergovernmental	1,622,048	6,151,490	4,971,589
Interest	355,793	38,008	0
Rent	137,771	0	0
Contributions and Donations	18,500	0	44,373
Miscellaneous	273,112	9,243	36,430
<i>Total Revenues</i>	<u>19,297,600</u>	<u>6,353,366</u>	<u>8,423,728</u>
Expenditures			
Current:			
General Government:			
Legislative and Executive	5,165,185	0	0
Judicial	1,966,679	0	0
Public Safety	7,972,872	0	0
Public Works	1,063,972	6,753,937	0
Health:			
Alcohol, Drug, and Mental Health	0	0	0
Board of Developmental Disabilities	0	0	8,657,882
County Home	0	0	0
Other Health	98,574	0	0
Human Services:			
Child Support Enforcement	0	0	0
Children Services	0	0	0
Job and Family Services	0	0	0
Other Human Services	514,983	0	0
Economic Development and Assistance	161,322	0	0
Capital Outlay	0	0	0
Intergovernmental	0	0	0
Debt Service:			
Principal Retirement	77,059	0	0
Issuance Costs	0	0	0
Interest and Fiscal Charges	10,945	0	0
<i>Total Expenditures</i>	<u>17,031,591</u>	<u>6,753,937</u>	<u>8,657,882</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,266,009</u>	<u>(400,571)</u>	<u>(234,154)</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	2,221	52,000	906
Proceeds of OPWC Loans	0	185,400	0
Refunding Bonds Issued	0	0	0
Premium on Bonds Issued	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0
Transfers In	30,476	0	0
Transfers Out	(1,350,902)	0	0
Total Other Financing Sources (Uses)	<u>(1,318,205)</u>	<u>237,400</u>	<u>906</u>
<i>Net Change in Fund Balances</i>	947,804	(163,171)	(233,248)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>11,129,039</u>	<u>3,645,016</u>	<u>4,404,710</u>
<i>Fund Balances End of Year</i>	<u>\$12,076,843</u>	<u>\$3,481,845</u>	<u>\$4,171,462</u>

See accompanying notes to the basic financial statements.

County Home	Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
\$1,829,393	\$0	\$1,222,571	\$8,333,482
0	0	0	11,148,788
352,467	0	1,342,352	5,524,010
0	0	223,627	226,572
0	0	425,053	578,948
398,211	3,618,102	7,986,351	24,747,791
0	0	6,018	399,819
16,988	0	63,652	218,411
0	0	2,547	65,420
30	0	27,542	346,357
<u>2,597,089</u>	<u>3,618,102</u>	<u>11,299,713</u>	<u>51,589,598</u>
0	0	484,355	5,649,540
0	0	731,348	2,698,027
0	0	566,019	8,538,891
0	0	0	7,817,909
0	3,990,209	0	3,990,209
0	0	0	8,657,882
2,827,140	0	0	2,827,140
0	0	173,154	271,728
0	0	893,577	893,577
0	0	2,409,431	2,409,431
0	0	4,018,138	4,018,138
0	0	1,170,705	1,685,688
0	0	674,112	835,434
0	0	43,604	43,604
0	0	434,891	434,891
0	0	464,207	541,266
0	0	57,548	57,548
0	0	102,055	113,000
<u>2,827,140</u>	<u>3,990,209</u>	<u>12,223,144</u>	<u>51,483,903</u>
<u>(230,051)</u>	<u>(372,107)</u>	<u>(923,431)</u>	<u>105,695</u>
0	0	4,725	59,852
0	0	0	185,400
0	0	2,180,000	2,180,000
0	0	9,460	9,460
0	0	(2,127,271)	(2,127,271)
0	60,000	1,290,902	1,381,378
0	(30,000)	(476)	(1,381,378)
<u>0</u>	<u>30,000</u>	<u>1,357,340</u>	<u>307,441</u>
(230,051)	(342,107)	433,909	413,136
<u>3,678,435</u>	<u>932,501</u>	<u>4,921,159</u>	<u>28,710,860</u>
<u>\$3,448,384</u>	<u>\$590,394</u>	<u>\$5,355,068</u>	<u>\$29,123,996</u>

Washington County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012*

Net Change in Fund Balances - Governmental Funds \$413,136

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

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

Capital Asset Additions	1,568,323	
Current Year Depreciation	(1,343,446)	224,877

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of assets: (749,668)

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

Property Taxes	23,603	
Sales Tax	32,853	
Intergovernmental	299,759	
Charges for Services	(49,134)	
Miscellaneous	(10,496)	296,585

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

General Obligation Bonds Payable	204,207	
Refunding Bonds Payable	215,000	
Energy Conservation Bonds Payable	45,000	
Capital Lease Payable	77,059	541,266

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Bond Premium Amortization	67,947	
Accrued Interest Payable	(99,404)	
Amortization of Deferred Amount on Refunding	(100,633)	
Amortization of Discount	(17,960)	(150,050)

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

Refunding Bonds	(2,180,000)	
Premium on Refunding Bonds	(9,460)	
OPWC Loans	(185,400)	(2,374,860)

Payment to refunded bond escrow agent is an other financing use in governmental funds, but the payment reduces long-term liabilities on the statement of net position. 2,127,271

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:

Vacation Benefits Payable	166,243	
Compensated Absences Payable	(60,122)	106,121

Change in Net Position of Governmental Activities \$434,678

See accompanying notes to the basic financial statements.

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$2,217,540	\$2,200,899	\$2,200,899	\$0
Sales Taxes	10,371,000	10,884,066	11,140,219	256,153
Charges for Services	2,989,089	3,288,104	3,458,633	170,529
Licenses and Permits	3,000	3,000	2,945	(55)
Fines and Forfeitures	84,400	84,400	108,837	24,437
Intergovernmental	1,345,204	1,537,604	1,557,126	19,522
Interest	362,392	354,064	354,123	59
Rent	105,965	130,751	131,247	496
Contributions and Donations	0	0	18,500	18,500
Miscellaneous	212,743	276,436	293,827	17,391
<i>Total Revenues</i>	<u>17,691,333</u>	<u>18,759,324</u>	<u>19,266,356</u>	<u>507,032</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	6,714,196	6,882,884	5,956,976	925,908
Judicial	2,233,850	2,244,046	2,041,962	202,084
Public Safety	8,839,840	9,026,583	8,152,602	873,981
Public Works	805,604	1,086,418	1,075,036	11,382
Health	113,532	117,532	113,468	4,064
Human Services	585,140	602,396	541,243	61,153
Economic Development and Assistance	163,188	163,188	161,565	1,623
Debt Service:				
Interest and Fiscal Charges	1,100	2,200	1,100	1,100
<i>Total Expenditures</i>	<u>19,456,450</u>	<u>20,125,247</u>	<u>18,043,952</u>	<u>2,081,295</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,765,117)</u>	<u>(1,365,923)</u>	<u>1,222,404</u>	<u>2,588,327</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	862	3,971	2,221	(1,750)
Advance In	25,000	117,600	138,737	21,137
Advance Out	0	(127,182)	(127,182)	0
Transfers In	0	30,000	30,476	476
Transfers Out	(1,091,831)	(1,350,902)	(1,350,902)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,065,969)</u>	<u>(1,326,513)</u>	<u>(1,306,650)</u>	<u>19,863</u>
<i>Net Change in Fund Balance</i>	<u>(2,831,086)</u>	<u>(2,692,436)</u>	<u>(84,246)</u>	<u>2,608,190</u>
<i>Fund Balance Beginning of Year</i>	8,122,062	8,122,062	8,122,062	0
Prior Year Encumbrances Appropriated	<u>1,077,429</u>	<u>1,077,429</u>	<u>1,077,429</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$6,368,405</u>	<u>\$6,507,055</u>	<u>\$9,115,245</u>	<u>\$2,608,190</u>

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Motor Vehicle and Gasoline Tax Fund
For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$9,631	\$78,114	\$113,576	\$35,462
Fines and Forfeitures	40,000	41,803	44,376	2,573
Intergovernmental	5,877,285	5,988,376	6,049,143	60,767
Interest	40,000	38,008	38,008	0
Miscellaneous	1,784	6,328	9,243	2,915
<i>Total Revenues</i>	<u>5,968,700</u>	<u>6,152,629</u>	<u>6,254,346</u>	<u>101,717</u>
Expenditures				
Current:				
Public Works	6,219,764	8,677,694	7,043,110	1,634,584
Debt Service:				
Principal Retirement	35,900	35,900	0	35,900
<i>Total Expenditures</i>	<u>6,255,664</u>	<u>8,713,594</u>	<u>7,043,110</u>	<u>1,670,484</u>
<i>Excess of Revenues Under Expenditures</i>	(286,964)	(2,560,965)	(788,764)	1,772,201
Other Financing Source				
Proceeds of OPWC Loans	185,400	185,400	185,400	0
<i>Net Change in Fund Balance</i>	(101,564)	(2,375,565)	(603,364)	1,772,201
<i>Fund Balance Beginning of Year</i>	2,404,512	2,404,512	2,404,512	0
Prior Year Encumbrances Appropriated	241,306	241,306	241,306	0
<i>Fund Balance End of Year</i>	<u>\$2,544,254</u>	<u>\$270,253</u>	<u>\$2,042,454</u>	<u>\$1,772,201</u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)*
Board of Developmental Disabilities Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$3,047,338	\$3,047,338	\$3,064,917	\$17,579
Charges for Services	185,000	170,000	261,875	91,875
Intergovernmental	4,738,249	4,497,193	4,743,650	246,457
Contributions and Donations	15,000	27,423	44,939	17,516
Miscellaneous	35,500	35,500	50,720	15,220
<i>Total Revenues</i>	<u>8,021,087</u>	<u>7,777,454</u>	<u>8,166,101</u>	<u>388,647</u>
Expenditures				
Current:				
Health	8,745,587	9,927,876	8,742,729	1,185,147
<i>Excess of Revenues Under Expenditures</i>	(724,500)	(2,150,422)	(576,628)	1,573,794
Other Financing Source				
Proceeds from Sale of Capital Assets	0	0	906	906
<i>Net Change in Fund Balance</i>	(724,500)	(2,150,422)	(575,722)	1,574,700
<i>Fund Balance Beginning of Year</i>	4,055,273	4,055,273	4,055,273	0
Prior Year Encumbrances Appropriated	286,459	286,459	286,459	0
<i>Fund Balance End of Year</i>	<u>\$3,617,232</u>	<u>\$2,191,310</u>	<u>\$3,766,010</u>	<u>\$1,574,700</u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)*
County Home Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$1,847,739	\$1,823,869	\$1,823,869	\$0
Charges for Services	354,985	299,313	329,863	30,550
Intergovernmental	458,061	398,211	398,211	0
Rent	22,557	16,334	16,988	654
Other	0	30	30	0
<i>Total Revenues</i>	<u>2,683,342</u>	<u>2,537,757</u>	<u>2,568,961</u>	<u>31,204</u>
Expenditures				
Current:				
Health	<u>3,606,991</u>	<u>3,906,991</u>	<u>2,919,681</u>	<u>987,310</u>
<i>Net Change in Fund Balance</i>	(923,649)	(1,369,234)	(350,720)	1,018,514
<i>Fund Balance Beginning of Year</i>	3,570,145	3,570,145	3,570,145	0
Prior Year Encumbrances Appropriated	<u>144,678</u>	<u>144,678</u>	<u>144,678</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,791,174</u></u>	<u><u>\$2,345,589</u></u>	<u><u>\$3,364,103</u></u>	<u><u>\$1,018,514</u></u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Mental Health and Addiction Recovery Board Fund
For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$2,706,740	\$3,692,756	\$3,685,119	(\$7,637)
Expenditures				
Current:				
Health	<u>2,941,590</u>	<u>4,374,899</u>	<u>4,168,983</u>	<u>205,916</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(234,850)</u>	<u>(682,143)</u>	<u>(483,864)</u>	<u>198,279</u>
Other Financing Sources (Uses)				
Transfers In	60,000	60,000	60,000	0
Transfers Out	<u>0</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>60,000</u>	<u>30,000</u>	<u>30,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(174,850)	(652,143)	(453,864)	198,279
<i>Fund Balance Beginning of Year</i>	731,276	731,276	731,276	0
Prior Year Encumbrances Appropriated	<u>160,424</u>	<u>160,424</u>	<u>160,424</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$716,850</u></u>	<u><u>\$239,557</u></u>	<u><u>\$437,836</u></u>	<u><u>\$198,279</u></u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2012

	Business-Type Activity	Governmental Activities
	Sewer Enterprise Fund	Internal Service Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$402,880	\$331,751
Receivables:		
Accounts	86,281	0
Special Assessments	71,078	0
Prepaid Items	249	0
<i>Total Current Assets</i>	<u>560,488</u>	<u>331,751</u>
Noncurrent Assets:		
Non-Depreciable Capital Assets	2,904,975	0
Depreciable Capital Assets, Net	4,980,841	0
<i>Total Noncurrent Assets</i>	<u>7,885,816</u>	<u>0</u>
<i>Total Assets</i>	<u>8,446,304</u>	<u>331,751</u>
Liabilities		
Current Liabilities:		
Accounts Payable	17,499	0
Contracts Payable	286,402	0
Accrued Wages Payable	2,045	0
Vacation Benefits Payable	2,821	0
Intergovernmental Payable	46,693	0
Accrued Interest Payable	5,475	0
Retainage Payable	4,664	0
Current Portion of OWDA Loan Payable	27,981	0
Current Portion of OPWC Loans Payable	24,182	0
Current Portion of FHA Loan Payable	14,500	0
<i>Total Current Liabilities</i>	<u>432,262</u>	<u>0</u>
Long-Term Liabilities (Net of Current Portion):		
Compensated Absences Payable	620	0
OWDA Loans Payable	2,433,067	0
OPWC Loans Payable	513,293	0
FHA Sewer Loan Payable	715,500	0
<i>Total Long-Term Liabilities</i>	<u>3,662,480</u>	<u>0</u>
<i>Total Liabilities</i>	<u>4,094,742</u>	<u>0</u>
Net Position		
Net Investment in Capital Assets	4,157,293	0
Unrestricted	194,269	331,751
<i>Total Net Position</i>	<u><u>\$4,351,562</u></u>	<u><u>\$331,751</u></u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activity	Governmental Activities
	Sewer Enterprise Fund	Internal Service Fund
Operating Revenues		
Charges for Services	\$812,893	\$0
Other	38,181	0
<i>Total Operating Revenues</i>	<u>851,074</u>	<u>0</u>
Operating Expenses		
Personal Services	100,611	0
Fringe Benefits	53,969	0
Contractual Services	392,436	0
Materials and Supplies	92,226	0
Depreciation	195,573	0
Other	42,440	0
<i>Total Operating Expenses</i>	<u>877,255</u>	<u>0</u>
<i>Operating Loss</i>	<u>(26,181)</u>	<u>0</u>
Non-Operating Expenses		
Loss on Disposal of Capital Assets	(231,207)	0
Interest and Fiscal Charges	(97,159)	0
<i>Total Non-Operating Expenses</i>	<u>(328,366)</u>	<u>0</u>
<i>Change in Net Position</i>	(354,547)	0
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>4,706,109</u>	<u>331,751</u>
<i>Net Position End of Year</i>	<u><u>\$4,351,562</u></u>	<u><u>\$331,751</u></u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
Statement of Cash Flows
Sewer Enterprise Fund
For the Year Ended December 31, 2012

	Business-Type Activity Sewer Enterprise Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$806,560
Cash Payments for Employee Services and Benefits	(155,092)
Cash Payments for Goods and Services	(491,237)
Other Operating Revenues	38,181
Other Operating Expenses	(42,431)
	<u>155,981</u>
<i>Net Cash Provided by Operating Activities</i>	
Cash Flows from Noncapital Financing Activities	
Advances In	117,600
Advances Out	(117,600)
Intergovernmental	128,928
	<u>128,928</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	
Cash Flows from Capital and Related Financing Activities	
Special Assessments	19,159
Payments for Capital Acquisitions	(1,384,028)
Proceeds from Disposal of Capital Assets	3,000
Proceeds from OWDA Loan	587,392
Proceeds from OPWC Loan	248,488
Principal Paid on Debt	(240,014)
Interest and Fiscal Charges Paid on Debt	(97,303)
	<u>(863,306)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	
<i>Net Decrease in Cash and Cash Equivalents</i>	
	(578,397)
<i>Cash and Cash Equivalents Beginning of Year</i>	
	<u>981,277</u>
<i>Cash and Cash Equivalents End of Year</i>	
	<u>\$402,880</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	(\$26,181)
Adjustments:	
Depreciation	195,573
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(6,333)
Increase in Prepaid Items	(16)
Decrease in Materials and Supplies Inventory	1,153
Decrease in Accounts Payable	(11,936)
Increase in Accrued Wages Payable	139
Decrease in Vacation Benefits Payable	(203)
Decrease in Compensated Absences Payable	(392)
Decrease in Interfund Payable	(1,017)
Increase in Intergovernmental Payable	5,194
	<u>\$155,981</u>
<i>Net Cash Provided by Operating Activities</i>	

See accompanying notes to the basic financial statements.

Washington County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2012

Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,319,663
Cash and Cash Equivalents in Segregated Accounts	407,420
Investments in Segregated Accounts	30,435
Receivables:	
Property Taxes	43,228,693
Accounts	318,717
Special Assessments	677,711
Intergovernmental	<u>2,616,201</u>
<i>Total Assets</i>	<u><u>\$49,598,840</u></u>
 Liabilities	
Intergovernmental Payable	\$48,152,035
Undistributed Monies	<u>1,446,805</u>
<i>Total Liabilities</i>	<u><u>\$49,598,840</u></u>

See accompanying notes to the basic financial statements.

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Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

NOTE 1 - REPORTING ENTITY

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

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

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

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

Discretely Presented Component Units

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

Southeastern Ohio Port Authority (the Authority) was created during 2003, pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution, and research and development interest of Southeastern Ohio, including rendering financial and other assistance to such enterprises situated in the region and to induce the location in Southeastern Ohio of other manufacturing, commerce, distribution, and research entities; to purchase, subdivide, sell, and lease real property in Southeastern Ohio; and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

enterprise in Southeastern Ohio. The Authority's Board of Directors consists of the number of Directors it deems necessary. They are appointed by the Washington County Commissioners. The County assumes the responsibility to provide financial support to the Authority and is obligated for the debt of the Authority; therefore, it is included as a discretely presented component unit. Separately issued financial statements can be obtained from the Authority in Marietta, Ohio.

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

- Washington County Career Center
- Washington County Agricultural Society
- Washington County Historical Society
- Washington State Community College
- Washington County Cooperative Extension
- Marietta Tourist and Convention Bureau
- Washington County Law Library

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statements:

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

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

The County is associated with certain organizations which are defined as jointly governed organizations and insurance purchasing pools. These organizations are presented in Notes 18 and 20 to the Basic Financial Statements. The organizations are:

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

The County is associated with the Washington County Public Library, which is classified as a related organization. Additional information concerning the related organization is presented in Note 19.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the County's accounting policies are described below.

A. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the County is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

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

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

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

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

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

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

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

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

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

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

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: sales tax (see Note 8), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees, and rentals.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund, program, department, and object level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2012 upon which the final appropriations were based.

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

F. Cash and Cash Equivalents

Cash balances of the County's funds, except cash held by a trustee or fiscal agent or held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2012, the County had investments in certificates of deposit, which are reported at cost, and in a Federal National Mortgage Bond accounted for in the Children Services Special Revenue Fund. These investments are reported at fair value, which is based on quoted market prices. The County Court Agency Fund certificate of deposit and the investment of the Children Services Special Revenue Fund are reflected as "Investments in Segregated Accounts."

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

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2012 amounted to \$355,793, which includes \$238,041 assigned from other County funds.

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

Wasco, Inc. considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. As of August 31, 2012, Wasco, Inc. had no investments.

The Authority's funds are maintained in non-interest bearing and interest bearing checking, savings, and money market accounts.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

G. Inventory

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

H. Restricted Assets

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

I. Receivables and Payables

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

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

K. Interfund Balances

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

L. Capital Assets

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

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

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2012

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

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

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

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

WASCO, Inc. depreciates buildings, equipment and fixtures, and vehicles for 10 years utilizing the straight-line method. The Authority depreciates equipment and furniture for 5 years using the straight-line method.

M. Compensated Absences

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

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

N. Accrued Liabilities and Long-term Obligations

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

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

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (County resolutions).

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Commissioners or a County official delegated that authority by resolution or by State Statute.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for disaster services, dog and kennel, litter control, marriage license, retired senior services, 911, court and corrections activities, economic development, real estate assessment, sheriff activities, transportation services, background investigation, and community development projects.

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

Q. Operating Revenues and Expenses

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

R. Internal Activity

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

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. The County did not have any extraordinary or special items in 2012.

T. Estimates

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

U. Bond Premiums and Discounts

Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. On the government fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are issued.

V. Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR BALANCES

A. Changes in Accounting Principles

For 2012, the County has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53" Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the County's financial statements.

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2012

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the County's financial statements

B. Restatement of Prior Year Balances

The County has restatements for a fund reclassification, capital assets, and a debt adjustment.

	Nonmajor Governmental Funds	
Fund Balance at		
December 31, 2011	\$4,739,594	
Fund Reclassification	(5,001)	
Job and Family Services		
From Major to Nonmajor Fund	186,566	
Adjusted Fund Balance at		
December 31, 2011	\$4,921,159	
	Governmental Activities	Business-Type Activity
Net Position at		
December 31, 2011	\$170,575,203	\$4,588,526
Fund Reclassification	(42,029)	41,884
Capital Assets		
Restatement	504,564	243,752
Debt Adjustment	0	(168,053)
Restated Net Posisiton at		
December 31, 2011	\$171,037,738	\$4,706,109

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2012

NOTE 4 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	County Home	Mental Health and Addiction Recovery Board	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>							
Inventory	\$88,105	\$442,163	\$0	\$17,967	\$0	\$15,001	\$563,236
Prepays	200,834	4,606	10,049	10,870	4,663	110,145	341,167
Unclaimed monies	71,325	0	0	0	0	0	71,325
Loans	0	0	0	0	0	2,076	2,076
<i>Total Nonspendable</i>	<u>360,264</u>	<u>446,769</u>	<u>10,049</u>	<u>28,837</u>	<u>4,663</u>	<u>127,222</u>	<u>977,804</u>
<u>Restricted for:</u>							
County Home Operations	0	0	0	3,419,547	0	0	3,419,547
Public Works	0	3,035,076	0	0	0	880	3,035,956
BDD Operations	0	0	4,161,413	0	0	0	4,161,413
Mental Health Operations Job and Family Services Operations	0	0	0	0	585,731	0	585,731
Capital Improvements	0	0	0	0	0	292,353	292,353
Bond Retirement	0	0	0	0	0	267,421	267,421
Public Safety	0	0	0	0	0	253,747	253,747
Other Health	0	0	0	0	0	691,697	691,697
Other Human Services	0	0	0	0	0	82,215	82,215
Child Support	0	0	0	0	0	118,023	118,023
Court Operations	0	0	0	0	0	349,520	349,520
Economic Development	0	0	0	0	0	610,901	610,901
Children Services Operations	0	0	0	0	0	198,339	198,339
Real Estate Assessments	0	0	0	0	0	639,266	639,266
<i>Total Restricted</i>	<u>0</u>	<u>3,035,076</u>	<u>4,161,413</u>	<u>3,419,547</u>	<u>585,731</u>	<u>4,778,925</u>	<u>15,980,692</u>
<u>Committed to:</u>							
Capital Projects	40,561	0	0	0	0	434,125	474,686
Background Investigations	0	0	0	0	0	14,796	14,796
Jail Project	39,000	0	0	0	0	0	39,000
<i>Total Committed</i>	<u>79,561</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>448,921</u>	<u>528,482</u>
<u>Assigned to:</u>							
2013 Appropriations	3,098,982	0	0	0	0	0	3,098,982
Other purposes	851,144	0	0	0	0	0	851,144
<i>Total Assigned</i>	<u>3,950,126</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,950,126</u>
<u>Unassigned:</u>	<u>7,686,892</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,686,892</u>
Total Fund Balances	<u>\$12,076,843</u>	<u>\$3,481,845</u>	<u>\$4,171,462</u>	<u>\$3,448,384</u>	<u>\$590,394</u>	<u>\$5,355,068</u>	<u>\$29,123,996</u>

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP).
4. Principal payments on capital lease obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Unrecorded cash and interest, segregated accounts, and prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.
6. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.
7. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (cash).

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 Basic Financial Statements
 December 31, 2012

Net Change in Fund Balances
 General and Major Special Revenue Funds

	General	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	County Home	Mental Health and Addiction Recovery Board
GAAP Basis	\$947,804	(\$163,171)	(\$233,248)	(\$230,051)	(\$342,107)
Net Adjustment for Revenue Accruals	(52,009)	(100,560)	(246,497)	(22,604)	67,017
Beginning of the Year:					
Unrecorded Cash	59,541	1,540	0	0	0
Unreported Interest	29,833	0	0	0	0
Segregated Accounts	34,076	0	17,315	0	0
Agency Fund Cash Allocation	77,721	0	108,757	65,118	0
Prepaid Items	225,117	1,797	39,862	12,660	10,026
End of the Year:					
Unrecorded Cash	(64,761)	0	0	0	0
Unreported Interest	(31,503)	0	0	0	0
Segregated Accounts	0	0	(18,258)	0	0
Agency Fund Cash Allocation	(84,142)	0	(118,038)	(70,642)	0
Prepaid Items	(200,834)	(4,606)	(10,049)	(10,870)	(4,663)
Principal Retirement	77,059	0	0	0	0
Interest and Fiscal Charges	10,945	0	0	0	0
Net Adjustment for Expenditure Accruals	238,342	55,370	95,413	(19,021)	(109,357)
Proceeds from Sale of Capital Assets	0	(52,000)	(906)	0	0
Advances In	138,737	0	0	0	0
Advances Out	(127,182)	0	0	0	0
Encumbrances	<u>(1,362,990)</u>	<u>(341,734)</u>	<u>(210,073)</u>	<u>(75,310)</u>	<u>(74,780)</u>
Budget Basis	<u>(\$84,246)</u>	<u>(\$603,364)</u>	<u>(\$575,722)</u>	<u>(\$350,720)</u>	<u>(\$453,864)</u>

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

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 demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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, and 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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 describe 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,
12. One percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the County's bank balance was \$31,068,561. Of the bank balance, \$1,493,045 was covered by Federal depository insurance and \$29,575,516 was collateralized with securities held by the pledging financial institution. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2012

Investments As of December 31, 2012, the County had the following investment:

	Fair Value	Maturity
Federal National Mortgage Association Bonds	\$26,284	7/28/2015

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

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

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

Concentration of Credit Risk Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The County places no limit on the amount it may invest in any one issuer. The County has 100 percent in Federal National Mortgage Association Bonds.

COMPONENT UNITS

At fiscal year end and at numerous times during the year, Wasco, Inc.’s bank balance was in excess of Federal Deposit Insurance Corporation limits. Wasco had no investments at fiscal year end. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

At year end, the Authority’s bank balance of \$62,924 was covered by Federal Deposit Insurance Corporation.

NOTE 7 - RECEIVABLES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes were levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2013.

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.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

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. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2012, was \$10.05 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2012 property tax receipts were based are as follows:

Real Property	\$967,157,650
Public Utility Personal Property	<u>128,278,840</u>
Total	<u><u>\$1,095,436,490</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which were measurable as of December 31, 2012, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

B. Intergovernmental Receivables

Governmental Activities	<u>Amounts</u>
Motor Vehicle License Tax	\$1,227,887
Gas Excise Tax	1,132,147
Homestead and Rollback	653,319
Casino	313,919
Children Services Reimbursements	298,297
Local Government	284,729
Waiver Administration	255,525
State Subsidy - Mental Health	232,638
Community Development Block Grants	184,561
Board of DD State Subsidy	176,222
Treatment and Prevention	175,641
Targeted Case Management	175,000
Miscellaneous	164,527
CSEA Reimbursements	119,651
Wayne National Forest Grant	101,945
Urban Transit Grants	79,683
VRP3	70,900
Permissive Motor Vehicle License Tax	66,070
Title XIX - Medicaid	64,436
Mental Health Tax Equity	52,538
Therapy Services Reimbursement	52,184
US Fish and Wildlife Service Grant	50,000
Board of Developmental Disabilities Reimbursen	43,317
Special Education Part B- IDEA	41,678
Prisoner Care	50,112
Community Corrections Grant	32,000
Block Grants	31,810
Mental Health Reimbursements	29,113
Other Government Court Fines	26,338
Federal Emergency Management Agency Reimburse	22,745
Women's Prevention	21,045
VOCA - Victim Assistance	20,085
Title XX	19,649
Mental Health Family Support	16,532
National Service Grants	12,411
Emergency Management Performance Grant	12,158
Early Childhood Special Education	12,106
School Lunch Reimbursement	7,205
Defense of Indigents	4,902
Drug Law Enforcement Grant	3,847
State Appalachian Grant	3,475
Litter Control Grant	2,955
Criminal Background Investigator Reimbursements	1,698
DARE Grant	1,415
Housing Trust	1,346
Estate Tax	275
	<u><u>\$6,350,036</u></u>

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2012

C. Loans Receivable

The Community Development Block Grant Special Revenue Fund reflects a loan receivable of \$2,076. This amount is for the principal owed to the County for Federal Community Development Block Grant Program monies loaned to individuals for home improvements. The loan bears interest at an annual rate of five percent. These loans are to be repaid over periods ranging from four to seven years. The amount not scheduled for collection during the subsequent year is \$2,076.

NOTE 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 Office of Budget and Management (OBM) the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. OBM then has five days in which to draw the warrant payable to the County.

A receivable is recognized at year end for amounts that will be received from sales which occurred during 2012.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/2011 #	Additions	Reductions	Balance 12/31/2012
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$1,099,719	\$0	\$0	\$1,099,719
Infrastructure	125,275,366	497,201	(648,982)	125,123,585
Construction in Progress	0	24,470	0	24,470
Total Non-Depreciable Capital Assets	<u>126,375,085</u>	<u>521,671</u>	<u>(648,982)</u>	<u>126,247,774</u>
Depreciable Capital Assets:				
Land Improvements	680,180	0	0	680,180
Buildings and Improvements	22,173,513	51,025	0	22,224,538
Machinery and Equipment	5,874,474	513,616	(92,998)	6,295,092
Furniture and Fixtures	1,345,089	53,911	0	1,399,000
Vehicles	5,679,416	428,100	(363,710)	5,743,806
Total Depreciable Capital Assets	<u>35,752,672</u>	<u>1,046,652</u>	<u>(456,708)</u>	<u>36,342,616</u>
Accumulated Depreciation:				
Land Improvements	(440,969)	(26,920)	0	(467,889)
Buildings and Improvements	(10,141,153)	(597,615)	0	(10,738,768)
Machinery and Equipment	(3,996,767)	(345,612)	64,309	(4,278,070)
Furniture and Fixtures	(804,118)	(53,311)	0	(857,429)
Vehicles	(4,197,995)	(319,988)	291,713	(4,226,270)
Total Accumulated Depreciation	<u>(19,581,002)</u>	<u>(1,343,446) *</u>	<u>356,022</u>	<u>(20,568,426)</u>
Total Depreciable Capital Assets, Net	<u>16,171,670</u>	<u>(296,794)</u>	<u>(100,686)</u>	<u>15,774,190</u>
Governmental Capital Assets, Net	<u>\$142,546,755</u>	<u>\$224,877</u>	<u>(\$749,668)</u>	<u>\$142,021,964</u>

As Restated, see Note 3.

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2012

* Depreciation expense was charged to governmental activities as follows:

General Government:	
Legislative and Executive	\$182,568
Judicial	13,489
Public Safety	453,976
Public Works	281,593
Health:	
Board of Developmental Disabilities	109,616
County Home	96,929
Human Services:	
Child Support Enforcement	485
Children Services	108,658
Job and Family Services	75,252
Other Human Services	20,880
Total Depreciation Expense	<u><u>\$1,343,446</u></u>

	Balance 12/31/2011 #	Additions	Reductions	Balance 12/31/2012
Business-Type Activity:				
Non-Depreciable Capital Assets:				
Land	\$379,120	\$0	\$0	379,120
Construction in Progress	1,829,771	696,084	0	2,525,855
Total Non-Depreciable Capital Assets	<u>2,208,891</u>	<u>696,084</u>	<u>0</u>	<u>2,904,975</u>
Depreciable Capital Assets:				
Buildings and Improvements	851,885	25,000	(267,204)	609,681
Machinery and Equipment	472,732	65,374	(46,767)	491,339
Infrastructure	7,602,142	0	(589,592)	7,012,550
Vehicles	0	22,819	0	22,819
Total Depreciable Capital Assets	<u>8,926,759</u>	<u>113,193</u>	<u>(903,563)</u>	<u>8,136,389</u>
Accumulated Depreciation:				
Buildings and Improvements	(600,812)	(15,243)	267,204	(348,851)
Machinery and Equipment	(430,244)	(13,402)	41,525	(402,121)
Infrastructure	(2,598,275)	(165,026)	360,627	(2,402,674)
Vehicles	0	(1,902)	0	(1,902)
Total Accumulated Depreciation	<u>(3,629,331)</u>	<u>(195,573)</u>	<u>669,356</u>	<u>(3,155,548)</u>
Total Depreciable Capital Assets, Net	<u>5,297,428</u>	<u>(82,380)</u>	<u>(234,207)</u>	<u>4,980,841</u>
Business-Type Capital Assets, Net	<u><u>\$7,506,319</u></u>	<u><u>\$613,704</u></u>	<u><u>(\$234,207)</u></u>	<u><u>\$7,885,816</u></u>

As Restated, see Note 3.

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2012

COMPONENT UNITS

Capital asset activity for the Port Authority for the year ended December 31, 2012, was as follows:

	Balance 12/31/2011	Additions	Reductions	Balance 12/31/2012
Port Authority:				
Depreciable Capital Assets:				
Equipment and Furniture	\$7,510	\$0	\$0	\$7,510
Accumulated Depreciation:				
Equipment and Furniture	(6,642)	(204)	0	(6,846)
Total Port Authority Capital Assets, Net	<u>\$868</u>	<u>(\$204)</u>	<u>\$0</u>	<u>\$664</u>

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 2012, the County contracted with the County Risk Sharing Authority, Inc. (CORSA), an insurance purchasing pool (see Note 20), for liability, auto, and crime insurance. CORSA, a non-profit corporation sponsored by the County Commissioners of Ohio, was created to provide affordable liability, property, casualty, and crime insurance coverage for its members and was established May 12, 1987. Coverage provided by the program and applicable deductibles are as follows:

	Coverage	Deductible
General Liability	\$1,000,000 each occurrence	\$2,500
Law Enforcement Liability	1,000,000 each occurrence	2,500
Automobile Liability	1,000,000 each occurrence	2,500
Errors and Omissions Liability	1,000,000/1,000,000	2,500
Property Damage Liability	105,154,617	2,500
Equipment Breakdown	1,000,000	2,500
Crime	1,000,000	2,500
Stop Gap Liability	1,000,000	2,500
Professional Liability	1,000,000	2,500
Medical Professional Liability	2,000,000	2,500

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

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

COMPONENT UNIT

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. *Ohio Public Employees Retirement System*

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2012, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively. Effective January 1, 2013, the member contribution rates for public safety and law enforcement increased to 12 percent and 12.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2012, member and employer contribution rates were consistent across all three plans.

The County's 2012 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010, were \$1,892,383, \$2,161,039, and \$1,898,021, respectively. For 2012, 89.28 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the Member-Directed Plan for 2012 were \$34,107 made by the County and \$24,362 made by plan members.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

B. State Teachers Retirement System

Plan Description – Certified teachers, employed by the school for developmental disabilities, participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the fiscal years ended December 31, 2012, 2011, and 2010, were \$80,370, \$76,575, and \$72,436, respectively. For 2012, 97.57 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the DC and Combined plans for 2012 were \$4,145 made by the County and \$2,961 made by the plan members.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010, were \$803,723, \$914,568, and \$1,010,286, respectively. For 2012, 89.28 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2012, 2011, and 2010, were \$6,182, \$5,890, and \$5,572, respectively. For 2012, 97.57 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

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

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

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

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2012

C. Insurance Benefits

During 2012, the County participated with the County Employee Benefits Consortium of Ohio, Inc. (CEBCO) (a risk-sharing pool – see Note 20). CEBCO charges a fixed premium per month per enrolled employee. The premiums, along with an administrative charge, are paid into each participating County funds and, in turn, the premiums are paid to CEBCO. Premiums charged by CEBCO are based upon the County’s claims experience. An excess coverage policy covers annual individual claims in excess of \$50,000 with an unlimited maximum. CEBCO retains liability for claims that exceed the expected losses and charged premiums.

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

For the employees of the Children Services Department, medical/surgical benefits is provided through Medical mutual of Ohio, dental is provided through Delta Dental, and life insurance through Hartford. The County Board of Developmental Disabilities provides life insurance and accidental death and dismemberment insurance to their employees through CBA Benefit Services, in the amount of \$20,000.

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

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the County entered into capitalized leases for server equipment and ballot equipment. Equipment acquired by leases has been capitalized in the government wide statements for governmental activities in the amount of \$449,148, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements for governmental activities. Capitalized leased assets are reflected net of accumulated depreciation for a book value of \$390,126 as of December 31, 2012. Principal payments for all capital leases during 2012 totaled \$77,059.

Future minimum lease payments through 2015 are as follows:

Year	Governmental Activities	
	Principal	Interest
2013	\$87,185	\$8,869
2014	90,267	5,787
2015	84,331	2,573
Total	\$261,783	\$17,229

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2012

NOTE 15 - LONG-TERM OBLIGATIONS

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

	Original Issue Amount	Principal Outstanding 12/31/11	Additions	Deductions	Principal Outstanding 12/31/12	Amounts Due within One Year
Governmental Activities:						
General Obligation Bonds:						
2006 Energy Conservation Bond - 5.00%	\$440,000	\$245,000	\$0	\$45,000	\$200,000	\$45,000
Bond Premium		11,467	0	2,332	9,135	0
2011 - Various Purpose Refunding Bonds:						
Serial - 2%-2.50%	1,195,000	1,195,000	0	160,000	1,035,000	165,000
Term - 2.75%	110,000	110,000	0	0	110,000	0
Term - 2.90%	115,000	115,000	0	0	115,000	0
Term - 3.60%	250,000	250,000	0	0	250,000	0
Bond Premium		18,398	0	1,240	17,158	0
Bond Discount		(11,560)	0	(779)	(10,781)	0
2004 - Capital Facilities Jail:						
Serial - 2%-4.25%	2,090,000	1,040,000	0	715,000	325,000	160,000
Term - 4.05%	385,000	385,000	0	385,000	0	0
Term - 5.75%	925,000	925,000	0	925,000	0	0
Bond Premium		76,632	0	63,771	12,861	0
Bond Discount		(20,646)	0	(17,181)	(3,465)	0
2012 - Capital Facilities Jail Refunding Bonds:						
Serial - 1%-2.50%	2,055,000	0	2,055,000	0	2,055,000	0
Term - 1.00%	125,000	0	125,000	55,000	70,000	35,000
Bond Premium		0	9,460	604	8,856	0
2009 - Capital Facilities Clerk of Courts - 3.75%						
	193,850	100,259	0	49,207	51,052	51,052
Total General Obligation Bonds		4,439,550	2,189,460	2,384,194	4,244,816	456,052
2012 - Resurfacing OPWC Loan - 0%	185,400	0	185,400	0	185,400	9,270
Compensated Absences - Sick Leave		566,719	87,713	27,591	626,841	43,689
Capital Leases		338,842	0	77,059	261,783	87,185
Total Governmental Activities		\$5,345,111	\$2,462,573	\$2,488,844	\$5,318,840	\$596,196

(continued)

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2012

	Original Issue Amount	Principal Outstanding 12/31/11	Additions	Deductions	Principal Outstanding 12/31/12	Amounts Due within One Year
Business-Type Activities:						
OPWC Loans:						
1995 - Devola Sewer Loan - 0%	\$328,552	\$49,282	\$0	\$16,427	\$32,855	\$16,428
1999 - Cherry Blossom Sewer Loan - 2.00%	80,370	36,025	0	4,196	31,829	2,129
1998 - Barlow Vincent Sewer Plant Loan - 0%	225,000	67,500	0	11,250	56,250	5,625
2012 Woodlawn Acres Sewer Improvements Loan - 0%	649,433	0	248,488	0	248,488	0
2011 Sanitary System Improvements Loan - 0%	366,069	168,053	0	0	168,053	0
Total OPWC Loans		320,860	248,488	31,873	537,475	24,182
1997 - FHA Sewer Loan - 0%	873,000	743,500	0	13,500	730,000	14,500
OWDA Loans:						
2004 - OWDA Sewer Loan - 3.41%	283,227	198,640	0	12,987	185,653	6,660
2009 - OWDA Sewer Planning and Design Loan - 5.45%	97,316	15,500	112	15,612	0	0
2009 - OWDA River Sewer Rehabilitation Loan - 1.50%	283,024	258,374	0	12,604	245,770	6,373
2010 - OWDA Devola Sanitary Sewer Improvements Design Loan - 4.42%	403,291	169,133	213,182	19,874	362,441	9,937
2010 - OWDA Lift Station and Sewer Improvements Loan - 1.50%	227,595	222,695	0	9,911	212,784	5,011
2011 - OWDA Devola Lift Station Improvements Loan - 3.20%	1,148,117	1,148,117	362,882	56,599	1,454,400	0
2011 - OWDA Woodlawn Acres Improvements Design Loan - 3.20%	55,839	55,838	11,216	67,054	0	0
Total OWDA Loans		2,068,297	587,392	194,641	2,461,048	27,981
Compensated Absences - Sick Leave		1,012	0	392	620	0
Total Business-Type Activity		\$3,133,669	\$835,880	\$240,406	\$3,729,143	\$66,663

A. Governmental Activities

The Capital Facilities Clerk of Court Bonds are unvoted and will be retired from the General Bond Retirement Fund with general property tax revenues. The Various Purpose Refunding Bonds are unvoted and are being retired from the General Bond Retirement Fund with general property tax revenues for the Juvenile Center portion and from with rental payments received from the Job and Family Services Special Revenue Fund for their portion. The Capital Facilities Jail Refunding Bonds are unvoted and will be retired from the General Bond Retirement Fund with permissive sales tax revenues. The Energy Conservation Bonds are unvoted and will be retired with monies realized through energy savings. The Resurfacing OPWC loan is unvoted and will be retired from the General Bond Retirement Fund with transfers from the Motor Vehicle and Gasoline Tax Fund. The capital leases are being paid for by the General Fund. Compensated absences for sick leave liabilities will be paid from the General Fund and the Job and Family Services, Child Support Enforcement Agency, Motor Vehicle and Gasoline Tax, County Home, Board of Developmental Disabilities, Children Services, Court Corrections, and Real Estate Assessment Special Revenue Funds.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

2011 Refunding Bonds:

On November 11, 2011, the County issued refunding bonds of \$1,670,000 consisting of \$1,195,000 in serial bonds and \$475,000 in term bonds. The bonds were sold at a premium and discount of \$18,605 and \$11,690, respectively, and will be amortized over the term of the bonds.

Mandatory Redemptions The Refunding Bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 of the year shown in, and according to, the following schedule:

<u>Year</u>	<u>Amount</u>
2019	\$55,000

The remaining principal balance of \$55,000 is scheduled to be paid at the stated maturity of the corresponding Term Bond.

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 of the year shown in, and according to, the following schedule:

<u>Year</u>	<u>Amount</u>
2021	\$55,000

The remaining principal balance of \$60,000 is scheduled to be paid at the stated maturity of the corresponding Term Bond.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 of the year shown in, and according to, the following schedule:

<u>Year</u>	<u>Amount</u>
2023	\$60,000
2024	60,000
2025	65,000

The remaining principal balance of \$65,000 is scheduled to be paid at the stated maturity of the corresponding Term Bond.

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

Optional Redemption The bonds maturing on or after December 1, 2019, are also subject to prior redemption, by and at the sole option of the County, in whole or in part as selected by the County (in whole multiples of \$5,000), on any date on or after December 1, 2018, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

2012 Refunding Bonds:

On April 11, 2012, the County issued refunding bonds of \$2,180,000 consisting of \$2,055,000 in serial bonds and \$125,000 in term bonds. The refunding bonds will mature on December 1, 2023. These bonds were issued to advance refund part of the 2004 Capital Facilities Jail Bonds. The advance refunded portion of the bonds, as well as the unamortized premium and discount of these advance refunded bonds, were removed from the financial statements of the County. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of 215,378. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for 2012 was \$58,740. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$150,984. The issuance resulted in an economic gain of \$134,130. At the date of the refunding, \$2,127,271 (including underwriter fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2004 bonds. As of December 31, 2012, \$1,870,000 of the refunded bonds are still outstanding, and the balance of the irrevocable trust account was \$2,039,680.

Mandatory Redemptions The bonds maturing on December 1, 2014, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation. The mandatory redemption is to occur on December 1, 2013, (with the balance of \$35,000 to be paid at stated maturity on December 1, 2024) at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2013	\$35,000
2014	35,000

Optional Redemption The bonds maturing on or after December 1, 2019, are also subject to prior redemption on or after June 1, 2019, by and at the sole option of the County, either in whole or in part (as selected by the County) on any date and in integral multiples of \$5,000, at par plus accrued interest to the redemption date.

Jail Bonds:

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

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

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

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2012

Optional Redemption The bonds maturing on or after December 1, 2015, are also subject to prior redemption on or after December 1, 2014, by and at the sole option of the County, either in whole on any date or in part (as selected by the County) on any date and in integral multiples of \$5,000, at par plus accrued interest to the redemption date.

The following is a summary of the County's future annual principal and interest requirements to retire general obligation bonds:

Year Ended December 31,	Principal	Interest	Total
2013	\$456,052	\$104,289	\$560,341
2014	420,000	90,075	510,075
2015	435,000	77,225	512,225
2016	445,000	68,960	513,960
2017	400,000	59,485	459,485
2018-2022	1,560,000	180,681	1,740,681
2023-2026	495,000	28,985	523,985
Total	\$4,211,052	\$609,700	\$4,820,752

OPWC:

In June 2012, the County entered into a loan with the Ohio Public Works Commission (OPWC) in the amount of \$185,400 at zero percent for the purpose of resurfacing CR 9/344/138. Principal payments are due July 1 of each year through 2023.

Principal requirements to retire the Resurfacing OPWC Loan at December 31, 2012, are as follows:

Year Ended December 31,	Principal
2013	\$9,270
2014	18,540
2015	18,540
2016	18,540
2017	18,540
2018-2022	92,700
2023	9,270
Total	\$185,400

B. Business-Type Activity

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

The 2004 Ohio Water Development Authority (OWDA) Sewer Loan relates to a project for engineering design of various Sewer projects. The loan is payable solely from net revenues along with a onetime charge of \$1,000 per household to the residents in the Oxbow area. The loan is payable through 2024.

The 2009 Ohio Water Development Authority (OWDA) Planning & Design for I & I Remediation Loan related to a project for engineering and design of the Oxbow and Riverview sewer systems. The County agreed to set utility rates sufficient to cover OWDA debt service requirements. This loan was retired during 2012.

The 2009 Ohio Water Development Authority (OWDA) Riverview Sewer Rehabilitation Loan relates to the rehabilitation of sewer lines in the Riverview Community. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 2010 Ohio Water Development Authority (OWDA) Devola Sanitary Sewer Improvements Phase II Design Loan relates to the rehabilitation of sewer lines in the Devola Community. As of December 31, 2012, this loan has not been fully drawn down and no amortization schedule exists. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 2010 Ohio Water Development Authority (OWDA) Lift Station and Sewer Improvements Loan relates to the rehabilitation of sewer lines for the Oxbow Sanitary Sewer System. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 2011 Ohio Water Development Authority (OWDA) Devola Life Station and Sewer Improvements Loan relates to the rehabilitation of sewer lines for the Devola Sanitary Sewer System. As of December 31, 2012, this loan has not been fully drawn down and no amortization schedule exists. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 2011 Ohio Water Development Authority (OWDA) Woodlawn Acres Improvements Design Loan relates to the rehabilitation of sewer lines for the Woodlawn Acres area. The County agreed to set utility rates sufficient to cover OWDA debt service requirements. This loan was retired during 2012.

The County has pledged future customer revenues, net of specified operating expenses, to repay \$2,461,048 in OWDA loans issued from 2004 to 2011. Proceeds from these loans provided financing for various sewer projects. The loans are payable solely from customer net revenues and are payable through 2031. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require more than 66 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans is \$2,566,639. Principal and interest payments for the current year were \$257,787, net revenues were \$169,392, and total revenues were \$851,074.

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2012

The following is a summary of the County's future annual principal and interest requirements to retire the loans:

Year Ended December 31,	Principal	Interest	Total
2013	\$56,726	\$39,772	\$96,498
2014	83,689	45,379	129,068
2015	68,665	43,802	112,467
2016	71,091	42,261	113,352
2017	72,541	40,461	113,002
2018-2022	331,736	174,646	506,382
2023-2027	308,905	125,503	434,408
2028-2032	268,788	79,953	348,741
2033-2037	233,000	32,636	265,636
Total	<u>\$1,495,141</u>	<u>\$624,413</u>	<u>\$2,119,554</u>

C. Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total valuation of the County. The Code further provides that the total shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The County's total debt margin was \$25,885,912 and the unvoted debt margin was \$21,689,460 at December 31, 2012.

NOTE 16 - INTERFUND TRANSFERS AND BALANCES

Interfund balances, as of December 31, 2012, consist of the following individual interfund receivables and payables:

Interfund Payable	Interfund Receivable			Total
	Major Funds		Other	
	General	County Home	Governmental Funds	
Major Funds:				
General	\$0	\$400	\$213	\$613
Other Governmental Funds	22,482	0	2,148	24,630
	<u>\$22,482</u>	<u>\$400</u>	<u>\$ 2,361</u>	<u>\$25,243</u>

The interfund receivables/payables are due to lags between the dates interfund goods and services are provided, transactions were recorded in the accounting system, and payments between funds were made.

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2012

Interfund transfers for the year ended December 31, 2012, consisted of the following:

Transfer Out	Transfer In			Total
	Major Funds			
	General	Mental Health and Addiction Recovery Board	Other Nonmajor Governmental	
Major Funds:				
General Fund	\$0	\$60,000	\$1,290,902	\$1,350,902
Mental Health and Addiction Recovery Board	30,000	0	0	30,000
Other Nonmajor Governmental	476	0	0	476
Total All Funds	\$30,476	\$60,000	\$1,290,902	\$1,381,378

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

NOTE 17 - SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2012, the County had a contractual purchase commitment as follows:

Projects	Purchase Commitments	Amounts Paid as of 12/31/2012	Amount Remaining on Contract
<i>Emergency Generators Project:</i>			
General Fund	\$12,470	\$12,470	\$0
County Home Fund	11,000	6,000	5,000
Capital Projects Fund	11,000	6,000	5,000
	34,470	24,470	10,000
<i>Web Content Design:</i>			
General Fund	42,276	14,092	28,184
<i>Woodlawn Acres Sanitary Sewer Improvements:</i>			
Sewer Fund	460,236	411,344	48,892
<i>Devola Sewer Improvements:</i>			
Sewer Fund	2,152,550	2,114,511	38,039
Total All Projects	\$2,689,532	\$2,564,417	\$125,115

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

B. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds	
General	\$1,362,990
Motor Vehicle and Gasoline Tax	341,734
Board of Developmental Disabilities	210,073
County Home	75,310
Mental Health and Addiction	
Recovery Board	74,780
Nonmajor Governmental Funds	<u>453,906</u>
Total Governmental Funds	<u>2,518,793</u>
Enterprise Fund	
Sewer Fund	<u>85,889</u>
Total	<u><u>\$2,604,682</u></u>

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Developmental District serves as the Area Agency on Aging for Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and implementing plans and programs. The District is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens Council, one member from the City of Marietta Council, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The District administers County Community Development Block Grant and Issue II monies. During 2012, the District received \$36,975 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

B. Joint Solid Waste District

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

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 2012. 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-Morgan Community Action Corporation

The Community Action Corporation of Washington-Morgan Counties is operated as a 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.

D. Washington County Family and Children First Council

The Washington County Family and Children First Council provide services to multi-need youth in Washington County. Members of the Council include the Washington County Health Department, the Regional Office of Youth Services, the Washington County Juvenile Court, the Washington County Mental Health Board, Washington County Children Services, the General Health District, a representative from the City of Marietta Health Department, and a representative of the Washington County School Districts. The operation of the Council is controlled by an advisory committee which consists of a representative from each agency. In 2012, the County contributed \$183,991.

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 2012, the County contributed \$5,940 to the Commission. The continued existence of the Commission is not dependent on the County's continued participation and no equity interest exists.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

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 2012, the Council received \$350 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.

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

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

H. Ohio Valley Employment Resource (OVER)

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

NOTE 19 - RELATED ORGANIZATION

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

NOTE 20 - INSURANCE PURCHASING POOLS

A. County Risk Sharing Authority, Inc. (CORSA)

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment for insurance to CORSA in 2012 was \$311,330.

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

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

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

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

NOTE 21 - RELATED PARTY TRANSACTIONS

Wasco, Inc., a discretely presented component unit of Washington County, received contributions from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its program. These contributions are reflected as operating revenues and operating expenses at cost or fair market value, as applicable, in the Basic Financial Statements in the amount of \$612,610.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2012

NOTE 22 - FOOD STAMPS

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

NOTE 23 - CONTINGENT LIABILITIES

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

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

Washington County, Ohio
Required Supplementary Information
Condition Assessments of the County's Infrastructure
Reported Using the Modified Approach
December 31, 2012

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

County Roads

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

Conditon Category	Condition Index Range	Description of Condition
Failed	<30	Impassable, unsafe, needs major reconstruction
Poor	30-45	Passable, marginally safe, needs major repair
Fair	46-60	Average, functions as designed, needs routine maintenance and repair
Good	61-85	Safe and very suitable for its purpose, needs preventative maintenance
Excellent	>85	New or like new, no repair needed

It is the goal of the Washington County Engineer that 90% of the County roads are rated at fair or better condition.

Bridges

Bridges are evaluated annually as required by law and following the Ohio Department of Transportation inspection and inventory guidelines. Bridges are rated by a general appraisal as follows:

Bridge General Appraisal Rating	Description of Condition
9	Excellent, new or like new
8	Very good, no problems
7	Good, minor maintenance deterioration of structural elements
6	Satisfactory, minor deterioration of structural elements
5	Fair, still functioning as designed, minor section loss to structural elements, non-structural deterioration
4	Poor, needs major repair or manitenance, to continue to function, load reduction may be needed.
3	Serious, needs major rehabilitation to continue to function, may need load reduction
2	Critical, not functioning as designed, load reduction, replacement needed
1	Closed

It is the goal to maintain the Washington County bridges such that 90% have general appraisals of 5 or higher.

Washington County, Ohio
Required Supplementary Information
Condition Assessments of the County's Infrastructure
Reported Using the Modified Approach
December 31, 2012

The following summarized the road and bridge conditions as of December 31, 2012, 2011, 2010, and 2009:

Condition Category	Road Condition as of December 31,							
	2012		2011		2010		2009	
	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation
Excellent	54%	100%	37%	100%	33%	100%	36%	100%
Good	43%	46%	60%	63%	61%	67%	60%	64%
Fair	3%	3%	2%	3%	4%	6%	4%	4%
Poor	0%	0%	1%	1%	2%	2%	0%	0%
Failed	0%	0%	0%	0%	0%	0%	0%	0%

Bridge General Appraisal	Bridge Condition as of December 31,							
	2012		2011		2010		2009	
	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation
9	2%	2%	2%	2%	2%	2%	0%	0%
8	16%	18%	13%	15%	8%	10%	4%	4%
7	46%	64%	50%	65%	41%	51%	31%	35%
6	30%	94%	27%	92%	35%	86%	44%	79%
5	5%	99%	7%	99%	10%	96%	16%	95%
4	1%	100%	1%	100%	4%	100%	5%	100%
3	0%	100%	0%	100%	0%	100%	0%	100%
2	0%	100%	0%	100%	0%	100%	0%	100%
1	0%	100%	0%	100%	0%	100%	0%	100%

Budget versus actual expenditures for roads and bridges maintenance for 2012, 2011, 2010, and 2009:

Total Road and Bridge Maintenance Expense	Budgeted	Actual	Difference
2012	\$4,418,737	\$3,568,781	\$849,956
2011	4,423,983	3,644,083	779,900
2010	5,940,672	4,467,918	1,472,754
2009	4,594,964	3,726,816	868,148

WASHINGTON COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass-Through Entity Number or	Federal CFDA	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0128	10.561	\$ 409,204
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Cash Assistance:			
School Breakfast Program	2011/2012	10.553	22,377
National School Lunch Program	2011/2012	10.555	32,867
Summer Food Service Program for Children	2011/2012	10.559	28,241
Total Child Nutrition Cluster			<u>83,485</u>
Total U.S. Department of Agriculture			492,689
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants - State's Program Cluster			
Community Development Block Grants - State's Program	B-F-09-077-1	14.228	2,091
	B-F-10-1CY-1		39,992
	B-C-10-1CY-1		67,034
	B-W-10-1CY-1		111,074
	B-F-11-1CY-1		159,439
	B-F-12-1CY-1		1,830
			<u>381,460</u>
ARRA - Community Development Block Grants - State's Program	B-R-09-077-1	14.255	115,572
Total Community Development Block - State's Program Cluster			<u>497,032</u>
HOME Investment Partnerships Program	B-C-10-1CY-2	14.239	258,899
Total U.S. Department of Housing and Urban Development			755,931
<u>UNITED STATES DEPARTMENT OF INTERIOR</u>			
<i>Passed through the Ohio Department of Natural Resources</i>			
Payments in Lieu of Taxes	2011	15.226	56,226
Total United States Department of Interior			56,226
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through Ohio Office of Criminal Justice Services:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	2010-JG-A02-6805	16.738	11,951
	2011-JG-LLE-5147		1,526
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>13,477</u>
<i>Passed Through Ohio Attorney General's Office:</i>			
Crime Victim Assistance	2012VAGENE253	16.575	16,432
	2013VAGENE253		5,479
Total Crime Victim Assistance			<u>21,911</u>
Total U.S. Department of Justice			35,388
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	PID #87590	20.205	200,000
	PID #91538		4,863
	PID #92311		21,389
Total Highway Planning and Construction			<u>226,252</u>
Federal Transit - Formula Grants	OH-90-X760	20.507	157,381
	OH-95-X077		54,589
	OH-04-0068		69,440
Total Federal Transit Formula Grants			<u>281,410</u>

WASHINGTON COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i>	Pass-Through Entity Number or Grant Year	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF TRANSPORTATION (Continued)</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
State and Community Highway Safety	HVEO-2012-84-00-00-00450-00	20.600	17,386
Total U.S. Department of Transportation			525,048
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	2012	84.027	41,269
Special Education - Preschool Grants	2012	84.173	12,141
Total Special Education Cluster			53,410
<i>Passed Through Ohio Department of Health</i>			
Special Education - Grants for Infants and Families	08410021HG0312 08410021HG0413	84.181	82,558 73,228
Total Special Education - Grants for Infants and Families			155,786
Total U.S. Department of Education			209,196
<u>U.S. ELECTION ASSISTANCE COMMISSION</u>			
<i>Passed through the Ohio Secretary of State:</i>			
Help America Vote Act Requirements Payments	2012	90.401	1,582
Total United States Election Assistance Commission			1,582
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Social Services Block Grant</u>			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Social Services Block Grant	2012	93.667	45,492
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Social Services Block Grant	G-1213-11-0128	93.667	389,316
<i>Passed Through Ohio Department of Mental Health:</i>			
Social Services Block Grant	2012 2013	93.667	42,780 6,766
Total Social Services Block Grant			484,354
<u>Title XIX - Medical Assistance Program</u>			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Medical Assistance Program	N/A	93.778	112,664
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Medical Assistance Program	G-1213-11-0128	93.778	411,353
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Medical Assistance Program	N/A	93.778	3,998
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program	N/A	93.778	10,242
Total Title XIX - Medical Assistance Program			538,257
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Block Grants for Prevention and Treatment of Substance Abuse	2012 2013	93.959	131,092 45,582
	84-2293-WOMENP-P-12-9011		20,596
	84-2293-WOMENP-P-13-9011		7,015
Total Block Grants for Prevention and Treatment of Substance Abuse			204,285
<i>Passed Through Ohio Department of Mental Health</i>			
Substance Abuse and Mental Health Services Grant - Projects of Regional and National Significance	2012	93.243	20,444
Block Grants for Community Mental Health Services	2012 2013	93.958	22,548 10,603
Total Block Grants for Community Mental Health Services			33,151

WASHINGTON COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i>	Pass-Through Entity Number or Grant Year	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Promoting Safe and Stable Families	5AU-12-100-22	93.556	22,266
	5AU-13-100-22		11,998
	G-1213-11-0130		91,209
Total Promoting Safe and Stable Families			<u>125,473</u>
Temporary Assistance for Needy Families	G-1213-11-0128	93.558	1,730,364
Total Temporary Assistance for Needy Families			<u>5,229</u> 1,735,593
Child Support Enforcement	G-1213-11-0129	93.563	500,741
Child Care and Development Block Grant	G-1213-11-0128	93.575	76,609
Stephanie Tubbs Jones Child Welfare Services Program	G-1213-11-0130	93.645	52,805
Foster Care - Title IV-E	G-1213-11-0130	93.658	361,261
Adoption Assistance	G-1213-11-0130	93.659	295,522
Chafee Foster Care Independence Program	G-1213-11-0130	93.674	13,794
Children's Health Insurance Program (SCHIP)	G-1213-11-0128	93.767	7,497
<i>Passed Through Ohio Secretary of State:</i>			
Voting Access for Individuals with Disabilities - Grants to States	HHS Grant Funds	93.617	<u>2,889</u>
Total U.S. Department of Health and Human Services			4,452,675
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>			
<i>Direct Award:</i>			
Retired and Senior Volunteer Program	10SRNOH006	94.002	<u>42,554</u>
Total Corporation for National and Community Service			42,554
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Emergency Management Agency</i>			
Disaster Grant - Public Assistance	FEMA-4002-OH	97.036	3,731
	FEMA-4077-OH		69,428
Total Disaster Grant - Public Assistance			<u>73,159</u>
Emergency Management Performance Grants	EMW-2011_EP-0003-S01	97.042	43,166
	EMW-2012-EP-00004-S01		8,085
Total Emergency Management Performance Grants			<u>51,251</u>
Homeland Security Grant Program	2009-SS-T9_0089	97.067	<u>72,014</u>
Total U.S. Department of Homeland Security			<u>196,424</u>
Total Federal Awards Expenditures			<u>\$ 6,767,713</u>

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

WASHINGTON COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENT MONITORING

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

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

NOTE C – CHILD NUTRITION CLUSTER

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

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

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

These loans are collateralized by mortgages on the property. At December 31, 2012, the gross amount of loans outstanding under this program was \$2,076.

NOTE E – MATCHING REQUIREMENTS

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

NOTE F - TITLE XIX MEDICAL ASSISTANCE PROGRAM

ARRA/eFMAP Reconciliation Amount: During the calendar year, the County Board of Developmental Disabilities (ACBDD) received a refund for eFMAP (ARRA) funds for the Medicaid Program (CFDA #93.778) in the amount of \$318 from the Ohio Department of Developmental Disabilities (DODD). This refund was a correction to the eFMAP percentage for four billing cycles during July and August 2009. This revenue is not listed on the County's Schedule of Expenditures of Federal Awards (SEFA) since the underlying expenses occurred in prior reporting periods.



Dave Yost • Auditor of State

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

Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 29, 2013. Our report refers to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits from the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of WASCO, Inc., as described in our report on the County's financial statements. The financial statements of WASCO, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Dave Yost
Auditor of State

Columbus, Ohio

August 29, 2013



Dave Yost • Auditor of State

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

Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Washington County, Ohio (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2012. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the County's major federal programs.

Management's Responsibility

The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

The County's basic financial statements include the operations of WASCO, Inc., a discretely presented component unit. Our audit of Federal awards, described below, did not include the operations of WASCO, Inc., because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of Federal awards for the year ended December 31, 2012, it was not subject to OMB Circular A-133 audit requirements.

Basis for Qualified Opinion on the Temporary Assistance for Needy Families and the Social Services Block Grant Programs

As described in Finding 2012-001 in the accompanying Schedule of Findings, the County did not comply with requirements regarding activities allowed and unallowed and allowable costs and cost principles applicable to its Temporary Assistance for Needy Families and Social Services Block Grant major federal programs. Compliance with these requirements is necessary, in our opinion, for the County to comply with requirements applicable to these programs.

Qualified Opinion on the Temporary Assistance for Needy Families and the Social Services Block Grant Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Temporary Assistance for Needy Families and the Social Services Block Grant Programs* paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Temporary Assistance for Needy Families and Social Services Block Grant programs for the year ended December 31, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Washington County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings for the year ended December 31, 2012.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2012-001 to be a material weakness.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

August 29, 2013

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WASHINGTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified - Community Development Block Grants – State's Program Cluster, CFDA #14.228 and #14.255, Federal Transit – Formula Grants, CFDA #20.507, Foster Care – Title IV-E, CFDA #93.658 and Adoption Assistance, CFDA #93.659 Qualified - Temporary Assistance for Needy Families, CFDA #93.558 and the Social Security Block Grant, CFDA # 93.667
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	- Community Development Block Grants – State's Program Cluster, CFDA 14.228, 14.255 - Federal Transit – Formula Grants, CFDA #20.507 - Temporary Assistance for Needy Families, CFDA #93.558 - Foster Care – Title IV-E, CFDA #93.658 - Adoption Assistance, CFDA #93.659 - Social Security Block Grant, CFDA # 93.667
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

WASHINGTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012
(Continued)

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

There were no findings related to the financial statements required to be reported.

3. FINDINGS FOR FEDERAL AWARDS

1. Activities Allowed and Unallowed and Allowable Costs and Cost Principles

Finding Number	2012-001
CFDA Titles and Numbers	Temporary Assistance for Needy Families, CFDA #93.558 Social Security Block Grant, CFDA # 93.667
Federal Award Number / Year	G-1213-11--0128
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance and Material Weakness

2 C.F.R., Part 225, Section 8.h(6)(a) provides that substitute systems which use sampling methods (primarily for Temporary Assistance to Needy Families (TANF), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including: (i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection 8.h.(6)(c) of this appendix; (ii) The entire time period involved must be covered by the sample; and (iii) The results must be statistically valid and applied to the period being sampled.

Ohio Admin. Code Section 5101:9-7-20(F)(3) states that in accordance with federally accepted timelines, the Random Moment Sample (RMS) coordinator shall review and approve by accepting all observation moment responses within forty-eight hours.

We found 56% of observation moment responses tested were not accepted by the RMS coordinator within forty-eight hours. This could result in the miscalculation of allocation statistics used to distribute cost pool expenditures to the appropriate programs.

We recommend the RMS coordinator accept all observation moment responses within forty-eight hours.

Officials Response and Corrective Action Plan: Rule 5101:9-7-20(F)(3) states the RMS coordinator shall review and approve by accepting all observation moment responses within forty-eight hours. It was our understanding that the forty-eight hour time period started after the twenty-four hour employee response time which would result in a total of seventy-two hours. All of the observations tested were coded correctly; however were not accepted within the forty-eight hour period. Immediately upon clarification of the rule, the Chief Fiscal Officer/RMS Coordinator began approving all observations within forty-eight hours and will continue to do so indefinitely. Additionally, the Chief Fiscal Officer/RMS Coordinator will be purchasing an I-Pad to ensure the observations are approved timely.

WASHINGTON COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
DECEMBER 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Finding for recovery for public monies illegally expended was issued against Jolena Best, former CSEA Fiscal Communication Supervisor, in the amount of \$468, in favor of the CSEA Fund of Washington County	No	Not corrected. As of December 31, 2012, no payments have been made.
2009-001	Finding for recovery for public property converted or misappropriated was issued against Charles Moody, former Maintenance Supervisor, in the amount of \$67,593, in favor of the General Fund of Washington County.	No	Not corrected. As of December 31, 2012 the County has recovered \$53,170.
2011-01	Federal noncompliance, Material Weakness for exceeding the 15-day, \$5,000 rule relating to the CDBG program.	No	Partially corrected. Repeated in a separate letter to management,
2011-02	Federal noncompliance, Material Weakness for not maintaining adequate time and effort documentation relating to the VRP 3 Grant resulting in \$20,057 in questioned costs.	Yes	Finding no longer valid.
2010-001	Federal noncompliance, Material Weakness for charging indirect costs absent of an indirect cost rate by a cognizant federal agency and detailed documentation supporting these costs. This resulted in \$25,509.53 in questioned costs.	Yes	Finding no longer valid.

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Dave Yost • Auditor of State

WASHINGTON COUNTY FINANCIAL CONDITION

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 10, 2013