



**Auditor of State
Betty Montgomery**

CLINTON COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government – Wide Financial Statements	
Statement of Net Assets December 31, 2004	16
Statement of Activities For the Year Ended December 31, 2004	18
Fund Financial Statements	
Balance Sheet - Governmental Funds December 31, 2004	20
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities December 31, 2004	22
Statement of Revenues, Expenditures and Changes In Fund Balance Governmental Funds For the Year Ended December 31, 2004	24
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to The Statement of Activities For the Year Ended December 31, 2004	26
Statement of Revenues, Expenditures, and Changes In In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended December 31, 2004	27
Statement of Revenues, Expenditures, and Changes In In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Children Services Board For the Year Ended December 31, 2004	28
Statement of Revenues, Expenditures, and Changes In In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) County Board of MRDD For the Year Ended December 31, 2004	29
Statement of Revenues, Expenditures, and Changes In In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Motor Vehicle and Gas Tax For the Year Ended December 31, 2004	30

CLINTON COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Statement of Revenues, Expenditures, and Changes In In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Public Assistance For the Year Ended December 31, 2004	31
Statement of Net Assets Proprietary Fund December 31, 2004	32
Statement of Revenues, Expenses and Changes In Net Assets Proprietary Fund For the Year Ended December 31, 2004	33
Statement of Cash Flows Proprietary Fund For the Year Ended December 31, 2004	34
Statement of Fiduciary Net Assets Fiduciary Funds December 31, 2004	36
Statement of Changes In Fiduciary Net Assets Fiduciary Funds For the Year Ended December 31, 2004	37
Notes to the Financial Statements.....	39
Schedule of Federal Awards Expenditures.....	75
Notes to the Federal Awards Expenditures	77
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	79
Independent Accountants' Report on Compliance With Requirements Applicable To Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133	81
Schedule of Findings.....	83
Schedule of Prior Audit Findings.....	89



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clinton Memorial Hospital. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion on the accompanying financial statements, insofar as it relates to the amounts included for the Clinton Memorial Hospital, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Clinton County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Children Services Board Fund, County Board of MRDD Fund, Motor Vehicle and Gas Tax Fund and the Public Assistance Fund 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 May 22, 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.

Management 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.

The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, 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

May 22, 2006

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 UNAUDITED

The management's discussion and analysis of Clinton County's (the ACounty@) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- The total net assets of the County increased \$4,027,528. Net assets of governmental activities increased \$2,724,109, which represents an 7.36% increase from fiscal year 2003 primarily due to \$2,869,144 increase in capital assets as a result of the completion of the Public Services Offices and road and bridge infrastructure additions. Net assets of business-type activities increased \$1,303,419 which represents an 2.10% increase from fiscal year 2003.
- General revenues accounted for \$14,946,962 or 45.60% of total governmental activities revenue. Program specific revenues accounted for \$17,833,162 or 54.40% of total governmental activities revenue.
- The County had \$30,056,015 in expenses related to governmental activities; \$17,833,162 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$14,946,962 were adequate to provide for these programs.
- The County has six major governmental funds. The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$11,008,411 in 2004. The general fund, had expenditures and other financing uses of \$11,222,691 in 2004. The larger increase in expenditures than in revenues contributed to the general fund's fund balance decrease of \$214,280 from 2003 to 2004. The \$677,428 decrease in unrestricted net assets is due to transfers to the Health Insurance Fund.
- The Children Services Board, a County major fund, had revenues of \$2,410,577 in 2004. The Children Services Board had expenditures of \$3,428,885 in 2004. The Children Services Board fund balance decreased \$1,018,308 from 2003 to 2004.
- The County board of MRDD fund, a County major fund, had revenues of \$3,103,578 in 2004. The County board of MRDD fund had expenditures of \$2,873,975 in 2004. The County board of MRDD fund balance increased \$229,603 from 2003 to 2004.
- The Motor Vehicle and Gas Tax fund, a County major fund, had revenues and other financing sources of \$4,339,721 in 2004. The Motor Vehicle and Gas tax fund had expenditures of \$4,408,445 in 2004. The Motor Vehicle and Gas Tax fund balance decreased \$68,724 from 2003 to 2004.
- The Public Assistance fund, a County major fund, had revenues of \$5,767,632 in 2004. The Public Assistance fund had expenditures of \$5,275,952 in 2004. The Public Assistance fund balance increased \$491,680 from 2003 to 2004.
- The Public Service Agencies Office Construction fund, a County major fund, had expenditures and other financing uses of \$93,731 and transfers in of \$101,179 in 2004. The Public Services Agency Office Construction fund deficit balance decreased \$7,448 from 2003 to 2004.
- Net assets for business-type activities, which are made of the Clinton Memorial Hospital Fund, had operating revenues of \$80,560,292 and total operating expenses of \$78,801,650.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 UNAUDITED

- In the general fund, the actual revenues and other financing sources came in \$1,625,026 higher than they were originally budgeted and actual expenditures and other financing uses were \$1,222,317 more than the amount in the original budget. The County uses a conservative budgeting process.

Using this Basic Financial Statements (BFS)

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column. In the case of the County, there are six major governmental funds. The general fund is the largest major fund.

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2004?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

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

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

Reporting the County's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 UNAUDITED

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, Children Services Board, County Board of Mental Retardation and Developmentally Disabled (MRDD), Motor Vehicle and Gas Tax, Public Assistance and Public Service Agencies Office Construction. The County's major enterprise fund is the Clinton Memorial Hospital. The analysis of the County's major governmental and proprietary funds begins on page 10.

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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 20-30 of this report.

Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Clinton Memorial Hospital operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a self-funded health insurance program for employees of the County and several governmental units within the County. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 31-34 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 35-36 of this report.

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. These notes to the basic financial statements can be found on pages 37-71 of this report.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

Government-Wide Financial Analysis

The Statement of Net Assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets for 2004 and 2003.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<u>Assets</u>						
Current and other assets	\$ 18,929,841	\$ 18,447,078	\$ 33,760,366	\$ 39,343,148	\$ 52,690,207	\$ 57,790,226
Capital assets, net	<u>39,817,584</u>	<u>36,948,440</u>	<u>76,755,245</u>	<u>70,115,350</u>	<u>116,572,829</u>	<u>107,063,790</u>
Total assets	<u>58,747,425</u>	<u>55,395,518</u>	<u>110,515,611</u>	<u>109,458,498</u>	<u>169,263,036</u>	<u>164,854,016</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	6,794,220	6,509,793	36,370,039	34,982,195	43,164,259	41,491,988
Other liabilities	<u>12,217,122</u>	<u>11,873,751</u>	<u>10,831,333</u>	<u>12,465,483</u>	<u>23,048,455</u>	<u>24,339,234</u>
Total liabilities	<u>19,011,342</u>	<u>18,383,544</u>	<u>47,201,372</u>	<u>47,447,678</u>	<u>66,212,714</u>	<u>65,831,222</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	30,736,674	27,035,160	40,385,206	33,916,253	71,121,880	60,951,413
Restricted	9,371,855	8,926,940	4,149,835	4,018,323	13,521,690	12,945,263
Unrestricted	<u>(372,446)</u>	<u>1,049,874</u>	<u>18,779,198</u>	<u>24,076,244</u>	<u>18,406,752</u>	<u>25,126,118</u>
Total net assets	<u>\$ 39,736,083</u>	<u>\$ 37,011,974</u>	<u>\$ 63,314,239</u>	<u>\$ 62,010,820</u>	<u>\$ 103,050,322</u>	<u>\$ 99,022,794</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2004, the County's assets exceeded liabilities by \$103,050,322. The County's finances remained stable during 2004, despite the decline in the economy.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 68.87% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2004, were \$71,121,880. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. Capital assets, net of related debt in governmental activities increased \$3,701,514 or 13.69% due to the completion of several construction projects in 2004.

A portion of the County's net assets, \$13,521,690 or 13.12%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets is \$18,406,752. Unrestricted governmental net assets decreased \$1,422,320 or 135.48% during 2004 due to a slight decrease in cash and cash equivalents in the general fund, the OPWC loan proceeds of \$541,182 which are recorded as a liability on the statement of net assets, and \$380,039 deficit net assets at December 31, 2004, in the Health Insurance Depository Fund.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

The table below shows the changes in net assets for fiscal years 2004 and 2003.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 6,378,487	\$ 4,567,494	\$78,911,368	\$72,749,674	\$ 85,289,855	\$77,317,168
Operating grants and contributions	10,944,305	11,496,664	-	-	10,944,305	11,496,664
Capital grants and contributions	510,370	393,098	-	-	510,370	393,098
General revenues:						
Property taxes	5,662,122	4,984,031	-	-	5,662,122	4,984,031
Sales tax	4,845,732	4,408,523	-	-	4,845,732	4,408,523
Unrestricted grants	1,558,011	1,671,237	-	-	1,558,011	1,671,237
Investment earnings	251,716	339,000	-	-	251,716	339,000
Other	2,629,381	2,249,643	1,648,924	3,363,337	4,278,305	5,612,980
Total revenues	<u>32,780,124</u>	<u>30,109,690</u>	<u>80,560,292</u>	<u>76,113,011</u>	<u>113,340,416</u>	<u>106,222,701</u>
Program expenses:						
General government	7,991,147	7,859,956	-	-	7,991,147	7,859,956
Public safety	4,119,648	3,528,965	-	-	4,119,648	3,528,965
Public works	3,235,095	5,739,161	-	-	3,235,095	5,739,161
Health	3,217,432	3,462,884	-	-	3,217,432	3,462,884
Human services	10,337,241	8,511,929	-	-	10,337,241	8,511,929
Economic development and assistance	123,197	592,902	-	-	123,197	592,902
Other	751,519	688,491	-	-	751,519	688,491
Interest and fiscal charges	280,736	396,130	-	-	280,736	396,130
Clinton Memorial Hospital	-	-	79,256,873	75,962,239	79,256,873	75,962,239
Total expenses	<u>30,056,015</u>	<u>30,780,418</u>	<u>79,256,873</u>	<u>75,962,239</u>	<u>109,312,888</u>	<u>106,742,657</u>
Change in net assets	2,724,109	(670,728)	1,303,419	150,772	4,027,528	(519,956)
Net assets at beginning of year	<u>37,011,974</u>	<u>37,682,702</u>	<u>62,010,820</u>	<u>61,860,048</u>	<u>99,022,794</u>	<u>99,542,750</u>
Net assets at end of year	<u>\$39,736,083</u>	<u>\$37,011,974</u>	<u>\$63,314,239</u>	<u>\$62,010,820</u>	<u>\$ 103,050,322</u>	<u>\$99,022,794</u>

Governmental Activities

Human services supports the operations of the County Board of MRDD, Public Assistance and Children Services Board, accounts for \$10,337,241 of expenses, or 34.39% of total governmental expenses of the County. These expenses were funded by \$2,889,205 in charges to users of services in 2004. Human services expenses increased 21.44% due to increased expenses in the Children Services Board program. General government expenses include legislative and executive and judicial programs, totaled \$7,991,147 or 26.59% of total governmental expenses. General government expenses were covered by \$1,629,115 of direct charges to users in 2004. Public works expense decreased \$2,504,066 from 2003 due to the capitalization of infrastructure additions from this program amounting to \$3,257,779 during 2004.

Governmental activities charges for services revenue increased 39.64% from \$4,567,494 to \$6,378,487 in 2004. The increase is due to additional charges for services revenue received in the Public Assistance fund during 2004 and the county is recouperating fees in accordance with an updated cost allocation plan.

CLINTON COUNTY, OHIO

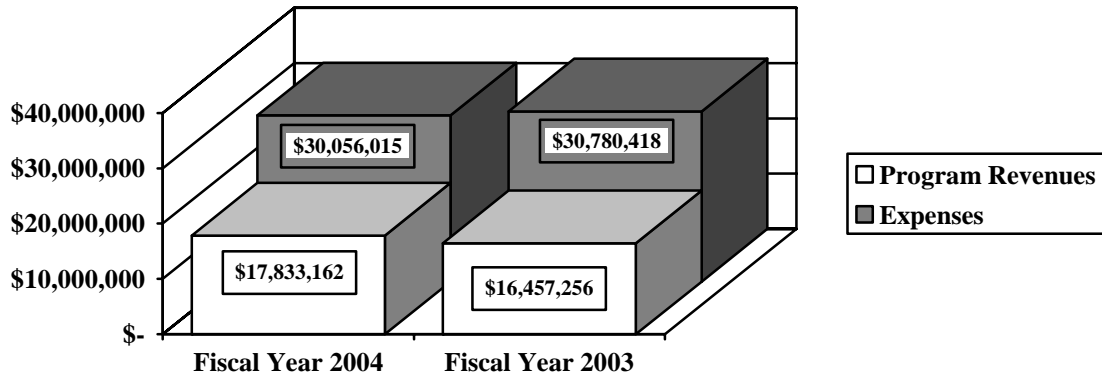
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

The state and federal government contributed to the County revenues of \$10,944,305 in operating grants and contributions and \$510,370 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$5,075,582, or 46.38% subsidized human services programs. General revenues totaled \$14,946,962, and amounted to 45.60% of total revenues.

These revenues primarily consist of property and sales tax revenue of \$10,507,854, or 70.30% of total general revenues in 2004. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$1,558,011, or 10.42% of the total.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities – Program Revenues vs. Total Expenses



CLINTON COUNTY, OHIO

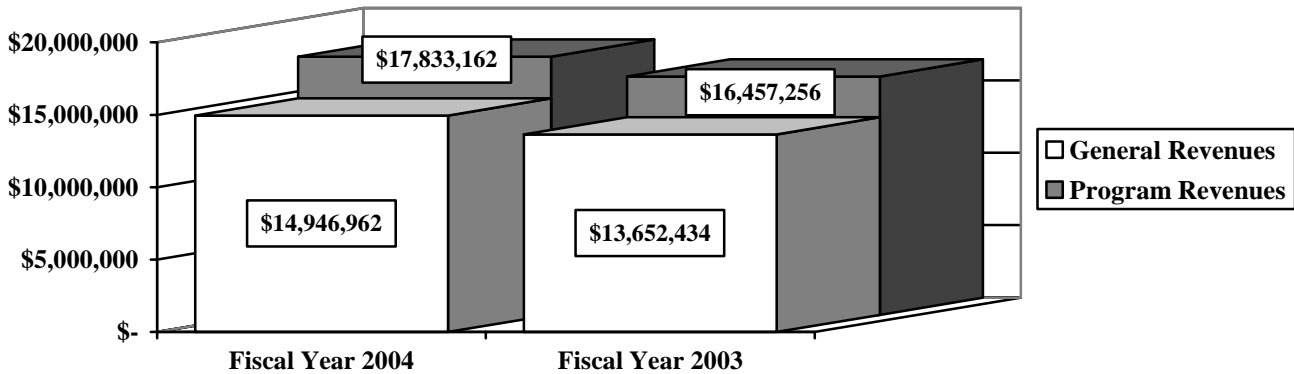
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Governmental Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Expenses:				
General government	\$ 7,991,147	\$ 6,361,932	\$ 7,859,956	\$ 6,211,852
Public safety	4,119,648	2,624,154	3,528,965	2,215,096
Public works	3,235,095	(2,214,637)	5,739,161	1,512,464
Health	3,217,432	2,601,224	3,462,884	2,348,824
Human services	10,337,241	2,372,454	8,511,929	1,030,873
Economic development and assistance	123,197	48,982	592,902	(68,543)
Other	751,519	148,008	688,491	676,466
Interest and fiscal charges	<u>280,736</u>	<u>280,736</u>	<u>396,130</u>	<u>396,130</u>
Total expenses	<u>\$ 30,056,015</u>	<u>\$ 12,222,853</u>	<u>\$ 30,780,418</u>	<u>\$ 14,323,162</u>

The dependence upon general revenues for governmental activities is apparent, with 40.67% of expenses supported through taxes and other general revenues during 2004.

Governmental Activities - General and Program Revenues



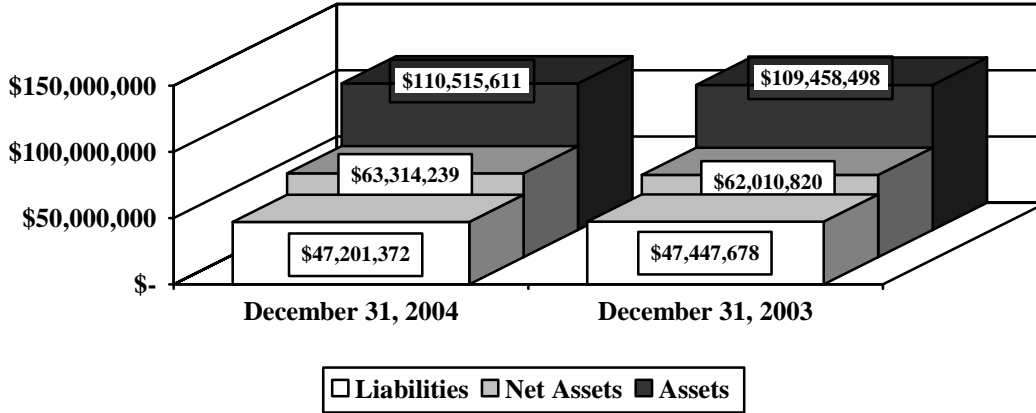
Business-Type Activities

A prior period adjustment was made at January 1, 2004, to report the Clinton Memorial Hospital as an enterprise fund in the County's basic financial statements (see Note 3.B. for detail). The Clinton Memorial Hospital fund is the County's only enterprise fund, and it is reported as a major fund. The Clinton Memorial Hospital reported operating income of \$1,758,642 and an increase in net assets from 2003 to 2004 of \$1,303,419 or 2.1%. This represents an improvement over the net asset increase of \$150,772 or 0.2% for fiscal year 2003. An increase in the growth rate of total revenues and a moderate growth rate of operating expenses can be attributed to the improved performance during 2004. Improvement in revenue growth occurred in areas of surgical, imaging, pharmacy, cardiac diagnostics and sleep lab.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

Net Assets in Business – Type Activities



Financial Analysis of the County's Funds

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

Governmental Funds

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

The County's governmental funds (as presented on the balance sheet on pages 20-21. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2004 for all major and nonmajor governmental funds.

	<u>Fund Balance</u> <u>December 31, 2004</u>	<u>Fund Balance</u> <u>December 31, 2003</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 258,147	\$ 472,427	\$ (214,280)
Children Services Board	201,054	1,219,362	(1,018,308)
County Board of MRDD	2,670,696	2,441,093	229,603
Motor Vehicle and Gas Tax	934,544	1,003,268	(68,724)
Public Assistance	1,104,706	613,026	491,680
Public Services Agency Office Construction	(2,571,948)	(2,579,396)	7,448
Other Nonmajor Governmental Funds	<u>1,388,898</u>	<u>942,893</u>	<u>446,005</u>
Total	<u>\$ 3,986,097</u>	<u>\$ 4,112,673</u>	<u>\$ (126,576)</u>

General Fund

The general fund is the operating fund of the County. At the end of the fiscal year, the fund balance of the general fund was \$258,147, a 45.36% decrease from 2003. The decrease of the general fund balance in 2004 was primarily due to transfers out to other funds in the amount of \$334,419 in 2004.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Children Services Board Fund

The children services board, a County major fund, had revenues of \$2,410,577 in 2004. The children services board had expenditures of \$3,428,885 in 2004. The children services board fund balance decreased \$1,018,308 from 2003 to 2004.

County Board of MRDD

The County board of MRDD fund, a County major fund, had revenues of \$3,103,578 in 2004. The County board of MRDD fund had expenditures of \$2,873,975 in 2004. The County board of MRDD fund balance increased \$229,603 from 2003 to 2004.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,339,721 in 2004. The motor vehicle and gas tax fund had expenditures of \$4,408,445 in 2004. The motor vehicle and gas tax fund balance decreased \$68,724 from 2003 to 2004.

Public Assistance Fund

The public assistance fund, a County major fund, had revenues of \$5,767,632 in 2004. The public assistance fund had expenditures of \$5,275,952 in 2004. The public assistance fund balance increased \$491,680 from 2003 to 2004.

Public Services Agency Office Construction Fund

The public service agencies office construction fund, a County major fund, had expenditures and other financing uses of \$93,731 and transfers in of \$101,179 in 2004. The public services agency office construction fund deficit balance decreased \$7,448 from 2003 to 2004.

Budgeting Highlights - General Fund

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

In the general fund, there were significant changes between the original and final budget. Final budgeted revenues increased \$1,470,822 over original budgeted revenues. Actual revenues of \$10,929,402 were \$154,204 greater than final budgeted revenues. Actual expenditures were \$99,948 less than the final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of 2004, the County had \$116,572,829 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, infrastructure and construction in progress (CIP).

The following table shows fiscal 2004 balances compared to 2003:

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

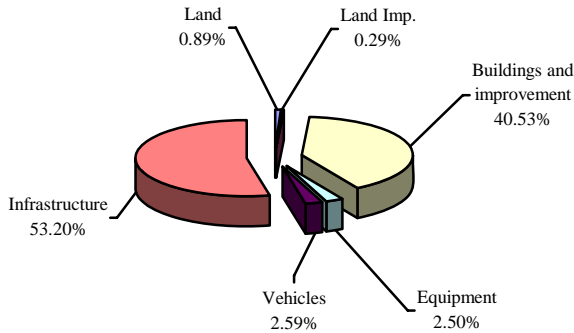
**Capital Assets at December 31
(Net of Depreciation)**

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>	Business-Type Activities <u>2004</u>	Business-Type Activities <u>2003</u>	<u>Total</u> <u>2004</u>	<u>Total</u> <u>2003</u>
Land	\$ 355,170	\$ 355,170	\$ -	\$ -	\$ 355,170	\$ 355,170
Land improvements	113,529	115,693	2,068,429	2,106,013	2,181,958	2,221,706
Building and improvements	16,139,366	12,433,239	60,635,460	53,160,768	76,774,826	65,594,007
Equipment	993,831	1,044,787	12,212,499	11,105,079	13,206,330	12,149,866
Vehicles	1,032,044	925,632	-	-	1,032,044	925,632
Infrastructure	21,183,644	18,645,456	-	-	21,183,644	18,645,456
Construction in progress	-	3,428,463	1,838,857	3,743,490	1,838,857	7,171,953
Total	\$ 39,817,584	\$ 36,948,440	\$ 76,755,245	\$ 70,115,350	\$ 116,572,829	\$ 107,063,790

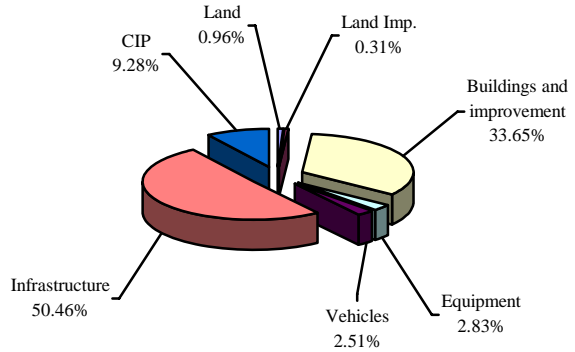
See Note 9 to the basic financial statements for detail on governmental and business-type activities capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2004 and 2003.

Capital Assets - Governmental Activities 2004



Capital Assets - Governmental Activities 2003



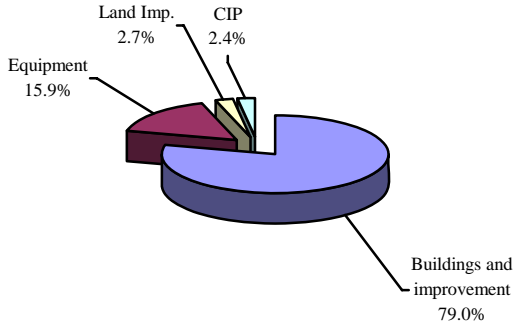
The County's largest governmental capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 53.20% of the County's total governmental capital assets.

CLINTON COUNTY, OHIO

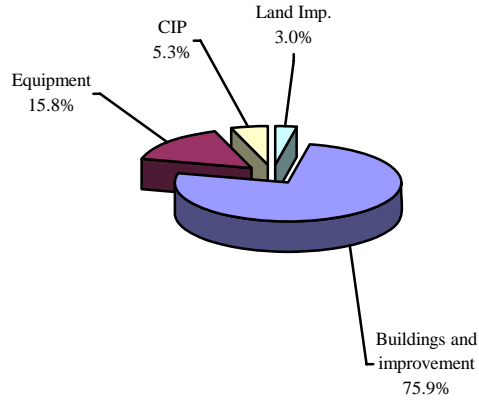
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

The following graphs show the breakdown of business-type capital assets by category for 2004 and 2003.

Capital Assets - Business-Type Activities 2004



Capital Assets - Business-Type Activities 2003



In 2000, the Clinton Memorial Hospital embarked on a \$50 million expansion program on the main campus in Wilmington. During 2003, the major portion of the expansion project, the new patient tower, was completed and occupied. During 2004, completion of the Intensive Care Unit, Pharmacy Services, Cardiac Cath Lab, Rehabilitation Services, Laboratory Services and the expansion phase of Emergency Services took place. Completion of the remaining renovation phases is expected to be completed in early 2005.

Debt Administration

At December 31, 2004, governmental activities had \$4,545,000 in general obligation bonds, an OWDA loan of \$1,128,256, special assessment bonds of \$51,682, compensated absences of \$1,064,054, and a capital lease of \$5,228 outstanding. Of this total, \$1,171,693 is due within one year and \$5,622,527 is due within greater than one year. At December 31, 2004, business-type activities had \$34,115,000 in hospital facilities revenue refunding and improvement bonds, \$599,960 in notes payable and \$1,655,079 in capital leases outstanding. The following table summarizes the debt obligations outstanding.

Outstanding Debt, at Year End

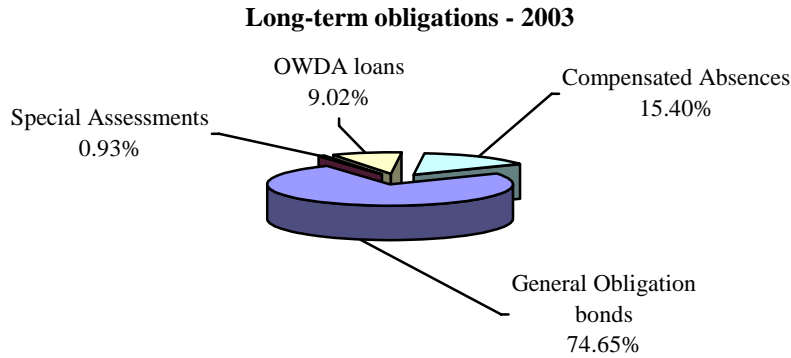
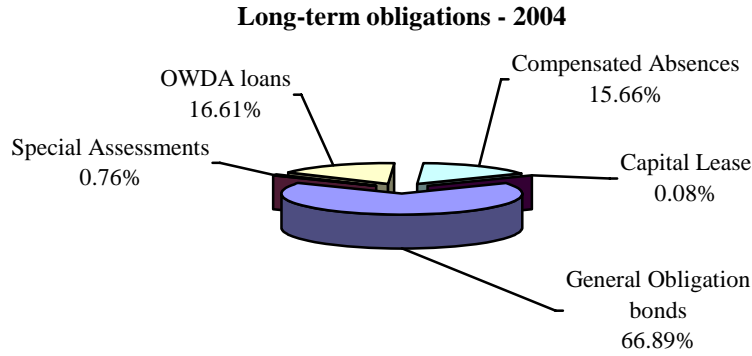
	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>	Business-Type Activities <u>2004</u>	Business-Type Activities <u>2003</u>
Long-Term Obligations				
General obligation bonds	\$ 4,545,000	\$ 4,860,000	\$ -	\$ -
Revenue refunding bonds	-	-	34,115,000	35,000,000
OWDA Loan	1,128,256	587,074	-	-
Special Assessments	51,682	60,280	-	-
Note Payable	-	-	599,960	600,000
Compensated Absences	1,064,054	1,002,439		
Capital Leases	<u>5,228</u>	<u>-</u>	<u>1,655,079</u>	<u>599,097</u>
Total	<u>\$ 6,794,220</u>	<u>\$ 6,509,793</u>	<u>\$ 36,370,039</u>	<u>\$ 36,199,097</u>

See Note 12 to the basic financial statements for detail on governmental activities outstanding debt.

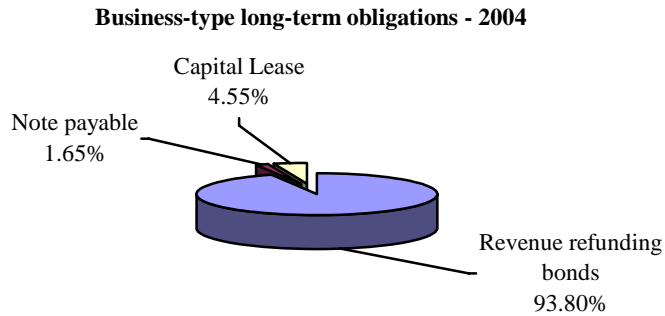
CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

A comparison of the governmental long-term obligations by category is depicted in the chart below.



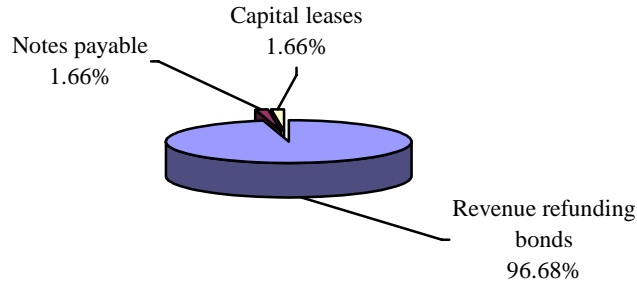
A comparison of the business-type long-term obligations by category is depicted in the chart below.



CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Business-type long-term obligations - 2003



Economic Factors and Next Year's Budgets and Rates

The County's current population is 40,543.

The County's unemployment rate is currently 4.9%, compared to the 6.1% state average and the 6.1% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2004. Budgeted revenues and other financing sources in the general fund for fiscal year 2005 budget are \$9,304,376. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Honorable Wanda Armstrong, Clinton County Auditor, at 46 S. South Street, Wilmington, Ohio 45177-2296.

CLINTON COUNTY, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	<u>Primary Government</u>		<u>Total</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>		
Assets:				
Equity in pooled cash and cash equivalents	\$ 8,413,952	\$ 7,840,735	\$ 16,254,687	\$ 206,830
Short-term investments	-	1,961,706	1,961,706	-
Receivables (net of allowances for uncollectibles):				
Sales taxes	740,452	-	740,452	-
Real and other taxes	5,852,788	-	5,852,788	-
Accounts	141,481	9,519,553	9,661,034	7,209
Special assessments	52,602	-	52,602	-
Accrued interest	59,550	-	59,550	-
Notes and other receivables	-	1,842,844	1,842,844	-
Estimated third-party payor settlements	-	199,709	199,709	-
Due from other governments	3,390,154	-	3,390,154	-
Prepayments	68,912	1,141,919	1,210,831	-
Materials and supplies inventory	209,950	1,265,522	1,475,472	-
Assets whose use is limited - held by trustee	-	509,636	509,636	-
Other assets:				
Investments	-	5,737,049	5,737,049	-
Notes and other receivables	-	3,741,693	3,741,693	-
Capital assets:				
Land	355,170	-	355,170	-
Depreciable capital assets, net	39,462,414	76,755,245	116,217,659	28,812
Total capital assets	<u>39,817,584</u>	<u>76,755,245</u>	<u>116,572,829</u>	<u>28,812</u>
Total assets	<u>\$ 58,747,425</u>	<u>\$ 110,515,611</u>	<u>\$ 169,263,036</u>	<u>\$ 242,851</u>

- Continued

CLINTON COUNTY, OHIO

STATEMENT OF NET ASSETS (CONTINUED)
DECEMBER 31, 2004

	<u>Primary Government</u>		<u>Total</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>		
Liabilities:				
Accounts payable	\$ 756,513	\$ 3,762,351	\$ 4,518,864	\$ 1,298
Contracts payable	81,112	-	81,112	-
Accrued wages and benefits	232,592	552,468	785,060	2,357
Due to other governments	588,714	-	588,714	-
Accrued vacation.	-	2,524,528	2,524,528	-
Deferred revenue.	5,327,545	-	5,327,545	-
Accrued interest payable.	68,761	-	68,761	-
Notes payable	4,889,000	-	4,889,000	-
Amount to be repaid to claimants	99,504	-	99,504	-
Claims payable.	173,381	-	173,381	-
Other accrued expenses	-	3,991,986	3,991,986	-
Long-term liabilities:				
Due within one year.	1,171,693	1,494,969	2,666,662	-
Due in more than one year	5,622,527	34,875,070	40,497,597	-
Total liabilities	<u>19,011,342</u>	<u>47,201,372</u>	<u>66,212,714</u>	<u>3,655</u>
Net assets:				
Invested in capital assets, net of related debt	30,736,674	40,385,206	71,121,880	-
Restricted for:				
Debt service.	362,065	-	362,065	-
Debt service - held by trustee.	-	509,636	509,636	-
Human services programs	1,651,078	-	1,651,078	-
Community development projects	2,812,139	-	2,812,139	-
Capital campaign	-	1,225,325	1,225,325	-
Funds to be held to perpetuity	-	2,414,874	2,414,874	-
Other purposes	4,546,573	-	4,546,573	-
Unrestricted	<u>(372,446)</u>	<u>18,779,198</u>	<u>18,406,752</u>	<u>239,196</u>
Total net assets	<u>\$ 39,736,083</u>	<u>\$ 63,314,239</u>	<u>\$ 103,050,322</u>	<u>\$ 239,196</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:				
General government:				
Legislative and executive	\$ 5,300,879	\$ 1,091,749	\$ -	\$ -
Judicial	2,690,268	537,366	100	-
Public safety	4,119,648	1,066,653	428,841	-
Public works.	3,235,095	315,215	4,624,147	510,370
Health	3,217,432	175,767	440,441	-
Human services	10,337,241	2,889,205	5,075,582	-
Economic development and assistance.	123,197	-	74,215	-
Other	751,519	302,532	300,979	-
Interest and fiscal charges	280,736	-	-	-
Total governmental activities.	30,056,015	6,378,487	10,944,305	510,370
Business-Type Activities:				
Clinton Memorial Hospital.	79,256,873	78,911,368	-	-
Total business-type activities	79,256,873	78,911,368	-	-
Total primary government	\$109,312,888	\$ 85,289,855	\$ 10,944,305	\$ 510,370
Component Unit:				
ORION Rehabilitation Center	\$ 170,690	\$ 146,578	\$ 1,210	\$ -
General Revenues:				
Property taxes levied for:				
General fund				
Legislative and Executive - Real Estate Assessment				
Human services - County Board of MRDD.				
Human Services - Children Services				
Public Works - County Building				
Public Works - By-Pass Jail/Bond				
Public Works - Permanent Improvement.				
Sales and other taxes				
Grants and entitlements not restricted to specific programs				
Investment earnings.				
Miscellaneous.				
Total general revenues				
Change in net assets				
Net assets at beginning of year (restated).				
Net assets at end of year				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (4,209,130)	\$ -	\$ (4,209,130)	\$ -
(2,152,802)	-	(2,152,802)	-
(2,624,154)	-	(2,624,154)	-
2,214,637	-	2,214,637	-
(2,601,224)	-	(2,601,224)	-
(2,372,454)	-	(2,372,454)	-
(48,982)	-	(48,982)	-
(148,008)	-	(148,008)	-
(280,736)	-	(280,736)	-
<u>(12,222,853)</u>	<u>-</u>	<u>(12,222,853)</u>	<u>-</u>
-	(345,505)	(345,505)	-
-	(345,505)	(345,505)	-
<u>(12,222,853)</u>	<u>(345,505)</u>	<u>(12,568,358)</u>	<u>-</u>
-	-	-	(22,902)
1,770,447	-	1,770,447	-
389,024	-	389,024	-
1,866,449	-	1,866,449	-
1,132,249	-	1,132,249	-
81,852	-	81,852	-
410,498	-	410,498	-
11,603	-	11,603	-
4,845,732	-	4,845,732	-
1,558,011	-	1,558,011	-
251,716	-	251,716	2,024
2,629,381	1,648,924	4,278,305	121
<u>14,946,962</u>	<u>1,648,924</u>	<u>16,595,886</u>	<u>2,145</u>
2,724,109	1,303,419	4,027,528	(20,757)
<u>37,011,974</u>	<u>62,010,820</u>	<u>99,022,794</u>	<u>259,953</u>
<u>\$ 39,736,083</u>	<u>\$ 63,314,239</u>	<u>\$ 103,050,322</u>	<u>\$ 239,196</u>

CLINTON COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle & Gas Tax</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 356,354	\$ 680,762	\$ 2,743,706	\$ 358,574
Receivables (net of allowance for uncollectibles):				
Sales taxes	735,697	-	-	4,755
Real and other taxes	1,639,076	1,403,343	2,224,722	-
Accounts	24,651	16,947	44,316	2,279
Special assessments	-	-	-	-
Interfund receivable	350,171	-	-	-
Due from other governments	582,531	49,110	82,824	2,085,828
Accrued interest	58,908	-	-	-
Advances to other funds	89,225	-	-	-
Due from other funds	-	-	-	14,732
Prepayments	57,443	-	-	-
Materials and supplies inventory	11,748	1,796	-	187,758
Total assets	<u>\$ 3,905,804</u>	<u>\$ 2,151,958</u>	<u>\$ 5,095,568</u>	<u>\$ 2,653,926</u>
Liabilities:				
Accounts payable	\$ 257,008	\$ 95,614	\$ 24,219	\$ 39,363
Contracts payable	-	-	-	-
Accrued wages and benefits	105,971	-	32,530	24,843
Interfund loans payable	-	-	-	-
Due to other funds	201,262	400,000	-	-
Due to other governments	295,267	10,674	73,001	56,371
Advances from other funds	-	-	-	-
Accrued interest payable	7,582	-	-	-
Deferred revenue	1,963,663	1,444,616	2,295,122	1,598,805
Amount to be repaid to claimants	99,504	-	-	-
Notes payable	717,400	-	-	-
Total liabilities	<u>3,647,657</u>	<u>1,950,904</u>	<u>2,424,872</u>	<u>1,719,382</u>
Fund Balances:				
Reserved for encumbrances	126,543	-	9,643	92,621
Reserved for prepayments	57,443	-	-	-
Reserved for materials and supplies inventory	11,748	1,796	-	187,758
Reserved for advances	89,225	-	-	-
Unreserved, undesignated, reported in:				
General fund	(26,812)	-	-	-
Special revenue funds	-	199,258	2,661,053	654,165
Debt service fund	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>258,147</u>	<u>201,054</u>	<u>2,670,696</u>	<u>934,544</u>
Total liabilities and fund balances	<u>\$ 3,905,804</u>	<u>\$ 2,151,958</u>	<u>\$ 5,095,568</u>	<u>\$ 2,653,926</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	Public Service Agencies Office Construction	Other Governmental Funds	Total Governmental Funds
\$ 795,371	\$ 58,000	\$ 3,421,185	\$ 8,413,952
-	-	-	740,452
-	-	585,647	5,852,788
4,184	-	44,472	136,849
-	-	52,602	52,602
-	-	-	350,171
48,713	-	541,148	3,390,154
-	-	642	59,550
-	-	-	89,225
486,639	-	-	501,371
11,381	-	88	68,912
7,775	-	873	209,950
<u>\$ 1,354,063</u>	<u>\$ 58,000</u>	<u>\$ 4,646,657</u>	<u>\$ 19,865,976</u>
\$ 95,511	\$ -	\$ 244,798	\$ 756,513
-	-	81,112	81,112
49,303	-	19,170	231,817
-	-	38,229	38,229
-	-	4,900	606,162
104,543	-	46,915	586,771
-	-	89,225	89,225
-	29,948	11,121	48,651
-	-	1,150,689	8,452,895
-	-	-	99,504
-	2,600,000	1,571,600	4,889,000
<u>249,357</u>	<u>2,629,948</u>	<u>3,257,759</u>	<u>15,879,879</u>
-	-	401,259	630,066
11,381	-	88	68,912
7,775	-	873	209,950
-	-	-	89,225
-	-	-	(26,812)
1,085,550	-	1,798,260	6,398,286
-	-	314,325	314,325
-	(2,571,948)	(1,125,907)	(3,697,855)
<u>1,104,706</u>	<u>(2,571,948)</u>	<u>1,388,898</u>	<u>3,986,097</u>
<u>\$ 1,354,063</u>	<u>\$ 58,000</u>	<u>\$ 4,646,657</u>	<u>\$ 19,865,976</u>

CLINTON COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004

Total governmental fund balances		\$ 3,986,097
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		39,817,584
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 500,972	
Special assessments	52,602	
Intergovernmental revenues	2,556,690	
Interest	<u>15,086</u>	
Total		3,125,350
Internal service funds are used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets. The net assets of the internal service fund are:		(380,039)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	4,545,000	
OPWC loan	1,128,256	
Special assessments	51,682	
Compensated absences	1,062,633	
Capital lease payable	5,228	
Accrued interest payable	<u>20,110</u>	
Total		<u>(6,812,909)</u>
Net assets of governmental activities		<u><u>\$ 39,736,083</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle & Gas Tax</u>
Revenues:				
Property taxes	\$ 1,761,638	\$ 1,118,343	\$ 1,843,919	\$ -
Sales taxes	4,773,818	-	-	71,914
Charges for services	1,757,876	124,176	65,066	-
Licenses and permits	150,717	-	-	-
Fines and forfeitures	111,233	-	-	31,008
Intergovernmental	1,407,909	1,143,418	440,441	3,944,951
Special assessments	-	-	-	-
Investment income	206,031	-	-	-
Rental income	92,527	-	-	-
Other	714,271	24,640	754,152	281,949
Total revenues	<u>10,976,020</u>	<u>2,410,577</u>	<u>3,103,578</u>	<u>4,329,822</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,263,158	-	-	-
Judicial	2,285,849	-	-	-
Public safety	3,338,018	-	-	-
Public works	121,635	-	-	4,408,445
Health	51,662	-	2,873,975	-
Human services	321,022	3,428,885	-	-
Economic development and assistance	-	-	-	-
Other	500,335	-	-	-
Capital outlay	5,228	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	1,365	-	-	-
Total expenditures	<u>10,888,272</u>	<u>3,428,885</u>	<u>2,873,975</u>	<u>4,408,445</u>
Excess (deficiency) of revenues over (under) expenditures	<u>87,748</u>	<u>(1,018,308)</u>	<u>229,603</u>	<u>(78,623)</u>
Other financing sources (uses):				
Loan issue	-	-	-	-
Transfers in	27,163	-	-	9,899
Transfers out	(334,419)	-	-	-
Capital lease transaction	5,228	-	-	-
Total other financing sources (uses)	<u>(302,028)</u>	<u>-</u>	<u>-</u>	<u>9,899</u>
Net change in fund balances	(214,280)	(1,018,308)	229,603	(68,724)
Fund balances at beginning of year	<u>472,427</u>	<u>1,219,362</u>	<u>2,441,093</u>	<u>1,003,268</u>
Fund balances at end of year	<u>\$ 258,147</u>	<u>\$ 201,054</u>	<u>\$ 2,670,696</u>	<u>\$ 934,544</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	Public Service Agencies Office Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 879,348	\$ 5,603,248
-	-	-	4,845,732
2,640,468	-	1,169,174	5,756,760
-	-	8,520	159,237
-	-	22,182	164,423
2,805,955	-	2,582,917	12,325,591
-	-	61,756	61,756
-	-	15,710	221,741
-	-	127,325	219,852
321,209	-	885,391	2,981,612
<u>5,767,632</u>	<u>-</u>	<u>5,752,323</u>	<u>32,339,952</u>
-	-	715,314	4,978,472
-	-	268,067	2,553,916
-	-	505,956	3,843,974
-	-	236,823	4,766,903
-	-	123,988	3,049,625
5,275,952	-	1,434,672	10,460,531
-	-	123,197	123,197
-	-	223,381	723,716
-	16,922	1,884,492	1,906,642
-	-	323,598	323,598
-	15,871	265,128	282,364
<u>5,275,952</u>	<u>32,793</u>	<u>6,104,616</u>	<u>33,012,938</u>
<u>491,680</u>	<u>(32,793)</u>	<u>(352,293)</u>	<u>(672,986)</u>
-	-	541,182	541,182
-	101,179	596,308	734,549
-	(60,938)	(339,192)	(734,549)
-	-	-	5,228
<u>-</u>	<u>40,241</u>	<u>798,298</u>	<u>546,410</u>
491,680	7,448	446,005	(126,576)
613,026	(2,579,396)	942,893	4,112,673
<u>\$ 1,104,706</u>	<u>\$ (2,571,948)</u>	<u>\$ 1,388,898</u>	<u>\$ 3,986,097</u>

CLINTON COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Net change in fund balances - total governmental funds \$ (126,576)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$4,479,668) exceeded depreciation expense (\$1,523,333) in the current period.	2,956,335
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal.	(87,191)
Proceeds of loans are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenue as they increase the liabilities on the statement of net assets.	(541,182)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	777,514
Repayment of bond and principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	323,598
Capital lease transactions are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.	(5,228)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,628
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.	(66,434)
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	(508,355)

Change in net assets of governmental activities. \$ 2,724,109

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 1,468,301	\$ 1,700,407	\$ 1,724,508	\$ 24,101
Sales taxes	4,005,091	4,638,210	4,703,950	65,740
Charges for services	1,502,932	1,740,513	1,765,182	24,669
Licenses and permits.	128,325	148,611	150,717	2,106
Fines and forfeitures.	97,382	112,777	114,375	1,598
Intergovernmental	1,213,542	1,405,376	1,425,295	19,919
Investment income	212,473	246,060	249,548	3,488
Rental income	78,780	91,234	92,527	1,293
Other	597,550	692,010	701,818	9,808
Total revenues.	<u>9,304,376</u>	<u>10,775,198</u>	<u>10,927,920</u>	<u>152,722</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	3,801,914	4,136,354	4,239,439	(103,085)
Judicial	2,179,906	2,298,817	2,368,602	(69,785)
Public safety	2,932,707	3,226,008	3,214,949	11,059
Public works	90,774	90,799	90,531	268
Health	39,500	45,500	44,263	1,237
Human services	366,431	330,811	331,437	(626)
Other	605,141	654,685	581,821	72,864
Total expenditures	<u>10,016,373</u>	<u>10,782,974</u>	<u>10,871,042</u>	<u>(88,068)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(711,997)</u>	<u>(7,776)</u>	<u>56,878</u>	<u>64,654</u>
Other financing sources (uses):				
Transfers in	-	-	1,482	1,482
Transfers out	(5,000)	(322,539)	(334,419)	(11,880)
Advances out	-	(38,229)	(38,229)	-
Total other financing sources (uses).	<u>(5,000)</u>	<u>(360,768)</u>	<u>(371,166)</u>	<u>(10,398)</u>
Net change in fund balance.	(716,997)	(368,544)	(314,288)	54,256
Fund balance at beginning of year.	541,522	541,522	541,522	-
Prior year encumbrances appropriated	<u>237,636</u>	<u>237,636</u>	<u>237,636</u>	<u>-</u>
Fund balance at end of year	<u>\$ 62,161</u>	<u>\$ 410,614</u>	<u>\$ 464,870</u>	<u>\$ 54,256</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 CHILDREN SERVICES BOARD
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,128,916	\$ 1,135,575	\$ 1,085,230	\$ (50,345)
Charges for services	160,728	162,225	154,508	(7,717)
Intergovernmental	1,388,761	1,378,912	1,335,020	(43,892)
Other	25,344	27,037	24,363	(2,674)
Total revenues.	<u>2,703,749</u>	<u>2,703,749</u>	<u>2,599,121</u>	<u>(104,628)</u>
Expenditures:				
Current:				
Human services	<u>2,762,000</u>	<u>3,010,700</u>	<u>2,975,588</u>	<u>35,112</u>
Total expenditures	<u>2,762,000</u>	<u>3,010,700</u>	<u>2,975,588</u>	<u>35,112</u>
Net change in fund balance	(58,251)	(306,951)	(376,467)	(69,516)
Fund balance at beginning of year.	<u>1,009,872</u>	<u>1,009,872</u>	<u>1,009,872</u>	<u>-</u>
Fund balance at end of year	<u>\$ 951,621</u>	<u>\$ 702,921</u>	<u>\$ 633,405</u>	<u>\$ (69,516)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF MRDD
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 1,493,054	\$ 1,535,567	\$ 1,791,324	\$ 255,757
Charges for services	295,638	318,703	354,698	35,995
Intergovernmental	379,200	405,621	454,954	49,333
Other	624,404	637,405	749,142	111,737
Total revenues.	<u>2,792,296</u>	<u>2,897,296</u>	<u>3,350,118</u>	<u>452,822</u>
Expenditures:				
Current:				
Health	<u>3,212,602</u>	<u>4,171,859</u>	<u>3,217,516</u>	<u>954,343</u>
Total expenditures	<u>3,212,602</u>	<u>4,171,859</u>	<u>3,217,516</u>	<u>954,343</u>
Net change in fund balance	<u>(420,306)</u>	<u>(1,274,563)</u>	<u>132,602</u>	<u>1,407,165</u>
Fund balance at beginning of year.	<u>2,509,809</u>	<u>2,509,809</u>	<u>2,509,809</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,089,503</u>	<u>\$ 1,235,246</u>	<u>\$ 2,642,411</u>	<u>\$ 1,407,165</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE AND GAS TAX
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales taxes	\$ 86,565	\$ 91,168	\$ 67,159	\$ (24,009)
Fines and forfeitures.	43,282	45,584	33,000	(12,584)
Intergovernmental	3,938,687	4,148,145	3,886,629	(261,516)
Other.	259,694	273,504	267,217	(6,287)
Total revenues.	<u>4,328,228</u>	<u>4,558,401</u>	<u>4,254,005</u>	<u>(304,396)</u>
Expenditures:				
Current:				
Public works	4,841,874	4,916,797	4,755,556	161,241
Total expenditures	<u>4,841,874</u>	<u>4,916,797</u>	<u>4,755,556</u>	<u>161,241</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(513,646)</u>	<u>(358,396)</u>	<u>(501,551)</u>	<u>(143,155)</u>
Other financing sources (uses):				
Transfers in	10,072	9,899	9,899	-
Total other financing sources (uses)	<u>10,072</u>	<u>9,899</u>	<u>9,899</u>	<u>-</u>
Net change in fund balance	(503,574)	(348,497)	(491,652)	(143,155)
Fund balance at beginning of year.	579,398	579,398	579,398	-
Prior year encumbrances appropriated	<u>138,844</u>	<u>138,844</u>	<u>138,844</u>	<u>-</u>
Fund balance at end of year	<u>\$ 214,668</u>	<u>\$ 369,745</u>	<u>\$ 226,590</u>	<u>\$ (143,155)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 PUBLIC ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 2,299,874	\$ 2,516,053	\$ 2,153,829	\$ (362,224)
Intergovernmental	2,956,316	3,234,198	2,768,587	(465,611)
Other	338,925	370,783	317,403	(53,380)
Total revenues.	<u>5,595,115</u>	<u>6,121,034</u>	<u>5,239,819</u>	<u>(881,215)</u>
Expenditures:				
Current:				
Human services	<u>5,749,480</u>	<u>6,183,258</u>	<u>5,299,735</u>	<u>883,523</u>
Total expenditures	<u>5,749,480</u>	<u>6,183,258</u>	<u>5,299,735</u>	<u>883,523</u>
Net change in fund balance	(154,365)	(62,224)	(59,916)	2,308
Fund balance at beginning of year.	<u>855,287</u>	<u>855,287</u>	<u>855,287</u>	<u>-</u>
Fund balance at end of year	<u>\$ 700,922</u>	<u>\$ 793,063</u>	<u>\$ 795,371</u>	<u>\$ 2,308</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2004

	Business-Type Activity - Clinton Memorial Hospital Enterprise Fund	Governmental Activity - Health Insurance Depository Fund
	<u>Enterprise Fund</u>	<u>Depository Fund</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents.	\$ 7,840,735	\$ -
Short-term investments	1,961,706	-
Receivables (net of allowance for uncollectibles):		
Accounts	9,519,553	4,632
Notes and other receivables	1,842,844	-
Estimated third-party payor settlements.	199,709	-
Materials and supplies inventory	1,265,522	-
Prepayments.	1,141,919	-
Interfund receivable.	-	104,791
Total current assets	<u>23,771,988</u>	<u>109,423</u>
Noncurrent assets:		
Assets whose use is limited - held by trustee	509,636	-
Other assets:		
Investments.	5,737,049	-
Notes and other receivables	3,741,693	-
Capital assets:		
Depreciable capital assets, net	<u>76,755,245</u>	<u>-</u>
Total noncurrent assets	<u>86,743,623</u>	<u>-</u>
Total assets	<u>110,515,611</u>	<u>109,423</u>
Liabilities:		
Current liabilities:		
Accounts payable.	3,762,351	-
Accrued wages and benefits	552,468	775
Due to other governments	-	1,943
Accrued vacation.	2,524,528	1,421
Other accrued expenses.	3,991,986	-
Interfund loans payable.	-	311,942
Claims payable	-	173,381
Current portion of revenue and refunding bonds	920,000	-
Current portion of capital lease obligations.	<u>574,969</u>	<u>-</u>
Total current liabilities	<u>12,326,302</u>	<u>489,462</u>
Long-term liabilities:		
Revenue and refunding bonds	33,195,000	-
Capital lease obligations	1,080,110	-
Note payable	<u>599,960</u>	<u>-</u>
Total long-term liabilities.	<u>34,875,070</u>	<u>-</u>
Total liabilities	<u>47,201,372</u>	<u>489,462</u>
Net assets:		
Unrestricted.	18,779,198	
Invested in capital assets	40,385,206	-
Restricted.	<u>4,149,835</u>	<u>(380,039)</u>
Total net assets	<u>\$ 63,314,239</u>	<u>\$ (380,039)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-Type Activity - Clinton Memorial Hospital Enterprise Fund	Governmental Activity - Health Insurance Depository Fund
Cash flows from operating activities:		
Cash received from service charges	\$ -	\$ 2,182,426
Cash received from patients and third party payors	79,982,186	-
Cash received from other receipts, net	2,082,605	-
Cash payments for personal services	(43,490,973)	(40,779)
Cash payments for goods and services	(31,031,804)	-
Cash payments for claims	-	(2,492,031)
Cash payments for administrative costs	-	(202,305)
Net cash provided by (used in) operating activities	<u>7,542,014</u>	<u>(552,689)</u>
Cash flows from noncapital financing activities:		
Cash received from other funds	-	311,942
Net cash provided by noncapital financing activities	<u>-</u>	<u>311,942</u>
Cash flows from capital and related financing activities:		
Repayment of long-term debt	(1,462,170)	-
Interest and fiscal charges	(645,320)	-
Acquisition of property and equipment	(10,292,246)	-
Net cash used in capital and related financing activities	<u>(12,399,736)</u>	<u>-</u>
Cash flows from investing activities:		
Change in investments, net	(454,862)	-
Notes and other receivables	(253,220)	-
Interest received	265,638	14,889
Net cash provided by (used in) investing activities	<u>(442,444)</u>	<u>14,889</u>
Net decrease in cash and cash equivalents	(5,300,166)	(225,858)
Cash and cash equivalents at beginning of year (restated)	13,677,859	225,858
Cash and cash equivalents at end of year	<u>\$ 8,377,693</u>	<u>\$ -</u>
Cash and cash equivalents include the following:		
Cash and cash equivalents	\$ 7,840,735	\$ -
Investments and assets whose use is limited	536,958	-
Total cash and cash equivalents	<u>\$ 8,377,693</u>	<u>\$ -</u>

- Continued

CLINTON COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-Type Activity - Clinton Memorial Hospital Enterprise Fund</u>	<u>Governmental Activity - Health Insurance Depository Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 1,758,642	\$ (523,244)
Adjustments:		
Depreciation	5,285,463	-
Change in unrealized gains and losses on investments.	(75,541)	-
Bad debts.	2,595,992	-
Changes in assets and liabilities:		
Increase in accounts receivable.	(1,858,602)	(2,839)
Increase in materials and supplies inventory	(93,206)	-
Decrease in due from other governments.	-	9,180
Increase in prepayments	(83,550)	-
Decrease in accounts payable.	(422,232)	-
Increase in due from other funds		(104,791)
Increase (decrease) in accrued wages and benefits	101,620	(697)
Increase in estimated third-party settlements	333,428	-
Decrease in due to other governments	-	(59)
Increase in compensated absences payable.	-	523
Increase in claims payable	-	69,238
Net cash provided by (used in) operating activities.	<u>\$ 7,542,014</u>	<u>\$ (552,689)</u>
Supplemental disclosure of cash flow information		
Assets acquired under capital lease.	\$ 1,633,112	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004

	Private Purpose Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 12,615	\$ 3,172,302
Cash in segregated accounts	-	797,381
Receivables:		
Real and other taxes.	-	30,685,705
Accounts	-	39,571
Due from other governments	-	2,785,903
	12,615	37,480,862
Total assets	12,615	37,480,862
Liabilities:		
Accounts payable	2,900	6,143
Due to other governments	-	2,440,794
Deposits held and due to others	-	34,925,139
Deferred revenue	-	108,786
	2,900	37,480,862
Total liabilities	2,900	\$ 37,480,862
Total net assets	\$ 9,715	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ 30,072
Total additions.	<u>30,072</u>
Deductions:	
Benefits.	<u>49,833</u>
Changes in net assets	(19,761)
Net assets at the beginning of the year.	<u>29,476</u>
Net assets at the end of the year	<u><u>\$ 9,715</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 - DESCRIPTION OF THE COUNTY

Clinton County, Ohio (the "County") was created in 1812. The County is governed by a Board of three commissioners elected by the voters of the County. The County Commissioners serve as the taxing authority, the contracting body, and the chief administrators of public services for the County. Other officials elected by the voters of the County that manage various segments of the County's operations are: the county auditor, county treasurer, recorder, clerk of courts, coroner, engineer, prosecuting attorney, sheriff, two common pleas court judges, a probate court judge, and two county municipal court judges.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

The Clinton Memorial Hospital (the "Hospital") enterprise fund's financial information is presented in conformity with generally accepted accounting principles as recommended by the Audit Guide (Health Care Organizations) published by the American Institute of Certified Public Accountant's. The Hospital applies the provisions of all relevant pronouncements, including those issued after November 30, 1989.

The most significant of the County's accounting policies are described below.

A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the 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 the 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.

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying basic financial statements as:

BLENDED COMPONENT UNITS

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:

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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

Local Emergency Planning Commission (LEPC) - The LEPC is a legally separate entity from the County. The County Commissioners do not appoint a voting majority of the LEPC's Board. The LEPC is fiscally independent from the County; however, it would be misleading to exclude the LEPC's operations from that of the County since the LEPC provides services entirely for the benefit of the County. The operations of the LEPC are accounted for as a separate special revenue fund.

Clinton County Solid Waste District (District) - The District is a legally separate entity from the County. By state statute, the County Commissioners comprise the District's entire Board. The County is able to impose its will upon the District as the County Commissioners approve and/or modify the District's budget. The District's Board is substantively the same as the County's. The operations of the District are accounted for as a separate special revenue fund.

DISCRETELY PRESENTED COMPONENT UNITS

ORION Rehabilitation Center, Inc. - The ORION Rehabilitation Center, Inc. (the "Workshop") is a legally separate, nonprofit corporation, served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Clinton County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for adults with mental retardation or developmental disabilities in Clinton County. The Clinton County Board of MRDD provides the Workshop staff, salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and the Workshop's sole purpose of providing assistance to mentally retarded or developmentally disabled adults of Clinton County, the Workshop is reflected as a component unit of the County. It is reported separately to emphasize that it is legally separate from the County.

Clinton County Port Authority - The Clinton County Port Authority (the "Authority") was created by the Clinton County Board of Commissioners in September 2004 to enhance economic development in Clinton County. The Authority is created in accordance with Section 4582.22 of the Ohio Revised Code. The purpose of the Authority is to undertake projects that create or preserve jobs and employment opportunities; that improve and sustain the economic welfare of Clinton County and its residents, and that enhance, aid and promote transportation, housing, recreation, education, governmental, operations and culture within the territory served. The Authority is considered a component unit of the County as the County can impose its will on the Authority through the appointment of the members of the Board of Directors. The Authority did not have any financial activity during 2004.

RELATED ORGANIZATIONS

County officials are also responsible for appointing the members of the Boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments of the following organizations:

Clinton County Regional Planning Commission - The Board of County Commissioners appoints 11 of the 20 board members.

Clinton County Regional Airport Authority - The Board of County Commissioners appoints all five of the board members.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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 and custodian, but is not accountable as defined in GASB Statement No. 14; therefore, the operations of the following PCUs have been excluded from the County's BFS, but the funds held on behalf of these PCUs in the County Treasury are included in the agency funds.

Clinton County Emergency Management
Clinton County Soil and Water Conservation District
Clinton County Board of Health
Clinton County Regional Planning Commission
Clinton County Law Library

Information in the notes to the BFS is applicable to the primary government. When information is provided relative to component units, they are specifically identified.

JOINT VENTURE WITHOUT EQUITY INTEREST

Warren/Clinton Counties Community Alcoholism, Drug Addiction and Mental Health Services Board (ADAMHS Board) - The County is a member of the Warren/Clinton Counties Community Alcoholism, Drug Addiction and Mental Health Services Board (ADAMHS Board), which is a joint venture between Warren and Clinton Counties. The purpose of the board is to provide aid, support and education for alcohol and drug dependent citizens, as well as those who are mentally handicapped.

The Warren/Clinton Counties ADAMHS Board is governed by a board appointed by the Ohio Director of Alcohol and Drug Addiction Services, the Ohio Director of Mental Health Services, and Clinton and Warren Counties. The main sources of revenue for this Board are grants from the two previously named state departments and a property tax levy in each of the counties. Outside agencies are contracted by the Board to provide services for the Board. Financial records are maintained by the Warren County Auditor and Treasurer. Pursuant to Section 340.016 of the Ohio Revised Code, any withdrawing county would be required to submit a comprehensive plan that provides for the equitable adjustment and division of debts and obligations of the Joint County District to the State Director of Mental Health.

RISK POOL

County Risk Sharing Authority, Inc. (CORSA) - CORSA is jointly governed by 41 counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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

Each member has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees. This program is more fully described in Note 14.

B. Basis of Presentation

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services. Operating expenses for the enterprise fund includes personnel, medical and drug supplies, and other expenses related to Hospital operations and operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Fund Accounting

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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

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 - This is the primary operating fund of the County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Children Services Board - This fund accounts for revenue received from a countywide tax levy, grants and charges for services to provide for the care of children of the County.

County Board of Mental Retardation and Developmentally Disabled (MRDD) - This fund accounts for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled. Revenue sources include a countywide property tax levy and federal and state grants.

Motor Vehicle and Gas Tax - This fund accounts for monies received by the County for state gasoline tax and vehicle registration fees used for County road and bridge maintenance, construction and improvements.

Public Assistance - This fund accounts for various federal and state grants, as well as transfer from the general fund used to provide public assistance to general relief recipients, pay their providers for medical assistance, and for certain public social services.

Public Service Agencies Office Construction - This fund accounts for revenue notes payable to provide construction for Public Services Agencies Office Construction.

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds and (b) for grants and other resources, the use of which is restricted to a particular purpose.

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

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The County has presented the following major enterprise fund:

Clinton Memorial Hospital - This fund accounts for the operations of the hospital.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund accounts for self-funded health insurance program for employees of the County and several governmental units within the County.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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

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

Component Units - Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financial statement to be misleading or incomplete. The County considers Orion Rehabilitation Center and the Clinton County Port Authority to be separate discretely presented component units of the County.

D. Measurement Focus

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

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

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

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. Government-wide financial statements are prepared using the full accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the full accrual basis of accounting. Differences in the full 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.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

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 full accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On a full accrual basis, revenue from sales taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from all other nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (See Note 7), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

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

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

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

Expense/Expenditures - On the full 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.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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

F. Budgetary Data

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 Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

Budgetary information for the Workshop and certain other funds is not reported because it is not included in the entity for which the "appropriated budget" is adopted and separate budgetary financial records are not maintained.

Tax Budget - A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted. The expressed purpose of the Tax Budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official Certificate of Estimated Resources, which states the projected revenue of each fund.

On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the final amended certificate issued during 2004.

Appropriations - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2004 are included in the final budget amounts in the budget-to-actual comparisons.

Lapsing of Appropriations - At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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

G. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2004, investments were limited to federal agency securities, U.S. Treasury notes, U.S. Government money market mutual funds, U.S. obligations, and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$206,031 which includes \$193,527 assigned from other County funds.

The County has segregated bank accounts for monies held separately from the County's central bank account. These interest-bearing depository accounts are presented on the combined balance sheet as "Cash in Segregated Accounts" since they are not required to be deposited into the County treasury.

For presentation on the basic financial statements, investments of the cash management pool and investments are considered to be cash equivalents.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

H. Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at estimated net realizable amounts. Revenue from the Medicare and Medicaid programs accounted for approximately 51% of the Hospital's net patient service revenue for the year ended December 31, 2004. Payment for the majority of Medicare and Medicaid inpatient services is based on a prospectively determined fixed price, based on the discharge diagnosis per patient case. Certain other Medicare and Medicaid outpatient services are also reimbursed on a prospectively determined fixed price. The Hospital receives reimbursement for other Medicaid and Medicare outpatient services at amounts which approximate the cost of provided the services.

Final determination of amounts earned is subject to review by the fiscal intermediary. Medicare reports have been settled through 200, while Medicaid reports have been settled through 1998.

The Hospital has also entered into other contractual arrangements that provide a discount from full established rates for patients enrolled in these plans. Determination of amounts due the Hospital or payable to the third-party payor is subject to audit by the responsible payor. Management believes that adequate provisions have been made for any adjustments that may result from final settlement under these programs.

The Hospital estimates an allowance for doubtful accounts based on an evaluation of historical losses, current economic conditions, and factors unique to their operations.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

I. Inventories of Materials and Supplies

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventories of the Hospital are stated at the lower of cost or market value determined by the first-in, first-out method and is expensed when used.

Inventory consists of expendable supplies held for consumption.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$5,000. The County's infrastructure consists of roads, bridges, and culverts. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	-	15 years
Buildings and Improvements	70 years	40 years
Machinery and Equipment	4 - 20 years	7-10 years
Infrastructure	30 - 50 years	-
Vehicles	8 years	-

The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. The Hospital had capitalized interest of \$147,297 for the year ended December 31, 2004. Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

K. Compensated Absences

Compensated absences of the County consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "Vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

County employees earn vacation at varying rates ranging from two to five weeks per year. Sick leave is accumulated at the rate of three weeks per year. Vacation and sick leave is accumulated on an hours worked basis. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. The County does not accrue a liability for non-vested sick leave or vacation benefits.

The employees of the Hospital earn vacation days at varying rates depending on years of service. Employees also earn sick leave benefits based on varying rates depending on years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the accounts "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Prepaid Items

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

M. 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.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, 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 fund financial statements when due.

N. Interfund Transactions

During the normal course of operations, the County has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the County are treated similarly when involving other funds of the County.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. All other outstanding balances outstanding between funds are reported as "due to/from other funds." These amounts are eliminated in the Statement of Net Assets.

Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

O. Fund Balance Reserves

Reserved fund balances indicate that a portion of fund equity is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The County reports amounts representing encumbrances outstanding, prepayments, materials and supplies inventories, and advances as reservations of fund balance in the governmental funds.

P. Charity Care

The Hospital treats patients regardless of their ability to pay. Amounts not collected under indigent care programs are considered to be charity care. Charity care measured at established rates approximated \$4,366,000 in 2004.

Q. Assets Whose Use is Limited

Assets whose use is limited consists of investments that are held by the trustee of the 2002 Hospital revenue bonds and are to be utilized for construction costs.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

R. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. During 2004, the County received no capital contributions.

S. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

T. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

	<u>Deficit</u>
<u>Major Governmental Fund</u>	
Public Service Agencies Office Construction	\$ 2,571,948
<u>Nonmajor Governmental Funds</u>	
Dog and Kennel	57,404
Clinton County Park Board	34,705
Building Improvement	959,953
County Recorder Equipment	4,555
State Homeland Security Equipment	4,647
Regional State Homeland Security Grant	32,740
Fairground Buildings Construction Fund	410,000
Health Insurance Depository Internal Service Fund	380,039

The Health Insurance Depository internal service fund did not comply with state law, which does not permit a cash basis deficit at year-end. The fund had a \$311,942 cash deficit at year-end. The deficit was covered by an interfund loan payable to the general fund (see Note 5).

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

All other funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

B. Prior Period Adjustment

The Clinton Memorial Hospital has been presented as an enterprise fund on the County's basic financial statements in 2004, in accordance with GASB Statement No. 14, "The Financial Reporting Entity" and GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". At January 1, 2004, net assets of the Hospital were \$62,010,820.

C. Compliance

Ohio Revised Code Section 5705.41 (D) requires that the County certify that funds are available prior to committing the County funds. The County did not always encumber funds prior to commitment during fiscal year 2004.

Contrary to Ohio Revised Code Sections 321.09 and 321.15, the County Treasurer did not provide an accurate statement of the balance in the depository and monies were paid from the County treasury without proper approval.

Contrary to Ohio law, at December 31, 2004, the Health Insurance Depository fund had a cash deficit balance of \$311,942.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's Investment Pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At year-end, the carrying amount of the County's deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$17,189,971 and the bank balance, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$19,470,410. Of the bank balance:

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

1. \$7,730,527 was covered by federal depository insurance, covered by collateral held in the pledging bank's trust department in the County's name, or surety company bonds deposited with the County; and
2. \$11,739,883 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

Investments: The County's investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. U.S. government money market mutual funds are unclassified investments since they are evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
U.S. Treasury notes	\$ 346,451	\$ 346,451	\$ 346,451
Federal agency securities	2,891,271	2,891,271	2,891,271
Repurchase agreement	165,000	165,000	165,000
U.S. obligations	7,545,947	7,545,947	7,545,947
Equities	125,486	125,486	125,486
Total	\$ 11,074,155		
U.S. government money market mutual funds		181,250	181,250
Total investments		\$ 11,255,405	\$ 11,255,405

The federal agency securities have maturity dates ranging from February 2005 to December 2005.

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

A reconciliation between the classifications of pooled cash and investments on the financial statements and the classifications of deposits, investments and cash on hand presented in this footnote is as follows:

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

A summary of deposits, investments and cash on hand as of December 31, 2004 follows:

Deposits	\$ 17,189,971
Investments	<u>11,255,405</u>
Total	<u>\$ 28,445,376</u>

The above amounts are classified in the financial statements follows:

Equity in Pooled Cash and Cash Equivalents	\$ 19,949,240
Cash with Fiscal and Escrow Agents	797,381
Short-term Investments	1,961,706
Investments	<u>5,737,049</u>
Total	<u>\$ 28,445,376</u>

B. Component Unit

At December 31, 2004, the carrying amount of the component unit's demand deposits, including nonnegotiable certificates of deposit, was \$206,830 and the bank balance, including nonnegotiable certificates of deposit, was \$206,830. Of the bank balance, \$127,200 was insured by the FDIC. The component unit had \$100 of cash on hand at December 31, 2004, which is included in "Equity in Pooled Cash and Cash Equivalents". At December 31, 2004, the component unit had an investment in the amount of \$79,530 in a money market mutual fund. Money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to General fund from:	
Nonmajor Governmental Funds	\$ 27,163
Transfers to Motor Vehicle and Gas Tax Fund from:	
General Fund	9,899
Transfers to Public Services Agencies Office Construction from:	
Nonmajor Governmental Funds	101,179
Transfers to Nonmajor Governmental Funds from:	
General Fund	324,520
Public Service Agencies Office Construction	60,938
Nonmajor Governmental Fund	<u>210,850</u>
Total Transfers to Nonmajor Governmental Funds	<u>596,308</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

- B.** Short term interfund loans consisted of the following at December 31, 2004, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 38,229
	Internal service fund	311,942

This interfund balance will be repaid in the next fiscal year as resources become available.

- C.** Long-term advances to and from other funds at December 31, 2004, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 89,225

The balance in the general fund represents amounts due from other funds that are not expected to be repaid within the next fiscal year.

- D.** Due from/to other funds consisted of the following at December 31, 2004, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public Assistance	Children Services	\$ 400,000
Public Assistance	General	86,639
Motor Vehicle & Gas Tax	General	14,137
Nonmajor governmental fund	General	595
Health Depository Internal Service	General	100,486
Health Depository Internal Service	Nonmajor governmental fund	4,305

The balances resulted from the time lag between the dates that payments between the funds are made.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied on April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are currently 25% of true value. The assessed value upon which taxes were collected in 2004 was \$790,574,720. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2004, was \$9.30 per \$1,000 of assessed valuation.

Real property taxes for tax year 2004, are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

Tangible personal property taxes for unincorporated and single county businesses are due semi-annually with the first payment due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 45 days for the first half. The due date for the entire tax for inter-county businesses is September 20. The first \$10,000 of taxable value is exempt from taxation for each business by state law. The lien date is either December 31 or the end of the fiscal year (for incorporated businesses in operation more than one year). Since each business files a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectibles) and real and public utility taxes, which were measurable as of the year-end. Since the current levy is intended to finance 2004 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2005 are shown as 2004 revenue; the remainder is shown as "Deferred Revenue".

The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1977, the County Commissioners by resolution imposed a 0.5% 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. In 1988, the County Commissioners added an additional 0.5% tax to the existing tax. Vendor collections of the tax are paid to the State Treasurer by the 23rd 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 45 days after the end of the month following collection. The State Auditor then has five days in which to draw the warrant payable to the County.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 7 - PERMISSIVE SALES AND USE TAX - (Continued)

Proceeds of the tax are credited entirely to the general fund and special revenue funds. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue to the extent that they are intended to finance fiscal 2004 operations. Sales and use tax revenue for 2004 amounted to \$4,845,732.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2004, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the balance sheet. Receivables have been recorded to the extent that they are measurable at December 31, 2004, as well as intended to finance fiscal 2004 operations.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Sales taxes	\$ 740,452
Real estate and other taxes	5,852,788
Accounts	141,481
Special assessments	52,602
Accrued interest	59,550
Due from other governments	3,390,154

Business-Type Activities:

Gross Accounts receivable	11,760,553
Less: allowance for doubtful accounts	<u>(2,241,000)</u>
Net accounts receivable	<u>9,519,553</u>
Notes and other receivables	1,842,844
Estimated third-party payor settlements	199,709

Receivables have been disaggregated on the face of the balance sheet. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 9 - CAPITAL ASSETS

A. Primary Government

Capital asset activity for the fiscal year ended December 31, 2004, was as follows:

<u>Governmental Activities:</u>	Balance <u>01/01/04</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/04</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 355,170	\$ -	\$ -	\$ 355,170
Construction in progress	3,428,463	-	(3,428,463)	-
Total capital assets, not being depreciated	<u>3,783,633</u>	<u>-</u>	<u>(3,428,463)</u>	<u>355,170</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	173,705	-	-	173,705
Buildings and improvements	15,915,325	4,074,667	-	19,989,992
Equipment	2,717,550	151,085	(180,081)	2,688,554
Vehicles	2,634,800	424,600	(429,642)	2,629,758
Infrastructure	<u>24,461,930</u>	<u>3,257,779</u>	<u>-</u>	<u>27,719,709</u>
Total capital assets, being depreciated	<u>45,903,310</u>	<u>7,908,131</u>	<u>(609,723)</u>	<u>53,201,718</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(58,012)	(2,164)	-	(60,176)
Buildings and improvements	(3,482,086)	(368,540)	-	(3,850,626)
Equipment	(1,672,763)	(170,386)	148,426	(1,694,723)
Vehicles	(1,709,168)	(262,652)	374,106	(1,597,714)
Infrastructure	<u>(5,816,474)</u>	<u>(719,591)</u>	<u>-</u>	<u>(6,536,065)</u>
Total accumulated depreciation	<u>(12,738,503)</u>	<u>(1,523,333)</u>	<u>522,532</u>	<u>(13,739,304)</u>
Total capital assets, being depreciated net	<u>33,164,807</u>	<u>6,384,798</u>	<u>(87,191)</u>	<u>39,462,414</u>
Governmental activities capital assets, net	<u>\$ 36,948,440</u>	<u>\$ 6,384,798</u>	<u>\$ (3,515,654)</u>	<u>\$ 39,817,584</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Legislative and executive	\$ 141,260
Judicial	75,649
Public safety	181,049
Public works	962,787
Health	72,864
Human services	63,689
Other	<u>26,035</u>
Total depreciation expense - governmental activities	<u>\$ 1,523,333</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 9 - CAPITAL ASSETS - (Continued)

<u>Business-Type Activities</u>	<u>Balance</u> 01/01/04	<u>Additions</u>	<u>Deductions/</u> <u>Transfers</u>	<u>Balance</u> 12/31/04
<i>Capital assets, being depreciated:</i>				
Land and land improvements	\$ 2,931,276	\$ 78,172	\$ (8,154)	\$ 3,001,294
Buildings and improvements	67,782,176	5,925	9,685,519	77,473,620
Equipment	30,384,162	2,131,227	1,448,005	33,963,394
Construction in progress	3,743,490	9,710,034	(11,614,667)	1,838,857
Total capital assets, being depreciated	<u>104,841,104</u>	<u>11,925,358</u>	<u>(489,297)</u>	<u>116,277,165</u>
<i>Less: accumulated depreciation:</i>				
Land and land improvements	(825,263)	(111,271)	3,669	(932,865)
Buildings and improvements	(14,621,408)	(2,312,869)	96,117	(16,838,160)
Equipment	(19,279,083)	(2,861,323)	389,511	(21,750,895)
Total accumulated depreciation	<u>(34,725,754)</u>	<u>(5,285,463)</u>	<u>489,297</u>	<u>(39,521,920)</u>
Business-type activities capital assets, net	<u>\$ 70,115,350</u>	<u>\$ 6,639,895</u>	<u>\$ -</u>	<u>\$ 76,755,245</u>

B. Component Unit Capital Assets

A summary of the changes in the component unit capital assets during the fiscal year follows:

<u>Component Unit:</u>	<u>Balance</u> 01/01/04	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 12/31/04
<i>Capital assets, being depreciated:</i>				
Land improvements	\$ 12,761	\$ -	\$ -	\$ 12,761
Buildings and improvements	36,993	-	-	36,993
Furniture and equipment	34,293	-	-	34,293
Vehicles	10,940	-	-	10,940
Total capital assets being depreciated	<u>94,987</u>	<u>-</u>	<u>-</u>	<u>94,987</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(3,275)	(843)	-	(4,118)
Buildings and improvements	(24,695)	(2,426)	-	(27,121)
Furniture and equipment	(22,271)	(1,725)	-	(23,996)
Vehicles	(10,390)	(550)	-	(10,940)
Total accumulated depreciation	<u>(60,631)</u>	<u>(5,544)</u>	<u>-</u>	<u>(66,175)</u>
Total capital assets, being depreciated, net	<u>\$ 34,356</u>	<u>\$ (5,544)</u>	<u>\$ -</u>	<u>\$ 28,812</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE

A. Governmental Activities Capital Lease

During 2004, the County entered into a capitalized lease for the acquisition of a copier. The lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Governmental activities capital assets consisting of equipment have been capitalized in the amount of \$5,228. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. There were no principal payments made in fiscal year 2004.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2003:

<u>Year Ending December 31,</u>	<u>Amount</u>
2005	\$ 1,272
2006	1,272
2007	1,272
2008	1,272
2009	<u>1,272</u>
Total	6,360
Less: amount representing interest	<u>(1,132)</u>
Present value of net minimum lease payments	<u>\$ 5,228</u>

B. Business-Type Activities Capital Lease

Capital assets have been capitalized in the Hospital enterprise fund. The lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13 "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. The present value of the minimum lease payments at the time of acquisition was capitalized at the time of acquisition and a corresponding liability was recorded in the Hospital enterprise fund. The net carrying value of the assets recorded under capital lease was \$1,537,763 at December 31, 2004.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2004:

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE - (Continued)

<u>Year Ended December 31,</u>	<u>Amount</u>
2005	\$ 638,415
2006	368,929
2007	368,929
2008	368,929
2009	<u>61,489</u>
Total	1,806,691
Less: amount representing interest	<u>(151,612)</u>
Present value of net minimum lease payments	<u>\$ 1,655,079</u>

NOTE 11 - COMPENSATED ABSENCES

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the statement of net assets. Vacation and sick leave earned by proprietary fund type employees is expensed when earned.

Upon termination of County service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 30 days and all accumulated vacation. At December 31, 2004 vested benefits for vacation leave for governmental fund type employees totaled \$745,254 and vested benefits for sick leave totaled \$317,379. For the proprietary fund type, vested benefits for vacation leave totaled \$1,421 and there were no vested benefits for sick leave. In accordance with GASB Statement No. 16, an additional liability of \$90,000 was accrued to record termination (severance) payments expected to become eligible to retire in the future for the governmental fund type employees.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During the fiscal year 2004, the following changes occurred in the County's governmental long-term obligations:

Governmental Activities:	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 01/01/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/04</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>							
County Building Improvement Bonds - 5.42%	7/14/1993	6/1/2008	\$ 535,000	\$ -	\$ (95,000)	\$ 440,000	\$ 100,000
Bypass/Jail Construction Bond 4.0-5.75%	12/1/1999	12/1/2019	<u>4,325,000</u>	<u>-</u>	<u>(220,000)</u>	<u>4,105,000</u>	<u>225,000</u>
Total general obligation bonds			<u>4,860,000</u>	<u>-</u>	<u>(315,000)</u>	<u>4,545,000</u>	<u>325,000</u>
<u>Special Assessment Bond</u>							
Ditch Construction Bonds - 6.20%	8/1/2001	8/1/2009	<u>60,280</u>	<u>-</u>	<u>(8,598)</u>	<u>51,682</u>	<u>9,132</u>
Total special assessment bond			<u>60,280</u>	<u>-</u>	<u>(8,598)</u>	<u>51,682</u>	<u>9,132</u>
<u>OWDA Loan Payable</u>							
Wastewater Planning	11/15/2001	1/1/2007	<u>587,074</u>	<u>541,182</u>	<u>-</u>	<u>1,128,256</u>	<u>-</u>
Total OWDA loan payable			<u>587,074</u>	<u>541,182</u>	<u>-</u>	<u>1,128,256</u>	<u>-</u>
<u>Other Long-Term Obligations:</u>							
Compensated absences			1,002,439	721,911	(660,296)	1,064,054	836,675
Capital lease			<u>-</u>	<u>5,228</u>	<u>-</u>	<u>5,228</u>	<u>886</u>
Total other long-term obligations			<u>1,002,439</u>	<u>727,139</u>	<u>(660,296)</u>	<u>1,069,282</u>	<u>837,561</u>
Total general long-term obligations			<u>\$ 6,509,793</u>	<u>\$ 1,268,321</u>	<u>\$ (983,894)</u>	<u>\$ 6,794,220</u>	<u>\$ 1,171,693</u>

General Obligation Bonds: General obligation bonds are direct obligations of the County for which its full faith and credit are pledged for repayment. Principal and interest payments on the general obligation bonds are made from the debt service funds.

Special Assessment Bond: The special assessment bond is supported by the full faith and credit of the County. The bond was issued to provide resources for the Upper Middle Fork Group ditch construction. The bond is being retired through special assessments levied against benefited property owners.

OWDA Loan: The County entered into a debt financing arrangement through the Ohio Water Development Authority (OWDA) to fund the Wastewater Planning Project. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2004, the County had outstanding borrowings of \$1,128,256.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

As of December 31, 2004, the future annual debt service principal and interest payments for the loan were unavailable because monies related to the project are still being disbursed and the loans are not finalized.

Compensated Absences: Vested sick leave and vacation benefits are presented net of actual increases and decreases because of the practicality of determining these values. The benefits will be paid from the fund from which the person is paid.

The following is a summary of the County's future principal and interest debt service requirements for the general long-term obligations outstanding:

Year Ending	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 325,000	\$ 238,036	\$ 563,036	\$ 9,132	\$ 3,248	\$ 12,380
2006	340,000	222,131	562,131	9,698	2,674	12,372
2007	360,000	205,124	565,124	10,299	2,065	12,364
2008	380,000	187,117	567,117	10,937	1,422	12,359
2009	270,000	171,255	441,255	11,616	730	12,346
2010-2014	1,260,000	661,270	1,921,270	-	-	-
2015-2019	1,610,000	284,939	1,894,939	-	-	-
Total	<u>\$ 4,545,000</u>	<u>\$ 1,969,872</u>	<u>\$ 6,514,872</u>	<u>\$ 51,682</u>	<u>\$ 10,139</u>	<u>\$ 61,821</u>

B. Business-Type Activities Long-Term Obligations

During the fiscal year 2004, the following changes occurred in the County's business-type long-term obligations:

Business-Type Activities:	Balance at <u>01/01/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/04</u>	Amount Due <u>in One Year</u>
Hospital Facilities Revenue	\$ 35,000,000	\$ -	\$ (885,000)	\$ 34,115,000	\$ 920,000
Refunding and Improvement Bonds					
Note Payable	600,000	-	(40)	599,960	-
Capital Lease Obligation	599,097	1,633,112	(577,130)	1,655,079	574,969
Total business-type long-term obligations	<u>\$ 36,199,097</u>	<u>\$ 1,633,112</u>	<u>\$ (1,462,170)</u>	<u>\$ 36,370,039</u>	<u>\$ 1,494,969</u>

Hospital Facilities Revenue Refunding and Improvements Bonds: The 2002 Clinton County adjustable rate demand hospital facilities revenue refunding and improvement bonds were used to refund and retire the 1992 and 1998 bonds and to finance the acquisition, construction, equipping, and installation of new hospital facilities. Under the terms of the 2002 revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included in assets whose use is limited. The bonds also place limits on the incurrence of additional borrowings and requires the Hospital satisfy certain measures of financial performance.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

Note Payable: The installment not pertains to the purchase of certain real estate and is collateralized by a lien on the real estate.

The following is a summary of the County's future principal and interest debt service requirements for the business-type activities long-term obligations outstanding:

Year Ending	Bonds and Notes		
	Principal	Interest	Total
2005	\$ 920,000	\$ 496,052	\$ 1,416,052
2006	960,000	481,105	1,441,105
2007	1,000,000	465,551	1,465,551
2008	1,639,960	449,344	2,089,304
2009	1,085,000	432,497	1,517,497
2010-2012	3,515,000	1,189,552	4,704,552
2013-2017	6,890,000	1,575,898	8,465,898
2018-2022	8,415,000	970,444	9,385,444
2023-2027	10,290,000	250,920	10,540,920
Total	<u>\$ 34,714,960</u>	<u>\$ 6,311,363</u>	<u>\$ 41,026,323</u>

C. Legal Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1% 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, shall never exceed a sum equal to 3% 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 2-1/2% of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$12,533,693 as of December 31, 2004.

NOTE 13 - NOTES PAYABLE

A. Bond Anticipation Notes Payable

During fiscal year 2004, the County issued \$4,889,000 in bond anticipation notes. Proceeds of \$2,600,000 were reported in the Public Service Office Construction capital projects fund and were used to retire \$2,600,000 in previously issued bond anticipation notes. Proceeds of \$127,000 were reported in the Human Services Bond Retirement debt service fund and were used to retire previously issued bond anticipation notes in the amount of \$127,000. Proceeds of \$979,600 were reported in the Building Improvement capital projects fund and will be used to finance the addition to the Annex, and was used to retire \$1,098,000 in previously issued bond anticipation notes. Proceeds of \$410,000 were reported in the Fairground Building Construction fund and were used to retire \$435,000 previously issued bond anticipation notes. Bond anticipation notes are reported as liabilities of the capital projects and debt service funds, the funds which received the proceeds. The following is a summary of the bond anticipation note activity during fiscal year 2004:

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 13 - NOTES PAYABLE - (Continued)

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 01/01/04</u>	<u>2004 Issues</u>	<u>2004 Principal Retirement</u>	<u>Balance at 12/31/04</u>
<u>Human Services Bond Retirement Fund</u>						
Property Acquisition and Renovation - 3.51%	05/17/03	05/17/04	\$ 127,000	\$ -	\$ (127,000)	\$ -
			<u>127,000</u>	<u>-</u>	<u>(127,000)</u>	<u>-</u>
<u>Public Service Office Construction Fund</u>						
Property Acquisition and Renovation - 3.51%	05/17/03	05/17/04	2,600,000	-	(2,600,000)	-
Property Acquisition and Renovation - 1.82%	05/17/04	05/17/05	-	2,600,000	-	2,600,000
			<u>2,600,000</u>	<u>2,600,000</u>	<u>(2,600,000)</u>	<u>2,600,000</u>
<u>Building Improvement Fund</u>						
Annex Addition - 3.14%	05/17/03	05/17/04	1,098,600	-	(1,098,600)	-
Annex Addition - 1.82%	05/17/03	05/17/04	-	979,600	-	979,600
			<u>1,098,600</u>	<u>979,600</u>	<u>(1,098,600)</u>	<u>979,600</u>
<u>Fairground Building Construction</u>						
Various County Improvements	06/30/03	06/30/04	435,000	-	(435,000)	-
Various County Improvements	06/30/04	06/30/05	-	410,000	-	410,000
			<u>435,000</u>	<u>410,000</u>	<u>(435,000)</u>	<u>410,000</u>
Haines Ditch Project	11/17/04	11/17/05	-	182,000	-	182,000
Total			<u>\$ 4,260,600</u>	<u>\$ 4,171,600</u>	<u>\$ (4,260,600)</u>	<u>\$ 4,171,600</u>

B. General Obligation Note Payable

During fiscal year 2004, the County issued a general obligation note for \$717,400. The proceeds were reported in the general fund and will be used to retire previously issued notes of \$732,400. The following is a summary of the general obligation note activity during fiscal 2004:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 01/01/04</u>	<u>2004 Issues</u>	<u>2004 Principal Retirement</u>	<u>Balance at 12/31/04</u>
<u>General Fund</u>						
Various County Improvements	05/16/03	05/16/04	\$ 732,400	\$ -	\$ (732,400)	\$ -
Various County Improvements	05/14/04	05/14/05	-	717,400	-	717,400
Total			<u>\$ 732,400</u>	<u>\$ 717,400</u>	<u>\$ (732,400)</u>	<u>\$ 717,400</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 14 - RISK MANAGEMENT

A. General Insurance

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

The County is a member of County Risk Sharing Authority, Inc. (CORSA), which is a shared risk pool of 41 counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any one time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

The County pays the State Workers' Compensation System a premium based on a rate per \$100 of employee compensation. The rate is calculated based on accident history and administrative costs. Settled claims have not exceeded this coverage in any of the past three fiscal years.

B. Health Care, Vision and Dental Insurance

The County has established a Risk Management Fund (an internal service fund) to account for and finance its health care, vision and dental benefits. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$20,000 per person per year to a group claims maximum. The County purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All governmental funds of the County participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The third party administrators (Humana Insurance Company for health care and vision and Employer Group Health for dental) review, and the County pays, all claims. The liability for unpaid claims of \$173,381 reported in the Risk Management Fund at December 31, 2004. This amount is reported on the statement of net assets at December 31, 2004.

Changes in the balances of the self insurance claims liabilities during the past two years are as follows:

	Beginning of Year <u>Liability</u>	Current Year <u>Claims</u>	Claim Payments	Balance at <u>Year End</u>
2004	\$ 104,143	\$ 2,561,269	\$ (2,492,031)	\$ 173,381
2003	136,537	1,963,013	(1,995,407)	104,143

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 14 - RISK MANAGEMENT - (Continued)

C. Professional Liability Insurance

The Hospital's professional liability insurance is underwritten through Ohio Hospital Insurance Company, a private insurer. Professional liability coverage is provided up to \$1 million per occurrence with an annual aggregate of \$3 million and excess insurance of \$10 million for professional and general liability risks.

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

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

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$1,465,766, \$1,042,711, and \$969,581, respectively; 73% has been contributed for 2004 and 100% has been contributed for 2003 and 2002. The unpaid contribution to fund pension obligations for 2004, in the amount of \$397,351, is recorded as a liability.

B. State Teachers Retirement System

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the year ended December 31, 2004, plan members were required to contribute 10 percent of their annual covered salary and the County was required to contribute 14 percent; 9.09 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The County's required contribution for pension obligations for the DBP for the years ended December 31, 2004, 2003, and 2002 was \$19,677, \$27,448, and \$24,682, respectively; 100 percent has been contributed for fiscal years 2004, 2003 and 2002. There were no contributions for the DCP and CP for the fiscal year ended June 30, 2004.

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". 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.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

The 2004 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

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

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$432,698. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

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

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the STRS based on authority granted by State statute. STRS is funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount was \$1,406.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million, and STRS had 111,853 eligible benefit recipients.

NOTE 17 - 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue funds are as follows:

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

	Net Change in Fund Balances				
	Governmental Fund Types				
	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Public Assistance</u>
Budget basis	\$ (314,288)	\$ (376,467)	\$ 132,602	\$ (491,652)	\$ (59,916)
Net adjustment for revenue accruals	48,100	(188,544)	(246,540)	75,817	527,813
Net adjustment for expenditure accruals	(185,849)	(453,297)	317,321	215,127	23,783
Net adjustment for other financing sources/(uses) accruals	69,138	-	-	-	-
Encumbrances (budget basis)	<u>168,619</u>	<u>-</u>	<u>26,220</u>	<u>131,984</u>	<u>-</u>
GAAP basis	<u>\$ (214,280)</u>	<u>\$(1,018,308)</u>	<u>\$ 229,603</u>	<u>\$ (68,724)</u>	<u>\$ 491,680</u>

NOTE 18 - FUTURE MINIMUM RENTAL EXPENSE AND INCOME

Rent expense related to the Hospital amounted to approximately \$556,000 in 2004. The leases expire in 2047.

Future minimum rental expense payments under the noncancelable leases are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2005	\$ 199,788
2006	72,118
2007	73,921
2008	42,111
2009	12,000
Thereafter	<u>454,000</u>
Total	<u>\$ 853,938</u>

NOTE 19 - 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 the terms of the grant. Based on prior experience, the County Commissioners believe such disallowance, if any, will be immaterial.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 19 - CONTINGENT LIABILITIES - (Continued)

B. Litigation

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, no liability is anticipated in excess of insurance coverage.

NOTE 20 - CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. This mix of receivables from self-pay patients and third-party payors as of December 31, 2004, was as follows:

	<u>Amount</u>
Medicare	40%
Medicaid	6%
Other third-party payors	38%
Self pay patients	<u>16%</u>
Total	<u>100%</u>

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. The Hospital believes that it is in compliance with all applicable laws and regulations but has had inquiries from the programs related specifically to the billing of laboratory services. In the opinion of management, the ultimate outcome of these matters will not have a material effect on the financial position of the Hospital. However, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future.

NOTE 21 - CONDUIT DEBT OBLIGATIONS

The County has served as the issuer of \$14,298,685 in industrial revenue bonds. The proceeds were used by private corporations and community organizations to fund various endeavors. The industrial revenue bonds do not constitute a general obligation, debt or bonded indebtedness of the County. Neither is the full faith and credit to taxing power of the County pledged to make repayment. As of December 31, 2004, \$48,847,124 was still outstanding.

To provide for the financing of certain expenditures at Clinton Memorial Hospital, the Hospital has issued special facility revenue bonds. These consist of \$35,000,000 in 2002 Clinton County, Ohio, Variable Rate Demand Hospital Improvement Revenue Bonds, with final maturity in February, 2012. These bonds do not constitute a debt or pledge of the faith and credit of the County. As of December 31, 2004, \$34,115,000 was outstanding.

This page intentionally left blank.

CLINTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

Federal Grantor/Pass Through Grantor Program Title	Fund	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education - Grants to States	004	84.027	\$13,277
Special Education - Preschool Grants	004	84.173	4,099
Total U.S. Department of Education			17,376
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Title XX - Social Services Block Grant	004	93.667	24,633
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program - Title XIX:			
Community Alternative Funding System (CAFS)	004, 107	93.778	403,309
State Children's Insurance Program (SCHIP)	004, 107	93.767	760
Residential Facility Waiver	107	93.778	47,423
			451,492
Total U.S. Department of Health and Human Services			476,125
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction:			
Hales Branch Road	010	20.205	204,984
Total U.S. Department of Transportation			204,984
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant	110	14.228	75,738
Home Investment Partnership	110	14.239	48,649
Total U.S. Department of Housing and Urban Development			124,387
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Department of Public Safety</i>			
State Domestic Preparedness Equipment Support Program	223-237	97.004	158,719
Total U.S. Department of Homeland Security			158,719
<u>U.S. GENERAL SERVICES ADMINISTRATION</u>			
<i>Passed Through the Ohio Secretary of State</i>			
Election Reform Payments	001	39.011	6,000
Total U.S. General Services and Administration			6,000

continued

CLINTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004
(continued)

Federal Grantor/Pass Through Grantor Program Title	Fund	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF LABOR</u>			
<i>Passed Through Ohio Department of Jobs and Family Services</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult			22,926
Workforce Investment Act - Adult Total	N/A	17.258	22,926
Workforce Investment Act - Youth			49,584
Workforce Investment Act - Youth Total	N/A	17.259	49,584
Workforce Investment Act - Dislocated Workers			13,881
Workforce Investment Act - DW, Rapid Response			375,000
Workforce Investment Act - Dislocated Workers Total	N/A	17.260	388,881
Total Workforce Investment Act Passed through ODJFS			461,391
<i>Passed Through Ohio Area 7 Workforce Investment Board</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult			47,950
Workforce Investment Act - Adult Total	N/A	17.258	47,950
Workforce Investment Act - Youth			16,456
Workforce Investment Act - Youth Total	N/A	17.259	16,456
Workforce Investment Act - Dislocated Workers			1,128
Workforce Investment Act - DW, Rapid Response			155,000
Workforce Investment Act - Dislocated Workers Total:	N/A	17.260	156,128
Total Workforce Investment Act Passed through Ohio Area 7			220,534
Total Workforce Investment Act Cluster			681,925
Total U.S. Department of Labor			681,925
Total Federal Expenditures			1,669,516

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

CLINTON COUNTY

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
YEAR ENDED DECEMBER 31, 2004**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—SUBRECIPIENTS

The County passes through certain Federal assistance received from the Ohio Department of Mental Health to subrecipients. As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

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

This page intentionally left blank.



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*

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Clinton County (the County) as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 22, 2006, wherein we noted the Clinton Memorial Hospital financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Hospital is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001, 2004-002 and 2004-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2004-002 and 2004-003 listed above to be material weaknesses. In a separate letter to the County's management dated May 22, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

MATERIAL NONCOMPLIANCE

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001, 2004-002 and 2004-003. In a separate letter to the County's management dated May 22, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the County's elected officials, management, 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

May 22, 2006



Auditor of State Betty Montgomery

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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing 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, Clinton 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, 2004.

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. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report that we have reported to the County's management in a separate letter dated May 22, 2006.

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

May 22, 2006

**CLINTON COUNTY
DECEMBER 31, 2004**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

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)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(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):	CFDA # 93.778: Medical Assistance Program-Title XIX:CAFS CFDA # 17.260 – Workforce Investment Act – DW, Rapid Response
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2004-001

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2004-001
(Continued)**

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$750 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Forty five percent (45%) of the purchases tested were initiated without obtaining the prior certification of the County Auditor and were not subsequently approved by the County Commissioners within the aforementioned 30 day time period. Failure to properly encumber could result in overspending funds and negative cash fund balances.

Unless the County uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the County's funds exceeding budgetary spending limitations, we recommend that the Auditor certify that funds are or will be available prior to obligation by the County. When prior certification is not possible, "then and now" certification should be used.

We recommend the County officials and employees obtain the Auditor's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Auditor should sign the certification at the time the County incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Auditor should post approved purchase orders to the proper appropriation code to reduce the available appropriation. We did not receive a response from Officials to this finding.

Officials' Response

We did not receive a response from Officials to the finding reported above.

FINDING NUMBER 2004-002

Noncompliance Citation/ Material Weakness

Ohio Rev. Code, Section 321.09, provides in part, that each business day, the county treasurer shall make a statement to the county auditor for the preceding day, showing the total amount deposited in the depository, the total amount paid by check on the depository, the total amount paid out in cash, the balance in the depository, and the balance in the county treasury.

The statement prepared by the County Treasurer overstated the depository balance related to the self-insurance account by \$311,942 at December 31, 2004.

Ohio Rev. Code, Section 321.15, states that no money shall be paid from the county treasury, or transferred to any person for disbursement, except on the warrant of the county auditor, including an electronic warrant authorizing direct deposit, in accordance with division (F) of section 9.37 of the Revised Code, for payment of county obligations. **Ohio Rev. Code, Section 9.37(E)**, states that if the issuance of checks and warrants by a public official requires authorization by a governing board, commission, bureau, or other public body having jurisdiction over the public official, the public official may only make direct deposits and contracts under this section pursuant to a resolution of authorization duly adopted by such governing board, commission, bureau, or other public body. **Ohio Rev. Code, Section 9.37 (F)**, states that pursuant to sections 307.55, 319.16, and 321.15 of the Revised Code, a county auditor may issue, and a county treasurer may redeem, electronic warrants authorizing direct deposit for payment of county obligations in accordance with rules adopted by the auditor of the state pursuant to section 117.20 of the Revised Code. **Ohio Rev. Code, Section 319.16**, states, in part, that the county auditor shall issue warrants, including electronic warrants authorizing direct deposit for payment of county obligations in accordance with division (F) of section 9.37 of the Revised Code, on the county treasurer for all moneys payable from the county treasury, upon presentation of the proper order or voucher and evidentiary matter for the moneys, and keep a record of all such warrants showing the number, date of issue, amount for which drawn, in whose favor, for what purpose, and on what fund. The auditor shall not issue a warrant for the payment of any claim against the county, unless it is allowed by the board of county commissioners, except where the amount due is fixed by law or is allowed by an officer or tribunal.

As described below, in 2004, the Treasurer and Assistant County Administrator implemented procedures for issuing electronic direct deposits directly from the Treasurer to the County's health care administrator. The electronic deposits issued by the Treasurer were not warrants of the County Auditor; were not authorized by the County Auditor, and were not documented as allowed by the County Commissioners.

Prior to 2004, the County's procedure for paying self-insurance claims to United Medical Resource (UMR), the County's third-party administrator for self-insurance, promoted proper authorization of the payment, accurate and timely recording of the payment, and reconciliation between the Auditor and Treasurer:

- The self-insurance administrator received an invoice from UMR identifying the amount of claims to be paid from the County's self-insurance fund to UMR ;
- The self-insurance administrator prepared a "memo disbursement" for the amount of claims to be paid from the County's self-insurance fund, and forwarded the memo disbursement to the County Auditor;
- The County Auditor approved the memo disbursement, posted the payment to the County's self-insurance fund, and forwarded a copy of the memo disbursement to the County Treasurer;
- The County Treasurer transferred the authorized amounts to UMR;

**FINDING NUMBER 2004-002
(Continued)**

When the County followed this procedure, the amounts recorded as payments in the County self-insurance fund by the County Auditor, and the amounts transferred by the County Treasurer to United Medical Resource (UMR) were identical. UMR is the private third-party administrator responsible for determining the amounts the County owes to covered individuals under its employee health insurance plan.

In 2004, the County Treasurer changed the procedure for paying self-insurance claims:

- The County Treasurer received a fax directly from UMR identifying the amount of claims to be paid from the County's self-insurance fund to UMR:
- The County Treasurer transferred by EFT to National Bank and Trust the amount requested by UMR:
- The self-insurance administrator provided a memo disbursement to the County Auditor; however, due to insufficient funds in the County self-insurance fund, the County Auditor only authorized and recorded payments up to the balance remaining in the self-insurance fund.
- The County Treasurer recorded as an account balance the difference between transfer made by the County Treasurer to UMR and the lesser amount recorded by the County Auditor as a payment in the County self-insurance fund.

As a result of following the procedures beginning in 2004, the County Treasurer made unauthorized disbursements to the UMR. Also, payments made by the Treasurer to UMR in excess of the amounts recorded by the County Auditor as payments in the self-insurance fund were recorded by the Treasurer as assets in a depository account; however, these deposits did not exist. Therefore, deposits were overstated by the Treasurer in the amount of \$311,942 at December 31, 2004. This overstatement increased to \$912,864 by October 14, 2005.

The County has adjusted the statement prepared by the Treasurer, the accounting ledger, and the financial statements to reflect the accurate financial activity and balance of the self-insurance fund and reflect the accurate depository balance of the County Treasurer.

Proper authorization of payments and timely monitoring of accurate financial information are essential controls for management to effectively administer a self-insurance program by recovering the cost of this program from County departments and employees. However, due to the procedures followed by the County Treasurer beginning in 2004, County management did not have access to accurate, timely information regarding actual expenses and balances of the self-insurance fund.

Because of the lack of control related to the self-insurance fund, County management "under-funded" the self-insurance fund by \$311,942 at December 31, 2004, and \$912,864 by October 14, 2005.

We recommend that the County document and implement policies and procedures to promote compliance with the Ohio Revised Code, and implement controls to promote proper authorization of payments and monitoring of timely and accurate financial information related to the self-insurance fund. The Treasurer should maintain accurate records to document exact amount authorized by the Auditor's office and allowed by the Commissioners for payment to the self-insurance administrator. The amount recorded by the Treasurer should reconcile weekly to the amount of direct deposits made by the Treasurer's office to the self-funded health insurance administrator. No payment or electronic fund transfer should be initiated by the County Treasurer without the proper authorization required by the Ohio Revised Code.

**FINDING NUMBER 2004-002
(Continued)**

Officials' Response

The Clinton County Treasurer provided the following response:

1. When we became self insured, the Administrator's office, Auditor's office, bank and ourselves set up the way we thought the insurance claims would work the best.
2. Nothing was changed until the end of 2003 when the Administrator's office came to the Treasurer's office to take over the claims and bank reconciliation because the HIPAA law was in effect in 2004 and there was too much personal information on the fax.
3. According to the prosecuting office we had no choice but to pay the claims every week because of the contract the commissioners had with UMR.
4. Also according the revised code, the County Auditor's office is our checks and balances and I don't understand why this was not found.
5. The Health Insurance Administrator and the Auditor's office both knew that money was not being appropriated for the Health Insurance fund but no one had informed us not to pay the claims, although again according to the prosecuting attorney, we had to pay those claims!
6. After our meeting at the end of 2005 when the prosecuting attorney made the statement that those claims had to be paid every week, the money was appropriated every week even though we are now further in debt, so how can that be when we were not that far in debt when they failed to appropriate the money in March of 2004.
7. According to page 2 of the management letter that we received in 2003 under Recommendations, the statement was made: "We recommend the monthly reconciliations from UMR be reviewed by the County's Health Insurance Administrator for discrepancies and initialed when the review has been approved."
8. If the bank reconciliation for the UMR account (depository account related to the county health insurance) had been completed just one month, this would have been caught, but we were told in our office that the health administrator did not know how to do this bank reconciliation statement and therefore, they had not been done.
9. We were never forwarded a copy of the memo disbursements from the County Auditor. Someone from the administrator's office or health management would bring them up whenever. These claims had to be paid by 2 o'clock every Wednesday, which was when UMR drew the money from the UMR health checking account to pay the claims, which again was the way things were set up with UMR.

We did not receive a response from other county officials.

Auditor of State's Analysis

As presented in the finding, the Auditor of State believes that Ohio law requires the County Treasurer to issue payments and transfers (manual and electronic) only on County Auditor warrants and only after authorization by the County Commissioners. The County Treasurer is also required to provide accurate depository balances to the County Auditor, and accurate reconciliations are essential in determining accurate depository balances.

FINDING NUMBER 2004-003

Noncompliance Citation/ Material Weakness

Ohio Rev. Code, Section 5705.10, requires that money paid into any fund shall be used only for the purpose for which such fund is established. As of December 31, 2004, the Health Insurance Depository Fund had a negative fund balance of \$311,942. This deficit balance indicates that cash from other funds was used to pay the obligations of the Health Insurance Depository Fund. We recommend the County adopt procedures to properly monitor fund balances. The County officials should not certify available funds or pay amounts that create deficits.

**FINDING NUMBER 2004-003
(Continued)**

Officials' Response

We did not receive a response from Officials to the finding reported above.

CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract without prior certification of an expenditure.	No	Reissued as Finding 2004-001
2003-002	OMB Circular A-133, Section.400(d)(3) requires a pass-through entity to monitor a subrecipient's use of federal funds.	Yes	



**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

CLINTON 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
JUNE 27, 2006**