



**Auditor of State  
Betty Montgomery**



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

**INDEPENDENT ACCOUNTANTS' REPORT**

Pickaway County  
207 South Court Street  
Circleville, Ohio 43113

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pickaway County, Ohio, (the "County") as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Brooks-Yates Center for Diversified Opportunities, Inc., one of the County's discretely presented component units, which represents 80%, 88%, and 76% of the assets, revenues, and net assets respectively, of the aggregate discretely presented component units. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for the Brooks-Yates Center for Diversified Opportunities, Inc. on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pickaway County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Auto License and Gas Tax, Job and Family Services, and Board of Mental Retardation funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 4 to the basic financial statements, net assets in the Governmental Activities were restated as of January 1, 2004, to adjust for long-term debt belonging to Brooks-Yates Center for Diversified Opportunities.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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



**Betty Montgomery**  
Auditor of State

September 9, 2005

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

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The discussion and analysis of Pickaway County's financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the County's financial performance.

### **Financial Highlights**

Key financial highlights for 2004 are as follows:

- The assets of the County exceeded its liabilities at December 31, 2004, by \$35,762,416. Of this amount, \$313,621 may be used to meet the County's ongoing obligations to citizens and creditors.
- The net assets of governmental activities decreased \$52,673, which represents a 0.1 percent decrease from 2003, while the net assets of business-type activities decreased \$82,054, which represents a 45.3 percent decrease.
- For 2004, the Governmental Activities revenues of the County totaled \$30,338,541. General revenues accounted for \$13,041,193 in revenue or 43.0 percent. Program revenues in the form of charges for services and grants and contributions accounted for \$17,297,348 or 57.0 percent.
- The County had \$30,391,214 in expenses related to governmental activities: only \$17,297,348 of these expenses was offset by program specific charges for services, grants and contributions. General revenues were \$13,041,193 of which \$10,204,956 was taxes with the remaining \$2,836,237 interest, grants, entitlements and miscellaneous revenues.
- As of December 31, 2004, the County's governmental funds reported combined ending fund balances of \$9,206,391, an increase of \$496,388 or 5.7 percent in comparison with the prior year.

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

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

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

#### *Government-Wide Financial Statements*

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

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

The statement of activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs,

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regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

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

**Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The countywide sewer operation is reported here.

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

#### *Fund Financial Statements*

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into one of three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

**Proprietary Funds** - The County maintains two different types of proprietary funds. It uses Enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Countywide Sewer and Instant Web Check funds.

The County uses an internal service fund to account for its self-funded Health Insurance. Because the service of this fund predominately benefits governmental rather than business-type operations, this has been included with governmental activities in the government-wide financial statements.



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

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

**Government-Wide Financial Analysis**

You may recall that the statement of net assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2004 compared to 2003:

Table 1  
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<i>Assets:</i>						
Current and Other Assets	\$19,119,698	\$17,237,920	\$65,417	\$120,922	\$19,185,115	\$17,358,842
Capital Assets, Net	27,438,912	27,675,325	1,544,588	1,115,706	28,983,500	28,791,031
Total Assets	<u>46,558,610</u>	<u>44,913,245</u>	<u>1,610,005</u>	<u>1,236,628</u>	<u>48,168,615</u>	<u>46,149,873</u>
<i>Liabilities:</i>						
Current Liabilities	7,008,577	6,060,114	35,160	14,144	7,043,737	6,074,258
Long-Term Liabilities	3,886,621	3,137,046	1,475,841	1,041,426	5,362,462	4,178,472
Total Liabilities	<u>10,895,198</u>	<u>9,197,160</u>	<u>1,511,001</u>	<u>1,055,570</u>	<u>12,406,199</u>	<u>10,252,730</u>
<i>Net Assets:</i>						
Invested in Capital Assets, Net of Related Debt	26,908,715	27,024,946	68,747	74,280	26,977,462	27,099,226
<i>Restricted For:</i>						
Capital Outlay	1,307,159	737,487	0	0	1,307,159	737,487
Other Purposes	7,164,174	5,314,900	0	0	7,164,174	5,314,900
Unrestricted	<u>283,364</u>	<u>2,638,752</u>	<u>30,257</u>	<u>106,778</u>	<u>313,621</u>	<u>2,745,530</u>
Total Net Assets	<u>\$35,663,412</u>	<u>\$35,716,085</u>	<u>\$99,004</u>	<u>\$181,058</u>	<u>\$35,762,416</u>	<u>\$35,897,143</u>

Governmental current assets increased for the year ended 2004 when compared with 2003. The majority of the increase is due to increase in intergovernmental receivables related to operating grants, gas tax, and motor vehicle permissive tax monies.

Current liabilities increased due to increase in claims payable as this is a new item in 2004. Additionally, there was an increase in accounts payable in Job and Family Services and other governmental funds. There was an increase in deferred revenue which includes property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations.

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, overall, assets exceeded liabilities by \$35,762,416 (\$35,663,412 in governmental activities and \$99,004 in business-type activities) at the end of the 2004 year.

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

The County's largest portion of net assets relates to invested in capital assets, net of related debt. This accounts for 75.7 percent of net assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

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The County's smallest portion of net assets is unrestricted. This accounts for 0.1 percent of net assets. These net assets represent resources that may be used to meet the County's ongoing obligations to its citizens and creditors.

The remaining balance of \$8,471,333 or 24.2 percent is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

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

Business type current assets decreased due to increases in operating expenses which decreases cash and cash equivalents. Capital assets increased due to construction improvements to the Darby Township sanitary sewer system. Long term liabilities increased due to increase in loans from the Ohio Water Development Authority for the construction improvements to the Darby Township sanitary sewer system.

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Table 2 shows the changes in net assets for 2004 compared to 2003.

Table 2  
 Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<i>Program Revenues:</i>						
Charges for Services	\$3,372,897	\$3,091,891	\$176,752	\$143,268	\$3,549,649	\$3,235,159
Operating Grants & Contributions	13,741,048	11,081,928	0	0	13,741,048	11,081,928
Capital Grants & Contributions	183,403	956,488	7,841	0	191,244	956,488
<b>Total Program Revenues</b>	<b>17,297,348</b>	<b>15,130,307</b>	<b>184,593</b>	<b>143,268</b>	<b>17,481,941</b>	<b>15,273,575</b>
<i>General Revenues:</i>						
Property Taxes	4,666,820	5,037,313	0	0	4,666,820	5,037,313
Sales Taxes	5,538,136	5,399,205	0	0	5,538,136	5,399,205
Grants & Entitlements	1,064,164	1,386,007	0	0	1,064,164	1,386,007
Interest	214,170	350,076	0	0	214,170	350,076
Miscellaneous	1,557,903	1,583,203	204	9,528	1,565,948	1,592,731
<b>Total General Revenues</b>	<b>13,041,193</b>	<b>13,755,804</b>	<b>204</b>	<b>9,528</b>	<b>13,041,397</b>	<b>13,765,332</b>
<b>Total Revenues</b>	<b>30,338,541</b>	<b>28,886,111</b>	<b>184,797</b>	<b>152,796</b>	<b>30,523,338</b>	<b>29,038,907</b>
<i>Program Expenses:</i>						
<i>General Government:</i>						
Legislative & Executive	4,443,749	3,763,161	0	0	4,443,749	3,763,161
Judicial	1,741,501	1,722,578	0	0	1,741,501	1,722,578
Public Safety	6,490,714	5,618,677	0	0	6,490,714	5,618,677
Public Works	3,975,123	5,294,650	0	0	3,975,123	5,294,650
Health	4,073,482	3,943,611	0	0	4,073,482	3,943,611
Human Services	7,857,715	6,821,011	0	0	7,857,715	6,821,011
Conservation & Recreation	387,141	429,380	0	0	387,141	429,380
Economic Development & Assistance	1,089,599	409,826	0	0	1,089,599	409,826
Other	248,518	210,310	0	0	248,518	210,310
Interest & Fiscal Charges	83,672	95,871	0	0	83,672	95,871
Countywide Sewer	0	0	266,752	157,514	266,752	157,514
Instant Web Checks	0	0	99	0	99	
<b>Total Program Expenses</b>	<b>30,391,214</b>	<b>28,309,075</b>	<b>266,851</b>	<b>157,514</b>	<b>30,658,065</b>	<b>28,466,589</b>
<i>Changes in Net Assets</i>	<i>(52,673)</i>	<i>577,036</i>	<i>(82,054)</i>	<i>(4,718)</i>	<i>(134,727)</i>	<i>572,318</i>
Net Assets at January 1	35,716,085	35,139,049	181,058	185,776	35,897,143	35,324,825
<b>Net Assets at December 31</b>	<b>\$35,663,412</b>	<b>\$35,716,085</b>	<b>\$99,004</b>	<b>\$181,058</b>	<b>\$35,762,416</b>	<b>\$35,897,143</b>

**Governmental Activities**

The most significant program expenses for the County are Human Services, Public Safety, Legislative and Executive, Health, and Public Works. These programs account for 88.3 percent of the total governmental activities. Human Services, which accounts for 25.9 percent of the total, represents costs associated with providing services for the Workforce Investment Act, child support and enforcement assistance programs, welfare programs, and Byrne program for families and individuals. These expenses reflect programs administered by Job and Family Services, Child Support Enforcement Agency, and Children Services. Public Safety, which represents 21.4 percent of the total, represents costs mainly associated with the operation of the Sheriff's Department and County Jail. Public Works, which accounts for 13.1 percent of the total, represents costs associated with the operation of the County Engineer in maintaining the County's roads and bridges. Health, which accounts for 13.4 percent of the total, primarily represents costs associated with the services provided by the Board of Mental Retardation. Legislative and Executive expenses, which is 14.6 percent of the total, represents costs associated with the general administration of county government including the County Commissioners, Auditor, Treasurer, Prosecutor and Recorder. Funding for the most significant programs indicated above is from charges for services, operating and capital grants, and in some instances property and sales taxes. The Job and Family Services, Child Support Enforcement Agency, Children Services, and Clerk of Courts are basically funded with federal and state monies. The operation of the Sheriff's Department and County Jail is funded through General Fund general revenues and per diem charges to house prisoners from other jurisdictions.

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The Board of Mental Retardation is partially funded by a voted property tax levy. The most significant funding sources for the County Engineer are motor vehicle license fees and gasoline taxes.

As noted previously, the net assets for the governmental activities decreased \$52,673 or 0.1 percent. This is a change from last year when net assets increased \$577,036 or 1.6 percent. Total revenues of the Governmental Activities increased \$1,452,430 or 5.0 percent over last year and expenses increased \$2,082,139 or 7.4 percent over last year.

The major factors in the change in revenues are significant increases in program revenues for operating grants, and decreases in capital grants and contributions, decreases general revenues for property taxes, and decreases in grants and entitlements. Operating grants increased \$2,659,120 or 23.9 percent, which is the result of increased gasoline and license tax funding in the Auto, License, and Gas Tax fund and increase in grant funding in Job and Family Services and Board of Mental Retardation. Capital grants decreased \$773,085 which is due to decreases in Issue II funding from Ohio Public Works Commission. Property taxes decreased \$370,493 or 7.4%. This is due to the reduction of the personal property tax on business inventory based on area plant closures. Grants and entitlements decreased \$321,843 or 23.2 percent. This is due to decrease in local government assistance and homestead and rollback exemption reimbursement.

Expenses increased 7.4 percent during 2004. Several factors led to this increase. Legislative and Executive expenditures increased \$680,588 or 18 percent. This increase is due to increases in insurance coverage on county property, salaries and benefits, and health insurance. Public Safety expenditures increased \$872,037 or 15.5 percent which is the result of increases in salaries, benefits, medical and vehicle expenses in the Sheriff department, equipment purchases, salaries and benefits related to funding received from the Department of Justice Terrorism grant. Public Works decreased \$1,319,527 or 24.9 percent which is due to decreases in Issue II funding from Ohio Public Works and less expenditures on public works projects. Human Services increased \$1,036,704 or 15.2 percent which is the result of the increases in salaries and benefits in providing social services to the public and providing services under the Workforce Investment Act and other grant programs. Economic Development and Assistance expenditures increased \$679,773 or 166 percent. This increase is due to increases in providing services for persons eligible for community development block grants and contract expenses associated with the reconstruction of Crites Road and U.S. 23.

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
	2004	2004	2003	2003
<i>General Government:</i>				
Legislative and Executive	\$4,443,749	\$2,513,495	\$3,763,161	\$2,233,482
Judicial	1,741,501	1,123,246	1,722,578	1,011,420
Public Safety	6,490,714	5,119,460	5,618,677	4,743,723
Public Works	3,975,123	(872,253)	5,294,650	314,133
Health	4,073,482	2,417,349	3,943,611	2,379,313
Human Services	7,857,715	1,750,024	6,821,011	1,722,800
Conservation and Recreation	387,141	371,216	429,380	422,635
Economic Development and Assistance	1,089,599	339,139	409,826	45,081
Other	248,518	248,518	210,310	210,310
Interest and Fiscal Charges	83,672	83,672	95,871	95,871
<b>Total Expenses</b>	<b>30,391,214</b>	<b>13,093,866</b>	<b>\$28,309,075</b>	<b>\$13,178,768</b>

Of the \$30,391,214 total governmental activities expenses, \$17,297,348 or 57 percent was covered by direct charges to users of the services and intergovernmental grants. The majority of program revenues are grants, with the remaining

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portion consisting of fees and charges for services. These charges are for fees charged for real estate transfers, for the collection of property taxes throughout the County, for title fees and for court fees.

Public Safety charges for services include items such as fees for boarding prisoners, patrolling subdivisions, and for special details. Health includes charges for services provided to clients of the Mental Retardation Board. For Public Works, the County Engineer has fully funded their operations.

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

### **Business-Type Activities**

In the past, program revenues had been adequate to cover the costs of operation for the County's business-type activities. This year, net assets decreased by \$82,054 or 45.3 percent. For 2004, there was an increase in revenues and expense which was the result of increased activity due to new customers being added during the year.

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

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

As of the end of the current year, the County's governmental funds reported combined ending fund balances of \$9,206,391. Of this total, \$9,032,781 represents unreserved fund balance, which is available for appropriation at the government's discretion within certain legal constraints and purposes restrictions. The remainder of fund balance is reserved to indicate that it is not available for new spending. While a large amount of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the statement of net assets due to their being restricted for use for a particular purpose mandated by the source of the resources such as the state or federal government or the local tax levy.

The General Fund is the primary operating fund of the County. At the end of the 2004, unreserved fund balance of the General Fund was \$2,870,685. Unreserved fund balance represents 25.2 percent of expenditures. This is one measurement of the General Fund's liquidity. The fund balance of the General Fund decreased by \$427,461, with revenues exceeding expenditures by \$359,951, the reason for the decrease is transfers made to subsidize several programs of the county.

The Auto, License and Gas Tax Fund balance increased by \$192,741 which is due to increased gasoline and license tax funding. The Job and Family Services Fund balance decreased by \$186,545, which is the result of increases in salaries, benefits, and other expenditures in providing social services to the public. The Board of Mental Retardation Fund balance increased by \$197,418, which is the result of expending less than originally planned.

**Proprietary Funds** - The County's major proprietary fund is the Countywide Sewer Fund, which accounts for the providing of sewer services to several subdivisions. Net assets of the proprietary funds at year end were \$99,004, of which \$30,257 was unrestricted.

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

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

The County had several revisions to the original appropriations approved by the County Commissioners. Overall these changes resulted in an increase from the original appropriations of 6.6 percent or \$811,841 in the General Fund. The majority of the increase occurred in the Public Safety and Legislative and Executive expenditure functions of \$209,366 and \$285,798, respectively. The increase in the Public Safety is largely due to the increased costs for uniforms, vehicles, and

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

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other equipment of the Sheriff's Department. The increase in Legislative and Executive is due to increase costs for insurance. The County spent 94.4 percent of the amount appropriated in the General Fund during 2004. The General Fund's budgeted revenue only increased \$135,001 over the original amount during 2004. This is a result of Pickaway County's steady economic conditions. Fluctuations in growth and diversity have typically not occurred in Pickaway County, allowing departmental managers the ability to consistently predict revenues. The County does not increase its estimated revenues unless there are insufficient revenues to cover the total appropriations of the General Fund.

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

#### *Capital Assets*

The County's capital assets for its governmental and business-type activities as of December 31, 2004 amount to \$28,983,500 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, improvements other than buildings, machinery and equipment, furniture and fixtures, vehicles, and infrastructure.

The most significant capital asset events during 2004 were improvements to the County's infrastructure, which included \$351,654 for the paving of six miles of County roads, \$228,843 for the repair or replacement of four bridges, and \$191,784 for additions to culverts throughout the County.

Business type Capital assets increased \$434,415 due to Construction In Progress to the Darby Township sanitary sewer system.

For more information regarding the County's capital assets, see Note 9 of the notes to the basic financial statements.

#### *Debt*

Outstanding special assessment bonds at December 31, 2004, totaled \$133,000 with \$5,000 being retired during the year. Special assessment bonds are backed by the full faith and credit of the County. In the event of payment default by the property owner, the County would be responsible for the debt service payments.

General obligation notes outstanding at December 31, 2004 were \$2,359,298 with \$269,253 being retired during the year. These notes relate to proceeds used for improvements to the County's facilities, finance voting machine equipment, purchase of a building and reconstruction of roads. The County continues to monitor its outstanding debt. Information relative to the County's debt is identified in Notes 10 and 11 of the notes to the basic financial statements.

Loans outstanding at December 31, 2004, were \$1,475,841 in loans from the Ohio Water Development Authority. This relates to proceeds used to complete renovations of the Darby Creek Sanitary Sewer System. The Ohio Water Development Authority has approved this loan up to and not to exceed \$2,032,515 for this sewer project.

### **Economic Factors**

The County's budget for the General Fund in 2005 is conservative. Revenues are projected to come in at 4.6 percent less than what was actually received in 2004 and appropriations for 2005 are 1.8 percent larger than the actual expenditures for 2004. The budget in 2005, calls for a reduction in the ending fund balance of approximately \$799,411 or 33.3 percent.

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

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

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property taxes collected both in 2005 and in the future, as well as the overall unemployment levels in the County.

The County is expecting to see a small incline in sales tax revenue near the end of 2005 as a result of the construction of the new Walmart and other retail stores that are to locate within the County. Tremendous residential growth is happening in the northern part of our County because of the proximity to Columbus and Franklin County. Also to the north, land for an Intermodal facility is being purchased by Norfolk-Southern Railroad from private landowners. Construction is anticipated to begin in the fall of 2005 and operation of the container freight yard is to begin in the spring of 2006, but it could take several years before the County realizes the benefits of this industry and distribution. The County remains in constant discussion with the City of Columbus in trying to form a Joint Economic Development District. The District would include Pickaway County's portion of Rickenbacker Airport Authority. The County has also been invited to attend informational meetings with the Solid Waste District of Central Ohio. They are looking at the possibility of bringing Agricultural Business to Pickaway County. A search for a new Economic Development Director has been conducted and a talented person has been hired to assist in bringing business and industry to our County.

The County's business-type activity is projected to increase from the level in 2004. The rates charged increased and new customers are being serviced by the sewer district.

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

**Pickaway County, Ohio**

*Statement of Net Assets*

*December 31, 2004*

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Pickaway County Airport Authority	Brooks-Yates Center Diversified Opportunities, Inc.
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$9,067,447	\$46,060	\$9,113,507	\$0	\$0
Cash and Cash Equivalents in					
Segregated Accounts	109,887	0	109,887	48,252	55,560
With Fiscal Agents	60,747	0	60,747		
Materials and Supplies Inventory	356,876	0	356,876	0	0
Accrued Interest Receivable	88,393	0	88,393	0	0
Accounts Receivable	4,095	19,715	23,810	0	49,206
Internal Balance	358	(358)	0	0	0
Intergovernmental Receivable	3,920,636	0	3,920,636	0	0
Sales Taxes Receivable	915,351	0	915,351	0	0
Property Taxes Receivable	4,348,470	0	4,348,470	0	0
Special Assessments Receivable	133,579	0	133,579	0	0
Prepaid Items	113,859	0	113,859	0	0
Workers Compensation Deposit	0	0	0	0	624
Nondepreciable Capital Assets	1,362,665	1,489,805	2,852,470	0	0
Depreciable Capital Assets, Net	26,076,247	54,783	26,131,030	0	92,412
<i>Total Assets</i>	<u>46,558,610</u>	<u>1,610,005</u>	<u>48,168,615</u>	<u>48,252</u>	<u>197,802</u>
<b>Liabilities:</b>					
Accounts Payable	1,078,265	5,337	1,083,602	0	18,257
Accrued Wages and Benefits	1,054,746	1,635	1,056,381	0	13,893
Contracts Payable	58,272	28,188	86,460	0	0
Intergovernmental Payable	312,105	0	312,105	0	0
Accrued Interest Payable	8,550	0	8,550	0	0
Deferred Revenue	4,117,884	0	4,117,884	0	0
Claims Payable	227,587	0	227,587	0	0
Deposits Held and Due To Others	131,303	0	131,303	0	0
Due To Component Unit	19,865	0	19,865	0	0
<i>Long-Term Liabilities:</i>					
Due Within One Year	730,212	81,224	811,436	0	10,893
Due In More Than One Year	3,156,409	1,394,617	4,551,026	0	0
<i>Total Liabilities</i>	<u>10,895,198</u>	<u>1,511,001</u>	<u>12,406,199</u>	<u>0</u>	<u>43,043</u>
<b>Net Assets:</b>					
Invested in Capital Assets, Net of Related Debt	26,908,715	68,747	26,977,462	0	81,519
<i>Restricted for:</i>					
Capital Outlay	1,307,159	0	1,307,159	1,471	0
Other Purposes	7,164,174	0	7,164,174	0	0
Unrestricted	283,364	30,257	313,621	46,781	73,240
<i>Total Net Assets</i>	<u>\$35,663,412</u>	<u>\$99,004</u>	<u>\$35,762,416</u>	<u>\$48,252</u>	<u>\$154,759</u>

See accompanying notes to the basic financial statements.



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**Pickaway County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	\$4,443,749	\$1,811,932	\$118,322	\$0
Judicial	1,741,501	499,256	118,999	0
Public Safety	6,490,714	549,685	821,569	0
Public Works	3,975,123	151,122	4,512,851	183,403
Health	4,073,482	175,002	1,481,131	0
Human Services	7,857,715	166,597	5,941,094	0
Conservation and Recreation	387,141	15,925	0	0
Economic Development and Assistance	1,089,599	3,378	747,082	0
Other	248,518	0	0	0
Interest and Fiscal Charges	83,672	0	0	0
<i>Total Governmental Activities</i>	<u>30,391,214</u>	<u>3,372,897</u>	<u>13,741,048</u>	<u>183,403</u>
<b>Business-Type Activities:</b>				
Countywide Sewer	266,752	176,752	0	7,841
Instant Web Checks	99	0	0	0
<i>Total Business-Type Activities</i>	<u>266,851</u>	<u>176,752</u>	<u>0</u>	<u>7,841</u>
<i>Total Primary Government</i>	<u>\$30,658,065</u>	<u>\$3,549,649</u>	<u>\$13,741,048</u>	<u>\$191,244</u>
<b>Component Units:</b>				
Pickaway County Airport Authority	\$82,744	\$58,552	\$10,000	
Brooks-Yates Center Diversified Opportunities, Inc.	528,436	464,827	47,727	
<i>Total Component Units</i>	<u>\$611,180</u>	<u>\$523,379</u>	<u>\$57,727</u>	<u>\$0</u>

**General Revenues:**

*Property Taxes Levied for:*

General Purposes  
Board of Mental Retardation

*Sales Tax for:*

General Purposes  
Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

*Total General Revenues*

Changes in Net Assets

*Net Assets at Beginning of Year, As Restated(see Note 4 and Note 20)*

*Net Assets at End of Year*

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Pickaway County Airport Authority	Brooks-Yates Center Diversified Opportunities, Inc.
(\$2,513,495)	\$0	(\$2,513,495)	\$0	\$0
(1,123,246)	0	(1,123,246)	0	0
(5,119,460)	0	(5,119,460)	0	0
872,253	0	872,253	0	0
(2,417,349)	0	(2,417,349)	0	0
(1,750,024)	0	(1,750,024)	0	0
(371,216)	0	(371,216)	0	0
(339,139)	0	(339,139)	0	0
(248,518)	0	(248,518)	0	0
(83,672)	0	(83,672)	0	0
(13,093,866)	0	(13,093,866)	0	0
\$0	(82,159)	(82,159)		
0	(99)	(99)	0	0
0	(82,258)	(82,258)	0	0
(13,093,866)	(82,258)	(13,176,124)	0	0
0	0	0	(14,192)	0
0	0	0	0	(15,882)
0	0	0	(14,192)	(15,882)
2,441,756	0	2,441,756	0	0
2,225,064	0	2,225,064	0	0
5,159,058	0	5,159,058	0	0
379,078	0	379,078	0	0
1,064,164	0	1,064,164	0	0
214,170	0	214,170	185	208
1,557,903	204	1,558,107	4,211	15,094
13,041,193	204	13,041,397	4,396	15,302
(52,673)	(82,054)	(134,727)	(9,796)	(580)
35,716,085	181,058	35,897,143	58,048	155,339
\$35,663,412	\$99,004	\$35,762,416	\$48,252	\$154,759

**Pickaway County, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2004*

	General	Auto, License and Gas Tax	Job and Family Services	Board of Mental Retardation
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,409,864	\$1,219,716	\$174,774	\$1,052,336
Cash and Cash Equivalents In Segregated Accounts	40,098	16	0	0
Materials and Supplies Inventory	38,521	312,111	0	0
Accrued Interest Receivable	88,393	0	0	0
Accounts Receivable	2,908	1,187	0	0
Interfund Receivable	92,273	358	0	0
Intergovernmental Receivable	866,106	2,055,887	102,351	119,879
Prepaid Items	85,192	0	12,585	16,082
Sales Taxes Receivable	838,346	0	0	0
Property Taxes Receivable	2,286,624	0	0	2,061,846
Special Assessments Receivable	0	0	0	0
<i>Total Assets</i>	<u>\$6,748,325</u>	<u>\$3,589,275</u>	<u>\$289,710</u>	<u>\$3,250,143</u>
<b>Liabilities:</b>				
Accounts Payable	\$278,796	\$101,315	\$270,070	\$64,821
Accrued Wages and Benefits	460,533	111,536	216,695	171,616
Contracts Payable	556	0	0	0
Intergovernmental Payable	110,176	0	161,230	388
Interfund Payable	0	0	13,683	226
Due to Component Unit	0	0	14,611	3,636
Deferred Revenue	2,896,276	1,458,687	0	2,169,313
Deposits Held and Due To Others	131,303	0	0	0
<i>Total Liabilities</i>	<u>3,877,640</u>	<u>1,671,538</u>	<u>676,289</u>	<u>2,410,000</u>
<b>Fund Balances:</b>				
Reserved:				
Reserved for Encumbrances	0	70,400	0	0
Reserved for Debt Service	0	0	0	0
<i>Unreserved, Undesignated, Reported in:</i>				
General Fund	2,870,685	0	0	0
Special Revenue Funds	0	1,847,337	(386,579)	840,143
Debt Service Fund	0	0	0	0
Capital Projects Funds	0	0	0	0
<i>Total Fund Balances</i>	<u>2,870,685</u>	<u>1,917,737</u>	<u>(386,579)</u>	<u>840,143</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,748,325</u>	<u>\$3,589,275</u>	<u>\$289,710</u>	<u>\$3,250,143</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$4,210,757	\$9,067,447
69,773	109,887
6,244	356,876
0	88,393
0	4,095
0	92,631
776,413	3,920,636
0	113,859
77,005	915,351
0	4,348,470
133,579	133,579
<u>\$5,273,771</u>	<u>\$19,151,224</u>
\$363,263	\$1,078,265
94,366	1,054,746
57,716	58,272
40,311	312,105
78,364	92,273
1,618	19,865
673,728	7,198,004
0	131,303
<u>1,309,366</u>	<u>9,944,833</u>
0	70,400
103,210	103,210
0	2,870,685
2,537,486	4,838,387
16,550	16,550
1,307,159	1,307,159
<u>3,964,405</u>	<u>9,206,391</u>
<u>\$5,273,771</u>	<u>\$19,151,224</u>

**Pickaway County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2004*

<b>Total Governmental Funds Balances</b>		\$9,206,391
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		27,438,912
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:		
Property Taxes	311,853	
Intergovernmental Revenue	2,634,688	
Special Assessments	<u>133,579</u>	
Total		3,080,120
In statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds an interest expenditure is reported when due.		(8,550)
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and therefore are not reported in the funds:		
Special Assessment Bonds	(133,000)	
General Obligation Notes	(2,359,298)	
Capital Leases Payable	(196,784)	
Compensated Absences Payable	<u>(1,197,539)</u>	
Total		<u>(3,886,621)</u>
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		<u>(166,840)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$35,663,412</u></u>

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**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2004*

	General	Auto, License and Gas Tax	Job and Family Services	Board of Mental Retardation
<b>Revenues:</b>				
Property Taxes	\$2,485,136	\$0	\$0	\$2,224,379
Sales Tax	5,159,058	0	0	0
Special Assessments	0	0	0	0
Charges for Services	1,867,822	98,831	0	74,939
Licenses and Permits	5,508	0	0	0
Fines and Forfeitures	116,874	173	0	0
Intergovernmental	1,261,522	3,538,790	4,097,702	1,608,233
Interest	207,247	0	0	0
Other	659,620	13,127	372,058	202,659
<i>Total Revenues</i>	<u>11,762,787</u>	<u>3,650,921</u>	<u>4,469,760</u>	<u>4,110,210</u>
<b>Expenditures:</b>				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	3,634,593	0	0	0
Judicial	1,407,850	0	0	0
Public Safety	5,131,153	0	0	0
Public Works	38,506	3,518,837	0	0
Health	44,417	0	0	3,763,524
Human Services	432,547	0	4,832,821	0
Conservation and Recreation	357,212	0	0	0
Economic Development and Assistance	0	0	0	0
Other	248,518	0	0	0
Capital Outlay	60,387	0	0	12,268
<i>Debt Service:</i>				
Principal Retirement	39,206	54,876	27,596	82,984
Interest and Fiscal Charges	8,447	547	3,866	34,016
<i>Total Expenditures</i>	<u>11,402,836</u>	<u>3,574,260</u>	<u>4,864,283</u>	<u>3,892,792</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>359,951</u>	<u>76,661</u>	<u>(394,523)</u>	<u>217,418</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	18,780	0	207,978	0
Proceeds of Notes	0	0	0	0
Inception of Capital Lease	22,997	116,080	0	0
Transfers Out	(829,189)	0	0	(20,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(787,412)</u>	<u>116,080</u>	<u>207,978</u>	<u>(20,000)</u>
<i>Net Change in Fund Balances</i>	<u>(427,461)</u>	<u>192,741</u>	<u>(186,545)</u>	<u>197,418</u>
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>3,298,146</u>	<u>1,724,996</u>	<u>(200,034)</u>	<u>642,725</u>
<i>Fund Balances at End of Year</i>	<u>\$2,870,685</u>	<u>\$1,917,737</u>	<u>(\$386,579)</u>	<u>\$840,143</u>

See accompanying notes to the basic financial statements.



All Other Governmental Funds	Total Governmental Funds
\$0	\$4,709,515
379,078	5,538,136
29,117	29,117
1,117,009	3,158,601
9,210	14,718
63,228	180,275
3,820,726	14,326,973
6,923	214,170
310,439	1,557,903
<u>5,735,730</u>	<u>29,729,408</u>
625,901	4,260,494
303,706	1,711,556
833,918	5,965,071
631,475	4,188,818
151,377	3,959,318
2,357,545	7,622,913
12,983	370,195
1,089,065	1,089,065
0	248,518
376,467	449,122
192,542	397,204
32,947	79,823
<u>6,607,926</u>	<u>30,342,097</u>
<u>(872,196)</u>	<u>(612,689)</u>
712,176	938,934
970,000	970,000
0	139,077
(89,745)	(938,934)
<u>1,592,431</u>	<u>1,109,077</u>
720,235	496,388
<u>3,244,170</u>	<u>8,710,003</u>
<u>\$3,964,405</u>	<u>\$9,206,391</u>

**Pickaway County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2004*

**Net Change in Fund Balances - Total Governmental Funds** \$496,388

*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 depreciation exceeded capital outlays in the current period:

Capital Asset Additions	2,026,566	
Depreciation	<u>(2,184,911)</u>	
Total		(158,345)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (78,068)

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

Property Taxes	16,532	
Intergovernmental Revenue	595,898	
Special Assessments	<u>(4,814)</u>	
Total		607,616

Repayment of principal of long-term (e.g. bonds, notes, leases) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 497,558

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

Proceeds from Sale of Notes	(970,000)	
Inception of Capital Leases	<u>(139,077)</u>	
Total		(1,109,077)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (3,849)

Compensated absences expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds. (138,056)

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among the activities. (166,840)

*Change in Net Assets of Governmental Activities* (\$52,673)

**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Year Ended December 31, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property Taxes	\$2,584,379	\$2,450,300	\$2,485,136	\$34,836
Sales Tax	4,800,683	4,650,000	5,163,469	513,469
Charges for Services	1,467,460	1,744,633	1,869,222	124,589
Licenses and Permits	5,121	9,550	5,508	(4,042)
Fines and Forfeitures	105,710	119,520	113,698	(5,822)
Intergovernmental	1,121,479	1,151,520	1,206,229	54,709
Investment Earnings	232,121	327,400	249,662	(77,738)
Other	792,409	772,660	664,338	(108,322)
<i>Total Revenues</i>	<u>11,109,362</u>	<u>11,225,583</u>	<u>11,757,262</u>	<u>531,679</u>
<b>Expenditures:</b>				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	3,659,713	3,945,511	3,687,965	257,546
Judicial	1,326,227	1,445,606	1,392,648	52,958
Public Safety	5,288,276	5,497,642	5,121,238	376,404
Public Works	70,681	77,030	41,231	35,799
Health	42,298	90,650	44,417	46,233
Human Services	412,494	457,931	433,159	24,772
Conservation and Recreation	343,870	361,172	361,097	75
Other	242,414	279,624	247,750	31,874
Capital Outlay	57,506	60,388	60,387	1
<i>Total Expenditures</i>	<u>11,443,479</u>	<u>12,215,554</u>	<u>11,389,892</u>	<u>825,662</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(334,117)</u>	<u>(989,971)</u>	<u>367,370</u>	<u>1,357,341</u>
<b>Other Financing Sources (Uses):</b>				
Advances In	0	0	31,042	31,042
Advances Out	0	0	(105,839)	(105,839)
Transfers In	0	18,780	18,780	0
Transfers Out	(793,761)	(833,527)	(829,189)	4,338
<i>Total Other Financing Sources (Uses)</i>	<u>(793,761)</u>	<u>(814,747)</u>	<u>(885,206)</u>	<u>(70,459)</u>
<i>Net Change in Fund Balance</i>	(1,127,878)	(1,804,718)	(517,836)	1,286,882
<i>Fund Balance at Beginning of Year</i>	<u>2,921,424</u>	<u>2,921,424</u>	<u>2,921,424</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$1,793,546</u></u>	<u><u>\$1,116,706</u></u>	<u><u>\$2,403,588</u></u>	<u><u>\$1,286,882</u></u>

See accompanying notes to the basic financial statements.

**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*Auto, License and Gas Tax Fund*  
*For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$82,100	\$95,000	\$84,411	(\$10,589)
Fines and Forfeitures	168	200	173	(27)
Intergovernmental	3,313,241	3,275,000	3,406,500	131,500
Other	11,691	37,000	12,020	(24,980)
<i>Total Revenues</i>	3,407,200	3,407,200	3,503,104	95,904
<b>Expenditures:</b>				
<i>Current:</i>				
Public Works	3,560,706	3,974,706	3,514,497	460,209
<i>Total Expenditures</i>	3,560,706	3,974,706	3,514,497	460,209
<i>Net Change in Fund Balance</i>	(153,506)	(567,506)	(11,393)	556,113
<i>Fund Balance at Beginning of Year</i>	1,007,206	1,007,206	1,007,206	0
Prior Year Encumbrances Appropriated	153,506	153,506	153,506	0
<i>Fund Balance at End of Year</i>	\$1,007,206	\$593,206	\$1,149,319	\$556,113

See accompanying notes to the basic financial statements.

**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*Job and Family Services Fund*  
*For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$5,225,033	\$5,225,033	\$3,995,351	(\$1,229,682)
Other	365,036	355,058	397,058	42,000
<i>Total Revenues</i>	5,590,069	5,580,091	4,392,409	(1,187,682)
<b>Expenditures:</b>				
<i>Current:</i>				
Human Services	5,800,069	5,885,063	4,524,164	1,360,899
<i>Total Expenditures</i>	5,800,069	5,885,063	4,524,164	1,360,899
<i>Excess of Revenues Over (Under) Expenditures</i>	(210,000)	(304,972)	(131,755)	173,217
<b>Other Financing Sources :</b>				
Transfers In	198,000	207,978	207,978	0
<i>Total Other Financing Sources</i>	198,000	207,978	207,978	0
<i>Net Change in Fund Balance</i>	(12,000)	(96,994)	76,223	173,217
<i>Fund Balance at Beginning of Year</i>	98,622	98,622	98,622	0
<i>Fund Balance at End of Year</i>	\$86,622	\$1,628	\$174,845	\$173,217

See accompanying notes to the basic financial statements.

**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*Board of Mental Retardation Fund*  
*For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$2,170,000	\$2,170,000	\$2,224,379	\$54,379
Charges for Services	60,000	60,000	74,939	14,939
Intergovernmental	1,208,000	1,209,000	1,595,945	386,945
Other	394,800	393,800	212,068	(181,732)
<i>Total Revenues</i>	<u>3,832,800</u>	<u>3,832,800</u>	<u>4,107,331</u>	<u>274,531</u>
<b>Expenditures:</b>				
<i>Current:</i>				
Health	4,045,447	4,035,448	3,757,216	278,232
Capital Outlay	116,340	116,340	12,268	104,072
<i>Debt Service:</i>				
Principal Retirement	82,984	82,984	82,984	0
Interest and Fiscal Charges	34,016	34,016	34,016	0
<i>Total Expenditures</i>	<u>4,278,787</u>	<u>4,268,788</u>	<u>3,886,484</u>	<u>382,304</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(445,987)</u>	<u>(435,988)</u>	<u>220,847</u>	<u>656,835</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	45,000	45,000	0	(45,000)
Transfers Out	0	(20,000)	(20,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>45,000</u>	<u>25,000</u>	<u>(20,000)</u>	<u>(45,000)</u>
<i>Net Change in Fund Balance</i>	<u>(400,987)</u>	<u>(410,988)</u>	<u>200,847</u>	<u>611,835</u>
<i>Fund Balance Beginning of Year</i>	<u>851,491</u>	<u>851,491</u>	<u>851,491</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$450,504</u></u>	<u><u>\$440,503</u></u>	<u><u>\$1,052,338</u></u>	<u><u>\$611,835</u></u>

See accompanying notes to the basic financial statements.

**Pickaway County, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2004*

	Countywide Sewer District	Other Enterprise Fund	Total Enterprise Funds	Governmental Activity  Internal Service Fund
<b>Assets:</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$45,880	\$180	\$46,060	\$0
Cash and Cash Equivalents with Fiscal Agent	\$0	\$0	\$0	\$60,747
Accounts Receivable	19,715	0	19,715	0
<i>Total Current Assets</i>	<u>65,595</u>	<u>180</u>	<u>65,775</u>	<u>60,747</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,489,805	0	1,489,805	0
Depreciable Capital Assets, Net	54,783	0	54,783	0
<i>Total Noncurrent Assets</i>	<u>1,544,588</u>	<u>0</u>	<u>1,544,588</u>	<u>0</u>
<i>Total Assets</i>	<u>1,610,183</u>	<u>180</u>	<u>1,610,363</u>	<u>60,747</u>
<b>Liabilities:</b>				
<i>Current Liabilities:</i>				
Accounts Payable	5,337	0	5,337	0
Accrued Wages and Benefits	1,635	0	1,635	0
Contracts Payable	28,113	75	28,188	0
Interfund Payable	358	0	358	0
OWDA Loans Payable	81,224	0	81,224	0
Claims Payable	0	0	0	227,587
<i>Total Current Liabilities</i>	<u>116,667</u>	<u>75</u>	<u>116,742</u>	<u>227,587</u>
<i>Long-Term Liabilities:</i>				
Long-term Notes-Loan Payable	1,394,617	0	1,394,617	0
<i>Total Long-Term Liabilities</i>	<u>1,394,617</u>	<u>0</u>	<u>1,394,617</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,511,284</u>	<u>75</u>	<u>1,511,359</u>	<u>227,587</u>
<b>Net Assets:</b>				
Invested in Capital Assets	68,747	0	68,747	0
Unrestricted	30,152	105	30,257	(166,840)
<i>Total Net Assets</i>	<u>\$98,899</u>	<u>\$105</u>	<u>\$99,004</u>	<u>(\$166,840)</u>

See accompanying notes to the basic financial statements.

**Pickaway County, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2004*

	Countywide Sewer	Other Enterprise Fund	Total Enterprise Funds	Governmental Activity  Internal Service Fund
<b>Operating Revenues:</b>				
Charges for Services	\$176,752	\$0	\$176,752	\$1,012,086
Other	0	204	204	0
<i>Total Operating Revenues</i>	<u>176,752</u>	<u>204</u>	<u>176,956</u>	<u>1,012,086</u>
<b>Operating Expenses:</b>				
Personal Services	19,458	0	19,458	0
Fringe Benefits	2,894	0	2,894	0
Contractual Services	231,173	99	231,272	79,611
Materials and Supplies	1,986	0	1,986	0
Claims	0	0	0	1,099,315
Depreciation	5,533	0	5,533	0
Other	5,708	0	5,708	0
<i>Total Operating Expenses</i>	<u>266,752</u>	<u>99</u>	<u>266,851</u>	<u>1,178,926</u>
<i>Operating Income (Loss)</i>	<u>(90,000)</u>	<u>105</u>	<u>(89,895)</u>	<u>(166,840)</u>
<b>Nonoperating Revenues:</b>				
Capital Contributions	7,841	0	7,841	0
<i>Total Nonoperating Revenues</i>	<u>7,841</u>	<u>0</u>	<u>7,841</u>	<u>0</u>
<i>Change in Net Assets</i>	(82,159)	105	(82,054)	(166,840)
<i>Net Assets at Beginning of Year</i>	<u>181,058</u>	<u>0</u>	<u>181,058</u>	<u>0</u>
<i>Net Assets at End of Year</i>	<u><u>\$98,899</u></u>	<u><u>\$105</u></u>	<u><u>\$99,004</u></u>	<u><u>(\$166,840)</u></u>

See accompanying notes to the basic financial statements.



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**Pickaway County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2004

	Countywide Sewer	Other Enterprise Fund	Total Enterprise Funds	Governmental Activity
				Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$173,120	\$0	\$173,120	\$1,012,086
Cash Received from Other Revenues	0	204	204	0
Cash Payments to Employees for Services and Benefits	(22,245)	0	(22,245)	0
Cash Payments for Goods and Services	(211,967)	(24)	(211,991)	(79,611)
Cash Payments for Claims	0	0	0	(871,728)
Cash Payments for Other Expenses	(5,708)	0	(5,708)	0
<i>Net Cash from Operating Activities</i>	<u>(66,800)</u>	<u>180</u>	<u>(66,620)</u>	<u>60,747</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Cash Proceeds Received from OWDA Loans	434,415	0	434,415	0
Cash Payments for Acquisition of Capital Assets	(434,415)	0	(434,415)	0
Cash Received from Tap In Fees	7,841	0	7,841	0
<i>Net Cash from Capital and Related Financing Activities</i>	<u>7,841</u>	<u>0</u>	<u>7,841</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(58,959)</u>	<u>180</u>	<u>(58,779)</u>	<u>60,747</u>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>104,839</u>	<u>0</u>	<u>104,839</u>	<u>0</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$45,880</u></u>	<u><u>\$180</u></u>	<u><u>\$46,060</u></u>	<u><u>\$60,747</u></u>

See accompanying notes to the basic financial statements

(continued)

**Pickaway County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2004  
(continued)

				Governmental Activity
	Enterprise	Other Enterprise Fund	Total Enterprise Funds	Internal Service Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating Income (Loss)	(\$90,000)	\$105	(\$89,895)	(166,840)
<i>Adjustments:</i>				
Depreciation	5,533	0	5,533	0
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	(3,632)	0	(3,632)	0
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	(7,279)	0	(7,279)	0
Contracts Payable	28,113	75	28,188	0
Accrued Wages and Benefits	107	0	107	0
Interfund Payable	358	0	358	0
Claims Payable	0	0	0	227,587
<i>Net Cash from Operating Activities</i>	<u>(\$66,800)</u>	<u>\$180</u>	<u>(\$66,620)</u>	<u>\$60,747</u>

See accompanying notes to the basic financial statements.

**Pickaway County, Ohio**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*December 31, 2004*

	Private Purpose Trust	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$2,363	\$2,286,148
Cash and Cash Equivalents in Segregated Accounts	0	519,161
Intergovernmental Receivable	0	5,117,033
Property Taxes Receivable	0	32,569,592
	<u>2,363</u>	<u>32,569,592</u>
<i>Total Assets</i>	<u>2,363</u>	<u>\$40,491,934</u>
<b>Liabilities:</b>		
Intergovernmental Payable	0	\$39,849,769
Deposits Held and Due To Others	0	281,309
Undistributed Monies	0	360,856
	<u>0</u>	<u>360,856</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$40,491,934</u>
<b>Net Assets:</b>		
Held in Trust for Other Individuals and Organizations	<u>2,363</u>	
<i>Total Net Assets</i>	<u>2,363</u>	

See accompanying notes to the basic financial statements.

**Pickaway County, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Year Ended December 31, 2004*

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

See accompanying notes to the basic financial statements.

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**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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

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

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Pickaway County, this includes the Pickaway County Board of Mental Retardation and Development Disabilities, Pickaway County Children Services Board, Pickaway County Child Support Enforcement Agency, Pickaway County Job and Family Services and departments and activities that are directly operated by the elected County officials.

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

**Discretely Presented Components Units**

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

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

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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

Pickaway County Airport Authority - Pickaway County Airport Authority (the Authority) operates on a fiscal year ending December 31. The five member Board for the Authority is appointed by the County Commissioners. The Commissioners also review the budget and have the ability to impose its will on the Authority. All the Authority's land and capital assets belong to the County. Pickaway County also provides utilities and insurance for the Authority. During 2004, the County made \$10,000 in financial contributions either to or on behalf of the Authority. Financial information is included in the accompanying financial statements.

The County is associated with certain organizations that are defined as jointly governed organizations or related organizations. These organizations are presented in Notes 21 and 22 to the basic financial statements. These organizations are:

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

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

- Soil and Water Conservation District
- Pickaway County Health District

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities, business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements and has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its governmental activities, business-type activities and enterprise funds. The most significant of the County's accounting policies are described below.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements** - The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The 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.



**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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

**A. Basis of Presentation** *(Continued)*

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the 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 proprietary financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

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

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

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

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

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

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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

**B. Fund Accounting** *(Continued)*

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

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

**Proprietary Funds** - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows.

**Enterprise Funds** – 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 the County’s major enterprise fund:

**Countywide Sewer Fund** – This fund accounts for sewer services provided to individual users in several subdivisions of the County.

The other enterprise fund of the County accounts for miscellaneous revenues for the users of the Instant Web Check in obtaining background checks.

**Internal Service Fund** – The Internal Service fund is used to 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 accounts for medical, prescription and behavioral health self-insurance programs that are provided for employees of the County.

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

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

**C. Measurement Focus**

**Government-Wide Financial Statements** - The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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

**C. Measurement Focus** *(Continued)*

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

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

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

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 13). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales taxes, charges for services and fees, fines and forfeitures, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), grants, and interest.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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

**D. Basis of Accounting** *(Continued)*

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**E. Budgetary Process**

All funds, except Jail Commissary (special revenue), Law Enforcement - Prosecutor (special revenue) and fiduciary funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The level of control has been established by County Commissioners at the object level within each department.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2004.

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

**F. Cash, Cash Equivalents, and Investments**

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

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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

**F. Cash, Cash Equivalents, and Investments** *(Continued)*

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

During 2004, investments were limited to STAR Ohio, U.S. Government Securities, and other interest bearing accounts with local commercial banks.

Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004.

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 2004 amounted to \$207,247, which includes \$133,509 assigned from other County funds.

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

**G. Inventory**

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

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

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**I. Capital Assets**

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

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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

**I. Capital Assets** *(Continued)*

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of one thousand dollars. The County's infrastructure consists of roads, bridges, culverts and sanitary sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

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

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

**J. Interfund Receivables/Payables**

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

**K. Compensated Absences**

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

Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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

**K. Compensated Absences** *(Continued)*

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable will become eligible to receive payment in the future. The County has determined that employees with the County for ten or more years are probable to receive payment in the future. The liability is based on accumulated sick leave and employees' wage rates at year end. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is due for payment during the current year. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

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

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

**M. Fund Balance Reserves**

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

**N. Net Assets**

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

**O. Operating Revenues and Expenses**

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

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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

**P. Interfund Transactions**

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

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

**R. Estimates**

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

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance.
4. Proceeds from and principal payments on note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).



**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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

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

<b>Net Change in Fund Balances</b>				
	<b>General</b>	<b>Auto, License and Gas Tax</b>	<b>Job and Family Services</b>	<b>Board of Mental Retardation</b>
GAAP Basis	(\$427,461)	\$192,741	(\$186,545)	\$197,418
<i>Adjustments:</i>				
Net Adjustment for Revenue Accruals	(5,525)	(147,817)	(77,351)	(2,879)
Net Adjustment for Expenditure Accruals	12,944	(10,637)	340,119	6,308
Encumbrances	0	70,400	0	0
Net Adjustment for Other Sources (Uses)	(97,794)	(116,080)	0	0
<b>Budget Basis</b>	<b>(\$517,836)</b>	<b>(\$11,393)</b>	<b>\$76,223</b>	<b>\$200,847</b>

**NOTE 4 – ACCOUNTING CHANGE**

At December 31, 2003, it was determined that the County reported long-term debt that belongs to the Brooks-Yates Center Diversified Opportunities, Inc. As a result, the County determined that net assets in the Governmental Activities were understated as noted below and the long-term liabilities were overstated.

	Governmental Activities
<b>Governmental Activities</b>	
Net Assets at December 31, 2003	\$35,628,785
Adjustment Due to Overstated Long-Term Debt	87,300
<b>Restated Net Assets at December 31, 2003</b>	<b>\$35,716,085</b>

**NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLE**

For 2004, the County has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”. GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government. The implementation of GASB Statement No. 39 did not affect the presentation of the financial statements.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLE** *(Continued)*

GASB Technical Bulletin 2004-002 clarifies the application of accounting for employers' contractually required contributions to cost-sharing multiple employer pension and other postemployment benefits plans. The implementation of this statement did not result in any change to the County's financial statements.

**NOTE 6 - CASH, DEPOSITS AND INVESTMENTS**

**A. Primary Government**

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

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

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

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

**NOTE 6- CASH, DEPOSITS AND INVESTMENTS** *(Continued)*

**A. Primary Government** *(Continued)*

9. High grade commercial paper with a maturity that does not exceed 180 days and an amount that does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; and
10. Bankers acceptances with a maturity that does not exceed 180 days and that are eligible for purchase by the Federal Reserve System.

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

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

The amounts available for deposit and investment are as follows:

* Cash and Cash Equivalents: (carrying amounts)	
- Pooled and Fiscal	\$11,462,765
- Segregated	629,048
- Component Units	103,812
* Reconciling Items (Net) to Arrive at Bank Balances of Deposits	2,035,387
Total Available for Deposit and Investment (Bank Balance of Deposits / Carrying Amount of Investments)	\$14,231,012

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

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

**NOTE 6- CASH, DEPOSITS AND INVESTMENTS** (Continued)

**A. Primary Government** (Continued)

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

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

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

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

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

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

Based on the criteria, the County deposits and investments at December 31, 2004 are classified as follows:

	Category			
Deposits:	1	2	Bank Balance	Carrying Amount
Demand Deposits	\$543,214	\$1,020,016	\$1,563,320	(\$477,560)
Certificates of Deposit	200,000	150,000	350,000	350,000
Component Units	103,812	0	103,812	103,812
Total Deposits	\$847,026	\$1,170,016	\$2,017,042	(\$23,748)
<b>Investments:</b>				
U.S. Government Securities	\$0	\$8,471,341	\$0	\$8,471,341
STAROhio	0	0	0	3,742,629
Total Investments	\$0	\$8,471,341	\$0	\$12,213,970

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

*Cash on Hand:* At fiscal year-end, the County had \$5,403 in undeposited cash on hand which is included on the basic financial statements of the County, as part of the "Equity in Pooled Cash and Equivalents."

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

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

**NOTE 6 - CASH, DEPOSITS AND INVESTMENTS** *(Continued)*

**A. Primary Government** *(Continued)*

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$12,195,625	\$0
<i>Investments:</i>		
U.S. Government Securities	(8,471,341)	8,471,341
STAROhio	(3,742,629)	3,742,629
Cash on Hand	(5,403)	0
GASB Statement No. 3	(\$23,748)	\$12,213,970

**B. Component Units**

*Deposits and Investments*

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

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

At year end, the carrying amount of Brooks-Yates Center Diversified Opportunities, Inc. deposits was \$55,560 and the bank balance was \$55,560. All of the bank balance was covered by federal depository insurance. There are no statutory guidelines regarding the deposit and investment of funds by the non-profit corporation.

(2) Pickaway County Airport Authority

At year end, the carrying amount of the Pickaway County Airport Authority deposits was \$48,252 and the bank balance was \$48,252. The entire bank balance was covered by federal depository insurance.

**NOTE 7 - INTERFUND TRANSACTIONS**

Interfund balances at December 31, 2004, consist of the following receivables and payables:

	Interfund Receivables	Interfund Payable
General	\$92,273	\$0
Auto, License and Gas Tax	358	0
Job and Family Services	0	13,683
Board of MRDD	0	226
Nonmajor Special Revenue Funds	0	78,364
Countywide Sewer District	0	358
Totals	\$92,631	\$92,631

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2004

**NOTE 7 - INTERFUND TRANSACTIONS** (Continued)

All balances are scheduled to be collected in the subsequent year. All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

A summary of interfund transfers for 2004 were as follows:

<b>Transfers Out</b>	<b>Transfers In</b>					<b>Totals</b>
	General	Job and Family Services	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	
General	\$0	\$207,978	\$400,049	\$210,722	\$10,440	\$829,189
Board of Mental Retardation	0	0	20,000	0	0	20,000
Nonmajor Special Revenue Funds	18,780	0	13,000	0	0	31,780
Nonmajor Capital Revenue Funds	0	0	32,985	0	24,980	57,965
<b>Totals</b>	<b>\$18,780</b>	<b>\$207,978</b>	<b>\$466,034</b>	<b>\$210,722</b>	<b>\$35,420</b>	<b>\$938,934</b>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended December 31, 2004, the County made transfers of \$400,049 from the General Fund to various Nonmajor Special Revenue Funds to subsidize the programs of those funds.

**NOTE 8 – RECEIVABLES**

Receivables at December 31, 2004 consisted of property taxes, sales taxes, accounts (billings for user charged services), interest, special assessments and intergovernmental grants. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivable follows:

**Governmental Activities**

*General Fund:*

Local Government Distributions	\$ 681,183
State Property Tax Reimbursements	119,215
Other Grants and Reimbursements	65,708
<b>Total General Fund</b>	<b>866,106</b>

*Auto, License and Gas Tax:*

Motor Vehicle License Tax	\$ 681,221
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**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

**NOTE 8 – RECEIVABLES** *(Continued)*

Gasoline Tax	1,028,600
Grants	346,066
	2,055,887
<i>Job and Family Services :</i>	
State and Federal funding	102,351
<i>Board of Mental Retardation:</i>	
State property Tax Reimbursement	\$ 107,467
Federal Grants	12,412
	119,879
<i>Non Major Special Revenue Funds</i>	
Motor Vehicle Permissive Tax	\$ 80,349
Road and Bridge	3,203
Child Support Enforcement Agency	55,373
Diversion Program	588
Victims of Crime	2,702
Imobilization and Impoundment	35
Law Enforcement Block Grant	7,487
Dog and Kennel	100
Haven House Byrne Memorial	34,424
Housing and Urban Development Grants	413,893
Communications Technology Grant	68,647
Community Corrections Grant	57,330
Homeland Security Grant	52,282
	776,413
<b>Total Intergovernmental Receivable</b>	<b>\$3,920,636</b>
<b>Fiduciary Fund</b>	
Agency Tax Fund	\$5,117,033

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2004

**NOTE 9- CAPITAL ASSETS**

A summary of changes in general capital assets during 2004 were as follows:

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
<b>Governmental Activities:</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$971,542	\$0	\$0	\$971,542
Construction in Progress	0	391,123	0	391,123
Total Nondepreciable Capital Assets	971,542	391,123	0	1,362,665
<i>Depreciable Capital Assets:</i>				
Buildings	17,603,648	75,408	0	17,679,056
Improvements Other Than Buildings	1,329,982	43,389	0	1,373,371
Machinery and Equipment	6,550,145	561,353	(243,621)	6,867,877
Furniture and Fixtures	1,540,291	28,673	0	1,568,964
Vehicles	2,810,901	154,339	(44,779)	2,920,461
Infrastructure	20,302,798	772,281	(277,170)	20,797,909
Total Depreciable Capital Assets	50,137,765	1,635,443	(565,570)	51,207,638
<i>Accumulated Depreciation:</i>				
Buildings	(6,672,219)	(427,781)	0	(7,100,000)
Improvements Other Than Buildings	(208,234)	(53,752)	0	(261,986)
Machinery and Equipment	(4,920,941)	(431,058)	175,436	(5,176,563)
Furniture and Fixtures	(958,684)	(79,224)	0	(1,037,908)
Vehicles	(1,890,740)	(179,637)	44,779	(2,025,598)
Infrastructure	(8,783,164)	(1,013,459)	267,287	(9,529,336)
Total Accumulated Depreciation	(23,433,982)	(2,184,911)	487,502	(25,131,391)
Depreciable Capital Assets, Net	26,703,783	(549,468)	(78,068)	26,076,247
<b>Governmental Activities Capital Assets, Net</b>	<b>\$27,675,325</b>	<b>(\$158,345)</b>	<b>(\$78,068)</b>	<b>\$27,438,912</b>

At December 31, 2004, capital assets include \$336,353 of machinery and equipment, \$52,630 of furniture and fixtures, and \$87,815 of vehicles under capitalized leases.



**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2004

**NOTE 9- CAPITAL ASSETS** (Continued)

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

<b>Governmental Activities</b>	
<i>General Government:</i>	
Legislative and Executive	\$169,783
Judicial	49,305
Public Safety	490,257
Public Works	1,243,140
Health	80,712
Human Services	144,234
Conservation and Recreation	6,946
Economic Development and Assistance	534
<b>Governmental Activities Depreciation Expense</b>	<b>\$2,184,911</b>

	<b>Balance January 1, 2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2004</b>
<b>Business-Type Activities:</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$13,964	\$0	\$0	\$13,964
Construction in Progress	1,041,426	434,415	0	1,475,841
Total Nondepreciable Capital Assets	1,055,390	434,415	0	1,489,805
<i>Depreciable Capital Assets:</i>				
Plant and Facilities	376,966	0	0	376,966
Infrastructure	50,542	0	0	50,542
Total Depreciable Capital Assets	427,508	0	0	427,508
<i>Accumulated Depreciation:</i>				
Plant and Facilities	(338,564)	(4,811)	0	(343,375)
Infrastructure	(28,628)	(722)	0	(29,350)
Total Accumulated Depreciation	(367,192)	(5,533)	0	(372,725)
Depreciable Capital Assets, Net	60,316	(5,533)	0	54,783
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$1,115,706</b>	<b>\$428,882</b>	<b>\$0</b>	<b>\$1,544,588</b>

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2004

**NOTE 9- CAPITAL ASSETS** *(Continued)*

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

**NOTE 10 - LONG-TERM OBLIGATIONS**

The County's long-term obligations activity for the year ended December 31, 2004, was as follows:

Purpose	Outstanding January 1, 2004	Additions	Deletions	Outstanding December 31, 2004	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<i>General Obligation Notes Payable:</i>					
Energy Conservation 1995-2005 4.20-5.30%	\$185,000	\$0	\$90,000	\$95,000	\$95,000
Voting Equipment Acquisition 1996-2006 5.625%	117,375	0	39,125	78,250	39,125
MRDD Capital Improvement 2000-2030 Variable Rate	559,668	0	42,671	516,997	37,266
Jail Window/Downtown Annex Consolidation 2002-2007 4.50%	179,307	0	57,144	122,163	0
MRDD Capital Improvement 2002-2033 Variable Rate	617,201	0	40,313	576,888	39,336
Tax Incremental Financing Note 2004-2035 5.5%	0	970,000	0	970,000	0
<i>Special Assessment Bonds with Governmental Commitment:</i>					
Northwood Park Sanitary Sewer Improvement 1999-2019 6.00%	138,000	0	5,000	133,000	6,000
<i>Other Long-Term Obligations:</i>					
Compensated Absences	1,059,483	138,056	0	1,197,539	423,854
Capital Leases	281,012	139,077	223,305	196,784	89,631
<b>Governmental Activities Long-Term Obligations</b>	<b>\$3,137,046</b>	<b>\$1,247,133</b>	<b>\$497,558</b>	<b>\$3,888,621</b>	<b>\$730,212</b>

The Northwood Park Sanitary Sewer Improvement Bonds were issued in 1999 for \$157,160 with a 6.00% interest rate. The Northwood Park Sanitary Sewer Improvement Bonds were issued to finance improvements to the sewer system for the Northwood Park subdivision. These bonds will be repaid through the collection of special assessments on the benefiting property owners in the debt service funds. The Energy Conservation Notes were issued in 1995 for \$770,000 with a current interest rate of 5.25% in 2004. The Energy Conservation Notes were issued to finance improvements to the County facilities to reduce energy consumption. These notes will be repaid through the debt service fund. The Voting Equipment Acquisition Notes were issued in 1996 for \$391,250 with a 5.625% interest rate. The Voting Equipment Acquisition Notes were issued to finance the acquisition of MicroVote System voting equipment. These notes will be repaid through the debt service fund.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2004

**NOTE 10 - LONG-TERM OBLIGATIONS** (Continued)

The Jail Window/Downtown Annex Consolidation Notes were issued in 2002 for \$286,359 with a 4.5% interest rate. These notes were issued to consolidate an issuance for replacement of windows within the Jail complex and purchase of the County's Downtown Annex. These notes will be repaid through the debt service fund. Principal payments for the subsequent year are due January 7 of that year. The county paid the principal payment due in 2005 in 2004. The Tax Increment Financing Note was issued in 2004 for \$970,000 with a 5.50% interest rate.

These notes are issued in anticipation of bonds for financing of construction related to the reconstruction of Crites Road and U.S. 23. This note will be repaid through the debt service fund.

The MRDD Capital Improvement Notes were issued in 2000 and 2002 for \$650,000 each. These issuances have a variable interest rate of 70% of the prime rate. These Capital Improvement Notes were issued to finance improvements to facilities utilized by the Pickaway County Mental Retardation and Developmental Disabilities Board for providing services to their clients. These issuances are reflected as long-term obligations because the County is legally obligated to pay for these notes. These notes will be repaid through a special revenue fund.

The compensated absences liability will be paid from the fund from which the employees are paid. The capital leases will be repaid through the General Fund and special revenue funds. The amount of principal payments on the capital leases paid in 2004 amounted to \$122,951. There was also \$100,354 remained on leases that were traded in from the prior year.

The following is a summary of the County's future principal and interest requirements for long-term obligations, including \$1,953,799 of interest:

For the Year Ended December 31,	Energy Conservation Notes	Voting Equipment Acquisition Notes	MRDD Capital Improvement Notes	Jail Window/ Downtown Annex Notes
2005	\$100,034	\$43,527	\$54,000	\$0
2006	0	41,326	54,000	65,235
2007	0	0	54,000	65,235
2008	0	0	54,000	0
2009	0	0	54,000	0
2010 – 2014	0	0	270,000	0
2015 – 2019	0	0	270,000	0
2020 – 2024	0	0	270,000	0
2025 – 2029	0	0	270,000	0
2030 – 2034	0	0	36,000	0
Totals	\$100,034	\$84,853	\$1,386,000	\$130,470

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2004

**NOTE 10 - LONG-TERM OBLIGATIONS** (Continued)

For the Year Ended December 31,	MRDD Capital Improvement	TIF Note	Northwood Park Sanitary Sewer Improvement Bonds	Totals
2005	\$54,000	\$0	\$13,980	\$265,541
2006	54,000	1,018,500	13,620	1,246,681
2007	54,000	0	13,260	186,495
2008	54,000	0	13,900	121,900
2009	54,000	0	13,480	121,480
2010 - 2014	270,000	0	69,320	609,320
2015 - 2019	270,000	0	67,680	607,680
2020 - 2024	270,000	0	0	540,000
2025 - 2029	270,000	0	0	540,000
2030 - 2034	171,000	0	0	207,000
Totals	<u>\$1,521,000</u>	<u>\$1,018,500</u>	<u>\$205,240</u>	<u>\$4,446,097</u>

**NOTE 11- LOANS PAYABLE**

The County's loan transactions for the year ending December 31, 2004, were as follows:

Purpose	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004	Amount Due Within One Year
<b>Business-Type Activities</b>					
<i>OWDA Loans Payable</i>					
Darby Township Sewer Improvements, 0%	\$1,041,426	\$434,415	\$0	\$1,475,841	\$81,224
<b>Business- Type Activities Loan Payable</b>	<u>\$1,041,426</u>	<u>\$434,415</u>	<u>\$0</u>	<u>\$1,475,841</u>	<u>\$81,224</u>

The Ohio Water Development Authority (OWDA) Loan is related to Improvements to the Darby Township Sanitary Sewer System. The OWDA has granted an original loan amount of \$1,624,478 and a supplementary loan amount of \$408,037, for a maximum loan amount of \$2,032,515 for this project. The loan will be repaid in semiannual installments of \$40,612 effective January 1, 2005, over 20 years for the original loan amount with the final installment payable in July 1, 2024. The debt is to be repaid by user charges to consumers that use the system. The County must set rates in an amount that guarantees repayment of the debt construction. As of the date of this report this project has not been completed and once completed the final repayment schedule will be issued. This loan is to be a zero percentage interest rate for the life of the loan. The above amounts include expenditures of the amount of construction as of December 31, 2004.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

**NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

The following is a schedule of the future minimum lease payments under lease obligations which have been capitalized as of December 31, 2004.

For the Year Ended December 31,	Capital Lease Obligations
2005	\$95,631
2006	66,013
2007	58,220
2008	12,481
2009	1,457
Total Minimum Lease Payments	233,802
Less: Amount Representing Interest	(37,018)
Present Value of Minimum Lease Payments	\$196,784

**NOTE 13- PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semiannually. The first payment for 2004 was due March 12, with the remainder payable by July 23.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due October 13. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by October 13.

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

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2004

**NOTE 13 - PROPERTY TAXES** (Continued)

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

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes that were measurable as of December 31, 2004. Although total property tax collections for the next fiscal year are measurable, they are not intended to finance 2004 operations. The receivable is therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2004, was \$3.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Category	Assessed Value
<i>Real Estate:</i>	
Agriculture	\$98,307,110
Residential	531,081,320
Commercial	81,709,200
Industrial	30,738,930
Minerals	253,510
Public Utilities	549,380
<i>Personal Property:</i>	
General	113,918,630
Public Utilities	59,304,940
Total Assessed Values	\$915,863,020

**NOTE 14 - PERMISSIVE SALES TAX**

In 1988, in accordance with Sections 5739.02 and 5741.02 of the Revised Code, the County Commissioners, by resolution, imposed a one percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles. In December 2001, the County Commissioners, by resolution, imposed an additional one-half percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County.

The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax were credited to the General Fund and the Capital Improvement Capital Projects Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue in the fund statements. Sales and use tax revenue for 2004 amounted to \$5,538,136.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 15 - ACCOUNTABILITY**

The following funds had deficit fund balances as of December 31, 2004:

Job & Family Services Fund	\$386,579
<i>Nonmajor Special Revenue Funds:</i>	
P.C. Access Visitation Center	2,356
Diversion Program Fund	2,379
Stag Grant Fund	16,077
Dog & Kennel Fund	8,000
Emergency Management Fund	8,793
Workforce Development Fund	23,964
Economic Development Fund	19,657
Community Corrections Grant	2,859
Internal Service Fund	166,840

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

**NOTE 16 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2004, the County contracted with County Risk Sharing Authority (CORSA), a jointly governed organization, for liability, property, and crime insurance. The CORSA program has a \$2,500 deductible.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

**NOTE 16 - RISK MANAGEMENT** *(Continued)*

Coverages provided by the program are as follows:

Property:

Buildings & Contents (\$100,000 annual aggregate pool limit for flood and earthquake)	\$60,840,294
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Liability:

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

Settlement amounts on claims have not exceeded insurance coverage in any of the past three years.

From January 1, 2004 to June 30, 2004, Health insurance was provided by United Healthcare. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The County pays all elected officials' bonds by statute.

**NOTE 17 – RISK MANAGEMENT – Health Benefits**

On July 1, 2004, the County changed employee medical, prescription drug and behavioral health insurance programs to the Franklin County Cooperative Health Care Benefit Program, which includes Franklin County. United Health Care Services Inc., Catalyst Rx, and Mount Carmel Behavioral Healthcare Company, third party administrators, service all claims submitted to Franklin County by Pickaway County employees. An internal service fund is presented in the financials statements and reflects premiums paid into the self-insurance internal service fund by other funds that are available to pay claims, claims reserves and administrative costs. There is no stop loss coverage. A liability for unpaid claims costs of \$227,587, based upon an estimated provided by the third party administrators of claims that have been incurred but not yet paid and those incurred but not yet reported, has been reported.

Interfund premiums are based on the insured funds' claims experience. The funds' claims liability in 2004 is:

Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
\$0	\$1,099,315	\$871,728	\$227,587

The County has had no significant reductions in any of its insurance coverage from that maintained in prior years. Additionally, there have been no insurance settlements that have exceeded insurance coverage in any of the past three years.



**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 18 – DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$1,273,017, \$973,121, and \$903,582, respectively; 96.3% percent has been contributed for 2004 and 100 percent for 2003 and 2002. Of the 2004 amount, \$47,470 was unpaid at December 31, 2004, and is recorded as a liability in the respective funds.

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

The Pickaway County Board of Mental Retardation and Developmental Disabilities' certified teachers contribute to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone *Comprehensive Annual Financial Report* that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090 or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 18 – DEFINED BENEFIT PENSION PLANS** *(Continued)*

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally in a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

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

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County’s contributions for pension obligations to STRS for the fiscal years ended December 31, 2004, 2003, and 2002 were \$18,944, \$17,115, and \$12,065, respectively. These contributions were equal to the required contributions for each of these years.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 18 – DEFINED BENEFIT PENSION PLANS** *(Continued)*

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

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System or the State Teachers Retirement System have an option to choose social security or the Public Employees Retirement System/State Teachers Retirement System. As of December 31, 2004, none of the elected officials had elected social security.

**NOTE 19 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$517,869. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

**B. State Teachers Retirement System**

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

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 19 - POSTEMPLOYMENT BENEFITS (Continued)**

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

The State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1.0% of the covered payroll to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the County, this amount equaled \$1,457 during the 2004 fiscal year.

The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000. There were 111,853 eligible benefit recipients.

**NOTE 20 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS**

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

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

**B. Budgetary Basis of Accounting**

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

**C. Capital Assets**

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

The assets for Brooks-Yates Center Diversified Opportunities, Inc. are depreciated on a straight line basis using the following estimated useful lives: Leasehold Improvements 20-40 years and Machinery, equipment and vehicles 3-10 years.

Prior to December 31, 2004, the Brooks- Yates Center Diversified Opportunities, Incorporated (the Organization) reported the accounts of an affiliate, Brooks-Yates Housing Opportunities, Inc. During 2004, it was determined that Housing Opportunities was not required to be included as part of the Organization. As a result, these two entities were segregated and only Brooks-Yates Center Diversified Opportunities is included in the financial statements. However, the beginning net asset balance of \$1,791,094 includes the Organization's net assets as well as those of the Housing Opportunities as reported at December 31, 2003. Consequently, the beginning net asset balance has been restated as follows:

Net asset balance of Brook-Yates Diversified Opportunities and affiliate as previously reported: \$1,791,094

Net asset of affiliate (Brooks-Yates Housing Opportunities) segregated (1,635,755)

Net asset balance of Brook Yates Diversified Opportunities at December 31,2003, as restated \$ 155,339

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

**NOTE 20 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS** *(Continued)*

**D. Bonds Payable**

A summary of long-term obligations for the year ended December 31, 2004 includes a bond payable to the Savings bank at an interest rate of 4.75%. The bond is due December 2005, therefore it is classified as a current liability in the statement of net assets.

The following is a summary of the County's future principal and interest requirements for the Bond Payable

For the Year Ended December 31,	Facilities Improvement Bonds
2005	\$11,624
Total Payments	11,624
Less: Interest	(731)
Total Principal	\$10,893

**E. Lease Agreement**

The Organization entered into a lease agreement for property located in Circleville, Ohio to provide a facility for certain employees in which to work. The term of the lease is for three years with the option to renew for three additional periods for one year each. Future minimum payments due on the non-cancelable lease are as follows:

For the Year Ended December 31,	Annual Payments
2005	\$18,000
2006	3,000
2006 (Optional)	15,600
2007 (Optional)	19,200
2008 (Optional)	19,800

Rent expense was \$14,100 for 2004.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Berger Hospital**

Berger Hospital is a jointly governed organization that provides diversified health care services to the community. The hospital is governed by a 9 member board: Pickaway County Commissioners appoint 4 members of the board, the City of Circleville appoints 4 members of the board and the final board member is the City of Circleville's Mayor. The Mayor is the President of the Board but does not have voting privileges unless there is a tie. The City of Circleville holds legal title to the Hospital. The degree of control exercised by the County is limited to its representation on the Board. Pickaway County does not have an ongoing financial interest in or an ongoing financial responsibility for the Hospital. During 2004, the County did not make any contributions to the Hospital. Complete financial statements can be obtained from the Berger Hospital, 600 N. Pickaway, Circleville, Ohio, 43113.

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

The Paint Valley Mental Health Alcohol and Drug Addiction Board serves Pike, Fayette, Highland, Pickaway and Ross Counties and is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. The Director of the Ohio Department of Mental Health appoints four members and the Director of the Ohio Department of Alcohol and Drug Addiction Services appoints four members. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway, and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board receives revenue from the participating counties and receives federal and state funding through grant monies that are applied for and received by the Board of Trustees. Pickaway County cannot significantly influence operations of the Board, who has sole budgetary authority and controls surpluses and deficits. Pickaway County has no ongoing financial interest or responsibility. During 2004, Pickaway County contributed \$523,849 to the program.

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

The County is a member of the Ross, Pickaway, Highland, Fayette Joint Solid Waste Management District, which is a jointly governed organization of the four-named counties. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989, as required by the Ohio Revised Code.

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

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS** *(Continued)*

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

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

Each member County has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2004 was \$201,726.

**E. Southern Ohio Council of Governments**

The County is a member of the Southern Ohio Council of Governments, which is a jointly governed organization created under the Ohio Revised Code Section 167.01. The governing body consists of a thirteen member board with each participating County represented by its Director of its Board of Mental Retardation and Development Disabilities. Member counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto and Vinton Counties. During 2004, the County contributed \$55,819 to this organization. Financial statements can be obtained from the Southern Ohio Council of Governments, 43 N. Paint St., Chillicothe, Ohio, 45601.

**F. Heart of Ohio Resource Conservation and Development Council**

The Heart of Ohio Resource Conservation and Development Council is a jointly governed organization created to enhance the quality of life in Central Ohio by facilitating the use of natural resources for a sustainable future. The Council is comprised of a twenty-seven members from the nine member counties. The nine member counties are as follows: Delaware, Fairfield, Franklin, Knox, Licking, Madison, Marion, Morrow, and Pickaway. The Council consists of one representative from each county's Board of Commissioners, one representative from each county's Soil and Water Conservation District, and one member-at-large representative from each county, jointly appointed by the Board of Commissioners and the Soil and Water Conservation Board. In 2004, the County contributed \$200 to the Council. Continued existence of the Council is not dependent upon the County's continued participation, no equity interest exists, and no debt is outstanding.

**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 22 - RELATED ORGANIZATIONS**

**A. Pickaway County Library**

The Pickaway County District Library is statutorily created as a separate and distinct political subdivision of the State. Four trustees of the District Library are appointed by the County Commissioners, and three trustees are appointed by the judges of the Common Pleas Court. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the County for operational subsidies. Due process is required to remove board members. No subsidies are provided by the County.

**NOTE 23 - RELATED PARTY TRANSACTIONS**

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

Brooks-Yates Center Diversified Opportunities, Inc. a discretely presented component unit of Pickaway County, received contributions from the County for facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its program. These contributions are reflected as operating revenues and operating expenses at cost or fair market value as applicable, in the basic financial statements. In 2004, these contributions were \$58,656. However according to the Component unit report only in kind contributions of \$47,727 were recorded as revenue the \$58,656 was recorded as revenue with offsetting expenses.

**B. Huffer and Huffer**

An Attorney with the law firm Huffer and Huffer was appointed by the Pickaway County Juvenile Court to represent several juveniles appearing before the court in 2004. The firm is owned and operated by Robert Huffer, who also sat on the Board of Commissioners for the County in 2004. Total compensation paid to Huffer and Huffer during the year was \$1,440.

**NOTE 24 - CONTINGENT LIABILITIES**

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

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.



**Pickaway County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**NOTE 25 – SUBSEQUENT EVENTS**

The County signed a promissory note on August 22, 2005 in the amount of \$100,000 at the interest rate of 4.050% to cover infrastructure costs related to the South Court St., Crites Road, U.S. Rt. 23, and Sperry Drive extension project.

**PICKAWAY COUNTY  
FINANCIAL CONDITION  
FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal C.F.D.A. Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed through Ohio Department of Education:</i>			
<i>Child Nutrition Cluster</i>			
National School Breakfast Program	066191-05PU-2003 & 2004	10.553	\$1,988
National School Lunch Program	066191-LL-P4-2003 & LL-P4-2004	10.555	3,229
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE-CHILD NUTRITION CLUSTER</b>			<b>5,217</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through the Ohio Department of Development:</i>			
Community Development Block Grant/State's Program	B-C-01-060-1 & B-C-03-060-1	14.228	101,316
Community Development Block Grant/State's Program	B-F-02-060-1 & B-F-03-060-1	14.228	296,000
Total Community Development Block Grant State's Program			397,316
Home Investment Partnership Program	B-C-01-060-2 & B-C-03-060-2	14.239	92,827
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>490,143</b>
<b>U.S. DEPARTMENT OF CRIMINAL JUSTICE</b>			
<i>Passed through the Ohio Office of Criminal Justice Services</i>			
Byrne Formula Grant	2002-DG-D02-7215 & 2003-DG-D02-7215	16.579	41,761
Public Safety Partnership and Community Policing Grants	2003CKWX0164 & 2003OMWX0276	16.710	59,780
Public Safety Partnership and Community Policing Grants	2004CKWX0133	16.710	30,301
Total Public Safety Partnership and Community Policing Grants			90,081
<i>Passed through the Ohio Department of Youth Services</i>			
Juvenile Accountability Incentive Block Grant	2003-JB-008-A016	16.523	5,950
Juvenile Justice and Delinquency Prevention Allocation to States	2003-JJ-DP2-0051	16.540	28,248
Juvenile Justice and Delinquency Prevention Allocation to States	2003-JJ-DP2-0051S	16.540	10,000
Total Juvenile Justice and Delinquency Prevention Allocation to States			38,248
<i>Passed through Ohio Office of the Attorney General</i>			
Crime Victim Assistance	VADSCE502	16.575	17,412
Crime Victim Assistance	2003 & 2004VAGENE095	16.575	46,922
Crime Victim Assistance	2003 & 2004VAGENE501T	16.575	22,035
Crime Victim Assistance	2003 & 2005VAGENE593	16.575	14,539
Total Crime Victim Assistance Grant			100,908
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<b>276,948</b>
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>Passed through Ohio Department of Job and Family Services</i>			
<i>WIA Cluster</i>			
Workforce Investment Act-Adult	31-6400-083	17.258	64,310
Workforce Investment Act-Adult Administrative			(1,215)
Workforce Investment Act-Adult Total			63,095
Workforce Investment Act-Youth	31-6400-083	17.259	43,961
Workforce Investment Act-Youth Administration			(822)
Workforce Investment Act-Youth Total			43,139
Workforce Investment Act-Dislocated Worker	31-6400-083	17.260	368,832
Workforce Investment Act-Dislocated Worker Administrative			(5,109)
Workforce Investment Act-Dislocated Worker Total			363,723
<i>Total passed through Ohio Department of Job and Family Services</i>			<i>469,957</i>
<i>Passed through Workforce Investment Board, Area 7</i>			
Workforce Investment Act-Adult	31-6400-083	17.258	39,638
Workforce Investment Act-Adult Administrative			1,532
Workforce Investment Act-Adult Total			41,170
Workforce Investment Act-Youth	31-6400-083	17.259	40,556
Workforce Investment Act-Youth Administration			1,036
Workforce Investment Act-Youth Total			41,592
Workforce Investment Act-Dislocated Worker	31-6400-083	17.260	246,674
Workforce Investment Act-Dislocated Worker Administrative			6,444
Workforce Investment Act-Dislocated Worker Total			253,118
<i>Total passed through Workforce Investment Board, Area 7</i>			<i>335,880</i>
<b>TOTAL U.S. DEPARTMENT OF LABOR-WORK INVESTMENT ACT - WIA Cluster</b>			<b>805,837</b>

**PICKAWAY COUNTY  
FINANCIAL CONDITION  
FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004  
(Continued)**

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal C.F.D.A. Number	Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed through Ohio Department of Transportation:</i>			
Highway Planning and Construction	PIC-CR7-9.080	20.205	95,437
<b>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>			
<i>Passed through Ohio Department of Environmental Protection Agency</i>			
Surveys, Studies, Investigations and Special Purpose Grants	XP-965-33601	66.606	69,449
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed through Ohio Department of Education</i>			
<i>Special Education Cluster</i>			
Special Education Grants to States	066191-6BSF-2004 & 066191-6BSF-2005	84.027	16,396
Special Education Preschool Grants	066191-PGS1-2004 & 066191-PGS1-2005	84.173	10,486
Total Special Education Cluster			<u>26,882</u>
Innovative Education Program Strategies	066191-C2S1-2004 & 066191-C2S1-2005	84.298	257
<i>Passed through Ohio Department of Health</i>			
Special Education Grants for Infants and Families with Disabilities	31-6400-083	84.181	48,830
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>75,969</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant	31-6400-083	93.667	34,572
Medical Assistance Program	31-6400-083	93.778	414,871
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>449,443</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed through the Ohio Department of Public Safety- Emergency Management Agency</i>			
State Domestic Preparedness Equipment Support Program	2003-SO4-HEPS-65-0065	97.004	211,707
State Domestic Preparedness Equipment Support Program	2004-SO4-HEPS-65-0423	97.004	15,808
Total State Domestic Preparedness Equipment Support Program			<u>227,515</u>
Emergency Management Performance Grant	31-6400-083	97.042	38,786
Pre-Disaster Mitigation	SO3-FM02-65-0209	97.047	13,500
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>279,801</u>
<b>Total Federal Awards Financial Assistance</b>			<u><u>\$2,548,244</u></u>

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

**PICKAWAY COUNTY  
FISCAL YEAR ENDED JUNE 30, 2004**

**NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B—SUBRECIPIENTS**

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

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

**NOTE C—MATCHING REQUIREMENTS**

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



**Auditor of State  
Betty Montgomery**

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

Pickaway County  
207 South Court Street  
Circleville, Ohio 43113

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pickaway County, Ohio, (the County) as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 9, 2005, wherein we noted the financial statements of Brooks-Yates Center for Diversified Opportunities, Inc., one of the County's discretely presented component units, were audited by other auditors, and our opinion, insofar as it relates to the amounts included for the component units, is based on the report of other auditors. In addition, we noted the County's Governmental Activities Net Assets were restated. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the County's management dated September 9, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the County's management dated September 9, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

**Betty Montgomery**  
Auditor of State

September 9, 2005



**Auditor of State  
Betty Montgomery**

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

Pickaway County  
207 South Court Street  
Circleville, Ohio 43113

To the Board of Commissioners:

**Compliance**

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

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

In our opinion, Pickaway County, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004. In a separate letter to the County's management dated September 9, 2005, we reported another matter related to federal noncompliance not requiring inclusion in this report.

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### Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings as item 2004-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over federal compliance not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 9, 2005.

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



**Betty Montgomery**  
Auditor of State

September 9, 2005



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

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Workforce Investment Act Cluster: CFDA #'s 17.258; 17.259; 17.260 Medical Assistance Program: CFDA #93.778 State Domestic Preparedness Support Equipment Program: CFDA #97.004
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**PICKAWAY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2004**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2004-001</b>
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Reportable Condition

**Cash Reconciliation**

Reconciling cash is one of the most important controls instituted by management to assure the completeness and accuracy of cash transactions reflected in the financial statements. Monthly cash reconciliations and investigating unusual reconciling items should be performed by all entities regardless of their size or the number of financial transactions processed. By doing so, the entity can gain assurance as to the completeness and accuracy of the accounting records. Failure to prepare or monitor reconciliations could result in errors and omissions to occur and not be detected by management in a timely manner.

The County Treasurer completed bank reconciliations for the Months of January, February, and December of 2004. However, these were completed several months after month end closing. The December 2004 bank reconciliation was not prepared until March of 2005. In addition, this reconciliation showed that the County's books were not in balance to the County's depositories. Review of the Treasurer's prior reconciliations revealed the County to be out of balance dating back to April of 2003. At December 31, 2004, the County's book balance was \$61,922 less than the cash balance in the County's depositories. As of July 7, 2005, the Treasurer has identified differences and has reduced this amount to approximately \$39,000.

We recommend the County develop and implement procedures to ensure the accuracy, completeness and reasonableness of the bank reconciliations. The County should complete a bank reconciliation that reconciles the depository balances to the County's book balance. These bank reconciliations should be performed monthly and in a timely manner to prevent undetected errors. Additionally, any reconciling items should be identified including the difference noted above and should be disposed of in a timely manner. Lastly, the monthly cash reconciliations should be provided to the Board of County Commissioners for review and approval.

**PICKAWAY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2004**  
**(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	<b>2004-002</b>
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<b>CFDA Title and Number</b>	<b>Workforce Investment Act Cluster:</b> CFDA #'s 17.258; 17.259; 17.260 <b>Medical Assistance Program:</b> CFDA #93.778 <b>State Domestic Preparedness Support Equipment Program:</b> CFDA #97.004
<b>Federal Award Number / Year</b>	CFDA #'s 17.258; 17.259; 17.260 - 2004-31-6400-083  CFDA #93.778 - 2004-31-6400-083  CFDA #97.004 - 2003- SO4-HEPS-65-0065; 2004- SO4-HEPS-65-0423
<b>Federal Agency</b>	U.S. Department of Labor; U.S. Department of Health and Human Services; U. S. Department of Homeland Security
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services; Ohio Department of Mental Retardation and Developmental Disabilities; Ohio Department of Public Safety Emergency Management Agency

**Cash Reconciliation**

See Finding related to the Financial Statements Required to be reported under GAGAS number 2004-001. This finding is also required to be reported under OMB Circular A-133-505(d)(3).

PICKAWAY COUNTY

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-001	The County did not expend funds received for Home Investment Partnership Program down to an amount of less than \$5,000 within 15 days of receipt	Corrected	
2002-002	The County did not have an agreement with PICCA, Pickaway County Community Action Organization to carry out the CHIP or Community Housing Improvement Program received by the county. Additionally for failure to do timely subrecipient monitoring.	Corrected	
2003-001	The County Treasurer did not complete monthly bank reconciliations in a timely manner	Not corrected	Not corrected – Reissued as Finding 2004-001.
2003-002	The County Treasurer did not reconcile daily tax collections to postings in tax payers accounts and the TX170 report to daily cash receipts	Corrected	
2003-003	The County Treasurer did not complete monthly bank reconciliations in a timely manner	Not corrected	Not corrected – Reissued as Finding 2004-002

**PICKAWAY COUNTY  
DECEMBER 31, 2004**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	Treasurer is researching problems and making corrections to bring year end in balance.	December 31, 2005	Mr. Ellery Elick, County Treasurer
2004-002	Treasurer is researching problems and making corrections to bring year end in balance.	December 31, 2005	Mr. Ellery Elick, County Treasurer





**Auditor of State  
Betty Montgomery**

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## **FINANCIAL CONDITION**

### **PICKAWAY COUNTY**

#### **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 20, 2005**