



**Auditor of State  
Betty Montgomery**



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Financial Condition  
Auglaize County  
209 South Blackhoof Street  
Wapakoneta, Ohio 45895

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Auglaize County, (the County), as of and for the year ended December 31, 2005, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Auglaize County, as of December 31, 2005, and the respective changes in financial position and where applicable cash flows, thereof and the respective budgetary comparisons for the General Fund and the Motor Vehicle Gasoline Tax, the Department of Job and Family Services, the Board of Mental Retardation and Developmental Disabilities, and the Jail Operations and Maintenance Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, 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.

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

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

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

**Betty Montgomery**  
Auditor of State

October 27, 2006

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)**

As management of Auglaize County (the County), we offer readers of the County's financial statement this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2005.

**FINANCIAL HIGHLIGHTS**

The assets of the County exceed liabilities at December 31, 2005 by \$45,094,183. Of this amount \$21,087,899 may be used to meet ongoing obligations. As of December 31, 2005, the County's governmental funds reported net assets of \$40,278,161, an increase of \$2,815,352 in comparison with the prior year. At the end of the current fiscal year the unreserved fund balance for the general fund was \$2,972,438 which is available for spending at the County's discretion. The County's outstanding debt decreased by \$946,027 in governmental activities and decreased \$5,000 in business type activities. In the general fund actual revenues were 2.13 percent higher than budgeted and expenditures were 11.1 percent less than the budgeted amount.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The County's basic financial statements are comprised of three parts: 1) government-wide financial statements, 2) fund financial statements including budgetary statements for major funds, and 3) notes to the financial statements.

**Government-wide Financial Statements** - These statements are intended to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all County assets and liabilities with the difference between the two reported as net assets.

The statement of activities distinguish functions of the County that are mainly supported by taxes and intergovernmental revenues (governmental) from functions that are intended to recover a significant portion of their costs through user fees and charges (business-type). Governmental activities include general government (legislative, executive and judicial), public safety, public works, health, human services, and other.

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

**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 sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating a government's near-term financial requirements.

Because the focus of 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.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)  
(Continued)**

The county maintains 342 governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Motor Vehicle and Gasoline Tax (MVGT), Jobs and Family Services, Mental Retardation and Developmental Disabilities (MRDD), Jail Operations and Maintenance, and Permanent Improvement, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. The County adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with the budget.

**Proprietary Funds** – The County maintains two types of proprietary funds. Enterprise funds are used 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 sewer operations and County Home. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its health insurance, 125 plan, and various rotary funds. Because this service benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement 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.

**Notes to the 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. The notes can be found on pages 29-72.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$45,094,183 as of December 31, 2005.

**Table 1  
Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Assets</b>						
Current and Other Assets	\$30,826,823	\$30,118,110	\$1,625,112	\$1,253,653	\$32,451,935	\$31,371,763
Capital Assets, Net	21,354,685	20,863,656	3,884,099	4,024,649	25,238,784	24,888,305
<b>Total Assets</b>	<b>52,181,508</b>	<b>50,981,766</b>	<b>5,509,211</b>	<b>5,278,302</b>	<b>57,690,719</b>	<b>56,260,068</b>
<b>Liabilities</b>						
Current and Other Liabilities	7,298,830	8,023,742	419,333	315,633	7,718,163	8,339,375
Long-Term Liabilities	4,604,517	5,495,215	273,856	236,211	4,878,373	5,731,426
<b>Total Liabilities</b>	<b>11,903,347</b>	<b>13,518,957</b>	<b>693,189</b>	<b>551,844</b>	<b>12,596,536</b>	<b>14,070,801</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	20,159,685	18,863,656	3,846,599	3,982,149	24,006,284	22,845,805
Restricted	17,055,297	14,898,234			17,055,297	14,898,234
Unrestricted	3,063,179	3,700,919	969,423	744,309	4,032,602	4,445,228
<b>Total Net Assets</b>	<b>\$40,278,161</b>	<b>\$37,462,809</b>	<b>\$4,816,022</b>	<b>\$4,726,458</b>	<b>\$45,094,183</b>	<b>\$42,189,267</b>



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)  
(Continued)**

The largest portion of the County's net assets 53 percent reflects its investment in capital assets (land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As of December 31, 2005, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Analysis of the County's Operation** – The following table provides a summary of the County's operations for 2005. The County's financial position improved for both governmental-type and business-type activities. The more significant changes are as follows:

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Program Revenues:</b>						
Charges for Services	\$3,561,812	\$5,144,263	\$5,632,334	\$5,341,570	\$9,194,146	\$10,485,833
Operating Grants	10,318,049	8,126,948			10,318,049	8,126,948
Capital	2,698,508	1,681,101			2,698,508	1,681,101
<b>General Revenues:</b>						
Property Taxes	6,354,291	5,971,545			6,354,291	5,971,545
Sales Tax	7,033,883	6,938,198			7,033,883	6,938,198
Intergovernmental	731,903	1,387,055			731,903	1,387,055
Gain/Loss on Sale of	(57,842)	(102,136)			(57,842)	(102,136)
Miscellaneous	575,469	816,799	208,195	23,856	783,664	840,655
Interest	401,564	762,859			401,564	762,859
<b>Total Revenues</b>	<b>31,617,637</b>	<b>30,726,632</b>	<b>5,840,529</b>	<b>5,365,426</b>	<b>37,458,166</b>	<b>36,092,058</b>
<b>Program Expenses</b>						
General Government	6,154,186	6,236,207			6,154,186	6,236,207
Public Safety	4,615,887	4,612,174			4,615,887	4,612,174
Public Works	5,941,539	5,628,460			5,941,539	5,628,460
Health	5,592,686	4,950,292			5,592,686	4,950,292
Human Services	4,962,170	3,893,187			4,962,170	3,893,187
Other	1,339,011	1,269,455			1,339,011	1,269,455
Interest & Fiscal	196,806	262,978			196,806	262,978
Sewer			352,932	347,587	352,932	347,587
County Home			5,398,033	5,084,832	5,398,033	5,084,832
<b>Total Expenses</b>	<b>28,802,285</b>	<b>26,852,753</b>	<b>5,750,965</b>	<b>5,432,419</b>	<b>34,553,250</b>	<b>32,285,172</b>
<b>Changes in Net Assets</b>	<b>2,815,352</b>	<b>3,873,879</b>	<b>89,564</b>	<b>(66,993)</b>	<b>2,904,916</b>	<b>3,806,886</b>
<b>Net Assets January 1</b>	<b>37,462,809</b>	<b>33,588,930</b>	<b>4,726,458</b>	<b>4,793,451</b>	<b>42,189,267</b>	<b>38,382,381</b>
<b>Net Assets December</b>	<b>\$40,278,161</b>	<b>\$37,462,809</b>	<b>\$4,816,022</b>	<b>\$4,726,458</b>	<b>\$45,094,183</b>	<b>\$42,189,267</b>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)  
(Continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities for 2005 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3  
Total Costs versus Net Costs**

	<b>2005</b>		<b>2004</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
<b>Current:</b>				
General Government:				
Legislative and Executive	\$4,518,159	\$2,632,293	\$4,316,783	\$2,661,060
Judicial	1,636,027	517,873	1,919,424	751,249
Public Safety	4,615,887	3,857,935	4,612,174	4,059,356
Public Works	5,941,539	(86,674)	5,628,460	667,436
Health	5,592,686	2,771,465	4,920,292	3,019,811
Human Services	4,962,170	998,407	3,893,187	1,265,655
Other	1,339,011	1,335,811	1,269,4559	1,265,655
Interest and Fiscal Charges	196,806	196,806	262,978	262,978
<b>Total Expenses</b>	<b><u>\$28,802,285</u></b>	<b><u>\$12,223,916</u></b>	<b><u>\$26,852,753</u></b>	<b><u>\$11,900,441</u></b>

**Financial Analysis of the Government's Funds** - As noted earlier, Auglaize County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, Auglaize County's governmental funds reported total fund balances of \$17,741,176. Of this \$2,972,438 constitutes unreserved fund balance of the general fund, which is available for spending at the County's discretion. A portion of the fund balances are reserved to indicate that they are not available for new spending because they have already been committed in the amount of \$528,594 to liquidate encumbrances of the prior period. The remainder of the fund balances includes \$1,172,379 for debt service payments and \$4,004,598 for usage by the County's permanent improvement fund.

The general fund is the chief operating fund of the county. At the end of the current fiscal year, the unreserved balance was \$2,972,438 while the total fund balance was \$3,102,636. As a measure of liquidity it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 38 percent to total general fund expenditures, while total fund balance represents 39 percent of the same amount.

The other major governmental funds of the County are motor vehicle and gasoline tax (MVGT), Job and Family Services (JFS), Mental Retardation and Developmental Disabilities (MRDD), Jail Operations and Maintenance and Permanent Improvement.

The MVGT fund balance decreased by \$112,998 to \$1,284,034. The decrease is due to an increase in expenditures. The JFS fund balance decreased by \$155,533 to \$343,683. The decrease is due to an increase in expenditures. The MRDD fund balance increased by \$261,918 to \$1,680,339. The increase is due to additional property tax revenue. The Jail Operations and Maintenance fund balance increased by \$62,316 to \$1,249,271. The increase is due to an increase in income. The Permanent Improvement fund balance increased by \$1,498,213 to \$3,845,841. The increase is due to additional permissive tax revenue.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)  
(Continued)**

**Enterprise Funds** - The County's enterprise funds had an increase in net assets. These funds comprise the County's business type activities.

The county home (Auglaize Acres) net assets increased by \$166,576 to \$585,846. In 2003 the facility became a Certified Long-term Care Facility. The various sewer fund net assets decreased by \$77,012 to \$4,230,176.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original appropriations and the final amended appropriations were \$5,329 or .06 percent. All certified money was not originally appropriated and new grants were received during the year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Table 4  
Capital Assets at Year-End  
Net of Accumulated Depreciation**

	<u>Governmental Activities</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land & Improvements	\$2,564,988	\$2,492,055	\$54,908	\$54,908	\$2,619,896	\$2,546,963
Infrastructure	110,715	113,336	3,725,908	3,840,586	3,836,623	3,953,922
Buildings/Improvements	13,185,317	13,664,267	54,996	61,810	13,240,313	13,726,077
Construction in Progress	2,489,966	2,052,942			2,489,966	2,052,942
Equipment, Furniture /Fixtures	3,003,699	2,541,056	48,287	67,345	3,051,986	2,608,401
<b>Total</b>	<b><u>\$21,354,685</u></b>	<b><u>\$20,863,656</u></b>	<b><u>\$3,884,099</u></b>	<b><u>\$4,024,649</u></b>	<b><u>\$25,238,784</u></b>	<b><u>\$24,888,305</u></b>

The physical condition of the roads is determined by the County Engineer. Capital improvements such as resurfacing or reconstruction, is done by resolution of the County Commissioners.

For 2005 the engineer appropriated \$1,307,662 for maintaining roads with the actual expenditures being \$1,300,820.

The physical condition of the bridges is determined by the County Engineer. Capital Improvements is done by resolution of the County Commissioners.

For 2005 the engineer appropriated \$303,486 for bridge maintenance with the actual expenditures being \$288,476.

**Table 5  
Outstanding Debt at Year-End  
Governmental Activities**

	<u>2005</u>	<u>2004</u>
General Obligation Bonds		
Human Services	\$440,000	\$450,000
Law Enforcement	755,000	1,470,000
MRDD Facility		80,000
Special Assessment Bonds	1,325,000	1,470,000
Ohio Public Works Loan	92,060	97,174
Special Assessment Notes	498,808	489,721
<b>Total</b>	<b><u>\$3,110,868</u></b>	<b><u>\$4,056,895</u></b>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(UNAUDITED)  
(Continued)**

The debt service, for the Law Enforcement, was being retired by a voted sales tax due to expire in June 2006. The sales tax was also to be used for Law Enforcement operations. In 2002, there was enough accumulated to pay the debt and therefore all sales tax revenue is now used for jail operations. Sixteen percent of the debt is in the form of ditch notes which are issued primarily for drainage improvement. The levy for the MRDD Building was removed because the balance was sufficient to pay the debt. During 2005, the MRDD Building debt was retired.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In May 2005, the Board of County Commissioners passed a resolution to continue the current one half percent sales tax that was voted for construction, maintenance and operation of the Law Enforcement Center. This became effective April 1, 2006, when the Board terminated the existing levy. This money will be deposited in the general fund.

On March 30, 2006, the Board of County Commissioners passed a resolution approving the issuance of bonds by Lorain County on behalf of Catholic Healthcare Partners (CHP) for certain capital equipment and construction. CHP owns sites in Auglaize County that will be affected by the issuance of said bonds. Proceeds will also be used to finance facilities at other locations outside Auglaize County. Bonds are scheduled to be sold May 1, 2006.

On February 23, 2006, the Board passed a resolution raising the conveyance fee from \$1.00 to \$3.00 per thousand to be effective April 1, 2006. The increase will generate about \$230,000 for general fund expenses, primarily Geographic Information System (GIS) functions.

The budget centers on an uncertain economic climate. The county unemployment rate is 4.5 percent a percent less than the state rate of 5.3 percent (March 2006). The state legislature has indicated uncertainty regarding local government, local government revenue assistance and state funded grant programs which may require more local financial support, although for calendar year 2006 these numbers should equal the 2005 distribution from the state. There will be a spending limit issue, statewide, on the November 2006 ballot which may further impact governmental revenue and services at all levels.

In 2006 the employer rate for PERS increased to 13.7 percent.

Business-type activities should remain relatively unchanged for 2006.

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, customers, investors and creditors with general overview of the County's finances. If you have questions about this report or wish to obtain the separately issued financial statements of the County's component units contact the Auglaize County Auditor's Office by calling 419-739-6705 or writing the County Auditor at PO Box 34, Wapakoneta Ohio 45895.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS  
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2005**

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Airport Authority</u>	<u>Auglaize Industries</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$15,272,737	\$870,293	\$16,143,030	\$33,923	\$616,008
Cash and Cash Equivalents:					
In Segregated Accounts	261,553		261,553		
Materials and Supplies Inventory	490,107	32,053	522,160	22,480	
Accrued Interest Receivable	482,617		482,617		
Accounts Receivable	166,563	705,405	871,968	6,011	20,405
Internal Balances	6,091	(6,091)			
Due from Other Governments	4,157,104		4,157,104		
Prepaid Items	399,465	4,702	404,167		1,000
Sales Taxes Receivable	1,088,487		1,088,487		
Property Taxes Receivable	5,959,761		5,959,761		
Notes Receivable	734,738	18,750	753,488		
Special Assessments Receivable	1,807,600		1,807,600		
Non Depreciable Assets	4,323,825	54,908	4,378,733		
Depreciable Capital Assets, Net	17,030,860	3,829,191	20,860,051	84,824	55,529
<b>Total Assets</b>	<b>52,181,508</b>	<b>5,509,211</b>	<b>57,690,719</b>	<b>147,238</b>	<b>692,942</b>
<b>Liabilities</b>					
Accounts Payable	401,322	60,838	462,160	8,218	6,353
Contracts Payable	411,072		411,072		
Accrued Wages	495,337	142,396	637,733		
Due to Other Governments	163,865	35,695	199,560	153	1,059
Due to Clients		180,404	180,404		
Accrued Interest Payable	21,311		21,311		
Retainage Payable	94,125		94,125		
Claims Payable	31,355		31,355		
Deferred Revenue	5,680,443		5,680,443	15,175	
Long-Term Liabilities:					
Due Within One Year	1,688,509	130,706	1,819,215		2,139
Due In More Than One Year	2,916,008	143,150	3,059,158		
<b>Total Liabilities</b>	<b>11,903,347</b>	<b>693,189</b>	<b>12,596,536</b>	<b>23,546</b>	<b>9,551</b>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	20,159,685	3,846,599	24,006,284	84,824	55,529
Restricted for:					
Capital Projects	4,087,883		4,087,883		
Debt Service	1,440,155		1,440,155		
Other Purposes	11,527,259		11,527,259		
Unrestricted (Deficit)	3,063,179	969,423	4,032,602	38,868	627,862
<b>Total Net Assets</b>	<b>\$40,278,161</b>	<b>\$4,816,022</b>	<b>\$45,094,183</b>	<b>\$123,692</b>	<b>\$683,391</b>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES  
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Current:				
General Government:				
Legislative and Executive	\$4,518,159	\$1,116,779	\$274,125	\$494,962
Judicial	1,636,027	1,030,732	87,422	
Public Safety	4,615,887	315,150	422,802	20,000
Public Works	5,941,539	479,975	3,607,606	1,940,632
Health	5,592,686	458,181	2,172,680	190,360
Human Services	4,962,170	157,795	3,753,414	52,554
Other	1,339,011	3,200		
Interest and Fiscal Charges	196,806			
<b>Total Governmental Activities</b>	<u>28,802,285</u>	<u>3,561,812</u>	<u>10,318,049</u>	<u>2,698,508</u>
<b>Business-Type Activities:</b>				
Auglaize Acres	5,398,033	5,356,414		
Water & Sewer	352,932	275,920		
<b>Total Business-Type Activities</b>	<u>5,750,965</u>	<u>5,632,334</u>		
<b>Total - Primary Government</b>	<u>\$34,553,250</u>	<u>\$9,194,146</u>	<u>\$10,318,049</u>	<u>\$2,698,508</u>
<b>Component Units</b>				
Airport Authority	\$211,835	\$200,729		
Auglaize Industries	324,001	294,170		
<b>Total Component Units</b>	<u>\$535,836</u>	<u>\$494,899</u>		

**General Revenues**

Property Taxes Levied for:  
    General Purposes  
    Other Purposes  
Permissive Sales and Use Tax Levied for:  
    General Purposes  
    Other Purposes  
    Capital Outlay  
Intergovernmental  
Loss on Sale of Capital Asset  
Investment Earnings  
Miscellaneous  
Special Item  
**Total General Revenues**

Change in Net Assets

Net Assets Beginning of Year

Net Assets 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	Airport Authority	Auglaize Industries
(\$2,632,293)		(\$2,632,293)		
(517,873)		(517,873)		
(3,857,935)		(3,857,935)		
86,674		86,674		
(2,771,465)		(2,771,465)		
(998,407)		(998,407)		
(1,335,811)		(1,335,811)		
(196,806)		(196,806)		
<u>(12,223,916)</u>		<u>(12,223,916)</u>		
	(\$41,619)	(41,619)		
	(77,012)	(77,012)		
	<u>(118,631)</u>	<u>(118,631)</u>		
(12,223,916)	(118,631)	(12,342,547)		
			(\$11,106)	
				(\$29,831)
			<u>(11,106)</u>	<u>(29,831)</u>
2,113,508		2,113,508		
4,240,783		4,240,783		
2,609,209		2,609,209		
2,685,201		2,685,201		
1,739,473		1,739,473		
731,903		731,903		
(57,842)		(57,842)	4,422	
401,564		401,564	67	50,137
575,469	26,695	602,164	9,478	4,960
	181,500			
<u>15,039,268</u>	<u>208,195</u>	<u>15,065,963</u>	<u>13,967</u>	<u>55,097</u>
2,815,352	89,564	2,723,416	2,861	25,266
37,462,809	4,726,458	42,189,267	120,831	658,125
<u>\$40,278,161</u>	<u>\$4,816,022</u>	<u>\$44,912,683</u>	<u>\$123,692</u>	<u>\$683,391</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>MVGT</u>	<u>Job and Family Srvc</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,293,508	\$440,964	\$319,131
Cash and Cash Equivalents in Segregated Accounts			
Due from other Government	661,240	2,547,947	171,709
Materials and Supplies Inventory	50,199	405,435	26,853
Accrued Interest Receivable	69,055		
Accounts Receivable	47,828	8,231	
Interfund Receivable	625	6,041	96,896
Prepaid Items	315,113	7,744	22,815
Sales Taxes Receivable	436,481		
Property Taxes Receivable	1,984,504		
Note Receivable	38,400		
Special Assessments Receivable			
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$5,896,953</u>	<u>\$3,416,362</u>	<u>\$637,404</u>
<b>Liabilities</b>			
Accounts Payable	\$117,578	\$52,034	\$72,631
Contracts Payable			
Accrued Wages	195,090	69,939	54,416
Intergovernmental Payable	55,761	21,926	26,858
Retainage Payable			
Due to Other Funds	7,890	2,734	1,701
Deferred Revenue	2,417,998	1,985,695	138,115
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>2,794,317</u>	<u>2,132,328</u>	<u>293,721</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	91,798	4,651	25,409
Reserved for Notes Receivable	38,400		
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	2,972,438		
Special Revenue Funds		1,279,383	318,274
Debt Service Funds			
Capital Projects Funds			
	<hr/>	<hr/>	<hr/>
Total Fund Balances (Deficits)	<u>3,102,636</u>	<u>1,284,034</u>	<u>343,683</u>
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities and Fund Balances</b>	<u>\$5,896,953</u>	<u>\$3,416,362</u>	<u>\$637,404</u>

*See accompanying notes to the basic financial statements.*



<b>MRDD</b>	<b>Jail Operation/ Maintenance</b>	<b>Permanent Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$1,645,798	\$981,361	\$3,696,415	\$5,769,229	\$15,146,406
167,228		\$94,125		261,353
282,056			494,152	4,157,104
7,620				490,107
			413,562	482,617
			110,367	166,426
				103,562
22,572	10,628	7,771	12,822	399,465
	361,018	290,988	-	1,088,487
3,975,257				5,959,761
			696,338	734,738
			1,807,600	1,807,600
<b>\$6,100,531</b>	<b>\$1,353,007</b>	<b>\$4,089,299</b>	<b>\$9,304,070</b>	<b>\$30,797,626</b>
\$23,197	\$28,400	\$669	\$71,243	\$365,752
52,164		147,078	211,830	411,072
72,829	56,472		42,721	491,467
23,648	14,196		20,321	162,710
		94,125	-	94,125
	4,668	1,586	99,123	117,702
4,248,354			2,623,460	11,413,622
<b>4,420,192</b>	<b>103,736</b>	<b>243,458</b>	<b>3,068,698</b>	<b>13,056,450</b>
13,052	1,639	113,963	278,082	528,594
			696,338	734,738
				2,972,438
1,667,287	1,247,632		3,815,853	8,328,429
			1,172,379	1,172,379
		3,731,878	272,720	4,004,598
<b>1,680,339</b>	<b>1,249,271</b>	<b>3,845,841</b>	<b>6,235,372</b>	<b>17,741,176</b>
<b>\$6,100,531</b>	<b>\$1,353,007</b>	<b>\$4,089,299</b>	<b>\$9,304,070</b>	<b>\$30,797,626</b>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

**Total Governmental Funds Balances** \$17,741,176

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 21,354,685

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Grants	\$2,989,149
Property Tax	279,318
Sales Tax	227,341
Special Assessments	1,823,808
Interest	<u>413,563</u>

Total 5,733,179

Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(1,195,000)
Special Assessment Bonds	(1,325,000)
Special Assessment Notes	(498,808)
Compensated Absences	(1,482,299)
Ohio Public Works Loan	(92,060)
Accrued Interest Payable	<u>(21,311)</u>

Total (4,614,478)

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.

63,599

**Net assets of governmental activities**

\$40,278,161

*See accompanying notes to the basic financial statements.*

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**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>MVGT</u>	<u>Job and Family Srvc</u>
<b>Revenues</b>			
Property Taxes	\$2,046,379		
Permissive Sales and Use Tax	2,609,209	\$508,313	
Interest	456,907	18,436	
Licenses and Permits	3,709		
Fines and Forfeitures	433,239	50,994	
Intergovernmental	1,271,867	3,712,519	\$2,546,035
Charges for Services	1,032,713	32,500	
Special Assessments			
Other	59,908		98,645
Total Revenues	<u>7,913,931</u>	<u>4,322,762</u>	<u>2,644,680</u>
<b>Expenditures</b>			
Current:			
General Government:			
Legislative and Executive	2,732,723		
Judicial	1,476,642		
Public Safety	1,983,201		
Public Works	159,765	4,590,996	
Health	51,207		
Human Services	277,564		3,082,299
Other	1,228,166		
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>7,909,268</u>	<u>4,590,996</u>	<u>3,082,299</u>
Excess of Revenues Over/(Under) Expenditures	4,663	(268,234)	(437,619)
<b>Other Financing Sources (Uses)</b>			
Sale of Fixed Assets	3,644	5,850	128
Other Financing Sources	128,327	149,386	281,958
Other Financing Uses	(516,743)		
Proceeds from Notes			
Other Financing Sources - Refunding Bonds			
Other Financing Uses - Refunding Bonds			
Transfers In	1,168		
Transfers Out	(151,369)		
Total Other Financing Sources (Uses)	<u>(534,973)</u>	<u>155,236</u>	<u>282,086</u>
Net Change in Fund Balances	(530,310)	(112,998)	(155,533)
Fund Balances (Deficits) Beginning of Year	<u>3,632,946</u>	<u>1,397,032</u>	<u>499,216</u>
<b>Fund Balances (Deficits) End of Year</b>	<u><u>\$3,102,636</u></u>	<u><u>\$1,284,034</u></u>	<u><u>\$343,683</u></u>

See accompanying notes to the basic financial statements.

<u>MRDD</u>	<u>Jail Oper &amp; Maintenance</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$4,028,936				\$6,075,315
	\$2,176,888	\$1,739,473		7,033,883
			\$22,585	497,928
				3,709
			15,320	499,553
1,241,806	1,040	10,749	5,662,204	14,446,220
			1,358,107	2,423,320
			539,301	539,301
			242,422	400,975
<u>5,270,742</u>	<u>2,177,928</u>	<u>1,750,222</u>	<u>7,839,939</u>	<u>31,920,204</u>
			1,012,682	3,745,405
			174,162	1,650,804
	2,118,193		332,665	4,434,059
4,820,050			1,067,945	5,818,706
			695,739	5,566,996
			1,364,003	4,723,866
			105,906	1,334,072
		252,009	697,814	949,823
			1,078,566	1,078,566
			206,668	206,668
<u>4,820,050</u>	<u>2,118,193</u>	<u>252,009</u>	<u>6,736,150</u>	<u>29,508,965</u>
450,692	59,735	1,498,213	1,103,789	2,411,239
514			4,950	15,086
1,072	3,612		131,879	696,234
	(1,031)		(280,063)	(797,837)
			107,539	107,539
			475,000	475,000
			(450,000)	(450,000)
			368,135	369,303
(190,360)			(26,891)	(368,620)
<u>(188,774)</u>	<u>2,581</u>		<u>330,549</u>	<u>46,705</u>
261,918	62,316	1,498,213	1,434,338	2,457,944
<u>1,418,421</u>	<u>1,186,955</u>	<u>2,347,628</u>	<u>4,801,034</u>	<u>15,283,232</u>
<u>\$1,680,339</u>	<u>\$1,249,271</u>	<u>\$3,845,841</u>	<u>\$6,235,372</u>	<u>\$17,741,176</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$2,457,944</b>
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current year.		
Construction in progress	\$437,024	
Non depreciable capital assets	1,600	
Depreciable capital assets	1,479,083	
Depreciation expense	<u>(1,353,750)</u>	563,957
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
Sale of capital assets	(15,086)	
Loss on sale of capital assets	<u>(57,842)</u>	(72,928)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	279,318	
Grants	(953,843)	
Special Assessments	(168,329)	
Interest	<u>(96,364)</u>	(939,218)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,528,566
Note proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.		
Notes payable		(582,539)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Accrued Interest		8,389
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(54,566)
The internal service funds used by management to charge the costs of insurance and workers' compensation to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated		
		<u>(94,253)</u>
<b>Change in Net Assets of Governmental Activities</b>		<b><u><u>\$2,815,352</u></u></b>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
GENERAL FUND  
DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$1,988,100	\$1,988,100	\$1,993,514	\$5,414
Permissive sales and use tax	2,527,478	2,527,478	2,554,550	27,072
Charges for services	1,064,700	1,064,700	1,025,723	(38,977)
License and permits	3,450	3,450	3,709	259
Fines and forfeitures	495,000	495,000	437,670	(57,330)
Intergovernmental	838,307	1,246,149	1,272,840	26,691
Investment income	220,000	220,000	422,808	202,808
Other operating income	64,000	64,000	59,908	(4,092)
<b>Total Revenues</b>	<b>7,201,035</b>	<b>7,608,877</b>	<b>7,770,722</b>	<b>161,845</b>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	3,322,345	3,418,842	3,160,179	258,663
Judicial	1,685,099	1,694,760	1,351,311	343,449
Public Safety	2,170,655	2,211,671	2,116,092	95,579
Public Works	278,053	242,753	158,323	84,430
Health	90,165	89,065	83,304	5,761
Human Services	426,269	433,715	432,959	756
Other	1,569,057	1,570,057	1,284,033	286,024
<b>Total Expenditures</b>	<b>9,541,643</b>	<b>9,660,863</b>	<b>8,586,201</b>	<b>1,074,662</b>
Excess of Revenues Over (Under) Expenditures	(2,340,608)	(2,051,986)	(815,479)	1,236,507
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	500	500	3,427	2,927
Other Financing Sources	502,450	502,450	332,322	(170,128)
Other Financing Uses	(590,945)	(594,281)	(518,093)	76,188
Transfers In			685	685
Transfers Out	(200,000)	(82,773)		82,773
<b>Total Other Financing Sources (Uses)</b>	<b>(287,995)</b>	<b>(174,104)</b>	<b>(181,659)</b>	<b>(7,555)</b>
Net Change in Fund Balance	(2,628,603)	(2,226,090)	(997,138)	1,228,952
Fund Balance Beginning of Year	2,777,068	2,777,068	2,777,068	
Prior Year Encumbrances Appropriated	187,511	187,511	187,511	
<b>Fund Balance End of Year</b>	<b>\$335,976</b>	<b>\$738,489</b>	<b>\$1,967,441</b>	<b>\$1,228,952</b>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
MOTOR VEHICLE AND GASOLINE TAX (MVGT) - SPECIAL REVENUE FUND  
DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Permissive Sales and use tax	\$500,000	\$500,000	\$506,012	\$6,012
Charges for services	8,000	8,000	37,619	29,619
Fines and forfeitures	50,000	50,000	50,745	745
Intergovernmental	3,559,000	3,559,000	3,644,291	85,291
Investment income	7,000	7,000	17,324	10,324
Other operating income	3,000	3,000	1,328	(1,672)
<b>Total Revenues</b>	<b>4,127,000</b>	<b>4,127,000</b>	<b>4,257,319</b>	<b>130,319</b>
<b>Expenditures</b>				
Current:				
<b>Public Works</b>				
Personal services	2,134,081	2,130,258	2,012,238	118,020
Materials and supplies	1,312,738	1,197,826	1,048,559	149,267
Charges and services	1,412,102	1,539,837	1,498,637	41,200
Capital outlay and equipment	388,906	381,906	379,775	2,131
<b>Total Expenditures</b>	<b>5,247,827</b>	<b>5,249,827</b>	<b>4,939,209</b>	<b>310,618</b>
Excess of Revenues Over (Under) Expenditures	(1,120,827)	(1,122,827)	(681,890)	440,937
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	390,500	390,500	163,143	(227,357)
Other Financing Uses	(10,000)	(8,000)	(6,986)	1,014
Proceeds from sale of fixed assets			5,850	5,850
<b>Total Other Financing Sources (Uses)</b>	<b>380,500</b>	<b>382,500</b>	<b>162,007</b>	<b>(220,493)</b>
Net Change in Fund Balance	(740,327)	(740,327)	(519,883)	220,444
Fund Balance Beginning of Year	575,104	575,104	575,104	
Prior Year Encumbrances Appropriated	342,723	342,723	342,723	
<b>Fund Balance End of Year</b>	<b>\$177,500</b>	<b>\$177,500</b>	<b>\$397,944</b>	<b>\$220,444</b>

*See accompanying notes to the basic financial statements.*



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
JOB AND FAMILY SERVICES (JFS) - SPECIAL REVENUE FUND  
DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$1,802,000	\$2,412,967	\$2,688,938	\$275,971
Other operating income	95,090	95,090	98,346	3,256
Total Revenues	1,897,090	2,508,057	2,787,284	279,227
<b>Expenditures</b>				
Current:				
<b>Human Services</b>				
Personal services	1,829,235	1,656,902	1,396,721	260,181
Materials and supplies	92,150	64,650	62,062	2,588
Charges and services	931,766	1,224,462	1,168,980	55,482
Capital outlay and equipment	35,104	599,604	598,702	902
Total Expenditures	2,888,255	3,545,618	3,226,465	319,153
Excess of Revenues Over (Under) Expenditures	(991,165)	(1,037,561)	(439,181)	598,380
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	380,000	380,000	304,589	(75,411)
Other Financing Uses	(77,925)	(28,619)	(24,628)	3,991
Proceeds from sale of fixed assets			128	128
Transfers In	300,000	300,000		(300,000)
Total Other Financing Sources (Uses)	602,075	651,381	280,089	(371,292)
Net Change in Fund Balance	(389,090)	(386,180)	(159,092)	227,088
Fund Balance Beginning of Year	321,565	321,565	321,565	
Prior Year Encumbrances Appropriated	67,524	67,524	67,524	
<b>Fund Balance End of Year</b>	<u>(\$1)</u>	<u>\$2,909</u>	<u>\$229,997</u>	<u>\$227,088</u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
MENTAL RETARDATION AND DEVELOPMENT DISABILITIES (MRDD) - SPECIAL REVENUE FUND  
DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Taxes	\$4,255,000	\$4,255,000	\$4,063,409	(\$191,591)
Intergovernmental	830,000	830,000	873,989	43,989
Total Revenues	5,085,000	5,085,000	4,937,398	(147,602)
<b>Expenditures</b>				
Current:				
<b>Health</b>				
Personal services	2,919,898	3,111,898	2,918,423	193,475
Materials and supplies	89,794	109,794	102,824	6,970
Charges and services	1,514,265	1,537,265	1,437,155	100,110
Capital outlay and equipment	36,000	26,000	13,146	12,854
Total Expenditures	4,559,957	4,784,957	4,471,548	313,409
Excess of Revenues Over (Under) Expenditures	525,043	300,043	465,850	165,807
<b>Other Financing Sources (Uses)</b>				
Operating Transfers Out	(225,000)	(190,360)	(190,360)	
Proceeds From Sale of Fixed Assets			514	514
Other Financing Sources	1,000	1,000	1,072	72
Total Other Financing Sources (Uses)	(224,000)	(189,360)	(188,774)	586
Net Change in Fund Balance	301,043	110,683	277,076	166,393
Fund Balance Beginning of Year	1,089,572	1,089,572	1,089,572	
Prior Year Encumbrances Appropriated	99,088	99,088	99,088	
<b>Fund Balance End of Year</b>	<u>\$1,489,703</u>	<u>\$1,299,343</u>	<u>\$1,465,736</u>	<u>\$166,393</u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
JAIL OPERATIONS AND MAINTENANCE - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues</b>				
Permissive sales and use tax	\$2,104,401	\$2,104,401	\$2,134,016	\$29,615
Intergovernmental			1,040	1,040
<b>Total Revenues</b>	<b>2,104,401</b>	<b>2,104,401</b>	<b>2,135,056</b>	<b>30,655</b>
<b>Expenditures</b>				
Current:				
<b>Public Safety:</b>				
Personal services	1,488,000	1,433,700	1,384,705	48,995
Materials and supplies	215,378	241,679	237,989	3,690
Charges and services	423,440	478,439	475,442	2,997
Capital outlay and equipment	92,506	90,206	84,852	5,354
<b>Total Expenditures</b>	<b>2,219,324</b>	<b>2,244,024</b>	<b>2,182,988</b>	<b>61,036</b>
Excess of Revenues Over (Under) Expenditures	(114,923)	(139,623)	(47,932)	91,691
<b>Other Financing Sources (Uses)</b>				
Other Financing Uses	(1,500)	(1,800)	(1,585)	215
Other Financing Sources			3,612	3,612
<b>Total Other Financing Sources (Uses)</b>	<b>(1,500)</b>	<b>(1,800)</b>	<b>2,027</b>	<b>3,827</b>
Net Change in Fund Balance	(116,423)	(141,423)	(45,905)	95,518
Fund Balance Beginning of Year	925,286	925,286	925,286	
Prior Year Encumbrances Appropriated	68,324	68,324	68,324	
<b>Fund Balance End of Year</b>	<b>\$877,187</b>	<b>\$852,187</b>	<b>\$947,705</b>	<b>\$95,518</b>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

	<b>Business Type Activities Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Auglaize Acres</b>	<b>Sewers</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$433,534	\$436,759	\$870,293	\$126,331
Cash and Cash Equivalents in Segregated Accounts				200
Receivables:				
Accounts	654,933	50,472	705,405	137
Notes		18,750	18,750	
Due From Other Funds				20,231
Materials and Supplies Inventory	32,053		32,053	
Prepaid Items	4,378	324	4,702	
<b>Total Current Assets</b>	<b>1,124,898</b>	<b>506,305</b>	<b>1,631,203</b>	<b>146,899</b>
Noncurrent Assets:				
Capital Assets:				
Land	4,200	50,708	54,908	
Depreciable Capital Assets, Net	103,284	3,725,907	3,829,191	
<b>Total Noncurrent Assets</b>	<b>107,484</b>	<b>3,776,615</b>	<b>3,884,099</b>	
<b>Total Assets</b>	<b>1,232,382</b>	<b>4,282,920</b>	<b>5,515,302</b>	<b>146,899</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	46,309	14,529	60,838	35,570
Accrued Wages	142,396		142,396	3,870
Intergovernmental Payable	35,695		35,695	1,155
Due to Other Funds	6,091		6,091	
Due to Clients	179,689	715	180,404	
Claims Payable				31,355
Notes Payable		5,000	5,000	
Compensated Absences Payable	125,706		125,706	3,202
<b>Total Current Liabilities</b>	<b>535,886</b>	<b>20,244</b>	<b>556,130</b>	<b>75,152</b>
Long-Term Liabilities:				
Compensated Absences Payable	110,650		110,650	8,148
Notes Payable		32,500	32,500	
<b>Total Long-Term Liabilities</b>	<b>110,650</b>	<b>32,500</b>	<b>143,150</b>	<b>8,148</b>
<b>Total Liabilities</b>	<b>646,536</b>	<b>52,744</b>	<b>699,280</b>	<b>83,300</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	107,484	3,739,115	3,846,599	
Unrestricted	478,362	491,061	969,423	63,599
<b>Total Net Assets</b>	<b>\$585,846</b>	<b>\$4,230,176</b>	<b>\$4,816,022</b>	<b>\$63,599</b>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Business Type Activities Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Auglaize Acres</b>	<b>Sewers</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>				
Charges for Services	\$5,356,414	\$275,920	\$5,632,334	\$3,444,369
Total Operating Revenues	5,356,414	275,920	5,632,334	3,444,369
<b>Operating Expenses</b>				
Personal Services	4,089,928		4,089,928	112,615
Contractual Services	697,175	236,786	933,961	3,357,048
Materials and Supplies	521,020	1,469	522,489	75,557
Other	29,247		29,247	
Depreciation	25,872	114,677	140,549	
Capital Outlay	34,791		34,791	
Total Operating Expenses	5,398,033	352,932	5,750,965	3,545,220
Operating Income (Loss)	(41,619)	(77,012)	(118,631)	(100,851)
<b>Non-Operating Revenues (Expenses)</b>				
Other Non Operating Income	26,695		26,695	7,333
Transfers Out				(683)
Other Non Operating Expense				(52)
Total Non-Operating Revenues (Expenses)	26,695		26,695	6,598
<b>Special Item</b>				
Intangible Sales	181,500		181,500	
Total Special Items	181,500		181,500	
Change in Net Assets	166,576	(77,012)	89,564	(94,253)
Net Assets Beginning of Year	419,270	4,307,188	4,726,458	157,852
<b>Net Assets End of Year</b>	<b>\$585,846</b>	<b>\$4,230,176</b>	<b>\$4,816,022</b>	<b>\$63,599</b>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF CASH FLOWS  
BUSINESS TYPE ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Business Type Activities Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Auglaize Acres</b>	<b>Sewers</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$5,155,671	\$261,859	\$5,417,530	\$92,927
Cash Received from Interfund Services Provided				3,350,855
Cash Payments to Employees for Services	(4,033,042)		(4,033,042)	(109,421)
Cash Payments for Goods and Services	(1,190,338)	(234,404)	(1,424,742)	(3,393,643)
Net Cash Provided by (Used in) Operating Activities	<u>(67,709)</u>	<u>27,455</u>	<u>(40,254)</u>	<u>(59,282)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Non Operating Revenue	26,695		26,695	7,333
Extraordinary Revenue	181,500		181,500	
Non Operating Expenses				(735)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>208,195</u>		<u>208,195</u>	<u>6,598</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal Paid on Notes		(5,000)	(5,000)	
Net Increase (Decrease) in Cash and Cash Equivalents	140,486	22,455	162,941	(52,684)
Cash and Cash Equivalents Beginning of Year	<u>293,048</u>	<u>414,304</u>	<u>707,352</u>	<u>179,215</u>
Cash and Cash Equivalents End of Year	<u><u>\$433,534</u></u>	<u><u>\$436,759</u></u>	<u><u>\$870,293</u></u>	<u><u>\$126,531</u></u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
Operating Gain (Loss)	(\$41,619)	(\$77,012)	(\$118,631)	(\$100,851)
Adjustments:				
Depreciation	25,872	114,677	140,549	
(Increase) Decrease in Assets:				
Accounts Receivable	(193,979)	(14,059)	(208,038)	1,951
Intergovernmental Receivable		2,500	2,500	
Prepays	(1,247)	62	(1,185)	
Materials and Supplies Inventory	(5,516)		(5,516)	
Due from Other Funds				(2,400)
Increase (Decrease) in Liabilities:				
Accounts Payable	(20,534)	572	(19,962)	29,286
Claims Payable				9,306
Accrued Wages	14,238		14,238	(336)
Compensated Absences Payable	42,645		42,645	3,529
Intergovernmental Payable	(12,218)		(12,218)	233
Due to Clients	120,927	715	121,642	
Due to Other Funds	<u>3,722</u>		<u>3,722</u>	
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u><u>(\$67,709)</u></u>	<u><u>\$27,455</u></u>	<u><u>(\$40,254)</u></u>	<u><u>(\$59,282)</u></u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$152,478	\$2,430,014
Cash and Cash Equivalents in Segregated Accounts		865,016
Receivables:		
Property Taxes		47,848,174
Special Assessments		868,543
Due from other governments		3,471,777
 Total Assets	 152,478	 55,483,524
<b>Liabilities</b>		
Due to Other Governments	1,146	54,618,508
Undistributed Assets		865,016
 Total Liabilities	 1,146	 \$55,483,524
<b>Net Assets</b>		
Restricted	151,332	
 <b>Total Net Assets</b>	 \$152,478	

*See accompanying notes to the basic financial statements.*

FINANCIAL CONDITION  
AUGLAIZE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Private Purpose Trust</b>
<b>Additions</b>	
Interest	\$2,848
Other	<u>80,323</u>
Total Additions	<u>83,171</u>
<b>Deductions</b>	
Public Safety	38,440
Health	9,396
Human Service	18,267
Other Financing Uses	<u>8,005</u>
Total Deductions	<u>74,108</u>
Change in Net Assets	9,063
Net Assets Beginning of Year	<u>143,415</u>
<b>Net Assets End of Year</b>	<u><u>\$152,478</u></u>

*See accompanying notes to the basic financial statements.*



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. DESCRIPTION OF THE ENTITY**

Auglaize County, Ohio (The County) was formed by an act of the Legislature on February 14, 1848. 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 Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Probate/Juvenile and Domestic Relations Court Judge, and a Municipal County 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.

**A. Reporting Entity**

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, effective for financial statements for periods beginning after December 15, 1992. The basic financial statements include all funds, agencies, boards, commissions, and other component units for which Auglaize County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

Certain funds are legally separate from the County, however, their activity is so intertwined with that of the County that they are reported as part of the County. The following funds have been included or blended into the County's basic financial statements:

**Auglaize County Children's Services Board (CSB)**

The County Commissioners approve the budget for the CSB and are substantially involved in its operation. The operations of the CSB are accounted for as a separate special revenue fund.

**The Auglaize County Board of Mental Retardation and Development Disabilities/MRDD**

The Board is appointed by the Probate Judge and the County Commissioners. The Commissioners serve as the appropriating authority for the Board and are "accountable" for its activities. The operations of MRDD are accounted for as a separate special revenue fund.

**B. Discretely Presented Component Units**

The component units columns in the basic financial statements include the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County.

**Auglaize County Airport Authority**

The Commissioners are substantially involved in the operations of the Airport Authority. The operations of the Airport Authority are accounted for using proprietary fund accounting.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**1. DESCRIPTION OF THE ENTITY (Continued)**

**Auglaize Industries, Inc.**

This is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. Auglaize Industries, Inc., under a contractual agreement with the Auglaize County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Auglaize County. Based on the significant services and resource provided by the County to Auglaize Industries, Inc. and their sole purpose of providing assistance to the retarded and handicapped adults of Auglaize County, Auglaize Industries, Inc. is reflected as a component unit of Auglaize County. The operations of Auglaize Industries, Inc. are accounted for using proprietary fund accounting.

**C. Potential Component Units Reported As Agency Funds**

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent, but is not accountable as defined in GASB Statement No. 14; accordingly, the activity of the following districts and agencies are included in the financial statements as agency funds:

- Auglaize County General Health District
- Auglaize County Soil and Water Conservation
- Auglaize County Regional Planning Commission
- Auglaize County Local Emergency Planning Commission
- Auglaize County Emergency Management Agency Cooperative
- Auglaize County Law Library
- Auglaize County Family and Children First Council

**D. Excluded Potential Component Units**

The County is not accountable, as defined in GASB Statement No. 14, for the following entities and is not involved with their activities in any substantial capacity; accordingly their activities have been excluded from the County's basic financial statements.

- Auglaize County Public District Library
- Auglaize County Agricultural Society
- Auglaize County Cooperative Extension Services
- Auglaize County Historical Society
- Auglaize County Council on Aging
- Auglaize County Child Abuse and Neglect Advisory Board
- Auglaize County Humane Society

The County is associated with the following risk pools, jointly governed organizations and joint ventures which are described in Notes 18 through 20.

- Midwest Pool Risk Management Agency, Inc.
- Midwest Employee Benefit Consortium
- County Commissioner Association of Ohio Workers' Compensation Group Rating Plan
- Auglaize County Regional Planning Commission
- Workforce Improvement Act Consortium of Auglaize, Hardin, and Mercer Counties
- Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties
- West Central Ohio Network
- Auglaize and Mercer Counties Convention and Visitors' Bureau
- Auglaize County Emergency Management Agency Cooperative
- Auglaize County Revolving Loan Fund Board
- Grand Lake Task Force

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and practices of Auglaize County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units, as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

The County also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to its governmental and business type activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below.

The information provided in the notes to the financial statements relates generally to the primary government. Information related to the component units is specifically identified.

**A. Basis of Presentation - Fund Accounting**

**Government-wide Statements** - The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 the different business-type activities of the County and for each function for the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. 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:** The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category-governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column.

All remaining governmental and proprietary funds are aggregated and reported as non-major funds. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Motor Vehicle and Gasoline Tax (MVGT)** - The motor vehicle gas tax fund accounts for gas tax and license revenue used for road and bridge maintenance in the County.

**Job and Family Services (JFS)** - The job and family services fund accounts for various federal and state grants as well as allocations from the general fund used to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.

**Mental Retardation and Development Disabilities (MRDD)** - The mental retardation and developmental disabilities fund accounts for a County-wide property tax levy, state grants and reimbursements used for care and services for the mentally handicapped and retarded.

**Jail Operations and Maintenance** - The jail operations and maintenance fund accounts for revenues received from permissive sales tax and is used to pay for the operations and maintenance of the jail.

**Permanent Improvement** - The permanent improvement fund accounts for revenue received from the permissive sales tax and is used to pay for capital improvements.

**2. Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are used to account for the County's ongoing activities which are financed and operated in a manner similar to the private sector.

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Internal Service Funds** - These funds are used for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The County's internal service funds account for monies received from the activities of the insurance programs for employee health, vision, drug card benefits and flexible spending; and for various rotary services such as police protection and gasoline.

**3. 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 not available to support the County's own programs. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County's fiduciary funds are private purpose trust and agency funds. The private purpose trust accounts for funds held by binding trust agreements. The agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent, and for taxes, assessments, state-levied shared revenues, and fines and forfeitures collected on behalf of other local governments and distributed to other political subdivisions.

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

**1. Government-Wide Financial Statements**

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

**2. 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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Like the government-wide financial statements, the proprietary funds are accounted for using 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 fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the County finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**3. Discretely Presented Component Units**

The Auglaize County Airport Authority uses the proprietary basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Auglaize Industries uses the proprietary basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

**C. 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.

**1. Revenues – Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the 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.

Non-exchange 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 non-exchange transactions must also be available before it can be recognized.

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

**2. 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, 2005, but which were levied to finance year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**3. 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.

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis (cash basis) of accounting. Estimated resources and appropriations are subject to amendment throughout the year, with the legal restriction that appropriations cannot exceed estimated resources as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Tax Budget:**

Unless waived, a budget of estimated revenues and expenditures is required to be submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The express purpose of this budget is to reflect the need for existing (or increased) tax rates. Auglaize County has chosen to waive the budget filing requirement.

**2. Estimated Resources:**

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund.

Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount of available resources as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual – for the General and Major Special Revenue Funds reflect the amounts in the final amended official certificate of estimated resources during 2005.

**3. Appropriations:**

A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during 2005.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget for that fund that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary comparisons represent the final appropriation amounts passed by the Commissioners prior to year end, including all amendments and modifications.



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Budgeted Level of Expenditures:**

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the County Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Appropriations are made to the fund, department and object level (i.e. General Fund - Commissioners - salaries, supplies, equipment, contract repairs, travel expenses, maintenance, other expenses, etc.)

**5. Encumbrances:**

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

**6. Lapsing of Appropriations:**

Unencumbered appropriations lapse at year end, revert back to the respective fund from which they were appropriated, and become subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not re-appropriated.

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the County is pooled, except for cash held by a trustee or fiscal agent and in segregated accounts. Monies for all funds, including proprietary funds are included in this pool. Individual fund integrity is maintained through the County's records. Interest in the pool is reported as "Equity in Pooled Cash and Cash Equivalents." Cash and cash equivalents that are held separately within departments of the County, or in outside accounts in the name of various elected officials or departments are reported as "Cash and Cash Equivalents in Segregated Accounts."

During 2005, investments were limited to money markets, treasury notes, federal agency securities and STAR Ohio. Except for money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The County had invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2005. 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. STAROhio 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 STAROhio were valued at STAR Ohio's share price which is the price at which the investment could be sold. Although the County invested with STAR Ohio during the year, there were no investments with STAROhio at year-end.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Following Ohio statutes, the County is required to credit all investment earnings to the General Fund, unless otherwise expressly required by law to allocate to other funds. Interest is distributed to the general fund, the motor vehicle gasoline tax special revenue fund, St. Marys River project special revenue fund, the Auglaize School workshop bond retirement fund, the Treasurer's prepay agency fund and the Auglaize School Group Home expendable trust fund. Total investment revenue earned during 2005 was \$497,928. The General fund was credited \$456,907, and of this amount \$397,518 was assigned from other funds.

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

**F. Inventory of Supplies**

Inventories are stated at cost on a first-in, first-out basis. The costs of inventory items are expensed when consumed or used.

**G. Prepaids**

Payments made to vendors for services that will benefit periods beyond December 31, 2005, 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.

**H. Receivables and Payables**

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

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

**I. Inter-fund Receivables and Payables**

On the fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "inter-fund 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".

**J. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Capital Assets and Depreciation**

The capital asset values were initially determined at December 31, 1990, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. The cost of interest on debt issued for construction in progress is not capitalized. The County maintains a capitalization threshold of five thousand dollars.

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported on the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds. All reported capital assets are depreciated except for land, some land improvements and construction in progress.

Depreciation is computed using the straight-line method over the following useful lives:

<b>Description</b>	<b>Estimated Life</b>
Sewer and Water Treatment Plants and Lines	50 years
Buildings	30 years
Furniture and Fixtures	10-20 years
Machinery and Equipment	7-15 years
Licensed Vehicles	6 years

For 2005, reported infrastructure was limited to amounts previously reported. Infrastructure will be added in subsequent years when those amounts can be accumulated.

**L. Component Units**

**Auglaize Industries** - Equipment and improvements are stated at cost except for donated assets which are stated at fair market value at date of receipt. Leasehold improvements are depreciated rateably over the estimated useful life. Depreciation of capital assets is on a declining balance basis over the estimated useful lives of the respective assets, as follows:

<b>Description</b>	<b>Estimated Life</b>
Furniture and Fixtures	5-7 years
Transportation Equipment	5-10 years
Computers	5 years
Leasehold Improvements	15-31 1/2 years
Machinery and Equipment	7years

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Auglaize Airport Authority** - The capital asset values were initially determined at December 31, 1994, using the consumer pricing index to estimate historical costs. Donated capital assets are capitalized at fair market value on the date donated. Depreciation is provided on a straight line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Furniture and Fixtures	20 years
Machinery and Equipment	7-15 years
Licensed Vehicles	6 years

**M. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on length of service and department policy.

The entire compensated absence liability is reported on the government-wide financial statements. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**N. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims, judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the governmental fund financial statements when due.

**O. 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.

Net assets restricted for other purposes include resources restricted for specific county operations and federal and state grants restricted to expenditure for specified purposes. 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. At December 31, 2005, the amount of net assets restricted by enabling legislation was \$8,077,248.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Capital Contributions**

Capital contributions arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction or transfers of capital assets between governmental and business type activities. These assets are recorded at their fair market value on the date contributed. Contributed resources are reported as capital contributions within the financial statements pursuant to GASB 33 "*Accounting and Reporting for Non-exchange Transactions*". There were no capital contributions during 2005.

**Q. Fund Balance Reserves**

The County records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available expendable financial resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for notes receivable and encumbrances.

**R. 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 county home room and board, sewer services, as well as charges for internal service fund activities. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating.

**S. Inter-fund Transactions**

Transfers between governmental and business-type activities on the government-wide financial 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.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

**T. Use of Estimates**

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

**U. Special Items**

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. During 2005, Auglaize Acres sold their Medicare bed rights (an intangible asset) to Otterbein Homes in the amount of \$181,500.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2005, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure" and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the County's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

**4. ACCOUNTABILITY AND COMPLIANCE**

The following funds had a deficit fund balances as of December 31, 2005:

<b>Special Revenue Funds:</b>	<b>Deficit Fund Balance</b>
Airport Grant – Federal	\$14,550
Airport Grant – State	15,557
VOCA	157
Community Development Block Grant	77,375
Airport Grant - 603 Federal	61,210
<b>Internal Service Funds:</b>	
Police Rotary	4,036
Airport Rotary	957
Gas Rotary	258

The deficits in the Special Revenue and Internal Service Funds are caused by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances, however, this is done as cash is needed rather than as accruals occur.

**5. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual are presented in the basic financial statements for the General Fund and Major Special Revenue Funds.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

The major differences for those funds between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).

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

<b>Net Change in Fund Balance</b>					
<b>General and Major Special Revenue Funds</b>					
	<b>General</b>	<b>Motor Vehicle Gasoline Tax</b>	<b>Job and Family Services</b>	<b>Mental Retardation Development Disabilities</b>	<b>Jail Operations And Maintenance</b>
<b>Budget Basis</b>	\$(997,138)	\$(519,883)	\$(159,092)	\$277,076	\$(45,905)
<b>Net Adjustments:</b>					
Revenue accruals	143,209	65,443	(142,604)	333,344	42,872
Expense accruals	528,257	310,777	55,338	(383,178)	31,137
Other financing sources	(203,295)	(13,757)	(22,631)	0	0
Other financing uses	(150,019)	6,986	24,628	0	554
Encumbrances	148,676	37,436	88,828	34,676	33,658
<b>GAAP Basis</b>	<u>\$(530,310)</u>	<u>\$(112,998)</u>	<u>\$(155,533)</u>	<u>\$261,918</u>	<u>\$62,316</u>

**6. DEPOSITS AND INVESTMENTS**

**Primary Government**

The County maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdraw able on demand, including negotiable order of withdraw (NOW) accounts, or in money market deposit accounts. Monies held by the County which are not considered active are considered 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;

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes debentures, or any other obligation or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. 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 investments in securities described in this division are made only through eligible institutions;
7. 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;
8. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
9. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio; and
10. The State Treasurers investment pool (Star Ohio).

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

**Cash On Hand** - At December 31, 2005, cash on hand amounted to \$9,117.

**Deposits** – Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the County's deposits was \$13,899,784. Of the County's bank balance of \$14,216,616, \$13,116,449 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**Investments** – As of December 31, 2005, the County had the following investments with the listed maturity periods:

	<u>Carrying Value/Market Value</u>	<u>Less Than Six Months</u>	<u>One to Three Years</u>
Federal Home Loan Bank Bonds	\$2,493,104	\$888,737	\$1,604,367
Federal Home Loan Bank Cons Disc Notes	159,952	159,952	
Federal Home Loan Mortgage Corporation Notes	695,849		695,849
Federal Home Loan Mortgage Corporation Bonds	167,834		167,834
Federal Home Loan Bank Call Step Bonds	1,588,628		1,588,628
Federal National Mortgage Association Disc Notes	69,993	69,993	
Federal National Mortgage Association	684,142	203,655	480,487
United States Treasury Notes	83,688		83,688
	<u>\$5,943,190</u>	<u>\$1,322,337</u>	<u>\$4,620,853</u>

The County's investment policy does not address any restriction on investments relating to interest rate, credit, or custodial credit risks. The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the County. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The Federal Home Loan Bank bonds and notes, Federal Home Loan Mortgage Corporation bonds and notes, and the Federal National Mortgage Association notes, carry a rating of AAA by Moody's.

The County diversifies its investments by security, type, and the institution. With the exception of direct obligations of the U. S. Treasury, no more than 50 percent of the County's total investment portfolio will be invested in a single security type or with a single financial institution. The following table indicates the percentage of each investment to the total portfolio:

	<u>Carrying Value</u>	<u>Percentage Of Portfolio</u>
Federal Home Loan Bank Bonds	\$2,493,104	41.94%
Federal Home Loan Bank Cons Disc Notes	159,952	2.70%
Federal Home Loan Mortgage Corporation Notes	863,683	14.53%
Federal Home Loan Bank Call Step	1,588,628	26.72%
Federal National Mortgage Association Disc Notes	69,993	1.18%
Federal National Mortgage Association	684,142	11.52%
United States Treasury Notes	83,688	1.41%
	<u>\$5,943,190</u>	<u>100.00%</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

**Component Units**

**Auglaize County Airport Authority** - All moneys and funds acquired by the Airport Authority under Ohio Rev. Code Sections 4582.22 and 4582.59 are held by it in trust and are not part of other public funds. These funds, except as otherwise provided in any resolution authorizing revenue bonds or in any trust agreement securing the same, or except when invested pursuant to Ohio Rev. Code Section 4582.54 are kept in depositories selected by the Airport Authority in the manner provided the Ohio Rev. Code Chapter 135. The deposits are secured as provided in that chapter.

At year end, the carrying amount of the Auglaize County Airport Authority deposits were \$33,823 and the bank balance was \$34,527. \$34,527 was covered by federal depository insurance. The balance of cash on hand at year end was \$100. The Auglaize County Airport Authority did not have any investments at year end.

**Auglaize Industries, Inc.** - At year end, the carrying amount of Auglaize Industries, Inc. deposits was \$30,074 and the bank balance was \$35,304. Of this amount, \$35,304 was covered by federal depository insurance. The balance of cash on hand at year end was \$200. The investment securities are carried at fair market value.

Of these securities, the United States Government Securities and the Mortgaged Backed Securities due after ten years have a fair value of \$174,180; and the Mutual Funds have a fair value of \$411,554. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporations.

The United States Government Securities carry a rating of AAA by Moody's and AAA by Fitch. The Mutual Funds and Asset and Mortgaged Backed Securities are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Industries' name.

**7. 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 property) 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 Tax Commissioner at 35 percent of appraised market value. All property is required to be revalued every six years. The last triennial update was completed in tax year 2002 (Calendar year 2003). Real property taxes are payable annually or semiannually. The first payment is due February 15, with the remainder payable by July 14.

Property tax revenues received in 2005 represents the collection of 2004 taxes for real and public utility property taxes. Real and public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Tangible personal property tax revenues received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory.

Amounts paid by multi-county taxpayers are due October 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by October 20.

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 preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at one hundred percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, and the County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, is accounted for through agency funds.

Accrued property taxes receivable represents delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2005. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2005 operations. The receivable and the portion of the tax levies prepaid by year end into the undivided general tax agency fund are therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2005, was \$9.25 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$563,696,040
Commercial/Industrial/Mineral	119,485,610
Public Utility Real	259,820
Tangible Personal Property:	
General	103,248,067
Public Utility	<u>28,476,410</u>
Total Assessed Value	<u><u>\$815,165,947</u></u>

**8. PERMISSIVE SALES AND USE TAX**

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, not subject to the sales tax. 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.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**8. PERMISSIVE SALES AND USE TAX (Continued)**

Proceeds of the permissive sales tax are to be credited to the General (60 percent) and to the Permanent Improvement Fund (40 percent). This sales tax revenue for 2005 amounted to \$4,348,682. The General fund was credited with \$2,609,209 and the Permanent Improvement fund was credited with \$1,739,473. The use tax amounted to \$508,313, and was credited to the Motor Vehicle and Gasoline Tax Fund. Additionally, on June 1, 1996, a voter approved one-half percent sales tax went into effect for 10 years. This tax is used to finance the construction, maintenance and operation of a law enforcement facility. Sales tax revenue for 2005 amounted to \$2,176,888 and was credited to the Jail Operations and Maintenance Fund.

A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2005. On a full accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable that will be received outside of the available period is deferred.

**9. INTERFUND TRANSACTIONS**

As of December 31, 2005, inter-fund receivables and payables that resulted from various inter-fund transactions were as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
General	Auglaize Acres	\$101
	Motor Vehicle	34
	Indigent Application Fees	100
	CHIP	375
	Child Support Enforcement	15
		<u>625</u>
Motor Vehicle	Permanent Improvement	1,586
	Auglaize Acres	2,472
	General	544
	Solid Waste	1,237
	Jail Maintenance	202
	<u>6,041</u>	
Job and Family Services	Child Support Enforcement	<u>96,896</u>
Internal Service	General	7,346
	Motor Vehicle	2,700
	Title Department	75
	Job and Family Services	1,701
	Child Support Enforcement	300
	Solid Waste	125
	Jail Maintenance	4,466
	Auglaize Acres	3,518
	<u>20,231</u>	
Total		<u>\$123,793</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**9. INTERFUND TRANSACTIONS (Continued)**

<u>Operating Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$1,168	\$151,369
Mental Retardation and Developmental		190,360
Children's Services	150,000	
Ditch Maintenance	26,407	
Ditch Notes		185
Ditch Construction		26,706
MRDD Capital Projects	190,360	
Auglaize School Bond Retirement	1,368	
Flex Spending		683
	<u>\$369,303</u>	<u>\$369,303</u>

**10. RECEIVABLES**

Receivables at December 31, 2005 consist of taxes, accounts (billings for user charged services), special assessments, inter-fund, interest, due from other funds, and due from other government receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. A summary of the principal items of due from other government receivables follows:

<b>General Fund</b>	<b>Amount</b>
Public Defender Reimbursement	\$12,742
Judge's Salary Reimbursement	884
School Food Service	1,674
Local Government	432,979
Homestead and Rollback	140,248
Revenue Assistance	72,713
Total General Fund	<u>661,240</u>
<b>MVGT Fund</b>	
Motor Vehicle License Tax	917,186
Permissive Motor Vehicle License Tax	301,906
Gasoline Tax	1,328,855
Total MVGT Fund	<u>2,547,947</u>
<b>Job and Family Services Fund</b>	
Job and Family Services – State	<u>171,709</u>
<b>MRDD Fund</b>	
Title XX	8,959
MRDD – Homestead and Rollback	273,097
Total MRDD Fund	<u>282,056</u>
<b>Other Funds</b>	
Recycle Ohio Grant	3,357
Title XIX	44,498
VOCA – Federal funding	23,472
Childrens Services	203,727
Grants – State Funding	178,982
Airport Grant	40,116
Total Other Funds	<u>494,152</u>
Total Due From Other Governments	<u>\$4,157,104</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**10. RECEIVABLES (Continued)**

A summary of the principal items of accounts receivables follows:

<b>General Fund</b>	<b>Amount</b>
Sanitary Engineer Fees	\$50
Fees	46,478
Reimbursement	1,300
Total General Fund	<u>47,828</u>
<b>MVGT Fund</b>	
Motor Vehicle Reimbursement	8,213
Engineer Sewer Fees	18
Total MVGT Fund	<u>8,231</u>
<b>Other Funds</b>	
Reimbursements	398
Auditor and Treasurer Fees	72,343
Tap Fees	801
Ditch Maintenance Fees	536
Children Services Fees	12,508
Solid Waste Recycle Sales	2,549
Solid Waste Generation Fee	21,232
Total Other Funds	<u>110,367</u>
Total Governmental Funds Accounts	<u>166,426</u>
<b>Auglaize Acres</b>	
Auglaize Acres – Room and Board	664,216
Auglaize Acres – Other	264
Less Allowance for Doubtful Accounts (Auglaize Acres Room and Board)	<u>664,480</u> <u>(9,547)</u>
Total Auglaize Acres Accounts Receivable	<u>654,933</u>
<b>Sewer Funds</b>	
South Grand Lake Sewer Charges	14,549
Villa Nova Sewer Charges	1,895
Sharlon Sewer Charges	1,006
Beverly Hills Sewer Charges	2,967
Sherwood Forest Sewer Charges	2,120
Pleasantview Sewer Charges	3,619
Arrowhead Estates Sewer Charges	1,633
East Lake Park Sewer Charges	8,542
Forest Lane Sewer Charges	1,721
Sandy Beach Sewer Charges	9,968
Oakwood Hills Sewer Charges	2,452
Total Sewer Funds	<u>50,472</u>
Total Enterprise Funds – Net of Allowance	<u>705,405</u>
<b>Internal Service Fund</b>	
Ditch Rotary	137
Total Internal Service Funds	<u>137</u>
Total Accounts Receivable	<u>\$871,968</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**10. RECEIVABLES (Continued)**

A summary of the principal items of notes receivables follows:

<b>General Fund</b>	<b>Amount</b>
Educational Service Center Promissory Note	<u>\$38,400</u>
<b>Other Funds</b>	
Auglaize Proviso	387,615
WeldTec, Ltd.	233,603
CC Propane	<u>75,120</u>
Total Other Funds	<u>696,338</u>
Total Governmental Notes Receivable	<u>\$734,738</u>
<b>Enterprise Funds</b>	
City of Wapakoneta – Oakwood Hills Sewer	<u>\$18,750</u>
Total Notes Receivable	<u><u>\$18,750</u></u>

**11. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

<u>Governmental Activities</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>
Non Depreciable Assets:				
Land	\$1,832,259	\$1,600	\$0	\$1,833,859
Construction in Progress	<u>2,052,942</u>	<u>470,024</u>	<u>(33,000)</u>	<u>2,489,966</u>
Total Non Depreciable	3,885,201	471,624	(33,000)	4,323,825
Depreciable Assets:				
Land Improvements	967,207	144,646	(32,134)	1,079,719
Buildings & Improvements	17,480,609	151,229	0	17,631,838
Water & Sewer	131,130	0	0	131,130
Equipment, Furniture, Fixtures	<u>7,221,700</u>	<u>1,183,208</u>	<u>(340,371)</u>	<u>8,064,537</u>
Total Depreciable	<u>25,800,646</u>	<u>1,479,083</u>	<u>(372,505)</u>	<u>26,907,224</u>
Accumulated Depreciation:				
Land Improvements	307,411	65,106	(23,927)	348,590
Buildings & Improvements	3,816,342	630,179	0	4,446,521
Water & Sewer	17,794	2,621	0	20,415
Equip, Furn & Fixtures	<u>4,680,644</u>	<u>655,844</u>	<u>(275,650)</u>	<u>5,060,838</u>
Total Accum Depreciation	<u>8,822,191</u>	<u>1,353,750</u>	<u>(299,577)</u>	<u>9,876,364</u>
Net Depreciable Assets	16,978,455	125,333	(72,928)	17,030,860
Total Governmental Activities				
Capital Assets (Net)	<u><u>\$20,863,656</u></u>	<u><u>\$596,957</u></u>	<u><u>\$(105,928)</u></u>	<u><u>\$21,354,685</u></u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**11. CAPITAL ASSETS (Continued)**

<u>Business-Type Activities</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>
Non Depreciable Assets:				
Land	\$54,908	\$0	\$0	\$54,908
Depreciable Assets:				
Buildings & Improvements	862,397			862,397
Water & Sewer	5,735,566			5,735,566
Equip, Furn & Fixtures	255,269			255,269
Total Depreciable	6,853,232			6,853,232
Accumulated Depreciation:				
Buildings & Improvements	800,587	6,814		807,401
Water & Sewer	1,894,980	114,678		2,009,658
Equip, Furn & Fixtures	187,924	19,058		206,982
Total Accum Depr	2,883,491	140,550		3,024,041
Net Depreciable Assets	3,969,741	(140,550)		3,829,191
Business Type Activities				
Capital Assets (Net)	\$4,024,649	\$(140,550)	\$0	\$3,884,099

Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$822,850
General Government - Judicial	19,446
Public Safety	152,510
Public Works	273,257
Health	53,179
Human Services	32,508
Total Depreciation Expense	<u>\$1,353,750</u>

**12. RISK MANAGEMENT**

**A. Transference of Risk: Property, Crime and Liability**

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. The County participates in the Midwest Risk Management Agency, Inc. which is a public entity risk pool, (see Note 18) for general liability, automobile liability, public officials' liability and property and crime insurance.



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**12. RISK MANAGEMENT (Continued)**

Coverage provided by the pool is as follows:

<b>Property</b>	
Maximum per occurrence	\$ 64,916,600
Subject to following sublimits	
Flood*	36,000,000
Earthquake*	36,000,000
Demolition and Increased Cost of Construction	1,000,000
Extra Expense	1,317,750
Rental Income	16,000
Computer Equipment & Media	1,000,000
Computer Extra Expense	50,000
Property in Transit	20,000
Valuable Papers	100,000
Account Receivable	10,000
Mobile Equipment	2,500,000
Fine Arts	50,000
Automatic Builders' Risk	1,000,000
Automatic Newly-Acquired Property	1,000,000
<b>Crime</b>	
Employee Dishonesty and Faithful Performance	250,000
Money and Securities (Inside and Outside)	250,000
Forgery and Alteration	250,000
<b>Boiler and Machinery</b>	30,000,000
<b>Liability</b>	
Maximum per occurrence	7,000,000
Subject to following sublimits	
General, Law, Auto	7,000,000
Employee Benefits*	7,000,000
Ohio Stop Gap	7,000,000
Public Official Errors & Omissions*	7,000,000
Sexual Harassment*	1,000,000
County Home (primary and excess liability)	5,000,000

Limits include the pool self-insured retentions.

\*Limit is annual aggregate

Each member pays the first \$500 (deductible) of any physical damage to County automobiles, and crime loss involving county property. The pool pays (self-insured retention) for the next:

Crime	\$25,000	per occurrence
Property, Auto, Physical Damage	100,000	per occurrence
Liability	100,000	per occurrence
Combined loss maximum	100,000	per occurrence
Maximum per year all claims combined	570,000	annual stop loss

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**12. RISK MANAGEMENT (Continued)**

The Pool purchases excess commercial insurance to pay for claims in excess of the above member deductibles and pool self-insurance retentions. This insurance provides following insurance limits:

Property and Auto Physical Damage	\$ 264,110,450
Crime	250,000
Liability	6,000,000

The amount of any claim or loss in excess of these amounts would be the responsibility of the County that incurred the claim or loss.

Member contributions to the Pool are adjusted annually and are calculated to annually produce a sufficient sum of money to pay Pool expenses including estimated Pool self-insured losses and claims adjustment expense.

Under the terms of Pool membership, should the annual member contributions not be sufficient to fully fund Pool expenses including ultimate losses, the Board of Trustees can require supplementary contributions. Supplementary contributions, if required, would be based on the Members' pre-determined percentage share of Pool costs for that year. Supplementary contributions can be accessed during the entire life of the Association and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

Provisions for claim reserves and loss adjustment expenses are based on information reported by members and are calculated by the association's claim administrator and independent actuary. These amounts represent an estimate of reported, unpaid claims, plus provisions for claims incurred and not reported.

The association's management believes that the estimate of the liability for claim reserves is reasonable in the circumstances; however, actual incurred losses and loss adjustment expenses may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and related loss adjustment expenses may vary from the estimated amount included in the accompanying financial statements. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

**B. Transference of Risk: Employee Health Insurance**

The County is part of the Midwest Employee Benefit Consortium (MEBC) for its employee health insurance, and retains no risk for this plan (see Note 18). Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative expenses of the Association and to create adequate reserves for claims and unallocated loss adjustment expenses.

Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Association and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**12. RISK MANAGEMENT (Continued)**

Provisions for claims reserves and loss adjustment expenses are based on information reported by members and are calculated by the association's claims administrator. These amounts represent an estimate of reported, unpaid claims, plus a provision for claims incurred and not reported. The Association's management believes that the estimate of liability for claim reserves is reasonable in the circumstances; however, actual incurred losses and loss adjustment expenses may not conform to the assumptions inherent in the determination of the liability.

Accordingly, the ultimate settlement of losses and related loss adjustment expenses may vary from the estimated amounts included in the accompanying financial statements. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

**C. Transference of Risk: Workers Compensation Insurance**

For 2005, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool (See Note 18). The plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's executive committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from, or pays rate equalization rebates to the various participants. Participation in the plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

**D. Retention of Risk: Flexible Spending, Employee Drug Card and Reimbursed Health Claims**

In addition to the basic Health Care Benefit Plan, the County has established a "Flexible Spending Account" to supplement the services provided under the Basic Health Care Benefit Plan and the County self-funds an employee prescription drug card administered through National Medical Health Card Systems, Inc.

1. Each year the County deposits into the "flexible spending account" the amount of \$150 for a single coverage plan and \$300 for a family coverage plan. These funds may be used, as the employee determines, to cover health care expenses which are not covered under the County's basic health care program or to provide additional coverage for items which are part of the County's basic health care coverage. This plan is administered by Polaris Benefit Administrators.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**12. RISK MANAGEMENT (Continued)**

2. The County's Basic Health Care Program has an agreement with National Medical Health Card Systems Inc. to provide prescription drugs to the County's Basic Health Care Plan members. Under this program, the employee pays a deductible for each prescription filled and the County pays the balance.
3. The County reimburses Medicare for any past payments for services to Auglaize County employees that should have been covered by the Auglaize County Group Health plan but were originally paid by Medicare.

The liability for unpaid claims of National Medical Health Card and Medicare reimbursements at period end was \$31,355. Changes in the plans' claims liability during 2005 were:

	<u>Beginning of Year</u>	<u>New Claims</u>	<u>Claims Payments</u>	<u>Balance at Year End</u>
2005	<u>\$22,049</u>	<u>\$553,820</u>	<u>\$(544,514)</u>	<u>\$31,355</u>
2004	<u>\$14,501</u>	<u>\$460,771</u>	<u>\$(453,223)</u>	<u>\$22,049</u>

Settled claims have not exceeded coverage in any of the past three years.

**13. DEFINED BENEFIT PENSION PLANS**

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 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 publicly available financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or 800-222-7377.

For the year ended December 31, 2005, 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 2005 was 13.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$1,331,313, \$1,284,345, and \$1,111,988 respectively; 92 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the member-directed plan for 2005 were \$12,894 made by the County and \$8,089 made by the plan members.

**14. POSTEMPLOYMENT BENEFITS**

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 Post Employment 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 2005 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. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

The number of active contributing participants in the traditional and combined plans was 376,109. The number of active contributing participants for both plans used in the December 31, 2004 actuarial valuation was 355,287. Actual employer contributions for 2005 which were used to fund post-employment benefits were \$545,450. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**15. COMPENSATED ABSENCES**

Vacation is earned at rates which vary depending upon length of service and standard work week. The county currently has different policies regarding vacation leave. All of the policies allow the County employees to be paid for all earned, unused vacation leave at the time of termination of employment with more than one year of service with the County.

Employees earn sick leave at varying rates based on whether the employee is union or non-union. Upon retirement, employees with ten or more years of service are paid one-fourth of accumulated sick leave up to a maximum of 480 hours.

**16. LEASES – LESSEE DISCLOSURE**

The County has entered into a lease for office space. The lease entered into does not meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The schedule for future minimum long-term operating lease payments as of December 31, 2005 is as follows:

<u>Year</u>	<u>Special Revenue Fund</u>
2006	\$10
2007	10
2008	10
2009	10
2010	10
2011-2012	<u>20</u>
Total	<u>\$70</u>

**17. DEBT OBLIGATIONS**

The County's long-term obligations at year-end consist of the following:

<u>Governmental Activities</u>	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/05</u>	<u>Due Within One Year</u>
<b>General Obligation Bonds:</b>					
1986-7.125%					
Original Amount \$1,600,000					
Mental Retardation Facility	\$80,000	\$0	\$(80,000)	\$0	\$0
1992 - 4% - 7.15%					
Original Amount \$640,000					
Human Services Building	450,000	0	(450,000)	0	0
2005 – 2.4% - 4.1%					
Original Amount \$475,000					
Human Services Building	0	475,000	(35,000)	440,000	30,000
1996 - 4.10% - 5.20%					
Original Amount \$7,200,000					
County Law Enforcement	1,470,000	0	(715,000)	755,000	755,000
<b>Total General Obligations</b>	<u>2,000,000</u>	<u>475,000</u>	<u>(1,280,000)</u>	<u>1,195,000</u>	<u>785,000</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. DEBT OBLIGATIONS (Continued)**

<b>Governmental Activities</b>	<b>Balance 12/31/04</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/05</b>	<b>Due Within One Year</b>	
<b>Ohio Public Works Loan</b>						
Sandy Beach Storm Sewer	97,174	0	(5,114)	92,060	5,114	
<b>Special Assessment Bonds:</b>						
1992 – 4.9%-7%						
Original Amount - \$1,220,000						
Southeast Sewer District	610,000	0	(70,000)	540,000	75,000	
1993 – 3.1% - .9%						
Original Amount - \$1,495,000						
Sandy Beach Sewer District	860,000	0	(75,000)	785,000	80,000	
Total Special Assessment	<u>1,470,000</u>	<u>0</u>	<u>(145,000)</u>	<u>1,325,000</u>	<u>155,000</u>	
<b>Special Assessment Notes:</b>						
Kah Sewer- 0%	\$179,341	130,022	0	(8,967)	121,055	8,967
Smith Ditch – 3.98%	6,798	5,523	0	(850)	4,673	850
Grubbs #2 Ditch – 3.65%	20,061	0	20,061	0	20,061	4,012
Kilger Ditch - 5.75%	25,396	9,524	0	(3,175)	6,349	3,174
Oakwood Dr Strm Swr–3.77%	4,382	0	4,382	0	4,382	2,191
Allman #2 Ditch - 4.75%	66,929	0	66,929	(13,181)	53,748	7,166
Bills Ditch - 6.85%	9,710	6,675	0	(1,213)	5,462	1,214
Warner Ditch - 6.5%	2,691	449	0	(449)	0	0
King Ditch - 6.5%	36,539	34,255	0	(4,567)	29,688	4,567
Heinz Ditch - 5.93%	63,699	23,887	0	(7,962)	15,925	7,962
Cook #2 – 3.98%	12,233	9,939	0	(1,529)	8,410	1,529
Warman #2 Ditch – 4.75%	1,030	773	0	(516)	257	257
Ruck Ditch - 5.375%	13,008	2,439	0	(1,626)	813	813
Hauss Ditch - 6.57%	16,241	8,121	0	(2,031)	6,090	2,030
Danaher Ditch – 4.091%	40,255	37,739	0	(5,032)	32,707	5,032
Rapp Kill Ditch - 6.75%	6,738	2,948	0	(842)	2,106	842
Berg Bauer Ditch - 5.75%	66,918	29,277	0	(8,365)	20,912	8,365
Buck Ditch - 6.75%	14,903	6,520	0	(1,863)	4,657	1,863
Kenmann Ditch - 5.375%	10,607	4,640	0	(1,325)	3,315	1,326
Egley #2 Ditch – 6.25%	2,805	1,753	0	(350)	1,403	351
Benzing Ditch – 5.25%	44,766	30,776	0	(5,595)	25,181	5,595
Steineman Ditch – 4.35%	24,025	9,610	0	(4,805)	4,805	4,805
Copeland Ditch – 6.75%	13,623	8,514	0	(1,703)	6,811	1,703
Scholl Ditch – 5.75%	16,581	11,399	0	(2,072)	9,327	2,073
Wiesenmayer Ditch - 6.80%	19,325	1,208	0	(1,208)	0	0
Wissman Ditch - 6.85%	36,228	15,850	0	(4,529)	11,321	4,529
Parker Ditch – 4.748%	12,483	12,483	0	(1,560)	10,923	1,560
Knueve Ditch – 4.748%	10,756	10,756	0	(1,344)	9,412	1,345
Sellers Ditch – 3.62%	2,472	2,472	0	(1,236)	1,236	1,236
Lotridge Ditch – 4.25%	72,169	72,169	0	(9,021)	63,148	9,021
Schlegelmilch Ditch – 3.22%	2,798	0	2,798	(700)	2,098	1,399
Downey Ditch – 4.53%	13,369	0	13,369	(836)	12,533	1,671
Total Special Assessment Notes	<u>489,721</u>	<u>107,539</u>	<u>(98,452)</u>	<u>498,808</u>	<u>97,448</u>	

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. DEBT OBLIGATIONS (Continued)**

<b>Governmental Activities</b>	<b>Balance 12/31/04</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/05</b>	<b>Due Within One Year</b>
<b>Total Other Long Term</b>					
Compensated Absences	1,438,320	55,329	0	1,493,649	645,947
Total Governmental Activities	<u>\$5,495,215</u>	<u>\$637,868</u>	<u>\$(1,528,566)</u>	<u>\$4,604,517</u>	<u>\$1,688,509</u>
<b>Business Type Activities</b>	<b>Balance 12/31/04</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/05</b>	<b>Due Within One Year</b>
<b>Ohio Public Works Loans</b>					
Sewer and Interceptor					
Original Amount \$100,000	\$42,500	0	(5,000)	37,500	5,000
<b>Other Long-Term Obligations</b>					
Compensated Absences	193,711	42,645		236,356	125,706
Total Business Type Activities	<u>\$236,211</u>	<u>\$42,645</u>	<u>\$(5,000)</u>	<u>\$273,856</u>	<u>\$130,706</u>

All general obligation bonds are supported by the full faith and credit of the County. All outstanding special assessment bonds consist of sewer construction projects which are payable from the proceeds of tax assessments levied against benefited individual property owners.

The mental retardation facility bonds were issued pursuant to a voted tax levy for the purpose of acquiring land and developing a site for the construction, furnishing and equipping of a workshop facility and capital repairs to Auglaize School. The final payment was made in 2005.

The human services bonds were issued for the purpose of acquiring, renovating and improving a building for the use of County offices and will be paid from human services revenues. This was refunded in 2005.

The Law Enforcement building bonds were issued for the purpose of constructing and equipping a corrections center which will be paid from a one-half percent (.5%) sales tax revenue.

The County obtained a loan from the Ohio Public Works Commission in the amount of \$102,288 for a term of twenty years for the purpose of assisting in the cost of the Sandy Beach sewer installation project.

All of the special assessment bonds were backed by the full faith and credit of Auglaize County and are payable from special assessment and/or governmental revenues. The liability will be paid from unvoted property tax or special assessments which are received by the County. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet the annual principal and interest payments.

All special assessment notes had been issued for the terms allowed by law. These notes are to be repaid through assessments against benefited property owners. Proceeds from the notes were used for ditch construction and improvement. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet the annual principal and interest payments.



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. DEBT OBLIGATIONS (Continued)**

Pursuant to the Ohio Rev. Code 164.95 and Ohio Admin. Code 164-1-21, the County entered into an agreement with the Ohio Public Works Commission, on March 13, 1992, in the amount of \$100,000 in respect to the Hamilton Street Sanitary Interceptor Reconstruction project. The County and City of Wapakoneta subsequently entered into an agreement that stated each entity would be financially responsible to repay one half of the debt. The debt is to be repaid from revenues generated by the Oakwood Hills Sewer District.

Compensated absences liability will be paid from the fund from which the employees' salaries are paid.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

The effects of the debt limitations described above at December 31, 2005 are an overall debt margin of \$19,712,070 and an unvoted debt margin of \$8,484,828.

The following is a summary of the County's future annual debt service requirements, including interest, for long-term obligations:

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Special Assessment Notes</u>	<u>OPWC Promissory Loans</u>	<u>Total Debt Obligations</u>
2006	\$839,740	\$ 239,115	\$114,441	\$ 10,114	\$1,203,410
2007	44,730	239,145	102,246	10,114	396,235
2008	43,905	238,530	75,822	10,114	368,371
2009	48,005	242,270	62,765	10,114	363,154
2010	46,920	240,015	54,115	10,114	351,164
2011-2015	234,940	487,765	109,757	38,073	870,535
2016-2020	90,310		31,385	25,573	147,268
2021-2025				15,344	15,344
Total	1,348,550	1,686,840	550,531	129,560	3,715,481
Less:					
Interest	(153,550)	(361,840)	(51,723)	0	(567,113)
Outstanding Principal	\$1,195,000	\$1,325,000	\$498,808	\$129,560	\$3,148,368

The County has also received two loan agreements from the Ohio Water and Sewer Rotary Commission in regard to the construction of two sewer districts. These loans provide funding assistance for that portion of the project for which collections of assessments from certain owners of undeveloped property located within an agricultural district are exempted pursuant to Ohio Rev. Code Section 929.03 subject to the performance of certain terms and conditions of repayment.

As part of the agreement, the change of the use of any parcel, pursuant to Ohio Admin. Code Section 1525-1-06, would require repayment to the Ohio Water and Sewer Rotary Commission for the full amount of the assessment for the portion of the property for which the use has changed pursuant to Division C of Ohio Rev. Code Section 929.03. Therefore, until a change in use occurs, no liability has been recorded for these loans.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. DEBT OBLIGATIONS (Continued)**

A summary of the loan transactions for the year ended December 31, 2005 is as follows:

<b>Project Loans:</b>	<b>Outstanding 12/31/04</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding 12/31/05</b>
Southeast Sewer District	\$ 1,209,690	\$ -	\$ -	\$ 1,209,690
Sandy Beach Sewer District	209,786	-	-	209,786
Total	<u>\$ 1,419,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,419,476</u>

**Current Refunding**

On February 23, 2005, the County issued at par \$475,000 of County Building Acquisition Refunding Bonds Limited Tax General Obligation (the "Bonds") for the purpose of refunding \$450,000 of then-outstanding 1992 Long Term General Obligation bonds. The 2005 bonds bear an average coupon rate of 3.725580 percent and the final payment due December 1, 2017. As a result, \$450,000 of the 1992 Long Term General Obligation bonds are considered to be defeased and the liability for those bonds will be removed from the County's long-term obligations.

The County lowered its aggregated debt service payments by \$100,475 over the next twelve years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$80,819. The bonds are being retired from the bond retirement debt service fund.

<b>Year</b>	<b>Prior Debt Service</b>	<b>Refunding Debt Service</b>	<b>Refunding Receipts</b>	<b>Refunding Cash Flow</b>	<b>Savings</b>	<b>Present Value To 03/08/05 @ 3.7055619%</b>
2005	\$56,638	\$47,240	\$317	\$46,923	\$9,715	\$9,678
2006	54,963	45,480	-	45,480	9,483	9,025
2007	53,275	44,730	-	44,730	8,545	7,843
2008	51,563	43,905	-	43,905	7,658	6,780
2009	54,825	48,005	-	48,005	6,820	5,825
2010	52,725	46,920	-	46,920	5,805	4,785
2011	55,625	50,783	-	50,783	4,842	3,853
2012	53,157	44,382	-	44,382	8,775	6,668
2013	55,690	48,105	-	48,105	7,585	5,556
2014	52,850	46,605	-	46,605	6,245	4,409
2015	55,010	45,065	-	45,065	9,945	6,737
2016	51,792	43,465	-	43,465	8,327	5,433
2017	53,575	46,845	-	46,845	6,730	4,227
	<u>\$701,688</u>	<u>\$601,530</u>	<u>\$317</u>	<u>\$601,213</u>	<u>\$100,475</u>	<u>\$80,819</u>

**Conduit Debt**

During 1996, the County issued industrial development revenue bonds in the amount of \$3,000,000, to provide financial assistance to G.A. Wintzer and Sons Company for the construction, equipping and installation of an industrial manufacturing facility. During 1998, the County issued industrial development revenue bonds in the amount of \$4,800,000, to provide financial assistance to Midwest Elastomers, Inc. for the expansion and equipping of a manufacturing facility

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. DEBT OBLIGATIONS (Continued)**

Also in 1998, the County issued in conjunction with seven other counties Health Care revenue improvement and refunding revenue bonds in the amount of \$22,065,000 to provide financial assistance to the Otterbein Home Project for the acquisition, construction, renovation, and equipping of additional hospital facilities and refund the prior bonds and the North Shore debt. During 2002, the County issued in conjunction with four other counties, Healthcare revenue bonds in the amount of \$330,000 to provide financial assistance to Catholic Healthcare Partners to finance acquisition, construction and equipping hospital facilities.

The County is not obligated in any way to pay the debt and related charges on the bonds or any of its funds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**18. PUBLIC ENTITY RISK POOLS**

**A. Midwest Pool Risk Management Agency, Inc.**

Midwest Pool Risk Management Agency, Inc. is an Ohio not-for-profit corporation organized under Chapter 2744.081 of the Ohio Revised Code for the purpose of enabling its member political subdivisions to obtain insurance coverage, provide methods for paying claims and provide a formalized jointly administered self-insurance pool.

Specifically, the pool provides coverage for automobile liability, general liability, crime and property (including automobile physical damage) and public officials' liability (See Note 12). In addition to the self-insurance pool, the Association provides risk management services, loss prevention programs, and various other educational materials. The Association includes the following member counties within the State of Ohio: Auglaize, Hancock, Mercer, Shelby, and Van Wert.

Member and supplemental contributions are recognized on an accrual basis and are recorded as revenue in the month earned. For the current agreement dated August 1, 2005, the percentage of contributions by the members and their equity interests are:

		<b><u>Fixed Costs</u></b>	<b><u>Loss Fund</u></b>
Mercer County	18.45%	\$217,466	\$44,734
Auglaize County	19.12%	225,363	51,906
Shelby County	23.36%	275,339	40,694
Hancock County	24.00%	282,883	31,740
Van Wert County	15.07%	177,627	30,926

The financial statements of Midwest Risk Pool Management Agency, Inc. can be obtained from Gary Adams, Van Wert County Commissioner and Treasurer of the Midwest Pool Risk Management Agency.

**B. Midwest Employee Benefit Consortium**

Midwest Employee Benefit Consortium (MEBC) is an Ohio not-for-profit corporation organized under Ohio Rev. Code Sections 304.171 and 9.833 for the public purpose of enabling its five members political subdivisions to obtain insurance coverage, provide methods for paying claims, and provide a formalized jointly administered self-insurance pool. Specifically, this pool provides coverage for health benefits to employees of its members.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**18. PUBLIC ENTITY RISK POOLS (Continued)**

In addition to the self-insurance pool, the Consortium provides risk management services and established loss reduction and prevention procedures and programs. The members of the Association include the following counties within the State of Ohio: Auglaize, Hancock, Mercer, Van Wert, and Shelby. The financial statements of Midwest Employee Benefit Consortium can be obtained from the Auglaize County Board of Commissioners.

**C. County Commissioner Association of Ohio Workers' Compensation Group Rating Plan**

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services, and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers.

The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a County Commissioner.

**19. JOINTLY GOVERNED ORGANIZATIONS**

**A. Auglaize County Regional Planning Commission**

The Auglaize Regional Planning Commission (the Commission) is a jointly governed organization established by the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty seven members, any of which may hold any other public office.

The County is represented by three members, each of the two Cities within the county is represented by two members, all participating Villages within the county are represented by one member each, and participating Townships within the county are represented by one member each. Other members include: a representative from all participating Board of Trustees; the Mayor or a Council member of each participating incorporated Village; two representatives from each of the Cities, Wapakoneta and St. Marys, one being the Mayor or his designee and one being appointed by City Council. The remaining members of the Commission shall be representatives from public utility, minority groups, business, industry, Ministerial Association, farm organizations, Chamber of Commerce and other representations as deemed necessary by the Commission.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute up to .10 cents per capita, according to the latest federal census, in any calendar year in which revenue is needed. There was no request for revenue issued for the calendar year ended December 31, 2005.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**19. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**B. Workforce Investment Act Consortium of Auglaize, Hardin, and Mercer Counties**

The objectives of the Workforce Investment Act (WIA) are to increase the employment, retention, and earnings of participants in the program, and as a result improve the quality of the workforce, reduce welfare dependency, and enhance the productivity of the Nation. Ohio is organized into seven local workforce investment areas. \ \

There are six "traditional" local areas and a seventh area known as the Ohio Option, which includes most of the State. Each traditional area has its own workforce investment board and acts as its own workforce investment system. The Ohio Option is subdivided into local Workforce Development Areas (WDA), typically county or multi-county WDA's. Each Workforce Investment or Policy Board is responsible for developing "one-stop" service delivery systems in the local area. The one-stop system is a network of required partners delivering training/employment services and activities defined in the law.

The Federal WIA program is administered through the Ohio Department of Job and Family Services and operates on a state fiscal year from July 1 to June 30. Effective July 1, 2002, Auglaize County participated in a multi-county WDA with Hardin and Mercer Counties, with Mercer County acting as the fiscal agent.

**C. West Central Ohio Network**

The West Central Ohio Network (West CON) is a regional council of government. West CON is comprised of the boards of Mental Retardation and Developmental Disabilities (MRDD) of several counties, including, Auglaize, Darke, Logan, Mercer, Miami, Shelby, Union, and Hardin. The Board of Directors is made up of the Superintendents from each of these MRDD Boards, and the degree of control exercised by any participating government is limited to its representation on the Board. West CON is the administrator and fiscal agent of Supported Living funds for each of these Boards of Mental Retardation and Developmental Disabilities. The following unaudited financial data of the West Central Ohio Network - Auglaize County is presented on a cash basis for the year ended December 31, 2005.

	<b>County Portion</b>
Total Operating Revenue	\$358,858
Total Operating Expenses	(415,679)
Net Income (Loss)	(56,821)
Fund Balance, January 1, 2005	224,049
Fund Balance, December 31, 2005	\$167,228

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**19. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**D. Auglaize and Mercer Counties Convention and Visitors Bureau**

The Bureau is a jointly governed organization established between Auglaize and Mercer Counties for the purpose of promoting tourism and attracting tourists and conventions to the two counties. Membership is open to any person, firm, partnership, association, corporation, foundation, trust or estate subscribing to the purpose of this organization. The government of the Bureau, the general policies and control of its property is vested in a Board of Trustees. The Board shall be nineteen members composed of the following: seven appointees from Auglaize County, seven from Mercer County, one Auglaize County Commissioner or designee, one Mercer County Commissioner or designee, three members representing the following: Celina/Mercer County Chamber of Commerce, St. Marys Area Chamber of Commerce and the Wapakoneta Area Chamber of Commerce.

The Board conducts business and sponsors projects to further the purpose of the Bureau. The Bureau is funded primarily from a 3 percent (effective 7/1/96) lodging tax imposed by both counties. Payment is due to the county by the last day of the following month. The 2005 revenue received by the Bureau was \$151,898. Of this amount \$141,743 came from the lodging tax. \$87,342 of the total 2005 revenue was from Auglaize County.

**E. Auglaize County Emergency Management Cooperative**

The Auglaize County Emergency Management Cooperative (the Cooperative) is a jointly governed organization established by the County, the municipalities, and the townships within the County, formed to perform services of coordinating the emergency management activities within the county of Auglaize and the political subdivisions therein. The Cooperative has established a County-Wide Advisory Group for emergency management composed of a representative from each political subdivision cooperative member under Section 5915.06 of the Ohio Revised Code. The advisory group appoints an executive committee composed of at least seven of the following members: three township representatives, two village or city representatives, one county commissioner and one non-elected representative. The tenure of the members of the executive committee is three years. A coordinator is appointed by the Emergency Management Executive Committee to carry out the Cooperative agreement under the advisement of the committee.

**F. Auglaize County Revolving Loan Fund Board**

The Board of County Commissioners had agreed to work with the West Central Development Corporation for any Auglaize County businesses or corporations desiring to participate in the Revolving Loan Program offered by the State of Ohio Department of Development. The Board of County Commissioners appointed ten members to oversee the Revolving Loan Fund concerns for Auglaize County.

**20. JOINT VENTURES**

**A. Grand Lake Task Force**

Auglaize and Mercer Counties share territory of the Grand Lake State Park which encounters unique enforcement problems. The Grand Lake Task Force was established in regards to federal financial assistance received from the Department of Justice which requires a twenty-five percent local matching share. Additional revenues were received through asset seizures, fines, and village law enforcement agency contributions.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**20. JOINT VENTURES (Continued)**

The objective of the Grand Lake Task Force is to increase the number of criminal justice agencies working cooperatively to eliminate specifically targeted major narcotics trafficking conspiracies and the persons involved through investigations, arrests, prosecution, and convictions. Those participating in the project are Auglaize and Mercer County Sheriff's offices, Wapakoneta, St. Marys, Celina, Coldwater, Minster, and New Bremen Police offices, United States Investigative Agency Alcohol, Tobacco, and Firearms, Ohio Bureau of Criminal Investigation and Identification, and Auglaize and Mercer County Prosecutor's Offices. The Auglaize County Sheriff serves as the applicant who accepts the responsibility for the project's administrative and financial matters. The project requires a control group to be established of four members; one from a police department, one from a Sheriff's office, one from a prosecutor's office, and the Task Force Supervisor. This group allocates what funds are to be used for which investigations and to manage these resources and jointly manage project investigations.

The following unaudited financial data of the Grand Lake Task Force is presented on a cash basis for the year ended December 31, 2005:

	<b>Joint Venture</b>	<b>Auglaize County's 12.5 Percent</b>
Total Operating Revenues	\$53,943	\$6,743
Total Operating Expenses	(60,489)	(7,561)
Net Loss	(6,546)	(818)
Fund Balance, January 1, 2005	185,456	23,183
Fund Balance, December 31, 2005	\$178,910	\$22,365

**B. Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties**

The Mental Health and Recovery Services Board (MHRS) of Allen, Auglaize, and Hardin Counties, is a tri-county non-profit corporation whose general purpose is to provide leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services.

The Board of Trustees consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Allen, Auglaize, and Hardin counties in the same proportion as the County's population bears to the total population of the three counties combined. The degree of control exercised by any participating government is limited to its representation on the Board. The MHRS Board is a joint venture since continued participation by the Counties is necessary for the continued existence.

Allen County acts as the fiscal agent for the MHRS Board. The Board receives tax revenue from the three Counties and receives federal and state funding through grant monies which are applied for and received by the board of trustees. The MHRS Board is accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on members in the future. The Board has sole budgetary authority and controls surpluses and deficits and the county is not legally or morally obligated for the Board's debt.

During 2005, tax revenues generated by the levy in Auglaize County were \$291,428. Complete financial statements can be obtained from the MHRS Board, Allen County, Ohio.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**21. COMPONENT UNITS**

**A. Auglaize County Airport Authority**

**1. Summary of Significant Accounting Policies**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The operations of the Authority are accounted for using proprietary fund accounting. The Authority applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

**2. Accounting System**

The Authority maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of the Authority and, accordingly, these financial statements do not present the financial position or results of operations of Auglaize County.

**3. Revenue and Expenditure Recognition**

The Authority maintains its fund as a proprietary type fund. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets.

Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The Authority reports deferred revenues on its balance sheet. Deferred revenues arise when potential revenue meets the asset recognition criteria, but does not meet the revenue recognition criteria. In the subsequent period, when the revenue recognition criteria is met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Hanger rent paid in advance is not considered earned until subsequent years.

**4. Cash**

To improve cash management, all cash received by the Authority is pooled in a central bank account, and is presented as Cash on the balance sheet. During fiscal year 2005, the Authority invested in interest bearing checking accounts.

**5. Inventory**

Inventory consists of aviation fuel and oil for sale to customers and is stated at cost, which is determined on a first-in, first-out basis. The cost of inventory is recorded as an expense when purchased.



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**21. COMPONENT UNITS (Continued)**

**6. Fixed Assets and Depreciation**

Equipment and improvements are stated at cost except for donated equipment, which is stated at fair market value at the date of receipt. Depreciation of fixed assets is on a straight line basis over the estimated useful lives (five to twenty years) of the respective assets. The Authority maintains a capitalization threshold of \$2,500. The land and buildings of the airport are owned by Auglaize County. The equipment and runway improvements are the assets of the Airport Authority.

**B. Auglaize Industries, Inc**

**1. Summary of Significant Accounting Policies**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to United States generally accepted accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The operations of Auglaize Industries apply Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

**2. Accounting System**

Auglaize Industries maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of Auglaize Industries and, accordingly, these financial statements do not present the financial position or results of operations of Auglaize County.

**3. Revenue and Expense Recognition**

Auglaize Industries prepares its financial statements on the accrual basis of accounting, consequently certain revenues and related assets are recognized when earned rather than when received and certain expenses are recognized when incurred rather than when the obligation is paid.

**4. Budgetary Process**

Through a contractual agreement with the Auglaize County Board of Mental Retardation and Developmental Disabilities, Section VII, Item Number 11, Auglaize Industries is required to prepare and approve an annual budget.

**5. Estimates**

The preparation of financial statements in conformity with United States generally accepted accounting principles requires the use of managements estimates. Actual results may differ from those estimates.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**21. COMPONENT UNITS (Continued)**

**6. Cash and Investments**

To improve cash management, cash received by Auglaize Industries is maintained in a checking account or used to purchase investments. Investments are limited to certificates of deposits, government securities and mutual funds. Investments are stated at market value.

Investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

**7. Fixed Assets**

Buildings, equipment and improvements are stated at cost except for donated assets, which are stated at fair market value at the date of receipt. Auglaize Industries maintains a capitalization threshold of \$1,000. A portion of the facilities occupied by Auglaize Industries consists of additions to the original facilities owned by Auglaize County. Leasehold improvements are depreciated rateably over the estimated useful life. Depreciation of fixed assets is on a declining balance basis over the estimated useful lives of the respective assets, as follows:

<u>Class of Asset</u>	<u>Years</u>
Leasehold Improvements	15 - 31 1/2
Transportation Equipment	5 - 10
Computers	5
Furniture and Fixtures	7
Machinery and Equipment	7

**8. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the year end, 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.

**9. Advertising**

Advertising costs are charged to operations when incurred. Advertising costs amounted to \$1,222 for 2005.

**10. Inventory**

Work is performed on customer owned materials. Inventory on hand at any one time consists primarily of consumable manufacturing supplies in nominal amounts. Accordingly, no manufacturing inventories are recognized on the financial statements.

**11. Compensated Absences**

Governmental Accounting and Financial Reporting Standards specifies that a liability should be accrued for leave benefits if the employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered; the obligation relates to rights that vest or accumulate; payment of the compensation is probable; and the amount can be reasonably estimated. Auglaize Industries records a liability for accumulated unused vacation time when earned for workshop employees.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**22. RELATED PARTY TRANSACTIONS**

Auglaize Industries has entered into a contract with the Auglaize County Board of Mental Retardation and Development Disabilities (MRDD), whereby the MRDD has agreed to pay specified overhead expenses for the workshop. The additional income and related expenses are reported on the income statement as Unrestricted Support. The unaudited operating expenses paid by the MRDD on behalf of the Auglaize Industries amounted to \$148,225 for the year ended December 31, 2005.

**23. SIGNIFICANT CONTRACTUAL OBLIGATIONS**

At December 31, 2005, the County had entered into several contracts, the most significant of which include the following:

<u>Contractor</u>	<u>Amount</u>
Sanderson CMI	\$ 7,691
ACS Inc	7,832
Clark Ford Sales & Service	15,300
Spence Environmental	3,233
Consolidated Hunter Heating & Plumbing	5,845
Poggemeyer Design	26,500
Tyler Technologies	95,992
Garmann, Miller and Associates	20,000
PFK Construction	19,045
Concept Rehab, Inc.	16,379
Baumer Construction	108,434
Lochard, Inc.	21,182
Hesseling Electric, Inc.	8,716
Schaub Excavating, Inc.	13,798
Capitol Aluminum and Glass	862
West Central Development Corp	13,568
Wellman Brothers	14,040
Shelly Company	310,035
Whitworth Borta	48,189
DDTI	6,250
Total Commitments	<u>\$762,891</u>

The commitments noted above have been partially encumbered by the County, and as such, are reflected within the financial statements in the general fund, capital project fund and special revenue fund types as a reserve for encumbrances, or as accounts payable, contracts payable, or retainage payable.

**24. CONTINGENT LIABILITIES**

**A. Grants**

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.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**24. CONTINGENT LIABILITIES (Continued)**

**B. Litigation**

The County is presently involved in litigation with the City of St. Marys concerning a contractual dispute involving the costs to perform ground water monitoring at the St. Marys Landfill. The trial court granted summary judgment in favor of the County dismissing the City's complaint. The City appealed the trial court's judgment that the County is not required to pay monitoring costs subsequent to the closure of the landfill. The County cross-appealed the trial court's earlier ruling that the obligations of the contract survived the 12 year term of the contract. The court of appeals heard oral arguments from the parties on November 1, 2005. As of December 31, 2005, the case remains pending in the court of appeals.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Direct Program				
Board of Commissioners				
Home Investment Partnership Program (HOME)				
Community Housing Improvement Program	B-C-03-006-2	14.239	\$116,351	\$223,126
Total Home Investment Partnership Program (HOME)			116,351	223,126
Passed through Ohio Department of Development				
Board of Commissioners				
Small Cities Community Development Block Grant				
Formula Grant	B-F-03-006-01	14.228		92,954
Economic Development	B-F-004-006-01		182,000	182,000
Community Housing Improvement Program	B-C-03-006-01		87,485	98,924
Economic Development	B-E-04-006-02		235,000	235,000
Economic Development	B-E-04-006-01		405,000	405,000
Total Small Cities Community Development Block Grant			909,485	1,013,878
Total U.S. Department of Housing and Urban Development			1,025,836	1,237,004
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed through Ohio Department of Agriculture				
Auglaize County Corrections Center				
National Food Distribution Program	N/A	10.550	3,023	3,023
National School Breakfast Program	N/A	10.553	7,998	7,998
National School Lunch Program	N/A	10.555	12,190	12,190
Total U.S. Department of Agriculture - Nutrition Cluster			23,211	23,211
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Passed through Office of Criminal Justice Services				
Sheriff's Department				
Byrne Formula Grant (Grand Lake Task Force)	04-DG-A01-7018	16.579	34,842	28,550
Law Enforcement	04-LE-LEB-3422	16.592	20,000	20,000
Total Byrne Formula Grant			54,842	48,550
Juvenile Accountability Incentive Block Grant (CAST)	03-JB-015-A068	16.523		620
Passed through the Ohio Attorney General				
County Prosecutor				
Victims of Crime Act	2005-VAGENE-059	16.575	22,204	23,938
Victims of Crime Act	2006-VAGENE-059		7,824	6,626
Total Victims of Crime Act			30,028	30,564
Total U.S. Department of Justice			84,870	79,734
<b>GENERAL SERVICES ADMINISTRATION</b>				
Passed through Ohio Secretary of State				
Auglaize County Board of Elections				
Help America Vote Act	04-SOS-HAVA-06	90.401	457,205	457,205
Help America Vote Act	04-SOS-HAVA-06	39.011	13,458	10,414
Total General Services Administration			470,663	467,619

**(Continued)**

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED DECEMBER 31, 2005  
(Continued)**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Passed through the Federal Aviation Administration				
Airport Improvement Program	3-39-0084-0603	20.106	\$387,753	\$391,211
Airport Improvement Program	3-39-0084-0704		184,270	184,270
Airport Improvement Program	3-39-0084-0501		11,052	11,052
Airport Improvement Program	3-39-0084-0805		19,950	19,950
Total Airport Improvement Program			<u>603,025</u>	<u>606,483</u>
Passed through Federal Highway Administration				
Passed through the Ohio Department of Transportation				
Highway Improvement Program	03N089	20.205	525,000	525,000
Total U.S. Department of Transportation			1,128,025	1,131,483
<b>U.S. DEPARTMENT OF HUMAN SERVICES</b>				
Passed through Ohio Department of Job and Family Services				
Job and Family Services/Human Services				
Chafee	N/A	93.674	2,320	2,320
Children's Service Agency				
Chafee	N/A	93.674	4,572	4,572
Total Chafee			<u>6,892</u>	<u>6,892</u>
Title IV-B	N/A	93.645	42,744	42,744
ESSA	N/A	93.556	39,312	39,312
Passed through Ohio Department of Mental Retardation and Developmental Disabilities				
Auglaize County Board of Mental Retardation and Developmental Disabilities				
Social Services Block Grant (Title XX)	N/A	93.667	32,139	32,139
Medical Assistance Program (Medicaid: Title XIX - CAFS)	N/A	93.778	789,209	789,209
Medical Assistance Program (Medicaid: Title XIX - TCM)			232,043	232,043
Waiver Administration			25,273	25,273
Sub-total Medical Assistance Program			<u>1,046,525</u>	<u>1,046,525</u>
State Children's Health Insurance Program (SCHIP - CAFS)	N/A	93.767	992	992
State Children's Health Insurance Program (SCHIP - TCM)			740	740
Sub-total State Children's Health Insurance Program			<u>1,732</u>	<u>1,732</u>
Total U.S. Department of Human Service			1,169,344	1,169,344
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				
Passed through Ohio Department of Youth Services				
Auglaize County Youth Services				
AmeriCorps Grant	YCP-018-03	94.006		27
<b>U.S. HOMELAND SECURITY</b>				
Passed through Ohio Public Safety				
FEMA	1580-DR-011-0573B	97.036	85,001	85,001
FEMA	1580-DR-011-0EE3E		9,459	9,459
Total US Homeland Security			<u>94,460</u>	<u>94,460</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$3,996,409</u></u>	<u><u>\$4,202,882</u></u>

See accompanying notes to the schedule of federal awards expenditures.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 1: GENERAL**

The accompanying Schedule of Federal Award Expenditures (the Schedule) summarizes the activity of the County's federal award programs. The County reporting entity is defined in Note 1 of the County's basic financial statements. All Federal financial assistance received directly from Federal Agencies as well as Federal financial assistance passed through other governmental agencies is included in the schedule.

**NOTE 2: BASIS OF ACCOUNTING**

The accompanying schedule of Federal Awards Expenditures has been prepared on a basis of cash receipts and disbursements, consequently, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred.

**NOTE 3: SUB-RECIPIENTS**

The County passes-through certain Federal assistance from the State of Ohio Department of Development to other governments or not-for-profit agencies (sub-recipients). As described in Note 1, the government records expenditures of Federal awards to sub-recipients when paid in cash.

**NOTE 4: 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 in the Schedule.

**NOTE 5: OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES**

The Auglaize County Department of Jobs and Family Services, Childrens Services Board and Child Support Enforcement Agency received federal financial assistance from the Ohio Department of Job and Family Services for the following programs (which are audited at the state level and reported in the State Single Audit Report):

- Food Stamps Cluster (CFDA # 10.551/561)
- Temporary Assistance for Needy Families (CFDA # 93.558)
- Child Support Enforcement (CFDA # 93.563)
- Child Care Cluster (CFDA # 93.575/596)
- Foster Care (CFDA # 93.658)
- Adoption Assistance (CFDA # 93.659)
- Social Services Block Grant Title XX (CFDA # 93.667)
- State Children's Insurance Fund (CFDA #93.767)
- Medical Assistance Program (CFDA # 93.775/.777/.778)

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

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

**NOTE 6: FEDERAL FOOD STAMP PROGRAM**

The County's Department of Job and Family Services (DJFS) distributes Federal food stamps, through contracting issuance centers, to entitled recipients within Auglaize County. The receipt and issuance of these stamps have the characteristics of federal "grants"; however, the DJFS merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements as the only economic interest related to these stamps rests with the ultimate recipient. Federal food stamps activity for the year was as follows:

Balance at Beginning of Year	\$908
Less amount dispersed	<u>(247)</u>
Balance at End of Year	<u>\$661</u>

A minimal supply is required to be kept on hand for recipients who need to cash out benefits because they will be visiting out of state or moving out of state. Eventually, the Ohio Department of Jobs and Family Services will be responsible for cashing out benefits and the County will not have to maintain an inventory of paper coupons.

**NOTE 7: FOOD SERVICES PROGRAMS – LAW ENFORCEMENT CENTER**

The Law Enforcement Center received federal assistance through the National School Lunch/Breakfast and Donated Food Programs. The National School Lunch/Breakfast programs are reimbursing in nature and revenues are considered expended when received. The above department is allowed a selection from a pool of foods, when available, under the Food Distribution Program.

**NOTE 8: COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN PROGRAM**

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

These loans are collateralized by equipment. At December 31, 2005 the gross amount of loans outstanding under this program was \$696,338. Delinquent amounts due are \$0.





## **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***

Financial Condition  
Auglaize County  
209 South Blackhoof Street  
Wapakoneta, Ohio 45895

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Auglaize County, (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 27, 2006. 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 to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated October 27, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express 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 October 27, 2006, we reported other matters related to noncompliance we deemed immaterial.

Financial Condition  
Auglaize County  
Independent Accountants' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Required By *Government Auditing Standards*

We intend this report solely for the information and use of the management, 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

October 27, 2006



## **Auditor of State Betty Montgomery**

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

Financial Condition  
Auglaize County  
209 South Blackhoof Street  
Wapakoneta, Ohio 45895

To the Board of County Commissioners:

#### **Compliance**

We have audited the compliance of Auglaize County, (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, 2005. 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 other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005.

#### **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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the management, 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

October 27, 2006

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2005**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Medical Assistance Program- Title XIX(CAFS) –CFDA #93.778 Help America Vote Act CFDA #90.401
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

## **FINANCIAL CONDITION**

### **AUGLAIZE 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  
NOVEMBER 30, 2006**