



**Auditor of State
Betty Montgomery**

CLINTON COUNTY
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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, the component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express 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 reports thereon have been furnished to us and our opinions on the accompanying financial statements, insofar as it relates to the amounts included for the Clinton Memorial Hospital, are 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, the component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio, as of December 31, 2005, 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 November 15, 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

November 15, 2006

CLINTON COUNTY, OHIO

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

The management's discussion and analysis of Clinton County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2005. 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 2005 are as follows:

- The total net assets of the County increased \$4,142,458. Net assets of governmental activities increased \$81,506, which represents a .21% increase from fiscal year 2004 and net assets of business-type activities increased \$4,060,952 which represents a 6.41% increase from fiscal year 2004.
- General revenues accounted for \$15,534,831 or 47.93% of total governmental activities revenue. Program specific revenues accounted for \$16,873,656 or 52.07% of total governmental activities revenue.
- The County had \$32,326,981 in expenses related to governmental activities; \$16,873,656 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$15,534,831 were adequate to provide for these programs.
- The County has five major governmental funds. The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$11,872,707 in 2005. The general fund, had expenditures and other financing uses of \$11,440,936 in 2005. The increase in revenues over expenditures contributed to the general fund's fund balance increase of \$431,771 from 2004 to 2005.
- The Children Services Board, a County major fund, had revenues of \$2,699,639 in 2005. The Children Services Board had expenditures of \$2,476,575 in 2005. The Children Services Board fund balance increased \$223,064 from 2004 to 2005.
- The County board of MRDD fund, a County major fund, had revenues of \$4,134,502 in 2005. The County board of MRDD fund had expenditures and other financing uses of \$3,949,862 in 2005. The County board of MRDD fund balance increased \$184,640 from 2004 to 2005.
- The Motor Vehicle and Gas Tax fund, a County major fund, had revenues and other financing sources of \$5,138,166 in 2005. The Motor Vehicle and Gas tax fund had expenditures of \$4,591,047 in 2005. The Motor Vehicle and Gas Tax fund balance increased \$547,119 from 2004 to 2005.
- The Public Assistance fund, a County major fund, had revenues of \$3,861,951 and expenditures of \$5,156,112 in 2005. The Public Assistance fund balance decreased \$1,294,161 from 2004 to 2005.
- Net assets for business-type activities, which are made of the Clinton Memorial Hospital Fund, had operating revenues of \$90,670,885 and total operating expenses of \$86,609,933.
- In the general fund, the actual revenues and other financing sources came in \$757,971 higher than they were originally budgeted and actual expenditures and other financing uses were \$1,284,125 more than the amount in the original budget. The County uses a conservative budgeting process.

CLINTON COUNTY, OHIO

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

Using the 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 five 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 2005?" 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, 2005 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, and Public Assistance. 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 37-73 of this report.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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 2005 and 2004.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Assets</u>						
Current and other assets	\$ 18,610,137	\$ 18,929,841	\$ 45,972,877	\$ 33,760,366	\$ 64,583,014	\$ 52,690,207
Capital assets, net	<u>41,076,493</u>	<u>39,817,584</u>	<u>80,356,294</u>	<u>76,755,245</u>	<u>121,432,787</u>	<u>116,572,829</u>
Total assets	<u>59,686,630</u>	<u>58,747,425</u>	<u>126,329,171</u>	<u>110,515,611</u>	<u>186,015,801</u>	<u>169,263,036</u>
<u>Liabilities</u>						
Long-term liabilities	6,714,573	6,794,220	47,103,136	36,370,039	53,817,709	43,164,259
Other liabilities	<u>13,154,468</u>	<u>12,217,122</u>	<u>11,850,844</u>	<u>10,831,333</u>	<u>25,005,312</u>	<u>23,048,455</u>
Total liabilities	<u>19,869,041</u>	<u>19,011,342</u>	<u>58,953,980</u>	<u>47,201,372</u>	<u>78,823,021</u>	<u>66,212,714</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	32,562,483	30,736,674	33,253,158	40,385,206	65,815,641	71,121,880
Restricted	9,373,882	9,371,855	16,460,690	4,149,835	25,834,572	13,521,690
Unrestricted	<u>(2,118,776)</u>	<u>(372,446)</u>	<u>17,661,343</u>	<u>18,779,198</u>	<u>15,542,567</u>	<u>18,406,752</u>
Total net assets	<u>\$ 39,817,589</u>	<u>\$ 39,736,083</u>	<u>\$ 67,375,191</u>	<u>\$ 63,314,239</u>	<u>\$ 107,192,780</u>	<u>\$ 103,050,322</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the County's assets exceeded liabilities by \$107,192,780. The County's finances remained stable during 2005.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 65.28% 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, 2005, were \$65,815,641. 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. Invested in capital assets, net of related debt for the County as a whole decreased \$5,306,239 or 7.46% due to the issuance of \$12,200,000 in hospital facilities revenue refunding and improvements bonds and related construction on progress.

A portion of the County's net assets, \$25,834,572 or 24.12%, 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 \$15,542,567. Unrestricted net assets decreased \$2,864,185 or 15.56% during 2005 due to a slight decrease in cash and cash equivalents in the general fund and the deficit fund balance in the internal service fund.

CLINTON COUNTY, OHIO

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

The table below shows the changes in net assets for fiscal years 2005 and 2004.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 6,067,746	\$ 6,378,487	\$87,670,729	\$78,911,368	\$ 93,738,475	\$ 85,289,855
Operating grants and contributions	10,379,152	10,944,305	-	-	10,379,152	10,944,305
Capital grants and contributions	426,758	510,370	-	-	426,758	510,370
General revenues:						
Property taxes	5,479,115	5,662,122	-	-	5,479,115	5,662,122
Sales tax	5,364,309	4,845,732	-	-	5,364,309	4,845,732
Unrestricted grants	1,342,357	1,558,011	-	-	1,342,357	1,558,011
Investment earnings	386,526	251,716	-	-	386,526	251,716
Other	<u>2,962,524</u>	<u>2,629,381</u>	<u>3,000,156</u>	<u>1,648,924</u>	<u>5,962,680</u>	<u>4,278,305</u>
Total revenues	<u>32,408,487</u>	<u>32,780,124</u>	<u>90,670,885</u>	<u>80,560,292</u>	<u>123,079,372</u>	<u>113,340,416</u>
Program expenses:						
General government	7,883,459	7,991,147	-	-	7,883,459	7,991,147
Public safety	4,028,150	4,119,648	-	-	4,028,150	4,119,648
Public works	4,740,192	3,235,095	-	-	4,740,192	3,235,095
Health	4,315,593	3,217,432	-	-	4,315,593	3,217,432
Human services	9,606,062	10,337,241	-	-	9,606,062	10,337,241
Economic development and assistance	213,991	123,197	-	-	213,991	123,197
Other	1,145,905	751,519	-	-	1,145,905	751,519
Interest and fiscal charges	393,629	280,736	-	-	393,629	280,736
Clinton Memorial Hospital	-	-	<u>86,609,933</u>	<u>79,256,873</u>	<u>86,609,933</u>	<u>79,256,873</u>
Total expenses	<u>32,326,981</u>	<u>30,056,015</u>	<u>86,609,933</u>	<u>79,256,873</u>	<u>118,936,914</u>	<u>109,312,888</u>
Change in net assets	81,506	2,724,109	4,060,952	1,303,419	4,142,458	4,027,528
Net assets at beginning 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>
Net assets at end of year	<u>\$39,817,589</u>	<u>\$39,736,083</u>	<u>\$67,375,191</u>	<u>\$63,314,239</u>	<u>\$ 107,192,780</u>	<u>\$ 103,050,322</u>

Governmental Activities

Governmental activities increased \$81,506 or 0.21% during 2005.

Governmental activities charges for services revenue decreased 4.87% from \$6,378,487 to \$6,067,746 in 2005. The decrease is due to receiving a less amount of charges for services revenue in the Public Assistance fund during 2005.

The state and federal government contributed to the County revenues of \$10,379,152 in operating grants and contributions and \$426,758 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, 4,576,211, or 44.09% subsidized public works programs. Operating grants and contributions decreased 5.16% in 2005 due to a decrease in funding related to the Community Development Block Grant program. Capital grants and contributions decreased 16.38% due to less grant funding received for public works programs.

CLINTON COUNTY, OHIO

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

General revenues totaled \$15,534,831, and amounted to 47.93% of total revenues. These revenues primarily consist of property and sales tax revenue of \$10,843,424, or 69.80% of total general revenues in 2005. Property tax revenue decreased slightly, by \$183,007 or 3.23%. This is a result of less real estate tax revenue collected but undistributed at December 31, 2005 compared to December 31, 2004. The County Commissioners increased sales and use tax by 0.5%, which became effective on October 1, 2005 for a period of five years, and resulted in a sales tax revenue increase of \$518,577 or 10.70%. 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 \$1,342,357, or 8.64% of the total. Other revenues increased \$331,143 from miscellaneous refunds and reimbursements.

General government expenses include legislative and executive and judicial programs, totaled \$7,883,459 or 24.39% of total governmental expenses. General government expenses were covered by \$1,774,295 of direct charges to users in 2005.

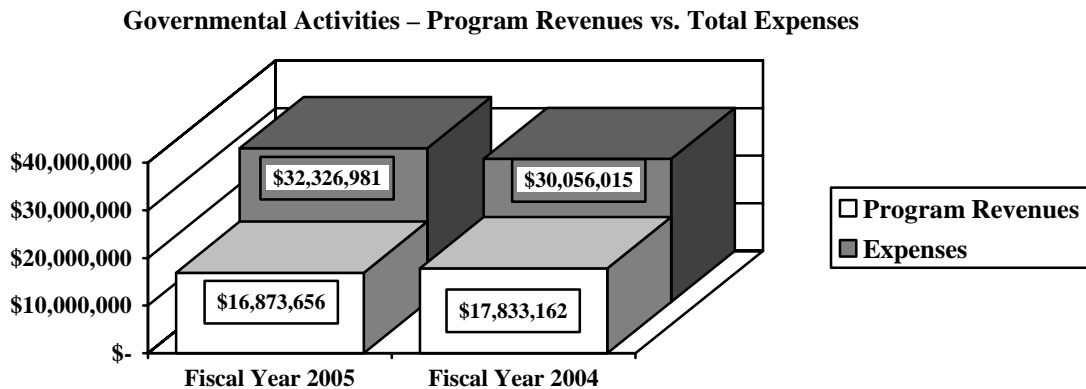
Public works expense increased \$1,505,097 from 2004 due to a decrease in capitalization of infrastructure from this program during 2005. During 2004 \$3,257,779 in infrastructure capital assets, paid from public works expense, were capitalized compared to \$1,701,525 during 2005.

Human services supports the operations of Public Assistance and the Children Services Board, and accounts for \$9,606,062 of expenses, or 29.72% of total governmental expenses of the County. These expenses were funded by \$1,881,527 in charges to users of services and \$4,392,076 in operating grants and contributions in 2005. Human services expenses decreased 7.07% due to decreased expenses in the Children Services Board program. In 2004 a due to other funds was recorded as a liability in the Children Services Board fund, which was paid during 2005.

Health supports the operations of the County Board of MRDD and veterans services, and was funded by \$1,619,323 in charges for services and operating grants and contributions. Health expenses increased due to an adjustment recorded in 2004 to eliminate intrafund services that was not applicable in 2005.

Other expenses increased during 2005 due to expenses associated with the Geographic Information Systems program, which is included in the general fund.

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 2005 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.



CLINTON COUNTY, OHIO

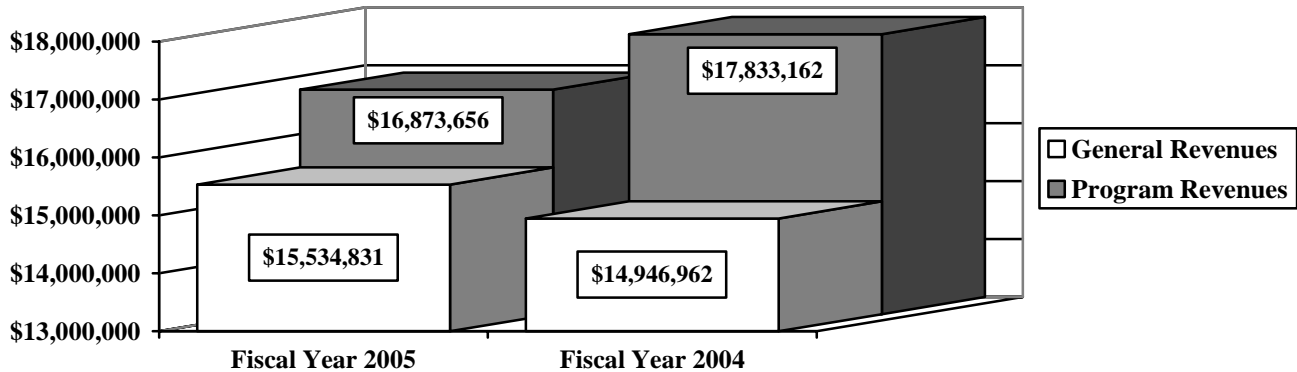
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Governmental Activities

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Expenses:				
General government	\$ 7,883,459	\$ 6,109,164	\$ 7,991,147	\$ 6,361,932
Public safety	4,028,150	2,475,201	4,119,648	2,624,154
Public works	4,740,192	(572,357)	3,235,095	(2,214,637)
Health	4,315,593	2,696,270	3,217,432	2,601,224
Human services	9,606,062	3,332,459	10,337,241	2,372,454
Economic development and assistance	213,991	213,991	123,197	48,982
Other	1,145,905	804,968	751,519	148,008
Interest and fiscal charges	<u>393,629</u>	<u>393,629</u>	<u>280,736</u>	<u>280,736</u>
Total expenses	<u>\$ 32,326,981</u>	<u>\$ 15,453,325</u>	<u>\$ 30,056,015</u>	<u>\$ 12,222,853</u>

The dependence upon general revenues for governmental activities is apparent, with 47.80 and 40.67% and of expenses supported through taxes and other general revenues during 2005 and 2004, respectively.

Governmental Activities - General and Program Revenues



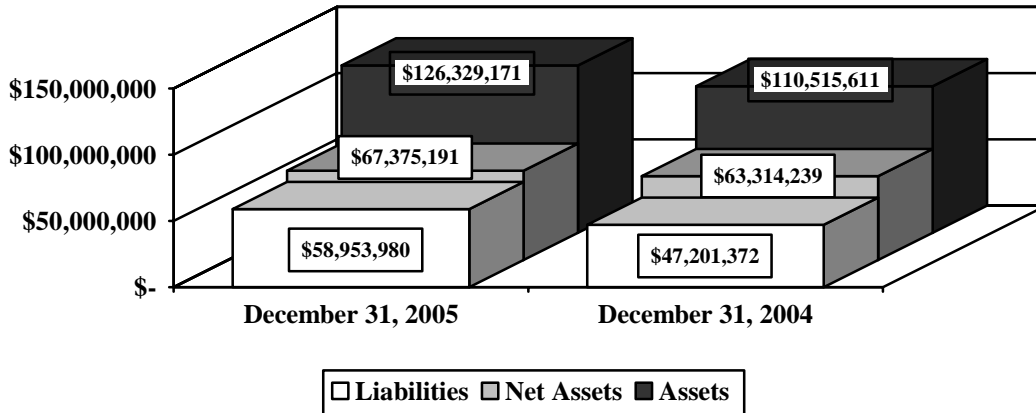
Business-Type Activities

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 \$5,292,112 and an increase in net assets from 2004 to 2005 of \$4,060,952 or 6.41%. This represents an improvement over the net asset increase of \$1,303,419 for fiscal year 2004. 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 2005. 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, 2005
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). Fund balance was restated at December 31, 2004 (see Note 3.A. for detail). The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2005 for all major and nonmajor governmental funds.

	Fund Balance December 31, 2005	Restated Fund Balance December 31, 2004	Increase (Decrease)
Major Funds:			
General	\$ 1,001,834	\$ 570,063	\$ 431,771
Children Services Board	424,118	201,054	223,064
County Board of MRDD	2,855,336	2,670,696	184,640
Motor Vehicle and Gas Tax	1,481,663	934,544	547,119
Public Assistance	(189,455)	1,104,706	(1,294,161)
Other Nonmajor Governmental Funds	<u>(1,578,886)</u>	<u>(1,494,966)</u>	<u>(83,920)</u>
Total	<u>\$ 3,994,610</u>	<u>\$ 3,986,097</u>	<u>\$ 8,513</u>

CLINTON COUNTY, OHIO

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

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 \$1,001,834, a 75.74% increase from 2004. The increase of the general fund balance in 2005 was primarily due to transfers out to other funds in the amount of \$50,128 in 2005 being less than the 2004 amount by \$284,291.

Children Services Board Fund

The children services board, a County major fund, had revenues of \$2,699,639 in 2005. The children services board had expenditures of \$2,476,575 in 2005. The children services board fund balance increased \$223,064 from 2004 to 2005.

County Board of MRDD

The County board of MRDD fund, a County major fund, had revenues of \$4,134,502 in 2005. The County board of MRDD fund had expenditures and other financing uses of \$3,949,862 in 2005. The County board of MRDD fund balance increased \$184,640 from 2004 to 2005.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$5,138,166 in 2005. The motor vehicle and gas tax fund had expenditures of \$4,591,047 in 2005. The motor vehicle and gas tax fund balance increased \$547,119 from 2004 to 2005.

Public Assistance Fund

The public assistance fund, a County major fund, had revenues of \$3,861,951 in 2005. The public assistance fund had expenditures of \$5,156,112 in 2005 and fund balance decreased \$1,294,161 from 2004 to 2005.

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 \$871,528 over original budgeted revenues. Actual revenues and other financing sources of \$11,425,040 were \$113,557 less than final budgeted revenues. Actual expenditures and other financing uses were \$180,036 less than the final budgeted expenditures.

CLINTON COUNTY, OHIO

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2005, the County had \$121,432,787 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, infrastructure and construction in progress (CIP).

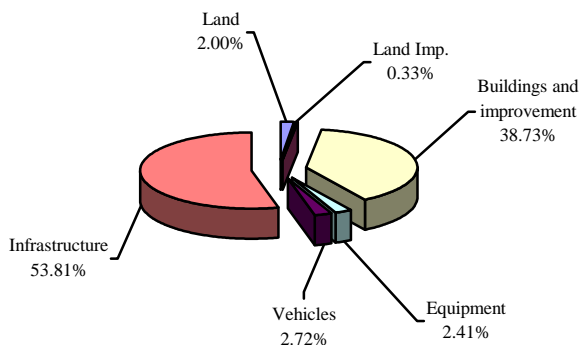
The following table shows fiscal 2005 balances compared to 2004:

	Capital Assets at December 31 (Net of Depreciation)					
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
	2005	2004	2005	2004	2005	2004
Land	\$ 821,880	\$ 355,170	\$ -	\$ -	\$ 821,880	\$ 355,170
Land improvements	135,884	113,529	1,946,248	2,068,429	2,082,132	2,181,958
Building and improvements	15,908,362	16,139,366	60,734,098	60,635,460	76,642,460	76,774,826
Equipment	991,166	993,831	14,114,000	12,212,499	15,105,166	13,206,330
Vehicles	1,118,698	1,032,044	-	-	1,118,698	1,032,044
Infrastructure	22,100,503	21,183,644	-	-	22,100,503	21,183,644
Construction in progress	-	-	3,561,948	1,838,857	3,561,948	1,838,857
Total	\$ 41,076,493	\$ 39,817,584	\$ 80,356,294	\$ 76,755,245	\$ 121,432,787	\$ 116,572,829

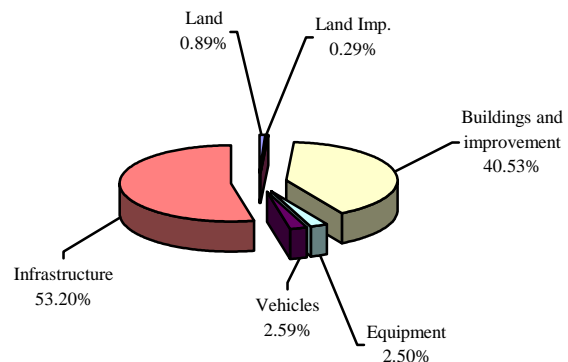
See Note 9 to the basic financial statements for detail on governmental and business-type activities capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2005 and 2004.

Capital Assets - Governmental Activities 2005



Capital Assets - Governmental Activities 2004

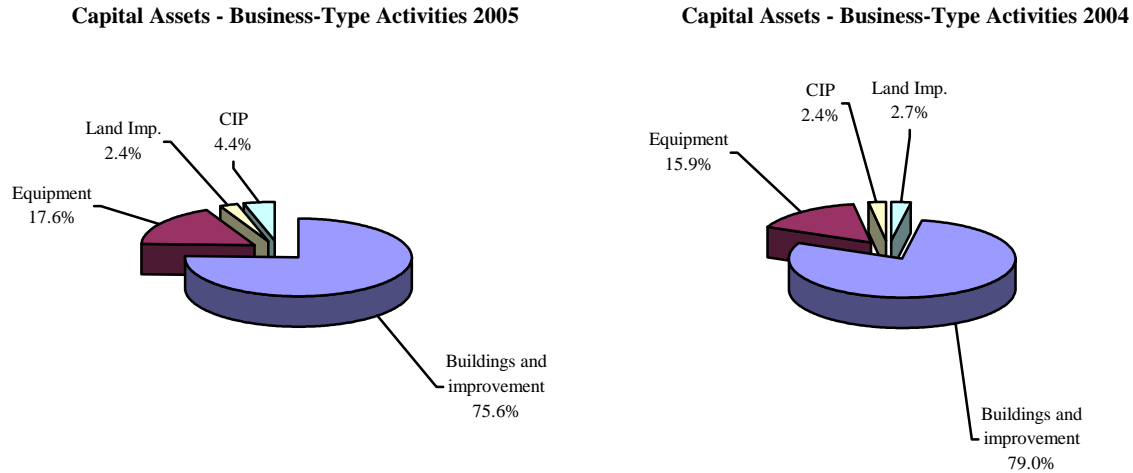


The County's largest governmental capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 53.81% of the County's total governmental capital assets.

CLINTON COUNTY, OHIO

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

The following graphs show the breakdown of business-type capital assets by category for 2005 and 2004.



In 2000, the Clinton Memorial Hospital embarked on a \$50 million expansion program on the main campus in Wilmington. 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 was completed in early 2005. During 2005, the Clinton County Hospital also embarked on construction of a regional cancer center, "The Foster J. Boyd M.D Regional Cancer Center." This center is scheduled to open in February 2007.

Debt Administration

At December 31, 2005, governmental activities had \$4,220,000 in general obligation bonds, an OWDA loan of \$1,366,218, special assessment bonds of \$42,550, compensated absences of \$1,081,463, and a capital lease of \$4,342 outstanding. Of this total, \$1,113,880 is due within one year and \$5,600,693 is due within greater than one year. At December 31, 2005, business-type activities had \$45,395,000 in hospital facilities revenue refunding and improvement bonds, \$599,960 in notes payable and \$1,108,176 in capital leases outstanding. The following table summarizes the debt obligations outstanding.

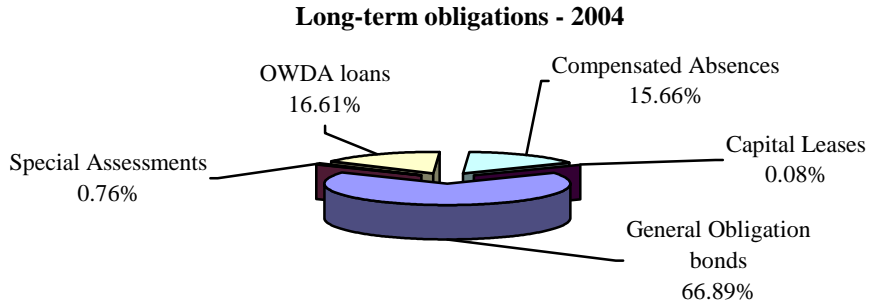
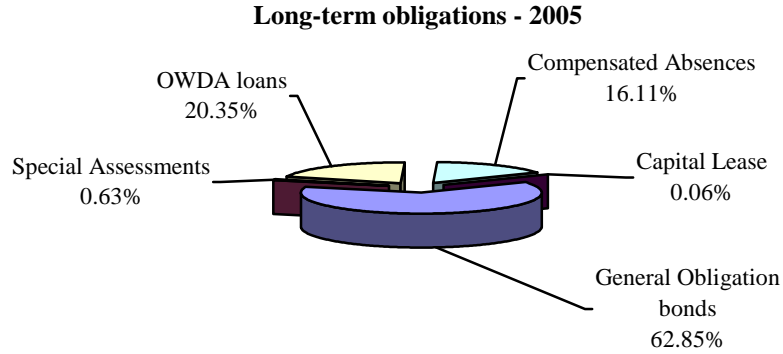
	Outstanding Debt, at Year End			
	Governmental	Governmental	Business-Type	Business-Type
	Activities	Activities	Activities	Activities
	2005	2004	2005	2004
Long-Term Obligations				
General obligation bonds	\$ 4,220,000	\$ 4,545,000	\$ -	\$ -
Revenue refunding bonds	-	-	45,395,000	34,115,000
OWDA Loan	1,366,218	1,128,256	-	-
Special Assessments	42,550	51,682	-	-
Note Payable	-	-	599,960	599,960
Compensated Absences	1,081,463	1,064,054	-	-
Capital Leases	4,342	5,228	1,108,176	1,655,079
Total	\$ 6,714,573	\$ 6,794,220	\$ 47,103,136	\$ 36,370,039

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

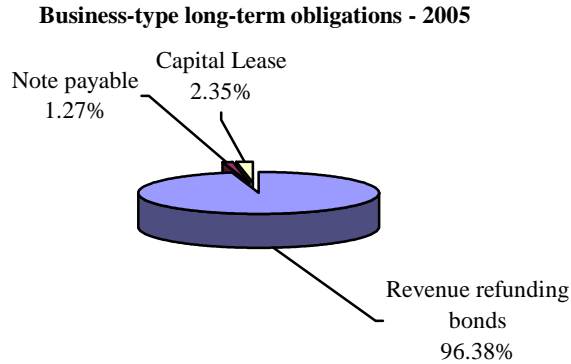
CLINTON COUNTY, OHIO

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

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



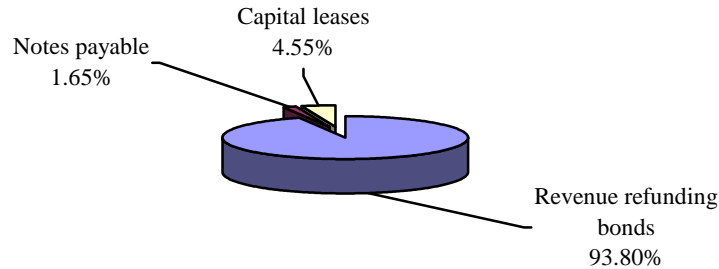
A comparison of the business-type long-term obligations by category is depicted in the chart below.



CLINTON COUNTY, OHIO

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

Business-type long-term obligations - 2004



Economic Factors and Next Year's Budgets and Rates

The County's current population is 40,543.

The County's unemployment rate is currently 5.0%, compared to the 5.9% state average and the 6.1% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2006. Budgeted revenues and other financing sources in the general fund for fiscal year 2006 budget are \$12,055,118. 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, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
Assets:					
Equity in pooled cash and cash equivalents	\$ 7,298,002	\$ 9,128,617	\$ 16,426,619	\$ 208,393	\$ -
Short-term investments	-	1,480,717	1,480,717	-	-
Receivables (net of allowances for uncollectibles)					
Sales taxes	1,167,310	-	1,167,310	-	-
Real and other taxes	6,259,899	-	6,259,899	-	-
Accounts	288,603	9,086,440	9,375,043	15,761	-
Special assessments	54,273	-	54,273	-	-
Accrued interest	129,409	-	129,409	-	-
Notes and other receivables	-	1,721,383	1,721,383	-	-
Due from other governments	3,260,661	-	3,260,661	-	-
Prepayments	65,685	1,449,914	1,515,599	-	-
Materials and supplies inventory	86,295	1,367,925	1,454,220	-	-
Assets whose use is limited - held by trustee	-	12,408,919	12,408,919	-	-
Other assets:					
Investments	-	6,280,251	6,280,251	-	-
Notes and other receivables	-	3,048,711	3,048,711	-	-
Capital assets:					
Land	821,880	-	821,880	-	-
Depreciable capital assets, net	40,254,613	80,356,294	120,610,907	23,314	-
Total capital assets	41,076,493	80,356,294	121,432,787	23,314	-
Total assets	\$ 59,686,630	\$ 126,329,171	\$ 186,015,801	\$ 247,468	\$ -

- Continued

CLINTON COUNTY, OHIO

STATEMENT OF NET ASSETS (CONTINUED)
DECEMBER 31, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
Liabilities:					
Accounts payable	\$ 1,083,497	\$ 4,449,526	\$ 5,533,023	\$ 460	\$ 344,391
Contracts payable	-	-	-	-	-
Accrued wages and benefits	243,198	700,686	943,884	4,199	-
Due to other governments	570,671	-	570,671	-	-
Accrued vacation	-	2,444,437	2,444,437	-	-
Deferred revenue	5,646,519	-	5,646,519	-	-
Accrued interest payable.	123,243	-	123,243	-	-
Notes payable	4,929,518	-	4,929,518	-	-
Amount to be repaid to claimants	99,504	-	99,504	-	-
Claims payable	458,318	-	458,318	-	-
Estimated third-party settlements	-	101,042	101,042	-	-
Other accrued expenses	-	4,155,153	4,155,153	-	-
Long-term liabilities:					
Due within one year.	1,113,880	1,311,264	2,425,144	-	-
Due in more than one year	5,600,693	45,791,872	51,392,565	-	-
Total liabilities.	<u>19,869,041</u>	<u>58,953,980</u>	<u>78,823,021</u>	<u>4,659</u>	<u>344,391</u>
Net assets:					
Invested in capital assets, net of related debt.	32,562,483	33,253,158	65,815,641	-	-
Restricted for:					
Capital projects	117,882	-	117,882	-	-
Debt service.	505,167	-	505,167	-	-
Debt service - held by trustee	-	12,408,919	12,408,919	-	-
Human services programs.	1,051,816	-	1,051,816	-	-
Public works	3,456,432	-	3,456,432	-	-
Health programs.	2,991,058	-	2,991,058	-	-
Capital campaign	-	1,603,844	1,603,844	-	-
Funds to be held to perpetuity	-	2,447,927	2,447,927	-	-
Other purposes	1,251,527	-	1,251,527	-	-
Unrestricted	<u>(2,118,776)</u>	<u>17,661,343</u>	<u>15,542,567</u>	<u>242,809</u>	<u>(344,391)</u>
Total net assets.	<u>\$ 39,817,589</u>	<u>\$ 67,375,191</u>	<u>\$ 107,192,780</u>	<u>\$ 242,809</u>	<u>\$ (344,391)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
General government:				
Legislative and executive	\$ 4,939,118	\$ 1,196,161	\$ -	\$ -
Judicial	2,944,341	578,134	-	-
Public safety	4,028,150	963,507	589,442	-
Public works	4,740,192	309,580	4,576,211	426,758
Health	4,315,593	797,900	821,423	-
Human services	9,606,062	1,881,527	4,392,076	-
Economic development and assistance.	213,991	-	-	-
Other	1,145,905	340,937	-	-
Interest and fiscal charges	393,629	-	-	-
Total governmental activities.	<u>32,326,981</u>	<u>6,067,746</u>	<u>10,379,152</u>	<u>426,758</u>
Business-Type Activities:				
Clinton Memorial Hospital.	86,609,933	87,670,729	-	-
Total business-type activities.	<u>86,609,933</u>	<u>87,670,729</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 118,936,914</u>	<u>\$ 93,738,475</u>	<u>\$ 10,379,152</u>	<u>\$ 426,758</u>
Component Units:				
ORION Rehabilitation Center	\$ 161,344	\$ 161,366	\$ 310	\$ -
Port Authority	344,391	-	-	-
Total component units	<u>\$ 505,735</u>	<u>\$ 161,366</u>	<u>\$ 310</u>	<u>\$ -</u>

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.
Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
\$ (3,742,957)	\$ -	\$ (3,742,957)	\$ -	\$ -
(2,366,207)	-	(2,366,207)	-	-
(2,475,201)	-	(2,475,201)	-	-
572,357	-	572,357	-	-
(2,696,270)	-	(2,696,270)	-	-
(3,332,459)	-	(3,332,459)	-	-
(213,991)	-	(213,991)	-	-
(804,968)	-	(804,968)	-	-
(393,629)	-	(393,629)	-	-
<u>(15,453,325)</u>	<u>-</u>	<u>(15,453,325)</u>	<u>-</u>	<u>-</u>
-	1,060,796	1,060,796	-	-
-	1,060,796	1,060,796	-	-
<u>(15,453,325)</u>	<u>1,060,796</u>	<u>(14,392,529)</u>	<u>-</u>	<u>-</u>
			332	-
			-	(344,391)
			<u>332</u>	<u>(344,391)</u>
1,644,634	-	1,644,634	-	-
390,712	-	390,712	-	-
1,821,490	-	1,821,490	-	-
1,103,372	-	1,103,372	-	-
109,614	-	109,614	-	-
405,575	-	405,575	-	-
3,718	-	3,718	-	-
5,364,309	-	5,364,309	-	-
1,342,357	-	1,342,357	-	-
386,526	-	386,526	2,968	-
2,962,524	3,000,156	5,962,680	313	-
<u>15,534,831</u>	<u>3,000,156</u>	<u>18,534,987</u>	<u>3,281</u>	<u>-</u>
81,506	4,060,952	4,142,458	3,613	(344,391)
<u>39,736,083</u>	<u>63,314,239</u>	<u>103,050,322</u>	<u>239,196</u>	<u>-</u>
<u>\$ 39,817,589</u>	<u>\$ 67,375,191</u>	<u>\$ 107,192,780</u>	<u>\$ 242,809</u>	<u>\$ (344,391)</u>

CLINTON COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<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	\$ 23,275	\$ 416,252	\$ 2,936,052	\$ 949,886
Receivables (net of allowance for uncollectibles):				
Sales taxes	1,161,911	-	-	5,399
Real and other taxes	1,742,526	1,505,791	2,378,994	-
Accounts	106,419	80,533	54,500	1,254
Special assessments	-	-	-	-
Interfund receivable	713,048	-	-	-
Due from other governments	527,923	50,710	85,502	2,251,830
Accrued interest	128,917	-	234	-
Advances to other funds	99,225	-	-	-
Prepayments	53,915	-	-	-
Materials and supplies inventory	14,068	-	-	60,111
Total assets	<u>\$ 4,571,227</u>	<u>\$ 2,053,286</u>	<u>\$ 5,455,282</u>	<u>\$ 3,268,480</u>
Liabilities:				
Accounts payable	\$ 272,744	\$ 69,123	\$ 38,526	\$ 87,941
Accrued wages and benefits	111,467	561	32,809	25,978
Compensated absences payable	1,098	-	-	-
Interfund loans payable	-	-	-	-
Due to other governments	263,430	9,984	75,176	57,200
Advances from other funds	-	-	-	-
Accrued interest payable	15,195	-	-	-
Deferred revenue	2,063,555	1,549,500	2,453,435	1,615,698
Amount to be repaid to claimants	99,504	-	-	-
Notes payable	742,400	-	-	-
Total liabilities	<u>3,569,393</u>	<u>1,629,168</u>	<u>2,599,946</u>	<u>1,786,817</u>
Fund Balances:				
Reserved for encumbrances	112,483	-	66,084	127,027
Reserved for prepayments	53,915	-	-	-
Reserved for materials and supplies inventory	14,068	-	-	60,111
Reserved for advances	99,225	-	-	-
Unreserved, undesignated, reported in:				
General fund	722,143	-	-	-
Special revenue funds	-	424,118	2,789,252	1,294,525
Debt service fund	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>1,001,834</u>	<u>424,118</u>	<u>2,855,336</u>	<u>1,481,663</u>
Total liabilities and fund balances	<u>\$ 4,571,227</u>	<u>\$ 2,053,286</u>	<u>\$ 5,455,282</u>	<u>\$ 3,268,480</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Public Assistance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 68,586	\$ 2,903,951	\$ 7,298,002
-	-	1,167,310
-	632,588	6,259,899
-	33,744	276,450
-	54,273	54,273
-	-	713,048
3,034	341,662	3,260,661
-	258	129,409
-	-	99,225
11,682	88	65,685
9,539	2,577	86,295
<u>\$ 92,841</u>	<u>\$ 3,969,141</u>	<u>\$ 19,410,257</u>
\$ 111,084	\$ 159,688	\$ 739,106
50,556	21,028	242,399
5,007	4,306	10,411
-	7,044	7,044
115,649	47,259	568,698
-	99,225	99,225
-	89,312	104,507
-	933,047	8,615,235
-	-	99,504
-	4,187,118	4,929,518
<u>282,296</u>	<u>5,548,027</u>	<u>15,415,647</u>
-	66,950	372,544
11,682	88	65,685
9,539	2,577	86,295
-	-	99,225
-	-	722,143
(210,676)	1,889,763	6,186,982
-	444,418	444,418
-	(3,982,682)	(3,982,682)
<u>(189,455)</u>	<u>(1,578,886)</u>	<u>3,994,610</u>
<u>\$ 92,841</u>	<u>\$ 3,969,141</u>	<u>\$ 19,410,257</u>

CLINTON COUNTY, OHIO

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

Total governmental fund balances		\$ 3,994,610
<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.		41,076,493
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 598,577	
Special assessments	54,273	
Intergovernmental revenues	2,291,371	
Interest	<u>24,495</u>	
Total		2,968,716
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:		(1,159,342)
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(18,736)
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	4,220,000	
OPWC loan	1,366,218	
Special assessments	42,550	
Compensated absences	1,066,651	
Capital lease payable	4,342	
Accounts payable	<u>344,391</u>	
Total		<u>(7,044,152)</u>
Net assets of governmental activities		<u><u>\$ 39,817,589</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CLINTON COUNTY, OHIO

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

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle & Gas Tax</u>
Revenues:				
Property taxes	\$ 1,618,309	\$ 1,079,507	\$ 1,784,434	\$ -
Sales taxes	5,293,755	-	-	70,554
Charges for services	2,140,440	135,174	675,467	-
Licenses and permits	154,352	-	-	-
Fines and forfeitures	152,517	-	-	29,433
Intergovernmental	1,211,839	1,413,404	806,745	4,624,165
Special assessments	-	-	-	-
Investment income	362,832	-	234	-
Rental income	61,097	-	-	-
Other	815,403	71,554	867,622	397,761
Total revenues	<u>11,810,544</u>	<u>2,699,639</u>	<u>4,134,502</u>	<u>5,121,913</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,189,204	-	-	-
Judicial	2,387,682	-	-	-
Public safety	3,268,927	-	-	-
Public works	88,875	-	-	4,591,047
Health	60,790	-	3,946,128	-
Human services	284,857	2,476,575	-	-
Economic development and assistance	-	-	-	-
Other	1,074,425	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	886	-	-	-
Interest and fiscal charges	35,162	-	-	-
Total expenditures	<u>11,390,808</u>	<u>2,476,575</u>	<u>3,946,128</u>	<u>4,591,047</u>
Excess (deficiency) of revenues over (under) expenditures	<u>419,736</u>	<u>223,064</u>	<u>188,374</u>	<u>530,866</u>
Other financing sources (uses):				
Loan issue	-	-	-	-
Transfers in	62,163	-	-	16,253
Transfers out	(50,128)	-	(3,734)	-
Total other financing sources (uses)	<u>12,035</u>	<u>-</u>	<u>(3,734)</u>	<u>16,253</u>
Net change in fund balances	431,771	223,064	184,640	547,119
Fund balances at beginning of year (restated) .	<u>570,063</u>	<u>201,054</u>	<u>2,670,696</u>	<u>934,544</u>
Fund balances at end of year	<u>\$ 1,001,834</u>	<u>\$ 424,118</u>	<u>\$ 2,855,336</u>	<u>\$ 1,481,663</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 964,791	\$ 5,447,041
-	-	5,364,309
1,576,114	867,799	5,394,994
-	3,990	158,342
-	48,048	229,998
1,718,898	2,559,896	12,334,947
-	112,014	112,014
-	13,946	377,012
-	122,738	183,835
566,939	243,245	2,962,524
<u>3,861,951</u>	<u>4,936,467</u>	<u>32,565,016</u>
-	579,224	4,768,428
-	298,909	2,686,591
-	397,322	3,666,249
-	219,704	4,899,626
-	108,103	4,115,021
5,156,112	1,480,189	9,397,733
-	213,991	213,991
-	39,444	1,113,869
-	1,202,936	1,202,936
-	334,132	335,018
-	359,841	395,003
<u>5,156,112</u>	<u>5,233,795</u>	<u>32,794,465</u>
<u>(1,294,161)</u>	<u>(297,328)</u>	<u>(229,449)</u>
-	237,962	237,962
-	248,067	326,483
-	(272,621)	(326,483)
<u>-</u>	<u>213,408</u>	<u>237,962</u>
(1,294,161)	(83,920)	8,513
1,104,706	(1,494,966)	3,986,097
<u>\$ (189,455)</u>	<u>\$ (1,578,886)</u>	<u>\$ 3,994,610</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, 2005

Net change in fund balances - total governmental funds \$ 8,513

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays exceeded depreciation expense in the current period accordingly.

Capital asset additions	\$ 2,814,614	
Current year depreciation	<u>(1,555,705)</u>	
		1,258,909

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. (237,962)

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

Property and other taxes	97,605	
Intergovernmental	(265,319)	
Special assessments	1,671	
Accrued interest	<u>9,514</u>	
		(156,529)

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. 335,018

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,374

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. (348,409)

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. (779,408)

Change in net assets of governmental activities. \$ 81,506

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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,537,351	\$ 1,662,957	\$ 1,633,874	\$ (29,083)
Sales taxes	4,579,989	4,954,185	4,867,541	(86,644)
Charges for services	2,019,134	2,184,102	2,145,904	(38,198)
Licenses and permits.	145,234	157,100	154,352	(2,748)
Fines and forfeitures.	128,399	138,890	136,461	(2,429)
Intergovernmental	1,147,665	1,241,433	1,219,721	(21,712)
Investment income	320,786	346,995	340,926	(6,069)
Rental income	57,488	62,185	61,097	(1,088)
Other	731,023	790,750	776,920	(13,830)
Total revenues.	<u>10,667,069</u>	<u>11,538,597</u>	<u>11,336,796</u>	<u>(201,801)</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	3,994,384	4,596,367	4,384,957	211,410
Judicial	2,179,906	2,393,305	2,380,590	12,715
Public safety	3,012,707	3,401,669	3,374,187	27,482
Public works	90,774	89,516	89,304	212
Health	39,500	65,327	79,064	(13,737)
Human services	366,431	313,322	301,233	12,089
Other	863,541	1,120,624	1,169,861	(49,237)
Total expenditures	<u>10,547,243</u>	<u>11,980,130</u>	<u>11,779,196</u>	<u>200,934</u>
Excess (deficiency) of revenues over (under) expenditures	<u>119,826</u>	<u>(441,533)</u>	<u>(442,400)</u>	<u>(867)</u>
Other financing sources (uses):				
Notes issuance	-	-	60,015	60,015
Transfers out	(5,000)	(29,230)	(50,128)	(20,898)
Advances in	-	-	28,229	28,229
Advances out.	-	(7,044)	(7,044)	-
Total other financing sources (uses).	<u>(5,000)</u>	<u>(36,274)</u>	<u>31,072</u>	<u>67,346</u>
Net change in fund balance.	114,826	(477,807)	(411,328)	66,479
Fund balance at beginning of year (restated) . .	756,429	756,429	756,429	-
Prior year encumbrances appropriated	<u>210,109</u>	<u>210,109</u>	<u>210,109</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,081,364</u>	<u>\$ 488,731</u>	<u>\$ 555,210</u>	<u>\$ 66,479</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 998,112	\$ 998,112	\$ 1,092,445	\$ 94,333
Charges for services	121,674	121,674	133,174	11,500
Intergovernmental	1,427,068	1,427,068	1,561,941	134,873
Other	9,107	9,107	9,968	861
Total revenues.	<u>2,555,961</u>	<u>2,555,961</u>	<u>2,797,528</u>	<u>241,567</u>
Expenditures:				
Current:				
Human services	<u>2,733,500</u>	<u>3,162,000</u>	<u>3,049,936</u>	<u>112,064</u>
Total expenditures	<u>2,733,500</u>	<u>3,162,000</u>	<u>3,049,936</u>	<u>112,064</u>
Net change in fund balance	(177,539)	(606,039)	(252,408)	353,631
Fund balance at beginning of year.	<u>633,405</u>	<u>633,405</u>	<u>633,405</u>	<u>-</u>
Fund balance at end of year	<u>\$ 455,866</u>	<u>\$ 27,366</u>	<u>\$ 380,997</u>	<u>\$ 353,631</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,632,392	\$ 1,800,587	\$ 1,805,172	\$ 4,585
Charges for services	348,905	384,855	385,835	980
Intergovernmental	595,209	656,536	658,208	1,672
Other	775,370	855,260	857,438	2,178
Total revenues.	<u>3,351,876</u>	<u>3,697,238</u>	<u>3,706,653</u>	<u>9,415</u>
Expenditures:				
Current:				
Health	3,996,047	4,265,157	3,579,937	685,220
Total expenditures	<u>3,996,047</u>	<u>4,265,157</u>	<u>3,579,937</u>	<u>685,220</u>
Net change in fund balance	<u>(644,171)</u>	<u>(567,919)</u>	<u>126,716</u>	<u>694,635</u>
Other financing uses:				
Transfers out	(3,734)	(3,734)	(3,734)	-
Total other financing uses	<u>(3,734)</u>	<u>(3,734)</u>	<u>(3,734)</u>	<u>-</u>
Net change in fund balance	(647,905)	(571,653)	122,982	694,635
Fund balance at beginning of year.	2,642,411	2,642,411	2,642,411	-
Prior year encumbrances appropriated	<u>26,220</u>	<u>26,220</u>	<u>26,220</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,020,726</u>	<u>\$ 2,096,978</u>	<u>\$ 2,791,613</u>	<u>\$ 694,635</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 65,756	\$ 65,756	\$ 69,910	\$ 4,154
Fines and forfeitures.	28,648	28,648	30,458	1,810
Intergovernmental	4,209,159	4,209,159	4,475,056	265,897
Other.	387,984	387,984	412,493	24,509
Total revenues.	<u>4,691,547</u>	<u>4,691,547</u>	<u>4,987,917</u>	<u>296,370</u>
Expenditures:				
Current:				
Public works	5,046,468	4,931,874	4,617,452	314,422
Total expenditures	<u>5,046,468</u>	<u>4,931,874</u>	<u>4,617,452</u>	<u>314,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(354,921)</u>	<u>(240,327)</u>	<u>370,465</u>	<u>610,792</u>
Other financing sources:				
Transfers in	16,253	16,253	16,253	-
Total other financing sources.	<u>16,253</u>	<u>16,253</u>	<u>16,253</u>	<u>-</u>
Net change in fund balance	(338,668)	(224,074)	386,718	610,792
Fund balance at beginning of year.	226,590	226,590	226,590	-
Prior year encumbrances appropriated	<u>131,984</u>	<u>131,984</u>	<u>131,984</u>	<u>-</u>
Fund balance at end of year	<u>\$ 19,906</u>	<u>\$ 134,500</u>	<u>\$ 745,292</u>	<u>\$ 610,792</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 2,573,192	\$ 2,685,470	\$ 2,062,753	\$ (622,717)
Intergovernmental	2,201,231	2,297,279	1,764,577	(532,702)
Other	712,450	743,537	571,123	(172,414)
Total revenues.	<u>5,486,873</u>	<u>5,726,286</u>	<u>4,398,453</u>	<u>(1,327,833)</u>
Expenditures:				
Current:				
Human services	<u>5,749,480</u>	<u>5,749,480</u>	<u>5,125,238</u>	<u>624,242</u>
Total expenditures	<u>5,749,480</u>	<u>5,749,480</u>	<u>5,125,238</u>	<u>624,242</u>
Net change in fund balance	(262,607)	(23,194)	(726,785)	(703,591)
Fund balance at beginning of year.	<u>795,371</u>	<u>795,371</u>	<u>795,371</u>	<u>-</u>
Fund balance at end of year	<u>\$ 532,764</u>	<u>\$ 772,177</u>	<u>\$ 68,586</u>	<u>\$ (703,591)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31,2005

	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.	\$ 9,128,617	\$ -
Short-term investments	1,480,717	-
Receivables (net of allowance for uncollectibles):		
Accounts	9,086,440	12,153
Notes and other receivables	1,721,383	-
Materials and supplies inventory	1,367,925	-
Prepayments.	1,449,914	-
	<u>24,234,996</u>	<u>12,153</u>
Total current assets		
Noncurrent assets:		
Assets whose use is limited - held by trustee	12,408,919	-
Other assets:		
Investments.	6,280,251	-
Notes and other receivables	3,048,711	-
Capital assets:		
Depreciable capital assets, net	80,356,294	-
	<u>102,094,175</u>	<u>-</u>
Total noncurrent assets		
Total assets	<u>126,329,171</u>	<u>12,153</u>
Liabilities:		
Current liabilities:		
Accounts payable.	4,449,526	-
Accrued wages and benefits	700,686	799
Due to other governments	-	1,973
Accrued vacation.	2,444,437	4,401
Other accrued expenses.	4,155,153	-
Estimated third-party settlements	101,042	-
Interfund loans payable.	-	706,004
Claims payable	-	458,318
Current portion of revenue and refunding bonds	960,000	-
Current portion of capital lease obligations.	351,264	-
	<u>13,162,108</u>	<u>1,171,495</u>
Total current liabilities		
Long-term liabilities:		
Revenue and refunding bonds	44,435,000	-
Capital lease obligations	756,912	-
Note payable	599,960	-
	<u>45,791,872</u>	<u>-</u>
Total long-term liabilities.		
Total liabilities	<u>58,953,980</u>	<u>1,171,495</u>
Net assets:		
Unrestricted (deficit)	17,661,343	(1,159,342)
Invested in capital assets	33,253,158	-
Restricted.	16,460,690	-
	<u>67,375,191</u>	<u>(1,159,342)</u>
Total net assets (deficit).		

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

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

	Business-Type Activity - Clinton Memorial Hospital Enterprise Fund	Governmental Activity - Health Insurance Depository Fund
Operating revenues:		
Charges for services	\$ -	\$ 2,596,506
Net patient service revenue	87,670,729	-
Other	3,000,156	-
Total operating revenues	90,670,885	2,596,506
Operating expenses:		
Personal services	47,658,869	114,250
Contract services	8,536,377	-
Materials and supplies	12,420,237	-
Depreciation	5,872,252	-
Rent	1,002,492	-
Occupancy	3,486,109	-
Physician fees	2,059,201	-
Insurance	847,510	-
Claims	-	3,009,688
Administrative costs	-	251,976
Other	3,495,726	-
Total operating expenses	85,378,773	3,375,914
Operating income (loss)	5,292,112	(779,408)
Nonoperating revenues (expenses):		
Interest revenue	-	105
Change in unrealized gains and losses on investments	1,477	-
Net nonoperating losses	(1,232,637)	-
Total nonoperating revenues (expenses)	(1,231,160)	105
Changes in net assets	4,060,952	(779,303)
Net assets (deficit) at beginning of year	63,314,239	(380,039)
Net assets (deficit) at end of year	\$ 67,375,191	\$ (1,159,342)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activity - Clinton Memorial Hospital Enterprise Fund	Governmental Activity - Health Insurance Depository Fund
Cash flows from operating activities:		
Cash received from service charges	\$ -	\$ 2,693,776
Cash received from patients and third party payors.	88,404,593	-
Cash received from other receipts, net	3,001,633	-
Cash payments for personal services	(47,427,575)	(111,216)
Cash payments for goods and services	(31,450,511)	-
Cash payments for claims.	-	(2,724,751)
Cash payments for administrative costs.	-	(251,976)
Net cash provided by (used in) operating activities	<u>12,528,140</u>	<u>(394,167)</u>
Cash flows from noncapital financing activities:		
Cash received from other funds	-	706,004
Cash payments to other funds	-	(311,942)
Net cash provided by noncapital financing activities	<u>-</u>	<u>394,062</u>
Cash flows from capital and related financing activities:		
Repayment of long-term debt	(1,466,903)	-
Issuance of long-term debt	12,200,000	-
Interest and fiscal charges	(1,478,262)	-
Acquisition of property and equipment.	(9,633,664)	-
Net cash used in capital and related financing activities	<u>(378,829)</u>	<u>-</u>
Cash flows from investing activities:		
Change in investments, net	(11,807,210)	-
Notes and other receivables	854,443	-
Interest received	245,625	105
Net cash provided by (used in) investing activities	<u>(10,707,142)</u>	<u>105</u>
Net increase in cash and cash equivalents	1,442,169	-
Cash and cash equivalents at beginning of year	<u>8,377,693</u>	<u>-</u>
Cash and cash equivalents at end of year.	<u>\$ 9,819,862</u>	<u>\$ -</u>
Cash and cash equivalents include the following:		
Cash and cash equivalents.	\$ 9,128,617	\$ -
Investments and assets whose use is limited.	691,245	-
Total cash and cash equivalents.	<u>\$ 9,819,862</u>	<u>\$ -</u>

- Continued

CLINTON COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<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)	\$ 5,292,112	\$ (779,408)
Adjustments:		
Depreciation	5,872,252	-
Change in unrealized gains and losses on investments.	1,477	-
Loss on sale of assets	160,363	-
Bad debts	2,813,113	-
Changes in assets and liabilities:		
Increase in accounts receivable.	(2,380,000)	(7,521)
Increase in materials and supplies inventory	(102,402)	-
Increase in prepayments	(347,995)	-
Increase in accounts payable.	687,175	-
Increase in accrued wages and benefits	231,294	24
Increase in estimated third-party settlements.	300,751	-
Increase in due to other governments	-	30
Increase in interfund loans payable	-	104,791
Increase in compensated absences payable.	-	2,980
Increase in claims payable	-	284,937
Net cash provided by (used in) operating activities.	<u>\$ 12,528,140</u>	<u>\$ (394,167)</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 1,170,962	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 9,629	\$ 3,137,821
Cash in segregated accounts	-	785,267
Receivables:		
Real and other taxes.	-	32,230,897
Accounts	-	43,921
Special assessments.	-	191,250
Due from other governments	-	2,638,923
	<hr/>	<hr/>
Total assets	9,629	\$ 39,028,079
	<hr/>	<hr/>
Liabilities:		
Accounts payable	-	\$ 215,985
Due to other governments	-	2,547,346
Deposits held and due to others	-	36,171,507
Deferred revenue	-	93,241
	<hr/>	<hr/>
Total liabilities	-	\$ 39,028,079
	<hr/>	<hr/>
Net assets:		
Held in trust for other purposes	9,629	
	<hr/>	
Total net assets	\$ 9,629	
	<hr/>	

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, 2005

	Private Purpose Trust
Additions:	
Interest	\$ 83
Gifts and contributions.	35,000
Total additions.	35,083
Deductions:	
Benefits.	35,169
Changes in net assets	(86)
Net assets at the beginning of the year.	9,715
Net assets at the end of the year	\$ 9,629

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CLINTON COUNTY, OHIO

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

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, 2005

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 reported deficit net assets of \$344,391 at December 31, 2005, due to start-up expenses which will be eliminated in future years through operating revenues.

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, 2005**

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, 2005

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 County'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, 2005

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.

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, 2005

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, 2005

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, 2005, but which were levied to finance 2006 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, 2005

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 2005.

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 2005 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, 2005

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 2005, 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 2005 amounted to \$362,832 which includes \$334,510 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, 2005. 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 2003, while Medicaid reports have been settled through 2000.

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, 2005

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.

CLINTON COUNTY, OHIO

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

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

The Hospital had capitalized interest of \$147,297 for the year ended December 31, 2005. Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset.

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, 2005, 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, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

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, 2005

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 \$4,658,000 in 2005.

Q. Assets Whose Use is Limited

Assets whose use is limited consists of investments that are held by the trustee of the 2002 and 2005 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, 2005

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 2005, 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

Public Assistance	\$ 189,455
<u>Nonmajor Governmental Funds</u>	
Dog and Kennel	50,144
County Recorder Equipment	6,639
Public Services Office Construction	2,613,236
Building Improvement	905,249
Fairgrounds Building Construction	408,914
County Fairground Construction	114,060
Ditches	50,475
Health Insurance Depository Internal Service Fund	1,159,342

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 \$706,004 cash deficit at year-end. The deficit was covered by an interfund loan payable to the general fund (see Note 5).

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.

CLINTON COUNTY, OHIO

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Prior Period Adjustment

During fiscal year 2005 the County reclassified the Geographic Information Systems as a component of the general fund rather than a special revenue fund. This fund reclassification had the following effect on fund balance at December 31, 2004:

	<u>General</u>	<u>MVGT</u>	<u>Children Services</u>	<u>MRDD</u>	<u>Public Assistance</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance December 31, 2004	\$ 258,147	\$ 934,544	\$ 201,054	\$ 2,670,696	\$ 1,104,706	\$ (1,183,050)	\$ 3,986,097
Fund reclassification	<u>311,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(311,916)</u>	<u>-</u>
Restated fund balance, December 31, 2004	<u>\$ 570,063</u>	<u>\$ 934,544</u>	<u>\$ 201,054</u>	<u>\$ 2,670,696</u>	<u>\$ 1,104,706</u>	<u>\$ (1,494,966)</u>	<u>\$ 3,986,097</u>

This fund reclassification also increased the general fund unencumbered balance from \$464,870 to \$756,429 at December 31, 2004.

C. Compliance

Contrary to Ohio Revised Code Section 5705.41 (B), the general fund had expenditures in excess of appropriations at the legal level of control.

Ohio Revised Code Section 321.09 requires the Treasurer to reconcile with the Auditor on a daily basis. Ohio Revised Code Section 321.15 provides that no money shall be paid to the County treasury except on a County warrant.

Ohio Revised Code Section 5705.10 states that the money is to be used only for the purpose for which the fund was established. The County had a negative cash balance in the Self Insurance fund.

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract without prior certification of an expenditure.

D. Change in Accounting Principles

For fiscal year 2005, the County has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures", and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not have an effect on the financial statements of the County, however additional note disclosure can be found in Note 4.

CLINTON COUNTY, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the County into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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.

Inactive deposits are public deposits that the County Commissioner has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of 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.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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 Asset Reserve of Ohio Investment Pool (STAR Ohio);

CLINTON COUNTY, OHIO

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

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

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the County had \$96,204 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents."

B. Cash in Segregated Accounts

At year-end, the County had \$785,267 in cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of deposits with fiscal institutions below.

C. Deposits with Financial Institutions

At December 31, 2005, the carrying amount of all County deposits was \$17,313,714. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$18,293,519 of the County's bank balance of \$19,412,862 was exposed to custodial risk as discussed below, while \$1,119,343 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County.

CLINTON COUNTY, OHIO

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

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

D. Investments

As of December 31, 2005, the County had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLM	\$ 145,266	\$ -	\$ -	\$ -	\$ -	\$ 145,266
FHLB	2,176,295	-	640,985	583,010	95,860	856,440
FFCB	338,252	-	-	-	-	338,252
FNMA	198,157	198,157	-	-	-	-
U.S. Treasury Notes	340,306	-	96,692	-	243,614	-
Repurchase Agreement	165,000	165,000	-	-	-	-
U.S. Obligations	19,478,642	13,253,604	-	-	-	6,225,038
U.S. Government Money						
Market Mutual Funds	277,387	277,387	-	-	-	-
	<u>\$ 23,119,305</u>	<u>\$ 13,894,148</u>	<u>\$ 737,677</u>	<u>\$ 583,010</u>	<u>\$ 339,474</u>	<u>\$ 7,564,996</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the County's investment policy limits investment portfolio maturities to five years or less. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the County's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in a name of the County.

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLM	\$ 145,266	0.63
FHLB	2,176,295	9.41
FFCB	338,252	1.46
FNMA	198,157	0.86
U.S. Treasury Notes	340,306	1.47
Repurchase Agreement	165,000	0.71
U.S. Obligations	19,478,642	84.26
U.S. Government Money		
Market Mutual Funds	277,387	1.20
	<u>\$ 23,119,305</u>	<u>100.00</u>

CLINTON COUNTY, OHIO

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

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

E. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 17,313,714
Investments	23,119,305
Cash on hand	<u>96,204</u>
Total	<u>\$ 40,529,223</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 7,298,002
Business type activities	29,298,504
Fiduciary funds	<u>3,932,717</u>
Total	<u>\$ 40,529,223</u>

F. Component Unit

At December 31, 2005, the carrying amount of the component unit's demand deposits, including nonnegotiable certificates of deposit, was \$208,393 and the bank balance, including nonnegotiable certificates of deposit, was \$208,393. Of the bank balance, \$127,821 was insured by the FDIC. The component unit had \$100 of cash on hand at December 31, 2005, which is included in "Equity in Pooled Cash and Cash Equivalents". At December 31, 2005, the component unit had an investment in the amount of \$80,472 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, 2005, consisted of the following, as reported on the fund financial statements:

Transfers to General fund from:	
Nonmajor Governmental Funds	\$ 62,163
Transfers to Motor Vehicle and Gas Tax Fund from:	
General Fund	16,253
Transfers to Nonmajor Governmental Funds from:	
General Fund	33,875
County Board of MRDD	3,734
Nonmajor Governmental Fund	<u>210,458</u>
Total Transfers to Nonmajor Governmental Funds	<u>248,067</u>

CLINTON COUNTY, OHIO

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

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, 2005, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 7,044
	Internal service fund	706,004

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, 2005, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 99,225

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

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 2005 was \$900,116,660. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2005, was \$9.30 per \$1,000 of assessed valuation.

Real property taxes for tax year 2005, 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.

CLINTON COUNTY, OHIO

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

NOTE 6 - PROPERTY TAXES - (Continued)

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 2006 are shown as 2005 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. On October 1, 2005, the County Commissioners imposed a 0.5% tax to the existing tax for a period of five years. 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.

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 2005 operations. Sales and use tax revenue for 2005 amounted to \$5,364,309.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2005, 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, 2005, as well as intended to finance fiscal 2005 operations.

CLINTON COUNTY, OHIO

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

NOTE 8 - RECEIVABLES

A summary of the receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Sales taxes	\$ 1,167,310
Real estate and other taxes	6,259,899
Accounts	288,603
Special assessments	54,273
Accrued interest	129,409
Due from other governments	3,260,661

Business-Type Activities:

Gross Accounts receivable	11,515,440
Less: allowance for doubtful accounts	<u>(2,429,000)</u>
Net accounts receivable	<u>9,086,440</u>
Notes and other receivables	1,721,383

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, 2005

NOTE 9 - CAPITAL ASSETS

A. Primary Government

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

<u>Governmental Activities:</u>	Balance <u>01/01/05</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/05</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 355,170	\$ 466,710	\$ -	\$ 821,880
Total capital assets, not being depreciated	<u>355,170</u>	<u>466,710</u>	<u>-</u>	<u>821,880</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	173,705	27,296	-	201,001
Buildings and improvements	19,989,992	140,300	-	20,130,292
Equipment	2,688,554	149,020	(26,077)	2,811,497
Vehicles	2,629,758	329,761	-	2,959,519
Infrastructure	<u>27,719,709</u>	<u>1,701,527</u>	<u>-</u>	<u>29,421,236</u>
Total capital assets, being depreciated	<u>53,201,718</u>	<u>2,347,904</u>	<u>(26,077)</u>	<u>55,523,545</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(60,176)	(4,941)	-	(65,117)
Buildings and improvements	(3,850,626)	(371,304)	-	(4,221,930)
Equipment	(1,694,723)	(151,685)	26,077	(1,820,331)
Vehicles	(1,597,714)	(243,107)	-	(1,840,821)
Infrastructure	<u>(6,536,065)</u>	<u>(784,668)</u>	<u>-</u>	<u>(7,320,733)</u>
Total accumulated depreciation	<u>(13,739,304)</u>	<u>(1,555,705)</u>	<u>26,077</u>	<u>(15,268,932)</u>
Total capital assets, being depreciated net	<u>39,462,414</u>	<u>792,199</u>	<u>-</u>	<u>40,254,613</u>
Governmental activities capital assets, net	<u>\$ 39,817,584</u>	<u>\$ 1,258,909</u>	<u>\$ -</u>	<u>\$ 41,076,493</u>

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

Governmental activities:

Legislative and executive	\$ 82,070
Judicial	134,118
Public safety	167,675
Public works	1,001,577
Health	79,986
Human services	64,244
Other	<u>26,035</u>

Total depreciation expense - governmental activities \$ 1,555,705

CLINTON COUNTY, OHIO

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

NOTE 9 - CAPITAL ASSETS - (Continued)

<u>Business-Type Activities</u>	<u>Balance</u> <u>01/01/05</u>	<u>Additions</u>	<u>Deductions/</u> <u>Transfers</u>	<u>Balance</u> <u>12/31/05</u>
<i>Capital assets, being depreciated:</i>				
Land and land improvements	\$ 3,001,294	\$ 2,635	\$ -	\$ 3,003,929
Buildings and improvements	77,473,620	2,705,297	-	80,178,917
Equipment	33,963,394	5,202,641	(964,085)	38,201,950
Construction in progress	<u>1,838,857</u>	<u>1,723,091</u>	<u>-</u>	<u>3,561,948</u>
Total capital assets, being depreciated	<u>116,277,165</u>	<u>9,633,664</u>	<u>(964,085)</u>	<u>124,946,744</u>
<i>Less: accumulated depreciation:</i>				
Land and land improvements	(932,865)	(124,816)	-	(1,057,681)
Buildings and improvements	(16,838,160)	(2,606,659)	-	(19,444,819)
Equipment	<u>(21,750,895)</u>	<u>(3,140,777)</u>	<u>803,722</u>	<u>(24,087,950)</u>
Total accumulated depreciation	<u>(39,521,920)</u>	<u>(5,872,252)</u>	<u>803,722</u>	<u>(44,590,450)</u>
Business-type activities capital assets, net	<u>\$ 76,755,245</u>	<u>\$ 3,761,412</u>	<u>\$ (160,363)</u>	<u>\$ 80,356,294</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> <u>01/01/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/05</u>
<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	<u>10,940</u>	<u>-</u>	<u>-</u>	<u>10,940</u>
Total capital assets being depreciated	<u>94,987</u>	<u>-</u>	<u>-</u>	<u>94,987</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(4,118)	(843)	-	(4,961)
Buildings and improvements	(27,121)	(2,380)	-	(29,501)
Furniture and equipment	(23,996)	(1,725)	-	(25,721)
Vehicles	<u>(10,940)</u>	<u>(550)</u>	<u>-</u>	<u>(11,490)</u>
Total accumulated depreciation	<u>(66,175)</u>	<u>(5,498)</u>	<u>-</u>	<u>(71,673)</u>
Total capital assets, being depreciated, net	<u>\$ 28,812</u>	<u>\$ (5,498)</u>	<u>\$ -</u>	<u>\$ 23,314</u>

CLINTON COUNTY, OHIO

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

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE

A. Governmental Activities Capital Lease

During a prior year, 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. Principal payments in the amount of \$886 were made during fiscal year 2005.

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, 2005:

<u>Year Ending December 31,</u>	<u>Amount</u>
2006	\$ 1,272
2007	1,272
2008	1,272
2009	<u>1,272</u>
Total	5,088
Less: amount representing interest	<u>(746)</u>
Present value of net minimum lease payments	<u>\$ 4,342</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 \$1,217,799 at December 31, 2005.

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, 2005:

CLINTON COUNTY, OHIO

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

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

<u>Year Ended December 31,</u>	<u>Amount</u>
2006	\$ 368,929
2007	368,929
2008	368,929
2009	<u>61,489</u>
Total	1,168,276
Less: amount representing interest	<u>(60,100)</u>
Present value of net minimum lease payments	<u>\$ 1,108,176</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, 2005 vested benefits for vacation leave for governmental fund type employees totaled \$748,411 and vested benefits for sick leave totaled \$318,240. For the proprietary fund type, vested benefits for vacation leave totaled \$4,401 and there were no vested benefits for sick leave. In accordance with GASB Statement No. 16, an additional liability of \$10,411 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, 2005

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During the fiscal year 2005, 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 01/01/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/05</u>	<u>Amount Due in One Year</u>
General obligation bonds:							
County Building Improvement Bonds - 5.42%	7/14/1993	6/1/2008	\$ 440,000	\$ -	\$ (100,000)	\$ 340,000	\$ 105,000
Bypass/Jail Construction Bond 4.0-5.75%	12/1/1999	12/1/2019	<u>4,105,000</u>	<u>-</u>	<u>(225,000)</u>	<u>3,880,000</u>	<u>235,000</u>
Total general obligation bonds			<u>4,545,000</u>	<u>-</u>	<u>(325,000)</u>	<u>4,220,000</u>	<u>340,000</u>
Special Assessment Bond							
Ditch Construction Bonds - 6.20%	8/1/2001	8/1/2009	<u>51,682</u>	<u>-</u>	<u>(9,132)</u>	<u>42,550</u>	<u>9,698</u>
Total special assessment bond			<u>51,682</u>	<u>-</u>	<u>(9,132)</u>	<u>42,550</u>	<u>9,698</u>
OWDA Loan Payable							
Wastewater Planning	11/15/2001	1/1/2007	<u>1,128,256</u>	<u>237,962</u>	<u>-</u>	<u>1,366,218</u>	<u>-</u>
Total OWDA loan payable			<u>1,128,256</u>	<u>237,962</u>	<u>-</u>	<u>1,366,218</u>	<u>-</u>
Other Long-Term Obligations:							
Compensated absences			1,064,054	649,349	(631,940)	1,081,463	763,223
Capital lease			<u>5,228</u>	<u>-</u>	<u>(886)</u>	<u>4,342</u>	<u>959</u>
Total other long-term obligations			<u>1,069,282</u>	<u>649,349</u>	<u>(632,826)</u>	<u>1,085,805</u>	<u>764,182</u>
Total general long-term obligations			<u>\$ 6,794,220</u>	<u>\$ 887,311</u>	<u>\$ (966,958)</u>	<u>\$ 6,714,573</u>	<u>\$ 1,113,880</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, 2005, the County had outstanding borrowings of \$1,366,218.

CLINTON COUNTY, OHIO

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

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

As of December 31, 2005, 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
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	250,000	157,890	407,890	-	-	-
2011-2015	1,295,000	594,435	1,889,435	-	-	-
2016-2019	1,325,000	193,884	1,518,884	-	-	-
Total	<u>\$ 4,220,000</u>	<u>\$ 1,731,836</u>	<u>\$ 5,951,836</u>	<u>\$ 42,550</u>	<u>\$ 6,891</u>	<u>\$ 49,441</u>

B. Business-Type Activities Long-Term Obligations

During the fiscal year 2005, the following changes occurred in the County's business-type long-term obligations:

Business-Type Activities:	Balance at 01/01/05	Additions	Reductions	Balance at 12/31/05	Amount Due in One Year
Hospital Facilities Revenue	\$ 34,115,000	\$ 12,240,000	\$ (960,000)	\$ 45,395,000	\$ 960,000
Refunding and Improvement Bonds					
Note Payable	599,960	-	-	599,960	-
Capital Lease Obligation	1,655,079	-	(546,903)	1,108,176	351,264
Total business-type long-term obligations	<u>\$ 36,370,039</u>	<u>\$ 12,240,000</u>	<u>\$ (1,506,903)</u>	<u>\$ 47,103,136</u>	<u>\$ 1,311,264</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, 2005

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

Hospital Facilities Revenue Refunding and Improvements Bonds: The 2005 Clinton County adjustable rate demand hospital facilities revenue refunding and improvement bonds were used to finance the acquisition, construction and equipping of Hospital facilities. Under the terms of the 2005 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.

The Hospital uses derivative financial instruments principally to manage the risk of change in interest rates. During 2005, the Hospital entered into a cash flow hedge interest rate swap agreement with Fifth Third Bank. As a result of the swap, the Hospital locked into an interest rate of 4.23% on \$12,200,000 of the Series 2005 adjustable demand hospital facilities revenue improvement bonds. The fair value of the interest rate swap at December 31, 2005 was a liability of \$404,357. This liability has been recorded in accounts payable and accrued expenses with the related loss on this arrangement deferred as a component of unrestricted net assets. This agreement expires on December 31, 2015.

As of December 31, 2005, the Hospital was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Hospital would be exposed to credit risk in the amount of the derivative's fair value.

Note Payable: The installment note 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 <u>Ending</u>	<u>Bonds and Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 960,000	\$ 1,642,859	\$ 2,602,859
2007	1,575,000	1,606,429	3,181,429
2008	2,239,960	1,544,148	3,784,108
2009	1,715,000	1,479,312	3,194,312
2010	1,785,000	1,411,678	3,196,678
2011-2015	10,160,000	5,935,575	16,095,575
2016-2020	12,590,000	3,602,676	16,192,676
2021-2025	10,605,000	1,314,486	11,919,486
2026-2030	4,365,000	33,004	4,398,004
Total	<u>\$ 45,994,960</u>	<u>\$ 18,570,167</u>	<u>\$ 64,565,127</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.

CLINTON COUNTY, OHIO

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

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

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 \$15,727,335 as of December 31, 2005.

NOTE 13 - NOTES PAYABLE

A. Bond Anticipation Notes Payable

During fiscal year 2005, the County issued \$4,057,118 in bond anticipation notes. Proceeds of \$2,580,518 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 \$894,600 were reported in the Building Improvement capital projects fund and will be used to finance the addition to the Annex, and were used to retire \$979,600 in previously issued bond anticipation notes. Proceeds of \$400,000 were reported in the Fairground Building Construction fund and were used to retire \$410,000 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 2005:

	Issue Date	Maturity Date	Balance at 01/01/05	2005 Issues	2005 Principal Retirement	Balance at 12/31/05
<u>Public Service Office Construction Fund</u>						
Property Acquisition and Renovation - 1.82%	05/17/04	05/17/05	2,600,000	-	(2,600,000)	-
Property Acquisition and Renovation - 3.40%	05/17/05	05/17/06	-	2,580,518	-	2,580,518
			<u>2,600,000</u>	<u>2,580,518</u>	<u>(2,600,000)</u>	<u>2,580,518</u>
<u>Building Improvement Fund</u>						
Annex Addition - 1.82%	05/17/04	05/17/05	979,600	-	(979,600)	-
Annex Addition - 3.42%	05/17/05	05/17/06	-	894,600	-	894,600
			<u>979,600</u>	<u>894,600</u>	<u>(979,600)</u>	<u>894,600</u>
<u>Fairground Building Construction</u>						
Various County Improvements	06/30/04	06/30/05	410,000	-	(410,000)	-
Various County Improvements	06/30/05	06/30/06	-	400,000	-	400,000
			<u>410,000</u>	<u>400,000</u>	<u>(410,000)</u>	<u>400,000</u>
<u>CC Haines Ditch Project</u>						
Haines Ditch Project	11/17/04	11/17/05	182,000	-	(182,000)	-
Haines Ditch Project	11/17/05	11/17/06	-	182,000	-	182,000
			<u>182,000</u>	<u>182,000</u>	<u>(182,000)</u>	<u>182,000</u>
Total			<u>\$ 4,171,600</u>	<u>\$ 4,057,118</u>	<u>\$ (4,171,600)</u>	<u>\$ 4,057,118</u>

CLINTON COUNTY, OHIO

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

NOTE 13 - NOTES PAYABLE - (Continued)

B. General Obligation Note Payable

During fiscal year 2005, the County issued a general obligation note for \$682,400. The proceeds were reported in the general fund and will be used to retire previously issued notes of \$717,400. The County also issued general obligation notes in the amount of \$130,000 reported in the County Fairground Construction fund, and \$60,000 reported in the general fund. These notes are related to County fairground construction and land purchase. The following is a summary of the general obligation note activity during fiscal 2005:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 01/01/05</u>	<u>2005 Issues</u>	<u>2005 Principal Retirement</u>	<u>Balance at 12/31/05</u>
<u>General Fund</u>						
Various County Improvements	05/14/04	05/14/05	\$ 717,400	\$ -	\$ (717,400)	\$ -
Various County Improvements	05/14/05	05/14/06	-	682,400	-	682,400
			<u>717,400</u>	<u>682,400</u>	<u>(717,400)</u>	<u>682,400</u>
<u>County Fairgrounds Construction</u>						
County Fairgrounds - 4.75%	04/14/05	04/14/06	-	130,000	-	130,000
			-	130,000	-	130,000
<u>Land Purchase</u>						
Fairgrounds Land Purchase - 5.49%	11/21/05	11/09/06	-	60,000	-	60,000
			-	60,000	-	60,000
Total			<u>\$ 717,400</u>	<u>\$ 872,400</u>	<u>\$ (717,400)</u>	<u>\$ 872,400</u>

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.

CLINTON COUNTY, OHIO

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

NOTE 14 - RISK MANAGEMENT - (Continued)

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 \$458,318 reported in the Risk Management Fund at December 31, 2005. This amount is reported on the statement of net assets at December 31, 2005.

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 <u>Payments</u>	Balance at <u>Year End</u>
2005	\$ 173,381	\$ 3,009,688	\$ (2,724,751)	\$ 458,318
2004	\$ 104,143	\$ 2,561,269	\$ (2,492,031)	\$ 173,381

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.

CLINTON COUNTY, OHIO

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

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, 2005 the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% 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 2005 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, 2005, 2004, and 2003 were \$1,541,281, \$1,465,766, and \$1,042,711, respectively; 70.48% has been contributed for 2005 and 100% has been contributed for 2004 and 2003. The unpaid contribution to fund pension obligations for 2005, in the amount of \$417,841, 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.

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.

CLINTON COUNTY, OHIO

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2005, 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 June 30, 2005, 2004, and 2003 was \$28,297, \$19,677, and \$27,448, respectively; 100 percent has been contributed for fiscal years 2005, 2004, and 2003. There were no contributions for the DCP and CP for the fiscal year ended June 30, 2005.

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. The 2005 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.

CLINTON COUNTY, OHIO

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

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

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, 2004, 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 1% to 6% annually for the next eight years and 4% in subsequent years.

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 376,109 as of December 31, 2005. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$454,991. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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.

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, 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount was \$2,021.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254.780 million, and STRS had 115,395 eligible benefit recipients.

CLINTON COUNTY, OHIO

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

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:

	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	\$ (411,328)	\$ (252,408)	\$ 122,982	\$ 386,718	\$ (726,785)
Net adjustment for revenue accruals	473,748	50,648	279,312	133,996	(536,502)
Net adjustment for expenditure accruals	195,918	424,824	(306,393)	(178,189)	(30,874)
Net adjustment for other financing sources/(uses) accruals	(19,037)	-	-	-	-
Encumbrances (budget basis)	<u>192,470</u>	<u>-</u>	<u>88,739</u>	<u>204,594</u>	<u>-</u>
GAAP basis	<u>\$ 431,771</u>	<u>\$ 223,064</u>	<u>\$ 184,640</u>	<u>\$ 547,119</u>	<u>\$ (1,294,161)</u>

CLINTON COUNTY, OHIO

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

NOTE 18 - FUTURE MINIMUM RENTAL EXPENSE AND INCOME

Rent expense related to the Hospital amounted to approximately \$556,000 in 2005. 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>
2006	\$ 72,118
2007	73,921
2008	42,111
2009	12,000
2010	12,000
Thereafter	<u>442,000</u>
Total	<u>\$ 654,150</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.

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, 2005, was as follows:

	<u>Amount</u>
Medicare	36%
Medicaid	8%
Other third-party payors	39%
Self pay patients	<u>17%</u>
Total	<u>100%</u>

CLINTON COUNTY, OHIO

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

NOTE 20 - CONCENTRATIONS OF CREDIT RISK - (Continued)

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, 2005, \$13,924,525 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 and \$12,200,000 in 2005 Clinton County, Ohio, Variable Rate Demand Hospital Improvement Revenue Bonds, with final maturity in December, 2015. These bonds do not constitute a debt or pledge of the faith and credit of the County. As of December 31, 2005, \$45,395,000 was outstanding.

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CLINTON COUNTY

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Rehabilitation Services Commission	N/A	84.126	\$ 9,145
Special Education - Grants to States	6B-SF-2004	84.027	1,063
Special Education - Grants to States	6B-SF-2005	84.027	13,374
Special Education - Preschool Grants	PG-S1-2005	84.173	4,466
Total Special Education			18,903
Total U.S. Department of Education			28,048
<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	N/A	93.667	25,491
Medical Assistance Program - Title XIX: Community Alternative Funding System (CAFS) Targeted Case Management (TCM) Waiver Administration Claiming	N/A	93.778	208,950 73,878 29,047
State Children's Health Insurance Program (SCHIP) Title XXI	N/A	93.767	1,264
<i>Passed Through Ohio Department of Mental Health:</i>			
Day Habilitation			68,233
<i>Passed Through the Ohio Department of Public Safety</i>			
Emergency Medical Services for Children		93.259	16,510
Total U.S. Department of Health and Human Services			423,373
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction: Hales Branch Road	N/A	20.205	34,273
Total U.S. Department of Transportation			34,273
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Housing Improvement Program	B-C-02-014-1 B-C-04-014-1 B-C-04-014-2	14.228	265 12,042 16,950
Community Development Block Grant	B-F-03-014-1		14,172
Total U.S. Department of Housing and Urban Development			43,429

(Continued)

CLINTON COUNTY

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Department of Public Safety</i>			
State Domestic Preparedness Equipment Support Program	2003-TB-TX-0199	97.004	50,797
	2004-GE-T4-0025		41,740
	2004-GE-T5-0025		89,050
Total State Domestic Preparedness Equipment Support			181,587
Emergency Management Performance Grant	2005-EM-T5-0001	97.042	28,561
Total U.S. Department of Homeland Security			210,148
<u>U.S. DEPARTMENT OF LABOR</u>			
<i>Passed Through the Ohio Department of Jobs and Family Services via Ohio Area 7 Workforce Investment Board</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult			49,516
Workforce Investment Act - Adult Total	N/A	17.258	49,516
Workforce Investment Act - Youth			31,574
Workforce Investment Act - Youth Total	N/A	17.259	31,574
Workforce Investment Act - Dislocated Workers			39,631
Workforce Investment Act - DW, Rapid Response			270,000
Workforce Investment Act - Dislocated Workers Total:	N/A	17.260	309,631
Total Workforce Investment Act Cluster			390,721
Unemployment Insurance - Reed Act	N/A	17.225	53,443
Total U.S. Department of Labor			444,164
Total Federal Expenditures			\$ 1,183,435

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, 2005**

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.

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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, the component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 15, 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 2005-001 through 2005-004.

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 2005-002 through 2005-004 listed above to be material weaknesses. In a separate letter to the County's management dated November 15, 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 2005-001 through 2005-003. In a separate letter to the County's management dated November 15, 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 audit committee, elected officials, management, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

November 15, 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, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Clinton County Memorial Hospital, which expended \$627,266 in federal awards which is not included in the Schedule of Federal Awards for the year ended December 31, 2005. Our audit of Federal awards, described below, did not include the operations of the Clinton County Memorial Hospital because the component unit engaged another auditor to audit its Federal award programs in accordance with OMB Circular A-133.

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, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2005-005.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings as item 2005-005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We do not believe the reportable condition described above is a material weakness. In a separate letter to the County's management dated November 15, 2006, we reported a matter related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

November 15, 2006

**CLINTON COUNTY
DECEMBER 31, 2005**

**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?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA # 93.778: Medical Assistance Program-Title XIX:CAFS CFDA # 17.259 – 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

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

FINDING NUMBER 2005-001

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

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 \$100 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.

Twenty percent (20%) 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.

**FINDING NUMBER 2005-001
(Continued)**

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.

Officials' Response

The Clinton County Auditor provided the following response:

This letter is in response to Finding 2005-001 regarding non-compliance with ORC, Section 5705.41(D). Since the start of 2005, we had in place the Then & Now certificate procedure which was followed through by our accounts payable clerk. For a period of around 12 weeks during 2005, this employee was out on leave. Due to lack of staffing and timing, the person who took over in her place was not adequately trained and did not ensure departments were following through with policy. Since this issue has been addressed, we have ensured that anyone who would be checking and paying bills knows and realizes the importance of the Then & Now Certificate and is carried through in all circumstances.

FINDING NUMBER 2005-002

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 understated the depository balance related to the self-insurance account by \$50,223 at December 31, 2005.

FINDING NUMBER 2005-002
(Continued)

In addition, **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.

Until 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 received a fax directly from UMR identifying the amount of claims to be paid from the County's self-insurance fund to UMR. The Treasurer paid the amount of claims identified on the fax received from UMR, rather than the amount approved on the memo disbursement. However, the amount of funds transferred to UMR by the County Treasurer equaled the amount approved by the County Auditor on the memo disbursement.

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 UMR were identical.

Beginning in March of 2004, the following procedures applied 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 amount of claims identified on the fax from UMR did not equal the memo disbursement amount approved by the County Auditor;
- The County Treasurer transferred by EFT to National Bank and Trust the amount requested by UMR:

**FINDING NUMBER 2005-002
(Continued)**

- 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 these procedures beginning in 2004 and through November of 2005, the County Treasurer made disbursements to UMR which were not authorized by the County Auditor and which were not allowed by the Commissioners. 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 \$706,004 at December 31, 2005.

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 during the months of January through November 2005, 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 \$706,004 at December 31, 2005.

In October 2005, the County's officials were made aware that funds were disbursed without the proper authorization. Procedures were implemented to properly account for claim payments in the self insurance fund. The County then reverted to the procedures it had followed until 2004:

- 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 received a fax directly from UMR identifying the amount of claims to be paid from the County's self-insurance fund to UMR. The Treasurer paid the amount of claims identified on the fax received from UMR, rather than the amount approved on the memo disbursement. However, the amount of funds transferred to UMR by the County Treasurer equaled the amount approved by the County Auditor on the memo disbursement.

The County followed these procedures until December 20, 2005. On December 20 through December 29, the County received four separate invoices totaling \$156,950 for the amount of claims to be paid from the County's self insurance fund to UMR. These invoices were not processed in accordance with the procedures identified above and funds were not transferred from the self-insurance fund to UMR until January 10, 2006; however UMR processed checks related to these claims by December 31, 2005. As a result of not following these procedures, the County self-insurance fund balance was over-stated. Also, if all the checks written by UMR had cleared the bank before the January 10, 2006 deposit, there would have been insufficient funds in the UMR account. The County has adjusted 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.

**FINDING NUMBER 2005-002
(Continued)**

We recommend that the County follow established 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 and self-insurance administrator should maintain accurate records to document the 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 be reconciled 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 without the proper authorization required by the Ohio Revised Code.

Officials' Response

The Clinton County Treasurer provided the following response:

First, I would like to say that the County Treasurer, Auditor's office, bank, and insurance representative set up the procedure that was followed for the self-insurance fund and the County Treasurer followed the procedure that was set up. The procedure was never changed for paying the self-insurance claims. The problem came when the County Commissioner's did not appropriate enough money to pay the premiums in the health insurance fund. The Treasurer's office received a fax from UMR on Wednesdays and the amount that was on the fax was always what we paid.

According to the prosecuting attorney, there was an agreement made between UMR and the Commissioner's Office and the County Treasurer honored that agreement. If this agreement had not been followed there could have been specific economic consequences for this county. It was the Treasurer' legal obligation to pay these claims every week and that is what we did.

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. Also, the Auditor of State obtained documentation during the audit that, as described in the finding, the Treasurer signed memo disbursements that did not equal amounts transferred by the Treasurer to UMR.

FINDING NUMBER 2005-003

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, 2005, the self insurance fund had a negative cash balance of \$706,004. This deficit balance indicates that cash from other funds was used to pay the obligations of the self insurance fund. We recommend the County continue to adopt procedures to properly monitor fund balances. The County officials should not certify available funds or pay amounts that create deficits.

**FINDING NUMBER 2005-003
(Continued)**

Officials' Response

The Board of County Commissioners have reviewed the audit findings as presented on this date. We have every intention to address the problems as mentioned in Finding Numbers 2005-003 and 2005-004. The Board of Commissioners are currently taking the necessary steps to correct these findings.

FINDING NUMBER 2005-004

Material Weakness

All public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements. Certain procedures and controls are essential to enable the County to fulfill this responsibility related to the self-insurance fund, and these include, but are not limited to: timely, periodic monitoring of actual revenues and expenses against budgeted revenues and expenses; monthly reconciliation of the self-insurance fund; and timely and accurate billing and record-keeping. The County's self insurance plan experienced large deficits during the audit period. No evidence was found to determine that the plan was being reconciled and properly monitored by management. Properly monitoring the self insurance plan would help to detect inadequacies in funding and provide the information for officials to respond in a timely manner. To help avoid deficit balances, we recommend that management properly review and monitor both the Employer/Employee shares paid into the plan and the claims being disbursed to determine if inadequacies in funding exist.

The County also collects premiums from participating Townships to cover the cost of insurance for the Clerks and/or Trustees. Problems noted during review of the Township premiums notices included: invoices were not sent to the Townships on a timely basis; multiple invoices and invoice amounts were mailed to and paid by some of the Townships; a premium check was lost by the County which required the Township to reissue payment. The County has a fiscal responsibility to the Township's participating in their insurance program. We recommend that the County establish procedures to properly account for any premium amounts due and paid by the Townships. Proper records should be maintained that identify the monthly premium amount invoiced to the Township and the corresponding payment received from them by the County. Invoices should be prepared and mailed on a consistent monthly basis with any changes in the premium amounts properly noted. Premium payments made by the Townships should be deposited in a timely manner with proper care given to safeguard checks from theft or loss. Maintaining proper records will help assure the County that premiums have been paid in a timely manner and funds are being properly accounted for.

Officials' Response

The Board of County Commissioners have reviewed the audit findings as presented on this date.

We have every intention to address the problems as mentioned in Finding Numbers 2005-003 and 2005-004. The Board of Commissioners are currently taking the necessary steps to correct these findings.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2005-005

Noncompliance Citation/Reportable Condition

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit organizations, Section .400(d)(3) states a pass-through entity shall monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts or grant agreements and that performance goals are achieved. A pass-through entity is held accountable for federal awards administered by their subrecipients; therefore, a pass-through entity is required to monitor the subrecipient's use of federal awards. A pass-through entity needs to establish an appropriate subrecipient monitoring process to decide what, if any, additional monitoring procedures may be necessary to ensure the subrecipient's compliance.

Clinton County Jobs and Family Services did not adequately monitor its subrecipient's use of federal funds for all the Workforce Investment Act Grant's (WIA), funding streams. The monthly grant expenditure reports received from Workforce Services Unlimited were not monitored from the County's subrecipient for the Rapid Response segments of the Workforce Investment Act Grant. The County did not document that the required reviews were performed to determine that the reported expenditures were allowed under the grant guidelines. As a result, the County could not ensure its subrecipient was using these WIA funds for authorized purposes in compliance with the provisions of the grant.

We recommend that Clinton County Jobs and Family Services adhere to written monitoring policies and establish internal control procedures over compliance and subrecipient monitoring procedures such as: reviewing and monitoring the reports received from the subrecipient, reviewing the A-133 audit over the subrecipient and maintaining documentation to show that the subrecipient is meeting compliance requirements and the County is performing monitoring procedures. Clinton County Jobs and Family Services should review OMB Circular A-133§.400(d), which lists its responsibilities as a pass-through entity.

Officials' Response

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

CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	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 2005-001
2004-002	Ohio Rev. Code Section 321.09, requires the Treasurer to reconcile with the Auditor on a daily basis. Ohio Rev. Code Section 321.15 provides that no money shall be paid from the County treasury except on a County warrant.	No	Reissued as Finding 2005-002
2004-003	Ohio Rev. Code Section 5705.10 states that money is to be used only for the purpose for which the fund was established.	No	Reissued as Finding 2005-003



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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
DECEMBER 12, 2006**