



Mary Taylor, CPA  
Auditor of State



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Auglaize County, (the County), as of and for the year ended December 31, 2006, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Auglaize County, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, and Motor Vehicle Gasoline Tax, the Department of Job and Family Services, the Board of Mental Retardation and Developmental Disabilities, and the Jail Operations and Maintenance Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2007, 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.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 27, 2007

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

As management of Auglaize County (the County), we offer readers of the County's financial statement this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2006.

**FINANCIAL HIGHLIGHTS**

The assets of the County exceed liabilities at December 31, 2006 by \$48,811,559. Of this amount \$21,784,627 may be used to meet ongoing obligations. As of December 31, 2006, the County's governmental activities reported net assets of \$44,234,497, an increase of \$1,922,080 in comparison with the prior year. At the end of the current fiscal year the unreserved fund balance for the general fund was \$4,266,253 which is available for spending at the County's discretion. The County's outstanding debt decreased by \$1,042,563 in governmental activities and decreased \$5,000 in business type activities. In the general fund, actual revenues were 3.53 percent higher than budgeted and expenditures were 16.90 percent less than the budgeted amount.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

The county maintains 402 governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Motor Vehicle and Gasoline Tax (MVGT), Jobs and Family Services, Mental Retardation and Developmental Disabilities (MRDD), Jail Operations and Maintenance, and Permanent Improvement, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. The County adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with the budget.

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

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

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 29-69.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$48,811,559 as of December 31, 2006.

	<b>Table 1 Net Assets</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Assets</b>						
Current and Other						
Assets	\$32,612,020	\$30,826,823	\$1,547,860	\$1,625,112	\$34,159,880	\$32,451,935
Capital Assets, Net	23,704,604	21,354,685	3,764,825	3,884,099	27,469,429	25,238,784
Total Assets	<u>56,316,624</u>	<u>52,181,508</u>	<u>5,312,685</u>	<u>5,509,211</u>	<u>61,629,309</u>	<u>57,690,719</u>
<b>Liabilities</b>						
Current and Other						
Liabilities	8,388,913	7,298,830	382,221	419,333	8,771,134	7,718,163
Long-Term						
Liabilities	3,693,214	4,604,517	353,402	273,856	4,046,616	4,878,373
Total Liabilities	<u>12,082,127</u>	<u>11,903,347</u>	<u>735,623</u>	<u>693,189</u>	<u>12,817,750</u>	<u>12,596,536</u>
<b>Net Assets</b>						
Invested in Capital						
Assets, Net of						
Related Debt	23,294,607	20,159,685	3,732,325	3,846,599	27,026,932	24,006,284
Restricted	16,960,812	17,055,297			16,960,812	17,055,297
Unrestricted	3,979,078	3,063,179	844,737	969,423	4,823,815	4,032,602
Total Net Assets	<u>\$44,234,497</u>	<u>\$40,278,161</u>	<u>\$4,577,062</u>	<u>\$4,816,022</u>	<u>\$48,811,559</u>	<u>\$45,094,183</u>



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

The largest portion of the County's net assets 55 percent reflects its investment in capital assets (land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As of December 31, 2006, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Analysis of the County's Operation** – The following table provides a summary of the County's operations for 2006. The County's financial position improved for both governmental-type and business-type activities. The more significant changes are as follows:

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Program Revenues:</b>						
Charges for Services	\$5,922,619	\$3,561,812	\$6,043,003	\$5,632,334	\$11,965,622	\$9,194,146
Operating Grants	7,442,626	10,318,049			7,442,626	10,318,049
Capital Grants/Contributions	730,650	2,698,508			730,650	2,698,508
<b>General Revenues:</b>						
Property Taxes	6,391,087	6,354,291			6,391,087	6,354,291
Sales Tax	7,339,584	7,033,883			7,339,584	7,033,883
Intergovernmental	915,599	731,903			915,599	731,903
Gain/Loss on Sale of Assets	(117,660)	(57,842)	(1,260)		(118,920)	(57,842)
Miscellaneous	692,083	575,469	25,188	208,195	717,271	783,664
Interest	850,405	401,564			850,405	401,564
<b>Total Revenues</b>	<b>30,166,993</b>	<b>31,617,637</b>	<b>6,066,931</b>	<b>5,840,529</b>	<b>36,233,924</b>	<b>37,458,166</b>
<b>Program Expenses</b>						
General Government	6,587,407	6,154,186			6,587,407	6,154,186
Public Safety	5,535,535	4,615,887			5,535,535	4,615,887
Public Works	4,439,446	5,941,539			4,439,446	5,941,539
Health	5,791,261	5,592,686			5,791,261	5,592,686
Human Services	4,527,976	4,962,170			4,527,976	4,962,170
Other	1,218,060	1,339,011			1,218,060	1,339,011
Interest & Fiscal Charges	145,228	196,806			145,228	196,806
Sewer			351,115	352,932	351,115	352,932
County Home			5,954,776	5,398,033	5,954,776	5,398,033
<b>Total Expenses</b>	<b>28,244,913</b>	<b>28,802,285</b>	<b>6,305,891</b>	<b>5,750,965</b>	<b>34,550,804</b>	<b>34,553,250</b>
Changes in Net Assets	1,922,080	2,815,352	(238,960)	89,564	1,683,120	2,904,916
Net Assets January 1	42,312,417	37,462,809	4,816,022	4,726,458	47,128,439	42,189,267
<b>Net Assets December 31</b>	<b>\$44,234,497</b>	<b>\$40,278,161</b>	<b>\$4,577,062</b>	<b>\$4,816,022</b>	<b>\$48,811,559</b>	<b>\$45,094,183</b>

**FINANCIAL CONDITION  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
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The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities for 2006 and 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3  
Total Costs versus Net Costs**

	<u>2006</u>		<u>2005</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Current:				
General Government:				
Legislative and Executive	\$4,729,299	\$3,053,740	\$4,518,159	\$2,632,293
Judicial	1,858,108	698,042	1,636,027	517,873
Public Safety	5,535,535	4,789,115	4,615,887	3,857,935
Public Works	4,439,446	(528,047)	5,941,539	(86,674)
Health	5,791,261	3,743,757	5,592,686	2,771,465
Human Services	4,527,976	1,032,123	4,962,170	998,407
Other	1,218,060	1,215,060	1,339,011	1,335,811
Interest and Fiscal Charges	<u>145,228</u>	<u>145,228</u>	<u>196,806</u>	<u>196,806</u>
Total Expenses	<u>\$28,244,913</u>	<u>\$14,149,018</u>	<u>\$28,802,285</u>	<u>\$12,223,916</u>

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

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

As of the end of the current fiscal year, Auglaize County's governmental funds reported total fund balances of \$19,318,928. Of this \$4,266,253 constitutes unreserved fund balance of the general fund, which is available for spending at the County's discretion. A portion of the fund balances are reserved to indicate that they are not available for new spending because they have already been committed in the amount of \$413,078 to liquidate encumbrances of the prior period. The remainder of the fund balances includes \$300,557 for debt service payments and \$5,507,406 for usage by the County's permanent improvement fund.

The general fund is the chief operating fund of the county. At the end of the current fiscal year, the unreserved balance was \$4,266,253 while the total fund balance was \$4,356,240.

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

The MVGT fund balance increased by \$245,172 to \$1,529,206. The increase is due to an increase in revenues. The JFS fund balance decreased by \$512,220 to \$(168,537). The decrease is due to a decrease in revenues. The MRDD fund balance increased by \$406,153 to \$2,120,774. The increase is due to additional property tax revenue. The Jail Operations and Maintenance fund balance decreased by \$1,244,449 to \$4,822. The decrease is due to a decrease in income. The Permanent Improvement fund balance increased by \$1,490,786 to \$5,336,626. The increase is due to additional permissive tax revenue.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

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

The county home's (Auglaize Acres) net assets decreased by \$160,456 to \$425,390. In 2003 the facility became a Certified Long-term Care Facility. The County's sewer funds net assets decreased by \$78,504 to \$4,151,672.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original appropriations and the final amended appropriations were \$78,407 or .7 percent. All certified money was not originally appropriated and new grants were received during the year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

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

	<b>Governmental Activities</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Land & Improvements	\$5,255,918	\$2,564,988	\$54,908	\$54,908	\$5,310,826	\$2,619,896
Infrastructure	2,181,687	110,715	3,611,230	3,725,908	5,792,917	3,836,623
Buildings/Improvements	13,055,859	13,185,317	48,182	54,996	13,104,041	13,240,313
Construction in Progress	12,184	2,489,966			12,184	2,489,966
Equipment, Furniture /Fixtures	3,198,956	3,003,699	50,505	48,287	3,249,461	3,051,986
<b>Total</b>	<b><u>\$23,704,604</u></b>	<b><u>\$21,354,685</u></b>	<b><u>\$3,764,825</u></b>	<b><u>\$3,884,099</u></b>	<b><u>\$27,469,429</u></b>	<b><u>\$25,238,784</u></b>

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

	<b>2006</b>	<b>2005</b>
General Obligation Bonds		
Human Services	\$410,000	\$440,000
Law Enforcement	0	755,000
Special Assessment Bonds	1,170,000	1,325,000
Ohio Public Works Loan	86,946	92,060
Special Assessment Notes	401,359	498,808
<b>Total</b>	<b><u>\$2,068,305</u></b>	<b><u>\$3,110,868</u></b>

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

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

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

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

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

The budget centers on a stable economic climate. The county unemployment rate is 4.5 percent a half percent less than the state rate of 5.0 percent (March 2007). The state legislature has indicated uncertainty regarding local government, local government revenue assistance and state funded grant programs which may require more local financial support.

Business-type activities should remain relatively unchanged for 2007.

**REQUEST FOR INFORMATION**

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS  
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2006**

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Airport Authority</u>	<u>Auglaize Industries</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$17,576,582	\$648,249	\$18,224,831	\$24,392	\$645,984
Cash and Cash Equivalents:					
In Segregated Accounts	297,702		297,702		
Materials and Supplies Inventory	532,365	26,079	558,444	16,084	
Accrued Interest Receivable	396,229		396,229		
Accounts Receivable	197,484	853,786	1,051,270	5,879	43,468
Internal Balances	3,015	(3,015)			
Due from Other Governments	3,769,376		3,769,376		
Prepaid Items	348,739	6,511	355,250		1,000
Sales Taxes Receivable	1,020,395		1,020,395		
Property Taxes Receivable	5,837,373		5,837,373		
Notes Receivable	974,456	16,250	990,706		
Special Assessments Receivable	1,658,304		1,658,304		
Non Depreciable Assets	1,939,589	54,908	1,994,497		
Depreciable Capital Assets, Net	<u>21,765,015</u>	<u>3,709,917</u>	<u>25,474,932</u>	<u>70,146</u>	<u>54,374</u>
<b>Total Assets</b>	<u>56,316,624</u>	<u>5,312,685</u>	<u>61,629,309</u>	<u>116,501</u>	<u>744,826</u>
<b>Liabilities</b>					
Accounts Payable	575,849	79,570	655,419	4,401	1,905
Contracts Payable	594,610		594,610		
Accrued Wages	512,898	143,296	656,194		
Due to Other Governments	933,871	92,603	1,026,474	199	1,066
Due to Clients		66,752	66,752		
Accrued Interest Payable	10,753		10,753		
Retainage Payable	26,030		26,030		
Claims Payable	59,420		59,420		
Deferred Revenue	5,675,482		5,675,482	15,592	
Long-Term Liabilities:					
Due Within One Year	930,649	147,363	1,078,012		1,626
Due In More Than One Year	<u>2,762,565</u>	<u>206,039</u>	<u>2,968,604</u>		
<b>Total Liabilities</b>	<u>12,082,127</u>	<u>735,623</u>	<u>12,817,750</u>	<u>20,192</u>	<u>4,597</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	23,294,607	3,732,325	27,026,932	70,146	54,374
Restricted for:					
Capital Projects	5,514,689		5,514,689		
Debt Service	596,585		596,585		
Other Purposes	10,849,538		10,849,538		
Unrestricted (Deficit)	<u>3,979,078</u>	<u>844,737</u>	<u>4,823,815</u>	<u>26,163</u>	<u>685,855</u>
<b>Total Net Assets</b>	<u>\$44,234,497</u>	<u>\$4,577,062</u>	<u>\$48,811,559</u>	<u>\$96,309</u>	<u>\$740,229</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES  
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
<b>Current:</b>				
<b>General Government:</b>				
Legislative and Executive	\$4,729,299	\$1,358,716	\$310,922	\$5,921
Judicial	1,858,108	1,087,644	72,422	
Public Safety	5,535,535	442,469	238,186	65,765
Public Works	4,439,446	2,217,998	2,138,143	611,352
Health	5,791,261	682,553	1,364,951	
Human Services	4,527,976	130,239	3,318,002	47,612
Other	1,218,060	3,000		
Interest and Fiscal Charges	145,228			
<b>Total Governmental Activities</b>	<u>28,244,913</u>	<u>5,922,619</u>	<u>7,442,626</u>	<u>730,650</u>
<b>Business-Type Activities:</b>				
Auglaize Acres	5,954,776	5,770,391		
Sewer	351,115	272,612		
<b>Total Business-Type Activities</b>	<u>6,305,891</u>	<u>6,043,003</u>		
<b>Total - Primary Government</b>	<u>\$34,550,804</u>	<u>\$11,965,622</u>	<u>\$7,442,626</u>	<u>\$730,650</u>
<b>Component Units</b>				
Airport Authority	\$217,976	\$189,461		
Auglaize Industries	337,426	301,280		
<b>Total Component Units</b>	<u>\$555,402</u>	<u>\$490,741</u>		

**General Revenues**

Property Taxes Levied for:  
    General Purposes  
    Other Purposes  
Sales Tax Levied for:  
    General Purposes  
    Other Purposes  
    Capital Outlay  
Intergovernmental  
Loss on Sale of Capital Asset  
Investment Earnings  
Miscellaneous  
Total General Revenues  
Change in Net Assets  
Net Assets Beginning of Year  
Net Assets End of Year

See accompanying notes to the basic financial statements.

<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Airport Authority</b>	<b>Auglaize Industries</b>
(\$3,053,740)		(\$3,053,740)		
698,042		698,042		
(4,789,115)		(4,789,115)		
528,047		528,047		
(3,743,757)		(3,743,757)		
(1,032,123)		(1,032,123)		
(1,215,060)		(1,215,060)		
(145,228)		(145,228)		
<u>(14,149,018)</u>		<u>(14,149,018)</u>		
	(\$184,385)	(184,385)		
	(78,503)	(78,503)		
	<u>(262,888)</u>	<u>(262,888)</u>		
(14,149,018)	(262,888)	(14,411,906)		
			(\$28,515)	
				(\$36,146)
			<u>(28,515)</u>	<u>(36,146)</u>
2,056,710		2,056,710		
4,334,377		4,334,377		
4,322,104		4,322,104		
1,249,255		1,249,255		
1,768,225		1,768,225		
915,599		915,599		
(117,660)	(1,260)	(118,920)	(8,973)	
850,405		850,405	686	79,931
692,083	25,188	717,271	9,419	13,053
<u>16,071,098</u>	<u>23,928</u>	<u>16,095,026</u>	<u>1,132</u>	<u>92,984</u>
1,922,080	(238,960)	1,683,120	(27,383)	56,838
42,312,417	4,816,022	47,128,439	123,692	683,391
<u>\$44,234,497</u>	<u>\$4,577,062</u>	<u>\$48,811,559</u>	<u>\$96,309</u>	<u>\$740,229</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<u>General</u>	<u>MVGT</u>	<u>Job and Family Srvc</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,607,130	\$673,391	\$448,438
Cash and Cash Equivalents in Segregated Accounts			
Due from other Government	667,066	2,416,904	
Materials and Supplies Inventory	50,787	444,448	29,810
Accrued Interest Receivable	83,785		
Accounts Receivable	49,957	18,919	906
Due from other Funds	587	263	20,600
Prepaid Items	279,225	5,928	45,068
Sales Taxes Receivable	748,294		
Property Taxes Receivable	1,957,316		
Note Receivable	28,800		
Special Assessments Receivable			
Total Assets	<u>\$7,472,947</u>	<u>\$3,559,853</u>	<u>\$544,822</u>
<b>Liabilities</b>			
Accounts Payable	\$344,106	\$40,018	\$88,111
Contracts Payable	8,334		
Accrued Wages	266,699	70,402	53,895
Intergovernmental Payable	90,956	22,148	419,845
Compensated Absences Payable		11,250	
Retainage Payable			
Due to Other Funds	13,405	2,516	151,508
Deferred Revenue	2,393,207	1,884,313	
Total Liabilities	<u>3,116,707</u>	<u>2,030,647</u>	<u>713,359</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	61,187	8,380	199,484
Reserved for Notes Receivable	28,800		
<b>Unreserved:</b>			
<b>Undesignated (Deficit), Reported in:</b>			
General Fund	4,266,253		
Special Revenue Funds		1,520,826	(368,021)
Debt Service Funds			
Capital Projects Funds			
Total Fund Balances (Deficits)	<u>4,356,240</u>	<u>1,529,206</u>	<u>(168,537)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$7,472,947</u>	<u>\$3,559,853</u>	<u>\$544,822</u>

See accompanying notes to the basic financial statements.



<u>MRDD</u>	<u>Jail Operation/ Maintenance</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$2,359,459		\$5,223,500	\$5,209,583	\$17,521,501
289,813		7,689		297,502
276,921			408,485	3,769,376
7,320				532,365
			312,444	396,229
231			127,471	197,484
1,953			155,270	178,673
7,897	4,822		5,799	348,739
		272,101		1,020,395
3,880,057				5,837,373
			945,656	974,456
			1,658,304	1,658,304
<u>\$6,823,651</u>	<u>\$4,822</u>	<u>\$5,503,290</u>	<u>\$8,823,012</u>	<u>\$32,732,397</u>
\$29,008		\$41	\$52,822	\$554,106
60,000		140,249	386,027	594,610
76,326			41,823	509,145
380,472			19,350	932,771
				11,250
		26,030		26,030
93		344	29,116	196,982
4,156,978			2,154,077	10,588,575
<u>4,702,877</u>		<u>166,664</u>	<u>2,683,215</u>	<u>13,413,469</u>
16,633		7,283	120,111	413,078
			945,656	974,456
				4,266,253
2,104,141	4,822		4,595,410	7,857,178
			300,557	300,557
		5,329,343	178,063	5,507,406
<u>2,120,774</u>	<u>4,822</u>	<u>5,336,626</u>	<u>6,139,797</u>	<u>19,318,928</u>
<u>\$6,823,651</u>	<u>\$4,822</u>	<u>\$5,503,290</u>	<u>\$8,823,012</u>	<u>\$32,732,397</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2006**

<b>Total Governmental Funds Balances</b>	<b>\$19,318,928</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	23,704,604
--	------------

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

Grants	\$1,598,841
Property Tax	161,892
Sales Tax	222,757
Special Assessments	1,878,140
Interest	312,444
Charges for Services - licenses	<u>739,019</u>

Total	4,913,093
-------	-----------

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

General Obligation Bonds	(410,000)
Special Assessment Bonds	(1,170,000)
Special Assessment Notes	(401,359)
Compensated Absences	(1,604,472)
Ohio Public Works Loan	(86,946)
Accrued Interest Payable	<u>(10,753)</u>

Total	(3,683,530)
-------	-------------

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

(18,598)

**Net assets of governmental activities**

**\$44,234,497**

*See accompanying notes to the basic financial statements.*

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**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>MVGT</u>	<u>Job and Family Srvc</u>
<b>Revenues</b>			
Property Taxes	\$2,027,549		
Sales Tax	4,518,757	\$723,390	
Interest	864,099	29,213	
Licenses and Permits	3,348		
Fines and Forfeitures	482,291	55,059	
Intergovernmental	1,357,727	3,646,595	\$2,214,288
Charges for Services	1,244,733	30,283	
Special Assessments			
Other	59,800	4,021	3,150
Total Revenues	<u>10,558,304</u>	<u>4,488,561</u>	<u>2,217,438</u>
<b>Expenditures</b>			
<b>Current:</b>			
<b>General Government:</b>			
Legislative and Executive	2,789,757		
Judicial	1,555,230		
Public Safety	2,941,416		
Public Works	251,839	4,432,300	
Health	83,476		
Human Services	251,862		2,961,508
Other	1,073,889		
Capital Outlay			
<b>Debt Service:</b>			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>8,947,469</u>	<u>4,432,300</u>	<u>2,961,508</u>
Excess of Revenues Over/(Under) Expenditures	<u>1,610,835</u>	<u>56,261</u>	<u>(744,070)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Fixed Assets	831	3,311	669
Other Financing Sources	189,684	185,600	231,181
Other Financing Uses	(553,110)		
Transfers In	107,199		
Transfers Out	(150,000)		
Total Other Financing Sources (Uses)	<u>(405,396)</u>	<u>188,911</u>	<u>231,850</u>
Net Change in Fund Balances	1,205,439	245,172	(512,220)
Fund Balances (Deficits) Beginning of Year	<u>3,150,801</u>	<u>1,284,034</u>	<u>343,683</u>
<b>Fund Balances (Deficits) End of Year</b>	<u><u>\$4,356,240</u></u>	<u><u>\$1,529,206</u></u>	<u><u>(\$168,537)</u></u>

See accompanying notes to the basic financial statements.

<u>MRDD</u>	<u>Jail Oper &amp; Maintenance</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$4,201,647				\$6,229,196
	\$539,643	\$1,768,225		7,550,015
5,145			\$53,066	951,523
				3,348
			14,492	551,842
1,248,449	948	41,503	2,689,263	11,198,773
			1,676,788	2,951,804
			611,084	611,084
			213,894	280,865
<u>5,455,241</u>	<u>540,591</u>	<u>1,809,728</u>	<u>5,258,587</u>	<u>30,328,450</u>
			352,961	3,142,718
			276,580	1,831,810
	1,867,495		617,948	5,426,859
			748,641	5,432,780
4,635,724			984,253	5,703,453
			1,362,093	4,575,463
			115,693	1,189,582
		319,208	156,583	475,791
			1,042,564	1,042,564
			155,786	155,786
<u>4,635,724</u>	<u>1,867,495</u>	<u>319,208</u>	<u>5,813,102</u>	<u>28,976,806</u>
<u>819,517</u>	<u>(1,326,904)</u>	<u>1,490,520</u>	<u>(554,515)</u>	<u>1,351,644</u>
			4,870	9,681
36,636		266	135,669	779,036
	(27)		(93,978)	(647,115)
	82,482		600,562	790,243
(450,000)			(188,184)	(788,184)
<u>(413,364)</u>	<u>82,455</u>	<u>266</u>	<u>458,939</u>	<u>143,661</u>
406,153	(1,244,449)	1,490,786	(95,576)	1,495,305
<u>1,714,621</u>	<u>1,249,271</u>	<u>3,845,840</u>	<u>6,235,373</u>	<u>17,823,623</u>
<u>\$2,120,774</u>	<u>\$4,822</u>	<u>\$5,336,626</u>	<u>\$6,139,797</u>	<u>\$19,318,928</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$1,495,305</b>
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current year.		
Construction in progress	(\$2,467,674)	
Non depreciable capital assets	93,546	
Depreciable capital assets	4,650,838	
Depreciation expense	<u>(1,759,529)</u>	517,181
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
Sale of capital assets	(9,681)	
Loss on sale of capital assets	<u>(117,660)</u>	(127,341)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	161,892	
Permissive Taxes	6,304	
Grants	(77,108)	
Special Assessments	(138,751)	
Interest	(101,117)	
Charges for Services - Licenses	<u>(681,413)</u>	(830,193)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,042,563
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Accrued Interest		10,558
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(103,796)
The internal service funds used by management to charge the costs of insurance and workers' compensation to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated		
		<u>(82,197)</u>
<b>Change in Net Assets of Governmental Activities</b>		<b><u><u>\$1,922,080</u></u></b>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
GENERAL FUND  
DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$2,133,900	\$2,153,900	\$2,025,454	(\$128,446)
Sales tax	3,631,186	4,071,186	4,206,734	135,548
Charges for services	1,036,700	1,054,000	1,238,479	184,479
License and permits	3,480	3,480	3,348	(132)
Fines and forfeitures	445,000	447,000	478,158	31,158
Intergovernmental	1,223,000	1,226,700	1,357,351	130,651
Investment income	410,000	835,000	829,144	(5,856)
Other operating income	59,000	59,000	59,801	801
Total Revenues	<u>8,942,266</u>	<u>9,850,266</u>	<u>10,198,469</u>	<u>348,203</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>General Government:</b>				
Legislative and Executive	3,377,145	3,464,095	2,723,102	740,993
Judicial	1,855,793	1,695,887	1,560,237	135,650
Public Safety	3,079,977	3,143,077	2,894,698	248,379
Public Works	228,519	358,919	264,272	94,647
Health	127,629	125,129	80,035	45,094
Human Services	394,884	422,686	402,968	19,718
Other	1,665,000	1,662,053	1,109,275	552,778
Total Expenditures	<u>10,728,947</u>	<u>10,871,846</u>	<u>9,034,587</u>	<u>1,837,259</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,786,681)</u>	<u>(1,021,580)</u>	<u>1,163,882</u>	<u>2,185,462</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	10,000	4,000	831	(3,169)
Other Financing Sources	542,270	742,477	386,883	(355,594)
Other Financing Uses	(665,422)	(600,827)	(553,108)	47,719
Transfers In		98,000	108,677	10,677
Transfers Out	(240,490)	(83,779)		83,779
Total Other Financing Sources (Uses)	<u>(353,642)</u>	<u>159,871</u>	<u>(56,717)</u>	<u>(216,588)</u>
Net Change in Fund Balance	(2,140,323)	(861,709)	1,107,165	1,968,874
Fund Balance Beginning of Year	2,018,438	2,018,438	2,018,438	
Prior Year Encumbrances Appropriated	<u>156,236</u>	<u>156,236</u>	<u>156,236</u>	
Fund Balance End of Year	<u><u>\$34,351</u></u>	<u><u>\$1,312,965</u></u>	<u><u>\$3,281,839</u></u>	<u><u>\$1,968,874</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
MOTOR VEHICLE AND GASOLINE TAX (MVGT) - SPECIAL REVENUE FUND  
DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Sales tax	\$500,000	\$500,000	\$723,708	\$223,708
Charges for services	25,000	25,000	31,191	6,191
Fines and forfeitures	50,000	50,000	55,219	5,219
Intergovernmental	3,659,000	3,659,000	3,675,938	16,938
Investment income	7,000	7,000	28,707	21,707
Other operating income	3,000	3,000	936	(2,064)
Total Revenues	<u>4,244,000</u>	<u>4,244,000</u>	<u>4,515,699</u>	<u>271,699</u>
<b>Expenditures</b>				
Current:				
<b>Public Works</b>				
Personal services	2,271,241	2,273,773	2,180,580	93,193
Materials and supplies	1,191,477	1,135,687	942,700	192,987
Charges and services	1,055,861	964,119	874,175	89,944
Capital outlay and equipment	358,802	503,801	488,917	14,884
Total Expenditures	<u>4,877,381</u>	<u>4,877,380</u>	<u>4,486,372</u>	<u>391,008</u>
Excess of Revenues Over (Under) Expenditures	<u>(633,381)</u>	<u>(633,380)</u>	<u>29,327</u>	<u>662,707</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	209,500	209,500	182,867	(26,633)
Other Financing Uses	(10,000)	(10,000)	(6,224)	3,776
Proceeds from sale of fixed assets			3,311	3,311
Total Other Financing Sources (Uses)	<u>199,500</u>	<u>199,500</u>	<u>179,954</u>	<u>(19,546)</u>
Net Change in Fund Balance	(433,881)	(433,880)	209,281	643,161
Fund Balance Beginning of Year	397,944	397,944	397,944	
Prior Year Encumbrances Appropriated	<u>37,436</u>	<u>37,436</u>	<u>37,436</u>	
Fund Balance End of Year	<u>\$1,499</u>	<u>\$1,500</u>	<u>\$644,661</u>	<u>\$643,161</u>

See accompanying notes to the basic financial statements.



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
JOB AND FAMILY SERVICES (JFS) - SPECIAL REVENUE FUND  
DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental	\$2,806,750	\$2,806,750	\$2,801,688	(\$5,062)
Other operating income	300	300	3,450	3,150
Total Revenues	<u>2,807,050</u>	<u>2,807,050</u>	<u>2,805,138</u>	<u>(1,912)</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Human Services</b>				
Personal services	1,917,765	1,753,247	1,339,595	413,652
Materials and supplies	92,814	69,314	61,387	7,927
Charges and services	983,874	1,511,017	1,314,864	196,153
Capital outlay and equipment	141,236	80,972	244,008	(163,036)
Total Expenditures	<u>3,135,689</u>	<u>3,414,550</u>	<u>2,959,854</u>	<u>454,696</u>
Excess of Revenues Over (Under) Expenditures	<u>(328,639)</u>	<u>(607,500)</u>	<u>(154,716)</u>	<u>452,784</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	410,000	410,000	102,861	(307,139)
Other Financing Uses	(80,325)	(421,325)	(179,098)	242,227
Proceeds from sale of fixed assets			670	670
Transfers In	300,000	300,000	84,367	(215,633)
Total Other Financing Sources (Uses)	<u>629,675</u>	<u>288,675</u>	<u>8,800</u>	<u>(279,875)</u>
Net Change in Fund Balance	301,036	(318,825)	(145,916)	172,909
Fund Balance Beginning of Year	229,997	229,997	229,997	
Prior Year Encumbrances Appropriated	<u>88,828</u>	<u>88,828</u>	<u>88,828</u>	
Fund Balance End of Year	<u>\$619,861</u>	<u>\$0</u>	<u>\$172,909</u>	<u>\$172,909</u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
MENTAL RETARDATION AND DEVELOPMENT DISABILITIES (MRDD) - SPECIAL REVENUE FUND  
DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$4,380,000	\$4,380,000	\$4,206,428	(\$173,572)
Intergovernmental	778,000	778,000	937,878	159,878
Investment income			4,719	4,719
Total Revenues	<u>5,158,000</u>	<u>5,158,000</u>	<u>5,149,025</u>	<u>(8,975)</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Health</b>				
Personal services	2,711,531	2,596,975	2,586,058	10,917
Materials and supplies	120,526	135,526	124,243	11,283
Charges and services	1,478,575	1,537,150	1,469,226	67,924
Capital outlay and equipment	76,000	19,556	29,555	(9,999)
Total Expenditures	<u>4,386,632</u>	<u>4,289,207</u>	<u>4,209,082</u>	<u>80,125</u>
Excess of Revenues Over (Under) Expenditures	<u>771,368</u>	<u>868,793</u>	<u>939,943</u>	<u>71,150</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers Out		(450,000)	(450,000)	
Other Financing Sources	6,000	6,000	34,452	28,452
Total Other Financing Sources (Uses)	<u>6,000</u>	<u>(444,000)</u>	<u>(415,548)</u>	<u>28,452</u>
Net Change in Fund Balance	777,368	424,793	524,395	99,602
Fund Balance Beginning of Year	1,558,161	1,558,161	1,558,161	
Prior Year Encumbrances Appropriated	<u>34,676</u>	<u>34,676</u>	<u>34,676</u>	
Fund Balance End of Year	<u>\$2,370,205</u>	<u>\$2,017,630</u>	<u>\$2,117,232</u>	<u>\$99,602</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
JAIL OPERATIONS AND MAINTENANCE - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Sales Tax	\$1,000,000	\$900,661	\$900,661	
Intergovernmental		734	948	\$214
Total Revenues	<u>1,000,000</u>	<u>901,395</u>	<u>901,609</u>	<u>214</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Public Safety:</b>				
Personal services	1,533,000	1,636,624	1,636,624	
Materials and supplies	11,821	49,785	49,785	
Charges and services	15,459	85,529	85,529	
Capital outlay and equipment	6,378	193,513	193,513	
Total Expenditures	<u>1,566,658</u>	<u>1,965,451</u>	<u>1,965,451</u>	
Excess of Revenues Over (Under) Expenditures	<u>(566,658)</u>	<u>(1,064,056)</u>	<u>(1,063,842)</u>	<u>214</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources		214		(214)
Transfers In		82,482	82,482	
Total Other Financing Sources (Uses)		<u>82,696</u>	<u>82,482</u>	<u>(214)</u>
Net Change in Fund Balance	(566,658)	(981,360)	(981,360)	
Fund Balance Beginning of Year	947,705	947,705	947,705	
Prior Year Encumbrances Appropriated	<u>33,658</u>	<u>33,658</u>	<u>33,658</u>	
Fund Balance End of Year	<u><u>\$414,705</u></u>	<u><u>\$3</u></u>	<u><u>\$3</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2006**

	<u>Business Type Activities Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Auglaize Acres</u>	<u>Sewers</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>Assets</b>				
<b>Current Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$189,923	\$458,326	\$648,249	\$55,081
Cash and Cash Equivalents in Segregated Accounts				200
<b>Receivables:</b>				
Accounts	805,395	48,391	853,786	
Notes		16,250	16,250	
Due From Other Funds				21,324
Materials and Supplies Inventory	26,079		26,079	
Prepaid Items	5,911	600	6,511	
Total Current Assets	<u>1,027,308</u>	<u>523,567</u>	<u>1,550,875</u>	<u>76,605</u>
<b>Noncurrent Assets:</b>				
<b>Capital Assets:</b>				
Land	4,200	50,708	54,908	
Depreciable Capital Assets, Net	98,687	3,611,230	3,709,917	
Total Noncurrent Assets	<u>102,887</u>	<u>3,661,938</u>	<u>3,764,825</u>	
Total Assets	<u>1,130,195</u>	<u>4,185,505</u>	<u>5,315,700</u>	<u>76,605</u>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable	78,364	1,206	79,570	21,743
Accrued Wages	143,296		143,296	3,753
Intergovernmental Payable	92,603		92,603	1,100
Due to Other Funds	3,015		3,015	
Due to Clients	66,626	126	66,752	
Claims Payable				59,420
Notes Payable		5,000	5,000	
Compensated Absences Payable	142,363		142,363	3,132
Total Current Liabilities	<u>526,267</u>	<u>6,332</u>	<u>532,599</u>	<u>89,148</u>
<b>Long-Term Liabilities:</b>				
Compensated Absences Payable	178,539		178,539	6,055
Notes Payable		27,500	27,500	
Total Long-Term Liabilities	<u>178,539</u>	<u>27,500</u>	<u>206,039</u>	<u>6,055</u>
Total Liabilities	<u>704,806</u>	<u>33,832</u>	<u>738,638</u>	<u>95,203</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	102,887	3,629,438	3,732,325	
Unrestricted	<u>322,503</u>	<u>522,234</u>	<u>844,737</u>	<u>(18,598)</u>
<b>Total Net Assets</b>	<u>\$425,390</u>	<u>\$4,151,672</u>	<u>\$4,577,062</u>	<u>(\$18,598)</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Business Type Activities Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Auglaize Acres</b>	<b>Sewers</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>				
Charges for Services	\$5,766,821	\$272,612	\$6,039,433	\$4,041,298
Total Operating Revenues	<u>5,766,821</u>	<u>272,612</u>	<u>6,039,433</u>	<u>4,041,298</u>
<b>Operating Expenses</b>				
Personal Services	4,495,964		4,495,964	107,370
Contractual Services	845,586	235,538	1,081,124	3,935,158
Materials and Supplies	539,808	900	540,708	84,022
Other	34,706		34,706	
Depreciation	25,561	114,678	140,239	
Capital Outlay	13,150		13,150	
Total Operating Expenses	<u>5,954,775</u>	<u>351,116</u>	<u>6,305,891</u>	<u>4,126,550</u>
Operating Income (Loss)	<u>(187,954)</u>	<u>(78,504)</u>	<u>(266,458)</u>	<u>(85,252)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Loss on Sale of Capital Asset	(1,260)		(1,260)	
Other Non Operating Income	28,758		28,758	5,114
Transfers Out				(2,059)
Total Non-Operating Revenues (Expenses)	<u>27,498</u>		<u>27,498</u>	<u>3,055</u>
Change in Net Assets	(160,456)	(78,504)	(238,960)	(82,197)
Net Assets Beginning of Year	<u>585,846</u>	<u>4,230,176</u>	<u>4,816,022</u>	<u>63,599</u>
<b>Net Assets End of Year</b>	<u><u>\$425,390</u></u>	<u><u>\$4,151,672</u></u>	<u><u>\$4,577,062</u></u>	<u><u>(\$18,598)</u></u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF CASH FLOWS  
BUSINESS TYPE ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Business Type Activities</u> <u>Enterprise Funds</u>			<u>Governmental</u> <u>Activities</u>
	<u>Auglaize</u> <u>Acres</u>	<u>Sewers</u>	<u>Total</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$5,616,359	\$274,692	\$5,891,051	\$101,218
Cash Received from Interfund Services Provided				3,939,124
Cash Payments to Employees for Services	(4,410,518)		(4,410,518)	(109,651)
Cash Payments for Goods and Services	(1,455,985)	(248,125)	(1,704,110)	(4,004,996)
Net Cash Provided by (Used in) Operating Activities	<u>(250,144)</u>	<u>26,567</u>	<u>(223,577)</u>	<u>(74,305)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Non Operating Revenue	28,758		28,758	5,114
Extraordinary Revenue				
Non Operating Expenses				(2,059)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>28,758</u>		<u>28,758</u>	<u>3,055</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Fixed Asset Purchases	(22,345)		(22,345)	
Sale of Fixed Assets	120		120	
Principal Paid on Notes		(5,000)	(5,000)	
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(22,225)</u>	<u>(5,000)</u>	<u>(27,225)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	(243,611)	21,567	(222,044)	(71,250)
Cash and Cash Equivalents Beginning of Year	433,534	436,759	870,293	126,531
Cash and Cash Equivalents End of Year	<u>\$189,923</u>	<u>\$458,326</u>	<u>\$648,249</u>	<u>\$55,281</u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
Operating Gain (Loss)	(\$187,954)	(\$78,504)	(\$266,458)	(\$85,252)
<b>Adjustments:</b>				
Depreciation	25,561	114,678	140,239	
<b>(Increase) Decrease in Assets:</b>				
Accounts Receivable	(150,462)	2,082	(148,380)	136
Intergovernmental Receivable		2,500	2,500	30
Prepays	(1,533)	(277)	(1,810)	
Materials and Supplies Inventory	5,974		5,974	
Due from Other Funds				(1,092)
<b>Increase (Decrease) in Liabilities:</b>				
Accounts Payable	32,055	(13,324)	18,731	(13,826)
Claims Payable				28,066
Accrued Wages	900		900	(116)
Compensated Absences Payable	84,546		84,546	(2,165)
Intergovernmental Payable	56,908		56,908	(86)
Due to Clients	(113,063)	(588)	(113,651)	
Due to Other Funds	(3,076)		(3,076)	
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(\$250,144)</u>	<u>\$26,567</u>	<u>(\$223,577)</u>	<u>(\$74,305)</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2006**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$5,999	\$2,648,278
Cash and Cash Equivalents in Segregated Accounts		824,029
<b>Receivables:</b>		
Property Taxes		46,417,397
Special Assessments		852,267
Due from other governments	1,009	3,429,317
Total Assets	<u>7,008</u>	<u>54,171,288</u>
<b>Liabilities</b>		
Due to Other Governments		53,347,259
Undistributed Assets		824,029
Total Liabilities		<u>\$54,171,288</u>
<b>Net Assets</b>		
Restricted	<u>7,008</u>	
<b>Total Net Assets</b>	<u>\$7,008</u>	

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Private Purpose Trust</b>
<b>Additions</b>	
Other	\$20,366
Total Additions	<u>20,366</u>
<b>Deductions</b>	
Human Service	15,862
Total Deductions	<u>15,862</u>
Change in Net Assets	4,504
Net Assets Beginning of Year	<u>2,504</u>
<b>Net Assets End of Year</b>	<u><u>\$7,008</u></u>

*See accompanying notes to the basic financial statements.*



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**1. DESCRIPTION OF THE ENTITY**

Auglaize County, Ohio (The County) was formed by an act of the Legislature on February 14, 1848. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Probate/Juvenile and Domestic Relations Court Judge, and a Municipal County Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

**A. Reporting Entity**

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

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

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

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

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

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

**B. Discretely Presented Component Units**

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

**Auglaize County Airport Authority**

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

**Auglaize Industries, Inc.**

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

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

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

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

**D. Excluded Potential Component Units**

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

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

The County is associated with the following risk pools, jointly governed organizations and joint ventures which are described in Notes 17 through 19.

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function for the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

**Fund Financial Statements:** The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category-governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column.

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

**1. Governmental Funds:**

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

The following are the County's major governmental funds:

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

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

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

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

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

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

**2. Proprietary Funds**

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

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

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

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds.

Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

**1. Government-Wide Financial Statements**

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

**2. Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

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

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

**3. Discretely Presented Component Units**

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

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

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

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

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

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

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

**2. Deferred Revenue**

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

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**3. Expenses/Expenditures**

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

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. Budgetary information for the component units is not reported because they are not included in the entity for which the "appropriated budget" is adopted. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by County Commissioners. The legal level of control has been established by the County Commissioners at the personal services and other expense classification levels within each department for the General Fund and for all other funds. The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the Statements of revenues, Expenditures and Changes In Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – for the General and Major Special Revenue Funds reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

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

**E. Cash and Cash Equivalents**

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

During 2006, investments were limited to money markets, treasury notes, and federal agency securities. Except for money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

Following Ohio statutes, the County is required to credit all investment earnings to the General Fund, unless otherwise expressly required by law to allocate to other funds. Interest is distributed to the general fund, the motor vehicle gasoline tax special revenue fund, St. Marys River project special revenue fund, the Auglaize School workshop bond retirement fund, the Treasurer's prepay agency fund, and the Auglaize School Group Home expendable trust fund. Total investment revenue earned during 2006 was \$951,523. The General fund was credited \$864,099, and of this amount \$576,026 was assigned from other funds.

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



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

**F. Inventory of Supplies**

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

**G. Prepays**

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**H. Receivables and Payables**

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

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

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

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

**J. Restricted Assets**

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

**K. Capital Assets and Depreciation**

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

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported on the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Infrastructure assets are reported as part of Capital Assets Being Depreciated in the governmental activities column. Infrastructure reported in the governmental activities column consists of County bridges. In addition, expenditures made by the County to preserve existing bridges are expensed rather than capitalized. Only expenditures for additions or improvements are capitalized.

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

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

<u>Description</u>	<u>Estimated Life</u>
Sewer and Water Treatment Plants and Lines	50 years
Buildings and Improvements	10-30 years
Bridges	40 years
Cruisers	2 years
Furniture and Fixtures	10-20 years
Machinery and Equipment	7-15 years
Licensed Vehicles (except Cruisers)	6 years

**L. Component Units**

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

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

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

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

**M. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

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

**O. Net Assets**

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

Net assets restricted for other purposes include resources restricted for specific county operations and federal and state grants restricted to expenditure for specified purposes. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At December 31, 2006, the amount of net assets restricted by enabling legislation was \$8,011,720.

**P. Capital Contributions**

Capital contributions arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction or transfers of capital assets between governmental and business type activities. These assets are recorded at their fair market value on the date contributed. Contributed resources are reported as capital contributions within the financial statements pursuant to GASB 33 "Accounting and Reporting for Non-exchange Transactions". There were no capital contributions during 2006.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

**Q. Fund Balance Reserves**

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

**R. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for county home room and board, sewer services, as well as charges for internal service fund activities. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating.

**S. Inter-fund Transactions**

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

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

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

**T. Use of Estimates**

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE**

The following funds had deficit fund balances as of December 31, 2006:

<b>Special Revenue Funds:</b>	<b>Deficit Fund Balance</b>
Jobs and Family Services	\$368,021
Airport Grant – State	115,000
Community Housing Improvement	1,845
Community Development Block Grant	497
Airport Grant	100,380
<b>Internal Service Funds:</b>	
Insurance	99,885
Flex Spending	4,788
Gas Rotary	271

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

**4. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

**Net Change in Fund Balance  
General and Major Special Revenue Funds**

	<b>General</b>	<b>Motor Vehicle Gasoline Tax</b>	<b>Job and Family Services</b>	<b>Mental Retardation Development Disabilities</b>	<b>Jail Operations And Maintenance</b>
Budget Basis	\$1,107,165	\$209,281	\$(145,916)	\$524,395	(\$981,360)
<b>Net Adjustments:</b>					
Revenue accruals	359,835	189,000	(587,700)	306,216	(361,018)
Expense accruals	(37,210)	(184,866)	(275,331)	(527,839)	97,956
Other financing sources	(198,677)	2,733	43,952	2,184	
Other financing uses	(150,002)	6,224	179,098		(27)
Encumbrances	124,328	22,800	273,677	101,197	
GAAP Basis	<u>\$1,205,439</u>	<u>\$245,172</u>	<u>(\$512,220)</u>	<u>\$406,153</u>	<u>(\$1,244,449)</u>

**5. DEPOSITS AND INVESTMENTS**

**Primary Government**

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

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

Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures, or any other obligation or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit, or savings or deposit accounts, including, but not limited to, passbook accounts;

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
8. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
9. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio; and

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

**Cash On Hand** - At December 31, 2006, cash on hand amounted to \$9,621.

**Deposits** – Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the County's deposits was \$10,767,942. Of the County's bank balance of \$10,990,922, \$9,884,375 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

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

**Investments** – As of December 31, 2006, the County had the following investments with the listed maturity periods:

	<b>Total</b>	<b>Less Than Six Months</b>	<b>Six Months To One Year</b>	<b>One to Five Years</b>
Federal Home Loan Bank Bonds	\$607,201		\$373,009	\$234,192
Federal Home Loan Bank Cons Disc Bonds	548,062	\$548,062		
Federal Home Loan Bank Cons Disc Notes	1,495,979	398,752	249,297	847,930
Federal Home Loan Mortgage Notes	599,874	599,874		
Federal Home Loan Mrtg Corporation Mtn Notes	1,345,928		697,836	648,092
Federal Home Loan Bank Call Step Bonds	4,614,362	214,867	1,661,098	2,738,397
Federal Home Loan Mortgage Corporation Notes	349,528			349,528
Federal National Mortgage Association Notes	781,877	397,876	84,469	299,532
Federal National Mrtg Association Fannie Notes	616,541			616,541
Federal National Mrtg Association Mtn Notes	263,924			263,924
	<u>\$11,223,276</u>	<u>\$2,159,431</u>	<u>\$3,065,709</u>	<u>\$5,998,136</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

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

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

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

	<u>Carrying Value</u>	<u>Percentage Of Portfolio</u>
Federal Home Loan Bank Bonds	\$607,201	5.41%
Federal Home Loan Bank Cons Disc Bonds	548,062	4.88%
Federal Home Loan Bank Cons Disc Notes	1,495,979	13.33%
Federal Home Loan Mortgage Notes	599,874	5.34%
Federal Home Loan Mrtg Corporation Mtn Notes	1,345,928	11.99%
Federal Home Loan Bank Call Step Bonds	4,614,362	41.11%
Federal Home Loan Mortgage Corporation Notes	349,528	3.11%
Federal National Mortgage Association Notes	781,877	6.97%
Federal National Mrtg Association Fannie Notes	616,541	5.49%
Federal National Mrtg Association Mtn Notes	263,924	2.37%
	<u>\$11,223,276</u>	<u>100.00%</u>

**Component Units**

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

At year end, the carrying amount of the Auglaize County Airport Authority deposits were \$24,292 and the bank balance was \$24,292. \$24,292 was covered by federal depository insurance. The balance of cash on hand at year end was \$100. The Auglaize County Airport Authority did not have any investments at year end.

**Auglaize Industries, Inc.** - At year end, the carrying amount of Auglaize Industries, Inc. deposits was \$12,536 and the bank balance was \$25,903. Of this amount, \$25,903 was covered by federal depository insurance. The balance of cash on hand at year end was \$200. The investment securities are carried at fair market value.

Of these securities, the United States Government Securities and the Mortgaged Backed Securities due after ten years have a fair value of \$165,476; and the Mutual Funds have a fair value of \$467,772. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

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

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility property) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date.

Assessed values are established by the Tax Commissioner at 35 percent of appraised market value. All property is required to be revalued every six years. The last triennial update was completed in tax year 2002 (Calendar year 2003). The last revaluation update was completed in tax year 2005 (calendar year 2006). Real property taxes are payable annually or semiannually. The first payment is due February 15, with the remainder payable by July 14.

Property tax revenues received in 2006 represents the collection of 2005 taxes for real and public utility property taxes. Real and public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory.

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

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2006. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2006 operations. The receivable and the portion of the tax levies prepaid by year end into the undivided general tax agency fund are therefore offset by a credit to deferred revenue.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The full tax rate for all County operations for the year ended December 31, 2006, was \$9.25 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

<b>Real Property:</b>	
Agricultural/Residential	\$621,008,270
Commercial/Industrial/Mineral	129,158,510
Public Utility Real	272,570
<b>Tangible Personal Property:</b>	
General	75,690,434
Public Utility	<u>26,776,320</u>
Total Assessed Value	<u>\$852,906,104</u>

**7. PERMISSIVE SALES AND USE TAX**

The County Commissioners by resolution imposed a one percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the permissive sales tax are to be credited to the General (60 percent) and to the Permanent Improvement Fund (40 percent). This sales tax revenue for 2006 amounted to \$6,286,982. The General fund was credited with \$4,518,757 and the Permanent Improvement fund was credited with \$1,768,225. The use tax amounted to \$723,390, and was credited to the Motor Vehicle and Gasoline Tax Fund. Additionally, on June 1, 1996, a voter approved one-half percent sales tax went into effect for 10 years. This tax is used to finance the construction, maintenance and operation of a law enforcement facility. Sales tax revenue for 2006 amounted to \$539,643 and was credited to the Jail Operations and Maintenance Fund.

A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2006. On a full accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable that will be received outside of the available period is deferred.

**8. INTERFUND TRANSACTIONS**

As of December 31, 2006, inter-fund receivables and payables that resulted from various inter-fund transactions were as follows:

<u>Interfund Payable</u>	<u>General</u>	<u>MVGT</u>	<u>Job &amp; Family Services</u>	<u>MRDD</u>	<u>Other Govtl</u>	<u>Internal Service</u>	<u>Total</u>
General		\$263				\$13,142	\$13,405
MVGT	\$58					2,458	2,516
Job & Family Service					\$149,865	1,643	151,508
MRDD	93						93
Perm Improvement	344						344
Other Governmental	92		\$20,600	\$1,953	5,405	1,066	29,116
Auglaize Acres						3,015	3,015
Interfund Receivable	<u>\$587</u>	<u>\$263</u>	<u>\$20,600</u>	<u>\$1,953</u>	<u>\$155,270</u>	<u>\$21,324</u>	<u>\$199,997</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**8. INTERFUND TRANSACTIONS (Continued)**

<u>Operating Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$107,199	\$150,000
Mental Retardation and Developmental		450,000
Children's Services	150,000	40,000
Debt Service		83,045
Ditch Maintenance	562	
Community Alternatives	450,000	
Jail Operations & Maintenance	82,482	
Airport Grant		53
Americorps		4,711
Muni Court Project		52,076
06 Home		9
Title Department		2,400
A OK Program		5,890
Flex Spending		2,059
	<u>\$790,243</u>	<u>\$790,243</u>

**9. RECEIVABLES**

Receivables at December 31, 2006 consist of taxes, accounts (billings for user charged services), special assessments, inter-fund, interest, due from other funds, and due from other government receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. A summary of the principal items of due from other government receivables follows:

<u>General Fund</u>	<u>Amount</u>
Public Defender Reimbursement	\$13,433
Judge's Salary Reimbursement	569
School Food Service	1,285
Sewer Fees	3,053
Local Government	433,803
Homestead and Rollback	142,211
Revenue Assistance	72,712
Total General Fund	<u>667,066</u>
<b>MVGT Fund</b>	
Motor Vehicle License Tax	972,711
Permissive Motor Vehicle License Tax	303,306
Gasoline Tax	1,140,887
Total MVGT Fund	<u>2,416,904</u>
<b>MRDD Fund</b>	
MRDD – Homestead and Rollback	<u>276,921</u>
<b>Other Funds</b>	
Community Development Block Grant	543
Community Housing Improvement Program	2,157
VOCA – Federal funding	23,941
Childrens Services	127,260
911 User Fees	1,717
Grants – State Funding	9,170
Airport Grant	243,697
Total Other Funds	<u>408,485</u>
Total Due From Other Governments	<u>\$3,769,376</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**9. RECEIVABLES (Continued)**

A summary of the principal items of accounts receivables follows:

<b>General Fund</b>	<b>Amount</b>
Fees	\$49,153
Property Conveyance	105
Property Permissive Conveyance	210
Reimbursement	489
Total General Fund	<u>49,957</u>
<b>MVGT Fund</b>	
Motor Vehicle Reimbursement	16,072
Engineer Sewer Fees	2,847
Total MVGT Fund	<u>18,919</u>
<b>Job and Family Services</b>	
Reimbursement	<u>906</u>
<b>MRDD</b>	
Reimbursement	<u>231</u>
<b>Other Funds</b>	
Reimbursements	360
Auditor and Treasurer Fees	66,937
Tap Fees	4,389
Ditch Maintenance Fees	2,663
Children Services Fees	650
Charges for Services	14,490
Solid Waste Generation Fee	37,982
Total Other Funds	<u>127,471</u>
Total Governmental Funds Accounts	<u>197,484</u>
<b>Auglaize Acres</b>	
Auglaize Acres – Room and Board	808,153
Auglaize Acres – Other	344
Less Allowance for Doubtful Accounts	808,497
(Auglaize Acres Room and Board)	<u>(3,102)</u>
Total Auglaize Acres Accounts Receivable	<u>805,395</u>
<b>Sewer Funds</b>	
South Grand Lake Sewer Charges	16,667
Villa Nova Sewer Charges	1,884
Sharlon Sewer Charges	921
Beverly Hills Sewer Charges	3,499
Sherwood Forest Sewer Charges	1,909
Pleasantview Sewer Charges	3,962
Arrowhead Estates Sewer Charges	1,794
East Lake Park Sewer Charges	2,306
Forest Lane Sewer Charges	1,977
Sandy Beach Sewer Charges	11,020
Oakwood Hills Sewer Charges	2,452
Total Sewer Funds	<u>48,391</u>
Total Enterprise Funds – Net of Allowance	<u>853,786</u>
Total Accounts Receivable	<u>\$1,051,270</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**9. RECEIVABLES (Continued)**

A summary of the principal items of notes receivables follows:

<b>General Fund</b>	<b>Amount</b>
Educational Service Center Promissory Note	<u>\$28,800</u>
<b>Other Funds</b>	
Auglaize Provico	349,693
Johnna's LLC	58,093
Make Properties, Inc.	241,468
WeldTec, Ltd.	223,472
CC Propane	<u>72,930</u>
Total Other Funds	<u>945,656</u>
Total Governmental Notes Receivable	<u>\$974,456</u>
<b>Enterprise Funds</b>	
City of Wapakoneta – Oakwood Hills Sewer	<u>\$16,250</u>
Total Notes Receivable	<u>\$16,250</u>

**10. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006, was as follows:

<u>Governmental Activities</u>	<u>Balance January 1</u>	<u>Prior Year Additions</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>
<b>Non Depreciable Assets:</b>					
Land	\$ 1,833,859	\$0	\$93,546	\$0	\$1,927,405
Construction in Progress	2,489,966	0	743,828	(3,221,610)	12,184
Total Non Depreciable	<u>4,323,825</u>	<u>0</u>	<u>837,374</u>	<u>(3,221,610)</u>	<u>1,939,589</u>
<b>Depreciable Assets:</b>					
Land Improvements	1,079,719	0	2,956,459	0	4,036,178
Buildings & Improvements	17,631,838	0	642,101	(89,000)	18,184,939
Infrastructure	131,130	2,107,120	121,103	0	2,359,353
Equipment, Furniture, Fixtures	8,064,537	25,674	931,175	(270,007)	8,751,379
Total Depreciable	<u>26,907,224</u>	<u>2,132,794</u>	<u>4,650,838</u>	<u>(359,007)</u>	<u>33,331,849</u>
<b>Accumulated Depreciation:</b>					
Land Improvements	348,590	0	359,075	0	707,665
Buildings & Improvements	4,446,521	0	691,459	(8,900)	5,129,080
Infrastructure	20,415	151,602	5,649	0	177,666
Equipment, Furniture & Fixtures	5,060,838	11,004	703,346	(222,765)	5,552,423
Total Accumulated Depreciation	<u>9,876,364</u>	<u>162,606</u>	<u>1,759,529</u>	<u>(231,665)</u>	<u>11,566,834</u>
Net Depreciable Assets	<u>17,030,860</u>	<u>1,970,188</u>	<u>2,891,309</u>	<u>(127,342)</u>	<u>21,765,015</u>
Total Governmental Activities Capital Assets (Net)	<u>\$21,354,685</u>	<u>\$1,970,188</u>	<u>\$3,728,683</u>	<u>(\$3,348,952)</u>	<u>\$23,704,604</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**10. CAPITAL ASSETS (Continued)**

<u>Business-Type Activities</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>
Non Depreciable Assets:				
Land	\$54,908	\$0	\$0	\$54,908
Depreciable Assets:				
Buildings & Improvements	862,397	0	0	862,397
Sewer	5,735,566	0	0	5,735,566
Equip, Furn & Fixtures	255,269	22,345	(8,970)	268,644
Total Depreciable	<u>6,853,232</u>	<u>22,345</u>	<u>(8,970)</u>	<u>6,866,607</u>
Accumulated Depreciation:				
Buildings & Improvements	807,401	6,814	0	814,215
Sewer	2,009,658	114,678	0	2,124,336
Equip, Furn & Fixtures	206,982	18,747	(7,590)	218,139
Total Accumulated Depreciation	<u>3,024,041</u>	<u>140,239</u>	<u>(7,590)</u>	<u>3,156,690</u>
Net Depreciable Assets Business Type Activities	<u>3,829,191</u>	<u>(117,894)</u>	<u>(1,380)</u>	<u>3,709,917</u>
Capital Assets (Net)	<u>\$3,884,099</u>	<u>\$(117,894)</u>	<u>\$(1,380)</u>	<u>\$3,764,825</u>

Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$1,142,704
General Government - Judicial	21,457
Public Safety	168,771
Public Works	326,945
Health	38,371
Human Services	61,281
Total Depreciation Expense	<u>\$1,759,529</u>

**11. RISK MANAGEMENT**

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

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The County participates in the Midwest Pool Risk Management Agency, Inc. which is a public entity risk pool, (see Note 17) for general liability, automobile liability, public officials' liability and property and crime insurance.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

Coverage provided by the pool is as follows:

<b>Property</b>	
Maximum per occurrence	\$64,848,600
Subject to following sublimits	
Flood*	36,000,000
Earthquake*	36,000,000
Demolition and Increased Cost of Construction	1,000,000
Extra Expense	275,000
Rental Income	16,000
Computer Equipment & Media	1,000,000
Computer Extra Expense	50,000
Property in Transit	20,000
Valuable Papers	100,000
Account Receivable	50,000
Mobile Equipment	2,500,000
Fine Arts	50,000
Automatic Builders' Risk	1,000,000
Automatic Newly-Acquired Property	1,000,000
<b>Crime</b>	
Employee Dishonesty and Faithful Performance	250,000
Money and Securities (Inside and Outside)	250,000
Forgery and Alteration	250,000
<b>Boiler and Machinery</b>	30,000,000
<b>Liability</b>	
Maximum per occurrence	7,000,000
Subject to following sublimits	
General, Law, Auto	7,000,000
Employee Benefits*	7,000,000
Ohio Stop Gap	7,000,000
Public Official Errors & Omissions*	7,000,000
Sexual Harassment*	1,000,000
County Home (primary and excess liability)	5,000,000

Limits include the pool self-insured retentions.

\*Limit is annual aggregate

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

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

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

Property and Auto Physical Damage	\$ 263,122,400
Crime	250,000
Liability	6,000,000

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

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

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

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

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

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

The County is part of the Midwest Employee Benefit Consortium (MEBC) for its employee health insurance, and retains no risk for this plan (see Note 17). Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative expenses of the Association and to create adequate reserves for claims and unallocated loss adjustment expenses.

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



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

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

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

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

For 2006, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool (See Note 17). The plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

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

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

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

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

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

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

The liability for unpaid claims of National Medical Health Card and Medicare reimbursements at period end was \$59,420. Changes in the plans' claims liability during 2006 were:

	<u>Beginning of Year</u>	<u>New Claims</u>	<u>Claims Payments</u>	<u>Balance at Year End</u>
2006	<u>\$31,355</u>	<u>\$580,115</u>	<u>\$(552,050)</u>	<u>\$59,420</u>
2005	<u>\$22,049</u>	<u>\$553,820</u>	<u>\$(544,514)</u>	<u>\$31,355</u>

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

**12. DEFINED BENEFIT PENSION PLANS**

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For 2006, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the traditional pension plan. For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The County's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$1,215,117, \$1,331,313 and \$1,284,345, and respectively; 92 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member-directed plan for 2006 were \$10,981 made by the County and \$7,214 made by the plan members.

**13. POSTEMPLOYMENT BENEFITS**

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2006 local government employer units contributed at 13.70% of covered payroll, and public safety and law enforcement employer units contributed at 16.93%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units, and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2006, the employer contribution allocated to the health care plan was 4.5% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

Actual employer contributions for 2006 which were used to fund post-employment benefits were \$628,091.

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

**14. COMPENSATED ABSENCES**

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

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

**15. LEASES – LESSEE DISCLOSURE**

The County has entered into a lease for office space. The lease entered into does not meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The schedule for future minimum long-term operating lease payments as of December 31, 2006 is as follows:

<u>Year</u>	<u>Special Revenue Fund</u>
2007	\$10
2008	10
2009	10
2010	10
2011	10
2012	10
Total	<u>\$60</u>

**16. DEBT OBLIGATIONS**

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

<u>Governmental Activities</u>	<u>Balance 12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>	<u>Due Within One Year</u>
<b>General Obligation Bonds:</b>					
2005 – 2.4% - 4.1%					
Original Amount \$475,000					
Human Services Building	\$440,000	\$0	\$(30,000)	\$410,000	\$30,000
1996 - 4.10% - 5.20%					
Original Amount \$7,200,000					
County Law Enforcement Center	755,000	0	(755,000)	0	0
<b>Total General Obligations</b>	<u>1,195,000</u>	<u>0</u>	<u>(785,000)</u>	<u>410,000</u>	<u>30,000</u>

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**16. DEBT OBLIGATIONS (Continued)**

**Ohio Public Works Loan**

Sandy Beach Storm Sewer	92,060	0	(5,114)	86,946	5,114
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**Special Assessment Bonds:**

1992 – 4.9%-7%

Original Amount - \$1,220,000

Southeast Sewer District	540,000	0	(75,000)	465,000	80,000
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1993 – 3.1% - .9%

Original Amount - \$1,495,000

Sandy Beach Sewer District	785,000	0	(80,000)	705,000	85,000
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Total Special Assessment	1,325,000	0	(155,000)	1,170,000	165,000
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**Special Assessment Notes:**

Kah Sewer- 0%	\$179,341	121,055	0	(8,967)	112,088	8,967
Smith Ditch – 3.98%	6,798	4,673	0	(850)	3,823	850
Grubbs #2 Ditch – 3.65%	20,061	20,061	0	(4,012)	16,049	4,012
Kilger Ditch - 5.75%	25,396	6,349	0	(3,174)	3,175	3,175
Oakwood Dr Strm Swr–3.77%	4,382	4,382	0	(2,191)	2,191	2,191
Allman #2 Ditch - 4.75%	66,929	53,748	0	(7,166)	46,582	7,166
Bills Ditch - 6.85%	9,710	5,462	0	(1,214)	4,248	1,214
King Ditch - 6.5%	36,539	29,688	0	(4,567)	25,121	4,567
Heinz Ditch - 5.93%	63,699	15,925	0	(7,962)	7,963	7,963
Cook #2 – 3.98%	12,233	8,410	0	(1,529)	6,881	1,529
Warman #2 Ditch – 4.75%	1,030	257	0	(257)	0	0
Ruck Ditch - 5.375%	13,008	813	0	(813)	0	0
Hauss Ditch - 6.57%	16,241	6,090	0	(2,030)	4,060	2,030
Danaher Ditch – 4.091%	40,255	32,707	0	(5,032)	27,675	5,032
Rapp Kill Ditch - 6.75%	6,738	2,106	0	(842)	1,264	842
Berg Bauer Ditch - 5.75%	66,918	20,912	0	(8,365)	12,547	8,365
Buck Ditch - 6.75%	14,903	4,657	0	(1,863)	2,794	1,863
Kenmann Ditch - 5.375%	10,607	3,315	0	(1,326)	1,989	1,326
Egley #2 Ditch – 6.25%	2,805	1,403	0	(351)	1,052	351
Benzing Ditch – 5.25%	44,766	25,181	0	(5,596)	19,585	5,596
Steineman Ditch – 4.35%	24,025	4,805	0	(4,805)	0	0
Copeland Ditch – 6.75%	13,623	6,811	0	(1,703)	5,108	1,703
Scholl Ditch – 5.75%	16,581	9,327	0	(2,073)	7,254	2,073
Wissman Ditch - 6.85%	36,228	11,321	0	(4,529)	6,792	4,529
Parker Ditch – 4.748%	12,483	10,923	0	(1,560)	9,363	1,560
Knueve Ditch – 4.748%	10,756	9,412	0	(1,345)	8,067	1,345
Sellers Ditch – 3.62%	2,472	1,236	0	(1,236)	0	0
Lotridge Ditch – 4.25%	72,169	63,148	0	(9,021)	54,127	9,021
Schlegelmilch Ditch – 3.22%	2,798	2,098	0	(1,399)	699	699
Downey Ditch – 4.53%	13,369	12,533	0	(1,671)	10,862	1,671
Total Special Assessment Notes	498,808	0	(97,449)	401,359	89,640	

**Total Other Long Term Obligations**

Compensated Absences	1,493,649	131,260	0	1,624,909	640,895
Total Governmental Activities	\$4,604,517	\$131,260	\$(1,042,563)	\$3,693,214	\$930,649

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**16. DEBT OBLIGATIONS (Continued)**

<u>Business Type Activities</u>	<u>Balance 12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>	<u>Due Within One Year</u>
<b>Ohio Public Works Loans</b>					
Sewer and Interceptor					
Original Amount \$100,000	\$37,500	\$0	\$(5,000)	\$32,500	\$5,000
<b>Other Long-Term Obligations</b>					
Compensated Absences	236,356	84,546	0	320,902	142,363
Total Business Type Activities	<u>\$273,856</u>	<u>\$84,546</u>	<u>\$(5,000)</u>	<u>\$353,402</u>	<u>\$147,363</u>

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

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

The Law Enforcement building bonds were issued for the purpose of constructing and equipping a corrections center were be paid from a one-half percent (.5%) sales tax revenue. This debt obligation ended in 2006.

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

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

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

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**16. DEBT OBLIGATIONS (Continued)**

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

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

The effects of the debt limitations described above at December 31, 2006 are an overall debt margin of \$20,529,524 and an unvoted debt margin of \$8,811,809.

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

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Special Assessment Notes</u>	<u>OPWC Promissory Loans</u>	<u>Total Debt Obligations</u>
2007	\$44,730	\$239,145	\$102,235	\$10,114	\$396,224
2008	43,905	238,530	75,823	10,114	368,372
2009	48,005	242,270	62,765	10,114	363,154
2010	46,920	240,015	54,115	10,114	351,164
2011	50,783	237,115	42,830	10,114	340,842
2012-2016	227,622	250,650	75,892	33,073	587,237
2017-2021	45,000		22,418	25,573	92,991
2022-2026				10,230	10,230
Total	506,965	1,447,725	436,078	119,446	2,510,214
Less:					
Interest	(96,965)	(277,725)	(34,719)	(0)	(409,409)
Outstanding Principal	\$410,000	\$1,170,000	\$401,359	\$119,446	\$2,100,805

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

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

A summary of the loan transactions for the year ended December 31, 2006 is as follows:

<u>Project Loans:</u>	<u>Outstanding 12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/06</u>
Southeast Sewer District	\$ 1,209,690	\$ -	\$(13,308)	\$ 1,196,382
Sandy Beach Sewer District	209,786	-	-	209,786
Total	\$ 1,419,476	\$ -	\$(13,308)	\$ 1,406,168

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**16. DEBT OBLIGATIONS (Continued)**

**Current Refunding**

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

**Conduit Debt**

During 1998, the County issued industrial development revenue bonds in the amount of \$4,800,000, to provide financial assistance to Midwest Elastomers, Inc. for the expansion and equipping of a manufacturing facility.

Also in 1998, the County issued in conjunction with seven other counties Health Care Facilities revenue improvement and refunding revenue bonds in the amount of \$39,135,000 to provide financial assistance to the Otterbein Home Project for the acquisition, construction, renovation, and equipping of additional hospital facilities and refund the prior bonds and the North Shore debt. Final maturity July 1, 2023. During 2002, the County issued in conjunction with four other counties, Healthcare revenue bonds in the amount of \$190,000,000 to provide financial assistance to Catholic Healthcare Partners to finance acquisition, construction and equipping hospital facilities. Final maturity October 1, 2030.

During 2006, the County issued in conjunction with Lorain County Ohio, Hospital Facilities Revenue Bonds in the amount of \$76,100,000 to provide financial assistance to Catholic Healthcare Partners to finance, refinance, or reimburse the costs of, the acquisition, construction and equipping of equipment, real property and improvements to Hospital Facilities. Final maturity October 1, 2030.

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

**17. PUBLIC ENTITY RISK POOLS**

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

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

Specifically, the pool provides coverage for automobile liability, general liability, crime and property (including automobile physical damage) and public officials' liability (See Note 11). In addition to the self-insurance pool, the Association provides risk management services, loss prevention programs, and various other educational materials. The Association includes the following member counties within the State of Ohio: Auglaize, Hancock, Mercer, Shelby, and Van Wert.

Member and supplemental contributions are recognized on an accrual basis and are recorded as revenue in the month earned. For the current agreement dated August 1, 2006, the percentage of contributions by the members and their equity interests are:



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

		<b>Fixed Costs</b>	<b>Loss Fund</b>
Mercer County	18.34%	\$126,198	\$62,940
Auglaize County	19.09%	131,359	85,050
Shelby County	23.69%	163,012	54,210
Hancock County	24.00%	165,145	52,440
Van Wert County	14.88%	102,390	45,360

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

**B. Midwest Employee Benefit Consortium**

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

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

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

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

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

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**18. JOINTLY GOVERNED ORGANIZATIONS**

**A. Auglaize County Regional Planning Commission**

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

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

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute up to .10 cents per capita, according to the latest federal census, in any calendar year in which revenue is needed.

The Commission has no outstanding debt as of December 31, 2006. The following audited cash financial data of the Commission is presented for the year ended December 31, 2006:

	<b>Joint Venture</b>	<b>Auglaize County's 50 Percent</b>
Total Non-Operating Revenues	\$4,609	\$2,305
Total Operating Expenses	(1,178)	(589)
Net Income (Loss)	3,431	1,716
Fund Balance, January 1, 2006	1,707	853
Fund Balance, December 31, 2006	\$5,138	\$2,569

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

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

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

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

**C. West Central Ohio Network**

The West Central Ohio Network (West CON) is a regional council of governments. West CON is comprised of the boards of Mental Retardation and Developmental Disabilities (MRDD) of several counties, including, Auglaize, Darke, Logan, Mercer, Miami, Shelby, Union, and Hardin. The Board of Directors is made up of the Superintendents from each of these MRDD Boards, and the degree of control exercised by any participating government is limited to its representation on the Board. West CON is the administrator and fiscal agent of Supported Living funds for each of these Boards of Mental Retardation and Developmental Disabilities. The following unaudited financial data of the West Central Ohio Network - Auglaize County is presented on a cash basis for the year ended December 31, 2006.

	<b>County Portion</b>
Total Operating Revenue	\$618,266
Total Operating Expenses	(486,122)
Net Income (Loss)	132,144
Fund Balance, January 1, 2006	157,670
Fund Balance, December 31, 2006	\$289,814

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

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

The Board conducts business and sponsors projects to further the purpose of the Bureau. The Bureau is funded primarily from a 3 percent (effective 7/1/96) lodging tax imposed by both counties. Payment is due to the county by the last day of the following month. The 2006 revenue received by the Bureau was \$156,279. Of this amount \$145,479 came from the lodging tax. \$87,701 of the total 2006 revenue was from Auglaize County.

**E. Auglaize County Emergency Management Cooperative**

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

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

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

**19. JOINT VENTURES**

**A. Grand Lake Task Force**

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

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

The following unaudited financial data of the Grand Lake Task Force is presented on a cash basis for the year ended December 31, 2006:

	<b>Joint Venture</b>	<b>Auglaize County's 12.5 Percent</b>
Total Operating Revenues	\$75,340	\$9,418
Total Operating Expenses	(73,795)	(9,225)
Net Loss	1,545	193
Fund Balance, January 1, 2006	178,910	22,365
Fund Balance, December 31, 2006	\$180,455	\$22,558

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

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**19. JOINT VENTURES (Continued)**

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

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

During 2006, tax revenues generated by the levy in Auglaize County were \$443,600. Complete financial statements can be obtained from the MHRS Board, Allen County, Ohio.

**20. COMPONENT UNITS**

**A. Auglaize County Airport Authority**

**1. Summary of Significant Accounting Policies**

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

**2. Accounting System**

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

**3. Revenue and Expenditure Recognition**

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

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**20. COMPONENT UNITS (Continued)**

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

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

**4. Cash**

To improve cash management, all cash received by the Authority is pooled in a central bank account, and is presented as Cash on the statement of net assets. During fiscal year 2006, the Authority invested in interest bearing checking accounts.

**5. Inventory**

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

**6. Fixed Assets and Depreciation**

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

**B. Auglaize Industries, Inc**

**1. Summary of Significant Accounting Policies**

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

**2. Accounting System**

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**20. COMPONENT UNITS (Continued)**

**3. Revenue and Expense Recognition**

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

**4. Budgetary Process**

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

**5. Estimates**

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

**6. Cash and Investments**

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

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

**7. Fixed Assets**

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

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

**8. Prepaid Items**

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**20. COMPONENT UNITS (Continued)**

**9. Advertising**

Advertising costs are charged to operations when incurred. Advertising costs amounted to \$896 for 2006.

**10. Inventory**

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

**11. Compensated Absences**

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

**21. RELATED PARTY TRANSACTIONS**

Auglaize Industries has entered into a contract with the Auglaize County Board of Mental Retardation and Development Disabilities (MRDD), whereby the MRDD has agreed to pay specified overhead expenses for the workshop. The additional income and related expenses are reported on the income statement as Unrestricted Support. The unaudited operating expenses paid by the MRDD on behalf of the Auglaize Industries amounted to \$121,461 for the year ended December 31, 2006.

**22. SIGNIFICANT CONTRACTUAL OBLIGATIONS**

At December 31, 2006, the County had entered into several contracts, the most significant of which include the following:

<b>Contractor</b>	<b>Amount</b>
DDTI	\$7,500
EMC Corporation	4,357
Garmann, Miller and Associates	2,184
Gast Plumbing	3,112
H. A. Dorsten, Inc	8,380
Hesseling Electric, Inc.	4,450
Jess Howard Electric	1,288
Kent Surveying	3,604
Maximus	4,681
Prenger Implement	8,634
Shelly Company	458,527
Shinn Brothers	74,237
Tyler Technologies	74,730
Total Commitments	<u>\$655,684</u>



**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**22. SIGNIFICANT CONTRACTUAL OBLIGATIONS (Continued)**

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

**23. CONTINGENT LIABILITIES**

**A. Grants**

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

**B. Litigation**

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

The case was heard before the Ohio State Supreme Court on May 22, 2007. On October 3, 2007, the Ohio State Supreme Court reached a decision. They decided the County must pay the monitoring costs. The County is now responsible for the costs from January 1, 2001.

**24. SUBSEQUENT EVENTS**

On August 7, 2007 the Board of County Commissioners approved a resolution (#07-345) stating that fund 004 Solid Waste Management is to repay the General Fund for payments made on their behalf to pay legal services to Eastman & Smith LTD., in the amount of \$720,000. Solid Waste Management Fund is to start paying \$40,000 per year beginning December 1, 2007 until such time as the reimbursement of the repayment is complete; same being no later than December 1, 2025.

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**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED DECEMBER 31, 2006**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Passed through Ohio Department of Development Board of Commissioners				
Small Cities Community Development Block Grant				
Formula Grant	B-F-06-006-01	14.228	\$12,200	\$12,103
Economic Development	B-F-05-006-01		173,000	152,889
Community Housing Improvement Program	B-C-06-006-02		11,100	10,535
Total Small Cities Community Development Block Grant			<u>196,300</u>	<u>175,527</u>
Total U.S. Department of Housing and Urban Development			196,300	175,527
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed through Ohio Department of Agriculture Auglaize County Corrections Center				
National Food Distribution Program	N/A	10.550	3,063	3,063
National School Breakfast Program	137125-05NP-2006	10.553	7,034	7,034
National School Lunch Program	137125-LLN4-2006	10.555	10,718	10,718
Total U.S. Department of Agriculture - Nutrition Cluster			<u>20,815</u>	<u>20,815</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Passed through Office of Criminal Justice Services Sheriff's Department				
Byrne Formula Grant (Grand Lake Task Force)	05-JG-A01-6402	16.738	35,865	35,659
Byrne Law Enforcement	05-JG-C01-6254	16.738	34,115	34,115
Total Byrne Formula Grant			<u>69,980</u>	<u>69,774</u>
Bulletproof Vest Partnership Act	N/A	16.607	1,950	1,950
Information Sharing Grant (Grand Lake Task Force)	2005-GL-TFI-9259	97.074	4,954	4,954
Passed through the Ohio Attorney General County Prosecutor				
Victims of Crime Act	2007-VAGENE-059	16.575	7,980	5,612
Victims of Crime Act	2006-VAGENE-059		23,472	23,646
Total Victims of Crime Act			<u>31,452</u>	<u>29,258</u>
Total U.S. Department of Justice			108,336	105,936
<b>GENERAL SERVICES ADMINISTRATION</b>				
Passed through Ohio Secretary of State Auglaize County Board of Elections				
Help America Vote Act	04-SOS-HAVA-06	39.011		5,631
Total General Services Administration				<u>5,631</u>

(Continued)

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Passed through the Federal Aviation Administration				
Airport Improvement Program	3-39-0084-0603	20.106	144,490	144,490
Airport Improvement Program	3-39-0084-0704		40,116	40,116
Airport Improvement Program	3-39-0084-0906		115,791	112,441
Airport Improvement Program	3-39-0084-0805		14,550	14,550
Total U.S. Department of Transportation			<u>314,947</u>	<u>311,597</u>
<b>U.S. DEPARTMENT OF HUMAN SERVICES</b>				
Passed through Ohio Department of Job and Family Services				
Job and Family Services				
Human Services				
Chafee	N/A	93.674	55,346	55,346
Children's Service Agency				
Chafee	N/A	93.674	4,327	4,327
Total Chafee			<u>59,673</u>	<u>59,673</u>
Title IV-B	N/A	93.645	60,989	60,989
ESSA	N/A	93.556	57,965	57,965
Passed through Ohio Department of Mental Retardation and Developmental Disabilities				
Auglaize County Board of Mental Retardation and Developmental Disabilities				
Social Services Block Grant (Title XX)	N/A	93.667	40,289	40,289
Medical Assistance Program (Medicaid: Title XIX - TCM)	N/A	93.778	86,390	86,390
Waiver Administration	N/A		25,345	25,345
Sub-total Medical Assistance Program			<u>111,735</u>	<u>111,735</u>
Passed through Ohio Secretary of State				
Auglaize County Board of Elections				
Voting Assistance for Individuals with Disabilities	06-SOS-HHHS-06	93.617	5,921	5,921
Sub-total State Childrens Health Insurance Program			<u>5,921</u>	<u>5,921</u>
Total U.S. Department of Human Services			336,572	336,572
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				
Passed through Ohio Department of Youth Services				
Auglaize County Youth Services				
AmeriCorps Grant	YCP-018-03	94.006		4,711
<b>Total Federal Financial Assistance</b>			<u>\$976,970</u>	<u>\$960,789</u>

See accompanying notes to the schedule of federal awards expenditures.

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 1: GENERAL**

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

**NOTE 2: BASIS OF ACCOUNTING**

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

**NOTE 3: SUB-RECIPIENTS**

The County passes-through certain Federal assistance from the State of Ohio Department of Development to other governments or not-for-profit agencies (sub-recipients). As described in Note 2, the government records expenditures of Federal awards to sub-recipients when paid in cash.

**NOTE 4: MATCHING REQUIREMENTS**

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

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

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

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

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 6: FEDERAL FOOD STAMP PROGRAM**

The County's Department of Job and Family Services destroyed all paper Federal food stamps during calendar year 2006.

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

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

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

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

These loans are collateralized by equipment. At December 31, 2006 the gross amount of loans outstanding under this program was \$945,656. Delinquent amounts due are \$2,280.

**NOTE 9: MEDICAL ASSISTANCE PROGRAM (CFDA #93.778)**

As of July 1, 2005, the Community Alternative Funding System (CAFS) program no longer exists as a funding stream. The County received settlement payments from previous years in the amount of \$226,631. These settlement payments are based on the difference between the estimated cost per unit and the actual per unit as reported on the Uniform Cost Report, and thus are not included on the schedule.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Auglaize County, (the County) as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 27, 2007. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

**Internal Control Over Financial Reporting  
(Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-002 is also a material weakness. We also noted certain internal control matters that we reported to the County's management in a separate letter dated November 27, 2007.

**Compliance and Other Matters**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated November 27, 2007.

We intend this report solely for the information and use of the management, Board of County Commissioners, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 27, 2007





# Mary Taylor, CPA

Auditor of State

## 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

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

To the Board of County Commissioners:

### Compliance

We have audited the compliance of Auglaize County, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal program. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Auglaize County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006. 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 2006-003.

### Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2006-003 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider finding 2006-003 described in the accompanying schedule of findings to be a material weakness.

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



**Mary Taylor, CPA**  
Auditor of State

November 27, 2007

**FINANCIAL CONDITION  
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Airport Improvement Project CFDA# 20.106
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**FINDING NUMBER 2006-001**

**Material Noncompliance / Significant Deficiency**

**Ohio Rev. Code Section 9.38** states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. Only the legislative authority may adopt the policy, and the policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount can not be safeguarded, the public official must then deposit the money on the next business day.

**FINDING NUMBER 2006-001  
(Continued)**

The Mental Health and Retardation Board (MRDD Board) and the Solid Waste department did not make deposits with the County Treasurer in a timely manner during 2006, nor had a policy been adopted permitting officials receiving money to hold receipts past the next business day. Both County departments made only one or two deposits a month to the Treasurer during 2006. For the MRDD Board, approximately \$897,000 and for Solid Waste department, approximately \$149,000 was not timely deposited. The failure to deposit receipts promptly could lead to the loss or misplacement of cash or checks received, increases the risk of theft or misuse, and causes a loss of interest revenue for the County.

The prompt deposit of funds received is not only required by statute but is a key control in the receipt process to assure that all revenue received is properly and timely reported. To improve controls over receipts and to help reduce the possibility of the County's funds being misplaced or misused, receipts should be deposited promptly when received.

All collections should be deposited on the business day following the day of the receipt. If the amount involved is less than \$1,000 and can be properly safeguarded, the legislative authority may adopt a policy permitting officials to hold the deposit past the following business day, but no later than three business days after receipt. The policy should be in accordance with the above mentioned guidelines.

**FINDING NUMBER 2006-002**

**Material Noncompliance / Material Weakness**

**Ohio Rev. Code Section 5705.41(D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 County can authorize the drawing of a warrant for the payment of the amount due. The County 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 County.

**FINDING NUMBER 2006-002  
(Continued)**

2. **Blanket certificate** – Fiscal officers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the current 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 County 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 one line item appropriation.

During 2006, the County did not properly certify the availability of funds for 44 percent of the transactions tested and the exceptions above were not utilized. Also, there was several “vendor specific” blanket purchase orders at year end to cover the invoices expected to be received the following year and a formal policy establishing the maximum amount for blanket purchase orders has not been adopted.

Unless the exceptions noted above are used, prior certification is not only required by statute but 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, funds should be certified that are or will be available prior to the obligation. When prior certification is not possible, “then and now” certification should be used.

A formal policy regarding the maximum amount for blanket purchase orders to prevent possible overspending of resources and/or the obligation of amounts in excess of specific line item appropriations should be adopted. In addition, blanket purchase orders should be closed prior to year-end.

We recommend the County certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The County 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 County should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials Response:**

We received no response from officials for finding numbers 2006-001 and 2006-002 above.

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

<b>Finding Number</b>	<b>2006-003</b>
<b>CFDA Title and Number</b>	Airport Improvement Project - CFDA #20.106
<b>Federal Award Number / Year</b>	3-39-0084-0603; 3-39-0084-0704; 3-39-0084-0805; and 3-39-0084-0906
<b>Federal Agency</b>	U.S. Department of Transportation
<b>Pass-Through Agency</b>	Federal Aviation Administration

**Material Noncompliance / Material Weakness**

§ \_\_.300 of OMB Circular A-133 states federal transactions are to comply with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each Federal program. **Ohio Rev. Code Section 5705.41(D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

The County entered into contracts for the airport improvement project before some of the grant agreements were signed and on file. This resulted in the County incurring \$235,838 of the airport improvement project's \$311,598 program expenditures for 2006 prior to fiscal officer certifying the funds were available. The purchase orders used to provide the fiscal officer's certification for those expenditures were completed at the time the invoice(s) were received from the contractors instead of when the contract was entered into by the Board of County Commissioners.

Unless the exceptions noted above are used, prior certification is not only required by statute but 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 federal program expenditures exceeding budgetary spending limitations, federal program contracts or agreements should be properly certified and obligated through the use of a purchase order completed at the time the contracts are awarded and signed. This will provide assurance that the funding needed to meet the obligation is available.

**Official Response:**

We received no response from officials for the finding disclosed above.



**Mary Taylor, CPA**  
Auditor of State

**FINANCIAL CONDITION**

**AUGLAIZE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 18, 2007**