



Mary Taylor, CPA
Auditor of State

**FINANCIAL CONDITION
CLARK COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Honorable Board of County Commissioners
Honorable County Auditor
Honorable County Treasurer
Clark County
50 East Columbia Street
Springfield, Ohio 45501

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clark County, Ohio (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 did not audit the financial statements of TAC Industries, Inc. or The Housing Connection of Clark County, Inc., the County's only discretely presented component units. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for the component units on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. The other auditors audited the financial statements of The Housing Connection of Clark County, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clark County, Ohio, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof 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 September 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.

Management's Discussion and Analysis and the General Fund, Job & Family Services Fund and Mental Retardation/Developmental Disabilities Fund Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) are not a required part of the basic financial statements but are 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 federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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.



Mary Taylor, CPA
Auditor of State

September 27, 2007

CLARK, COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

As management of Clark County (the County), we offer readers this narrative overview and analysis of the financial activities of the County as a whole for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section and provide more specific detail.

Financial Highlights

Key financial highlights for the year ended December 31, 2006 are as follows:

- The assets of the County exceeded its liabilities at December 31, 2006 by \$119,480,381. Of this amount, \$25,720,508 is considered unrestricted. The unrestricted net assets of the County's governmental activities are \$20,471,207, and may be used to meet the government's ongoing obligations. The unrestricted net assets of the County's business-type activities are \$5,249,301 and may be used to meet the ongoing obligations of the County's business-type activities.
- The County's total net assets increased \$9,436,049 in 2006. Net assets of the governmental activities increased \$10,237,618, which represents an 11.44% increase from 2005. Net assets of the business-type activities decreased \$801,569 or 3.91% from 2005.
- At the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$23,440,338, an increase of \$6,274,094 from 2005. \$10,459,914 represents the unreserved portion of this fund balance and is available for spending on behalf of its citizens.
- At the end of the current year, unreserved fund balance for the general fund was \$8,832,443, which represents 24.37% of general fund expenditures, including transfers out.
- The County's outstanding debt increased by \$7,635,000, or 53.88%, in governmental activities and increased by \$35,150 in the business-type activities, both increases due to new bond anticipation.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned by unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include legislative and executive, judicial, public safety, public works, health, human services and conservation and recreation. The business-type activities of the County include water and sewer services.

The government-wide financial statements include not only the County itself (known as the primary government), but also two legally separate not-for-profit corporations: TAC Industries, Inc. and The Housing Connection of Clark County. The primary purpose of these two organizations are to promote the general welfare and needs of the mentally retarded and otherwise handicapped persons, who live in Clark County, through employment opportunities and housing. The County is financially accountable for these organizations. Financial information for these component units are reported separately from the financial information presented for the primary government itself. Separately audited financial statements can be obtained from TAC industries, Inc., located at 110 W. Leffel Lane, Springfield, Ohio, 45502. Separately audited financial statements can be obtained from the Housing Connection of Clark County located at 2527 Kenton Street, Springfield, Ohio 45505.

The government-wide financial statements can be found on pages 13 – 15 of this report.

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

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

Because the focus of 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 financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide

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Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains fifty-nine governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Job & Family Services Fund, Permanent Improvement Fund, and Mental Retardation/Developmental Disabilities Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

Governmental funds for which the County adopts an annual appropriation budget include the General Fund and all other governmental funds. A budgetary comparison statement has been included as required supplementary information for the General Fund and each annually-budgeted major special revenue fund to demonstrate compliance with its annual appropriation budget.

The governmental fund financial statements can be found on pages 16 – 19 of this report.

Proprietary funds: The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer operations. 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 dental self-insurance program and document imaging. Because these services predominantly benefit the governmental rather than the business-type functions, they have been included with governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer funds, which are both considered to be major funds. The internal service fund is presented in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 20 – 22 of this report.

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 statements because the resources of those funds are not available to support the County's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statement can be found on page 23 of this report.

Notes to the basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are included on pages 25 – 59 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information relating to budgetary information.

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(Unaudited)

Government-Wide Financial Analysis

The following table provides a summary of the County's net assets for 2006 as compared to 2005:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and Other Assets	\$ 95,602,632	78,385,398	6,083,897	5,995,698	101,686,529	84,381,096
Capital Assets	60,856,091	60,080,797	22,250,227	22,691,831	83,106,318	82,772,628
Total Assets	<u>156,458,723</u>	<u>138,466,195</u>	<u>28,334,124</u>	<u>28,687,529</u>	<u>184,792,847</u>	<u>167,153,724</u>
Liabilities:						
Current and Other Liabilities	46,394,195	38,732,758	5,116,950	4,297,831	51,511,145	43,030,589
Long-term Liabilities	10,300,625	10,207,152	3,500,696	3,871,651	13,801,321	14,078,803
Total Liabilities	<u>56,694,820</u>	<u>48,939,910</u>	<u>8,617,646</u>	<u>8,169,482</u>	<u>65,312,466</u>	<u>57,109,392</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	39,051,091	45,910,797	14,467,177	14,943,931	53,518,268	60,854,728
Restricted	40,241,605	29,765,882	-	-	40,241,605	29,765,882
Unrestricted	20,471,207	13,849,606	5,249,301	5,574,116	25,720,508	19,423,722
Total Net Assets	\$ <u>99,763,903</u>	<u>89,526,285</u>	<u>19,716,478</u>	<u>20,518,047</u>	<u>119,480,381</u>	<u>110,044,332</u>

The largest portion of the County's total net assets, \$53,518,268, reflects its investment in capital assets (e.g. land, buildings, equipment, construction in progress), less any related debt used to acquire those assets that is still outstanding. The County uses these assets to provide services to citizens; therefore, 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.

An additional portion of the County's net assets, \$40,241,605, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$25,720,508, may be used to meet the government's ongoing obligations to citizens and creditors.

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. The same situation held true for the prior fiscal year.

CLARK, COUNTY, OHIO
Management's Discussion and Analysis
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(Unaudited)

The following table provides a summary of the County's changes in net assets for 2006 as compared to 2005:

TABLE 2
Change in Net Assets

	Governmental Activities 2006	Business- Type Activities 2006	Total 2006	Governmental Activities 2005	Business- Type Activities 2005	Total 2005
REVENUES:						
Program Revenues:						
Charges for Services	\$ 20,974,512	4,676,907	25,651,419	19,242,757	5,343,106	24,585,863
Operating Grants and Contributions	56,365,047	469,003	56,834,050	54,886,092	2,094,863	56,980,955
Capital Grants and Contributions	637,470	-	637,470	1,230,755	-	1,230,755
General Revenues:						
Property Taxes	19,479,211	-	19,479,211	18,309,439	-	18,309,439
Permissive Sales Tax	19,876,833	-	19,876,833	15,018,094	-	15,018,094
Grants and Contributions not Restricted	3,172,719	-	3,172,719	6,118,338	-	6,118,338
Investment Income	3,496,171	-	3,496,171	1,599,833	-	1,599,833
Other Revenue	2,877,115	265,976	3,143,091	2,023,676	1,050,823	3,074,499
Total Revenue	<u>126,879,078</u>	<u>5,411,886</u>	<u>132,290,964</u>	<u>118,428,984</u>	<u>8,488,792</u>	<u>126,917,776</u>
EXPENSES:						
General Government:						
Legislative and Executive	8,563,892	-	8,563,892	6,953,654	-	6,953,654
Judicial	9,515,849	-	9,515,849	8,359,847	-	8,359,847
Public Safety	17,640,819	-	17,640,819	16,412,417	-	16,412,417
Public Works	11,497,023	-	11,497,023	10,702,235	-	10,702,235
Health	22,998,929	-	22,998,929	23,492,812	-	23,492,812
Human Services	43,829,764	-	43,829,764	41,703,936	-	41,703,936
Conservation and Recreation	2,042,557	-	2,042,557	1,692,213	-	1,692,213
Sewer	-	3,852,046	3,852,046	-	2,907,155	2,907,155
Water	-	2,361,409	2,361,409	-	1,555,331	1,555,331
Interest Expense	552,627	-	552,627	430,601	-	430,601
Total Expenses	<u>116,641,460</u>	<u>6,213,455</u>	<u>122,854,915</u>	<u>109,747,715</u>	<u>4,462,486</u>	<u>114,210,201</u>
Change in Net Assets	10,237,618	(801,569)	9,436,049	8,681,269	4,026,306	12,707,575
Net Assets, Beginning of Year	89,526,285	20,518,047	110,044,332	80,845,016	16,491,741	97,336,757
Net Assets, End of Year	<u>\$ 99,763,903</u>	<u>19,716,478</u>	<u>119,480,381</u>	<u>89,526,285</u>	<u>20,518,047</u>	<u>110,044,332</u>

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Governmental Activities:

Operating grants and contributions of \$56.4 million represent the largest program revenue, and approximately 44.42% of total governmental revenue. The major recipients of intergovernmental revenue were Job & Family Services, receiving nearly \$18.8 million, along with the Mental Retardation/Developmental Disabilities, Motor Vehicle & Gas Tax, receiving approximately \$12.0 million, and \$7.0 million, respectively.

Total tax revenue accounts for approximately \$39.4 million of the \$126.9 million total revenue for governmental activity, or 31.02% of total revenue. Sales tax accounted for \$19.9 million, or approximately 50.5% of total tax revenue.

The County's charges for services directly related to governmental services made up \$21.0 million, nearly 16.53% of total governmental revenue. These charges include fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity and licenses and permits.

The human services program accounted for \$43.8 million or 37.58% of total governmental expenses. The next largest program was health, accounting for \$23.0 million or 19.72% of the total expenses for governmental activities.

Business-type Activities:

The net assets of the business-type activities decreased by nearly \$.8 million during 2006. Major revenues sources were charges for services in the amount of \$4.7 million.

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. That is, it identifies the cost of these services supported by tax revenue and unrestricted federal and state entitlement grants.

CLARK, COUNTY, OHIO
Management's Discussion and Analysis
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(Unaudited)

TABLE 3
Total and Net Cost of Program Services

	2006		2005	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
GOVERNMENTAL ACTIVITIES:				
General Government				
Legislative & Executive	\$ 8,563,892	(1,411,447)	6,953,654	(863,872)
Judicial	9,515,849	(7,977,185)	8,359,847	(5,149,126)
Public Safety	17,640,819	(7,169,516)	16,412,417	(10,262,315)
Public Works	11,497,023	(1,830,372)	10,702,235	(1,840,135)
Health	22,998,929	(11,880,435)	23,492,812	(8,834,228)
Human Services	43,829,764	(6,481,040)	41,703,936	(7,152,876)
Conservation and Recreation	2,042,557	(1,361,809)	1,692,213	145,042
Interest Expense	552,627	(552,627)	430,601	(430,601)
	<u>\$ 116,641,460</u>	<u>(38,664,431)</u>	<u>109,747,715</u>	<u>(34,388,111)</u>
BUSINESS-TYPE ACTIVITIES:				
Sewer	\$ 3,852,046	(470,406)	2,907,155	537,046
Water	2,361,409	(597,139)	1,555,331	2,438,437
	<u>\$ 6,213,455</u>	<u>(1,067,545)</u>	<u>4,462,486</u>	<u>2,975,483</u>

Financial Analysis of County Funds

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

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

At December 31, 2006, the County's governmental funds reported combined ending fund balances of more than \$23.4 million, an increase of about \$6.27 million in comparison with the prior year. Approximately 44.62% of this total (\$10.5 million) constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: to liquidate contracts and purchase orders of the prior year (\$12.7 million) or for a variety of other restricted purposes (\$.3 million).

The General Fund is the chief operating fund of the County. At December 31, 2006, unreserved fund balance of the General Fund was \$8.8 million, while total fund balance reached \$10.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund

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balance represents 28.3% to total General Fund expenditures, while total fund balance represents 34.9% of that same amount.

The fund balance of the General Fund increased by \$4,114,859 during 2006. Key factors in this increase were more scrutiny placed upon expenditures and an increase in the County's investment earnings. The fund balance in the Job & Family Services Fund increased by \$485,625 during the year. The fund balances in the Mental Retardation/Development Disabilities Funds increased by approximately \$2.6 million. The increase was primarily attributable to increases in intergovernmental revenues in these funds, compared to the previous year. The ending fund balances in these major governmental funds remain positive.

Enterprise funds: The County's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer and Water funds at the end of the year approximated \$5.2 million. Total net assets in the Sewer fund decreased by approximately \$.3 million and the Water fund reported a decrease in net assets of \$.5 million. Both funds also reported decreased operating income compared to the prior year.

General Fund Budgetary Highlights

The County's budget is prepared according to Ohio law, and the most significant budgeted fund is the General Fund. The total original appropriations for the General Fund, including those for transfers and advances out, were \$40.2 million, while the final appropriations were \$41.1 million, resulting in a net increase of \$.9 million. During 2006, the County amended its General Fund budget numerous times. The increases occurred in the areas of judicial, public safety, public works, and health, while a decrease occurred in the area of legislative and executive, and human services and conservation and recreation did not change. During 2006, the County spent 93.8% of the amount appropriated in the General Fund.

Capital Assets and Long-term Debt

Capital assets: The County's investment in capital assets for governmental and business-type activities as of December 31, 2006, amounts to \$83.1 million (net of accumulated depreciation). This investment in capital assets includes: land; buildings; improvements; machinery and equipment; infrastructure and construction in progress. During the year, total capital assets, net of accumulated depreciation, increased by over \$.33 million, or approximately 0.40%. Governmental activity capital assets, net of accumulated depreciation, reflect a net increase during the year of nearly \$.8 million. Major events for governmental activity capital assets included the beginning of numerous construction projects. Business-type capital assets, net of accumulated depreciation, reflect a net decrease during the year of almost \$.45 million. This decrease is related to the amount of depreciation for the year exceeding the cost of the acquisitions. Major events for business-type capital assets included the completion of the Green Meadows Sewer Project.

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Table 4
Capital Assets, net of accumulated depreciation

	2006			2005		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 7,204,888	681,429	7,886,317	6,698,517	681,429	7,379,946
Construction in Progress	1,175,394	-	1,175,394	12,462,020	-	12,462,020
Infrastructure	12,741,846	-	12,741,846	11,247,451	-	11,247,451
Buildings	34,083,478	6,430,651	40,514,129	34,074,981	6,430,651	40,505,632
Improvements	28,192,001	712,879	28,904,880	14,367,397	750,670	15,118,067
Machinery & Equipment	14,907,400	2,352,228	17,259,628	14,424,645	2,250,757	16,675,402
Water & Sewer Lines	-	25,127,642	25,127,642	-	25,127,642	25,127,642
Less: Accumulated						
Depreciation	<u>(37,448,916)</u>	<u>(13,054,602)</u>	<u>(50,503,518)</u>	<u>(33,194,214)</u>	<u>(12,549,318)</u>	<u>(45,743,532)</u>
Totals	\$ <u>60,856,091</u>	<u>22,250,227</u>	<u>83,106,318</u>	<u>60,080,797</u>	<u>22,691,831</u>	<u>82,772,628</u>

Additional information concerning the County's capital assets is provided in Note 9 of this report.

Debt: At December 31, 2006, the County had total bonded debt outstanding of \$6,893,000. Of this amount, \$4,530,000 represents general obligation bonds applicable to governmental activities. The remaining portion consists of \$2,363,000 of self-supporting general obligation bonds, which are payable from business-type activities. The County also had outstanding \$1,050,050 long-term notes, representing Ohio Public Works Commission (OPWC) loans, payable from business-type activities. Also outstanding at December 31, 2006, was \$21,645,000 of bond anticipation notes; of which \$17,275,000 was payable from governmental activities. The County's total long-term bonded debt decreased by \$1,208,700 during 2006.

The County's general obligation bonds are presently rated Aa3 by Moody's.

State statutes limit the amount of unvoted general obligation debt the County may issue to one percent of its total assessed valuation. The current total direct legal debt limitation for the County is \$57,981,356, which exceeds the County's unvoted general obligation debt currently outstanding.

Additional information concerning the County's long-term debt is provided in Notes 14 and 15 of this report.

Economic Factors and Next Year's General Fund Budget

The County's elected and appointed officials considered many factors when setting the fiscal year 2008 Budget. On August 21, 2007, the Board of County Commissioners voted to pass a temporary ½% Sales Tax increase for 18 months. Assuming that the resolution will not be rescinded by a referendum, the General Fund Sales Tax Revenues for 2008 are anticipated to be

CLARK, COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

at least 38% higher than 2007. Although the increase has primarily been used to cover other stagnant or declining revenues, 35% was designated for cash reserves, early extinguishment of debt and/or economic development. The 2007 General Fund budget was adopted at \$37.3 million. The 2007 budget includes a 2.0% salary increase. The budget also provides for continuous full funding for all mandated services.

The County hopes that its recent 2006-2007 infrastructure investment of \$780,000 within the Village of South Vienna will significantly increase Sales Tax Revenues in future years. This investment is to accommodate the location and development of an international, heavy, equipment auction/retail sales facility. Although the County's management realize that this investment alone will not compensate for all the stagnant and declining revenues, management hopes that this project along with other economic development projects will eventually increase the tax base.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Clark County Auditor's Office, P.O. Box 1325, 31 N. Limestone St., Springfield, Ohio, 45501-1325.

CLARK COUNTY, OHIO
Statement of Net Assets
December 31, 2006

	Governmental Activities	Business-Type Activities	Total	The Housing Connection of Clark County	TAC Industries, Inc.
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 45,343,009	4,956,201	50,299,210	94,273	1,150,876
Cash and Cash Equivalents in Segregated Accounts	359,295	369,245	728,540	-	-
Cash and Cash Equivalents with Fiscal and Escrow Agents	160,023	5,537	165,560	-	-
Investments	-	-	-	-	230,092
Net Receivables:					
Taxes	19,811,013	-	19,811,013	-	-
Permissive Sales Tax	2,205,686	-	2,205,686	-	-
Accounts	658,896	357,650	1,016,546	5,927	1,674,505
Special Assessments	88,867	-	88,867	-	-
Taxes to be Collected for Other Governments	592,188	-	592,188	-	-
Due from Other Governments	26,093,041	169,751	26,262,792	-	-
Materials and Supplies Inventory	140,976	176,338	317,314	-	1,339,756
Prepaid Items	140,228	8,633	148,861	658	55,086
Internal Balances	(199)	199	-	-	-
Unamortized Bond Issue Costs	9,609	40,343	49,952	-	-
Capital Assets:					
Capital Assets, not subject to depreciation:					
Land	7,204,888	681,429	7,886,317	474,069	-
Construction In Progress	1,175,394	-	1,175,394	90,602	-
Capital Assets, net of accumulated depreciation	<u>52,475,809</u>	<u>21,568,798</u>	<u>74,044,607</u>	<u>1,555,765</u>	<u>2,590,266</u>
Total Assets	<u>156,458,723</u>	<u>28,334,124</u>	<u>184,792,847</u>	<u>2,221,294</u>	<u>7,040,581</u>
LIABILITIES:					
Accounts Payable	3,862,928	542,796	4,405,724	18,263	1,144,665
Accrued Wages and Benefits	4,696,019	92,772	4,788,791	-	194,420
Retainage Payable	159,657	5,537	165,194	-	-
Claims Payable	13,437	-	13,437	-	-
Unearned Revenue	20,179,587	-	20,179,587	669,832	-
Matured Interest Payable	366	-	366	-	-
Accrued Interest Payable	207,201	105,845	313,046	-	6,933
Notes Payable	17,275,000	4,370,000	21,645,000	-	-
Long-Term Liabilities:					
Due Within One Year	937,325	417,929	1,355,254	232,141	132,800
Due in More Than One Year	<u>9,363,300</u>	<u>3,082,767</u>	<u>12,446,067</u>	<u>398,024</u>	<u>1,571,532</u>
Total Liabilities	<u>56,694,820</u>	<u>8,617,646</u>	<u>65,312,466</u>	<u>1,318,260</u>	<u>3,050,350</u>
NET ASSETS:					
Invested in Capital Assets, net of related debt	39,051,091	14,467,177	53,518,268	1,490,271	885,934
Restricted for:					
Job & Family Services	10,052,423	-	10,052,423	-	-
MR/DD	13,249,733	-	13,249,733	-	-
Other Purposes	16,864,662	-	16,864,662	-	-
Permanent Fund:					
Nonexpendable	74,787	-	74,787	-	-
Unrestricted	<u>20,471,207</u>	<u>5,249,301</u>	<u>25,720,508</u>	<u>(587,237)</u>	<u>3,104,297</u>
Total Net Assets	<u>\$ 99,763,903</u>	<u>19,716,478</u>	<u>119,480,381</u>	<u>903,034</u>	<u>3,990,231</u>

See accompanying notes to the basic financial statements.

CLARK COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2006

Functions/Programs:	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative & Executive	\$ 8,563,892	6,393,272	759,173	-
Judicial	9,515,849	1,538,664	-	-
Public Safety	17,640,819	1,535,630	8,935,673	-
Public Works	11,497,023	1,148,259	7,880,922	637,470
Health	22,998,929	959,145	10,159,349	-
Human Services	43,829,764	8,738,108	28,610,616	-
Conservation and Recreation	2,042,557	661,434	19,314	-
Interest Expense	552,627	-	-	-
Total Governmental Activities	<u>116,641,460</u>	<u>20,974,512</u>	<u>56,365,047</u>	<u>637,470</u>
Business-Type Activities:				
Sewer	3,852,046	2,950,296	431,344	-
Water	2,361,409	1,726,611	37,659	-
Total Business-Type Activities	<u>6,213,455</u>	<u>4,676,907</u>	<u>469,003</u>	<u>-</u>
Total Primary Government	<u>\$ 122,854,915</u>	<u>25,651,419</u>	<u>56,834,050</u>	<u>637,470</u>
Component Units:				
The Housing Connection of Clark County	\$ 266,802	200,336	79,066	-
TAC Industries, Inc.	17,381,678	19,483,721	-	-
	<u>\$ 17,648,480</u>	<u>19,684,057</u>	<u>79,066</u>	<u>-</u>

General Revenues:

Taxes:

Property Taxes Levied for:

 General Purposes

 Children's Home

 MRDD

 Senior Citizen's

 Permissive Sales

Grants and Contributions not Restricted to Specific Programs

Investment Income

Other Revenue

Total General Revenues

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	The Housing Connection of Clark County	TAC Industries, Inc.
(1,411,447)		(1,411,447)	-	-
(7,977,185)		(7,977,185)	-	-
(7,169,516)		(7,169,516)	-	-
(1,830,372)		(1,830,372)	-	-
(11,880,435)		(11,880,435)	-	-
(6,481,040)		(6,481,040)	-	-
(1,361,809)		(1,361,809)	-	-
<u>(552,627)</u>		<u>(552,627)</u>	<u>-</u>	<u>-</u>
<u>(38,664,431)</u>		<u>(38,664,431)</u>	<u>-</u>	<u>-</u>
	(470,406)	(470,406)	-	-
	<u>(597,139)</u>	<u>(597,139)</u>	<u>-</u>	<u>-</u>
	<u>(1,067,545)</u>	<u>(1,067,545)</u>	<u>-</u>	<u>-</u>
<u>(38,664,431)</u>	<u>(1,067,545)</u>	<u>(39,731,976)</u>	<u>-</u>	<u>-</u>
			12,600	-
			<u>-</u>	<u>2,102,043</u>
			<u>12,600</u>	<u>2,102,043</u>
3,813,396	-	3,813,396	18,257	-
2,829,089	-	2,829,089	-	-
10,832,753	-	10,832,753	-	-
2,003,973	-	2,003,973	-	-
19,876,833	-	19,876,833	-	-
3,172,719	-	3,172,719	43,145	131,017
3,496,171	-	3,496,171	1,169	33,014
<u>2,877,115</u>	<u>265,976</u>	<u>3,143,091</u>	<u>-</u>	<u>205,923</u>
<u>48,902,049</u>	<u>265,976</u>	<u>49,168,025</u>	<u>62,571</u>	<u>369,954</u>
10,237,618	(801,569)	9,436,049	75,171	2,471,997
<u>89,526,285</u>	<u>20,518,047</u>	<u>110,044,332</u>	<u>827,863</u>	<u>1,518,234</u>
\$ <u>99,763,903</u>	<u>19,716,478</u>	<u>119,480,381</u>	<u>903,034</u>	<u>3,990,231</u>

CLARK COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2006

	General Fund	Job & Family Services Fund	Mental Retardation/ Developmental Disabilities Fund	Permanent Improvement
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 10,893,186	1,648,418	11,061,378	6,659,461
Cash and Cash Equivalents in Segregated Accounts	-	-	62,000	-
Cash and Cash Equivalents with Fiscal and Escrow Agents	-	-	-	116,190
Net Receivables:				
Taxes	3,741,294	-	11,239,148	-
Permissive Sales Tax Accounts	2,205,686	-	-	-
Special Assessments	212,087	-	-	-
Accrued Interest	-	-	-	-
Accrued Interest	586,652	-	1,008	-
Due from Other Funds	-	250,000	300,000	-
Due from Other Governments	1,736,971	10,596,154	5,403,170	-
Materials and Supplies Inventory	37,012	33,192	30,639	-
Prepaid Items	75,129	18,348	29,287	-
	<u>19,488,017</u>	<u>12,546,112</u>	<u>28,126,630</u>	<u>6,775,651</u>
Total Assets	\$ <u>19,488,017</u>	<u>12,546,112</u>	<u>28,126,630</u>	<u>6,775,651</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 597,878	1,091,049	445,325	-
Accrued Wages and Benefits	1,002,614	575,589	956,969	-
Compensated Absences Payable	35,152	731	18	-
Retainage Payable	-	-	-	116,190
Due to Other Funds	13,830	250,000	-	-
Deferred Revenue	6,934,755	10,470,392	16,704,318	-
Matured Interest Payable	-	-	-	-
Notes Payable	-	-	-	13,355,000
	<u>8,584,229</u>	<u>12,387,761</u>	<u>18,106,630</u>	<u>13,471,190</u>
Total Liabilities	<u>8,584,229</u>	<u>12,387,761</u>	<u>18,106,630</u>	<u>13,471,190</u>
Fund Balances:				
Reserved for:				
Encumbrances	1,960,218	1,044,488	125,479	5,402,199
Materials and Supplies Inventory	37,012	33,192	30,639	-
Prepaid Items	74,115	18,348	29,287	-
Permanent Funds	-	-	-	-
Unreserved, Undesignated:				
General Fund	8,832,443	-	-	-
Special Revenue Funds	-	(937,677)	9,834,595	(12,097,738)
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
	<u>10,903,788</u>	<u>158,351</u>	<u>10,020,000</u>	<u>(6,695,539)</u>
Total Fund Balances	<u>10,903,788</u>	<u>158,351</u>	<u>10,020,000</u>	<u>(6,695,539)</u>
Total Liabilities and Fund Balances	\$ <u>19,488,017</u>	<u>12,546,112</u>	<u>28,126,630</u>	<u>6,775,651</u>

See accompanying notes to the basic financial statements.

CLARK COUNTY, OHIO

Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2006

Nonmajor Governmental Funds	Total Governmental Funds		\$	23,440,338
		Total Governmental Fund Balances		
		Amounts reported for governmental activities in the Statement of Net Assets are different because:		
14,878,006	45,140,449			
297,295	359,295	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		60,856,091
43,833	160,023			
4,830,571	19,811,013	Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
-	2,205,686	Intergovernmental Receivables		27,421,780
446,809	658,896	Unamortized Bond Issue Costs		9,609
88,867	88,867			
4,528	592,188			
23,263	573,263			
8,356,746	26,093,041			
40,133	140,976			
17,464	140,228			
<u>29,027,515</u>	<u>95,963,925</u>			
1,728,676	3,862,928	The internal service funds are used to charge the cost of dental insurance to employees and the costs associated with document imaging to departments. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.		189,123
468,001	3,003,173			
11,932	47,833			
43,467	159,657			
309,433	573,263			
13,491,902	47,601,367	The internal balance represents the portion of the internal service fund's assets and liabilities that are allocated to the proprietary funds.		(199)
366	366			
<u>3,920,000</u>	<u>17,275,000</u>			
<u>19,973,777</u>	<u>72,523,587</u>			
4,096,609	12,628,993	Long-term liabilities, including Issue II loans payable, are not due and payable in the current period and therefore are not reported in the funds:		
40,133	140,976	Accrued Compensated Absences		(5,723,683)
13,918	135,668	General Obligation Bonds Payable		(4,530,000)
74,787	74,787	Accrued Interest on Long-Term Debt		(207,201)
		Accrued Wages and Benefits		(1,692,846)
		Accrued Bond Premium		(12,227)
-	8,832,443	Unamortized Charge - Refunding Issue		<u>13,118</u>
7,579,914	4,379,094			
56,051	56,051	Net Assets of Governmental Activities	\$	<u>99,763,903</u>
(2,862,368)	(2,862,368)	See accompanying notes to the basic financial statements.		
<u>54,694</u>	<u>54,694</u>			
<u>9,053,738</u>	<u>23,440,338</u>			
<u>29,027,515</u>	<u>95,963,925</u>			

CLARK COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General Fund	Job & Family Services Fund	Mental Retardation/ Developmental Disabilities Fund	Permanent Improvement
REVENUES:				
Taxes	\$ 3,514,756	-	10,745,287	-
Permissive Sales Tax	18,820,858	-	-	-
Intergovernmental	5,888,818	18,773,740	12,042,946	-
Charges for Services	5,731,958	5,627,500	1,854,303	-
Licenses and Permits	13,137	-	-	-
Fees, Fines and Forfeitures	918,672	-	-	-
Special Assessments	-	-	-	-
Investment Income	3,001,395	-	11,460	-
Other Revenue	<u>784,693</u>	<u>7,356</u>	<u>217,215</u>	<u>-</u>
Total Revenues	<u>38,674,287</u>	<u>24,408,596</u>	<u>24,871,211</u>	<u>-</u>
EXPENDITURES:				
Current:				
Legislative and Executive	4,002,662	-	-	-
Judicial	8,733,857	-	-	-
Public Safety	12,650,975	-	-	-
Public Works	4,004,831	-	-	-
Health	431,699	-	22,123,685	-
Human Services	613,180	25,342,366	1,000	-
Conservation and Recreation	765,700	-	-	-
Capital Outlay	-	-	-	788,936
Debt Service:				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,872</u>
Total Expenditures	<u>31,202,904</u>	<u>25,342,366</u>	<u>22,124,685</u>	<u>900,808</u>
Excess (Deficit) of Revenues Over/ (Under) Expenditures	<u>7,471,383</u>	<u>(933,770)</u>	<u>2,746,526</u>	<u>(900,808)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Assets	500	-	-	-
Transfers In	1,679,673	1,419,395	2,338,000	4,531,472
Transfers Out	<u>(5,036,697)</u>	<u>-</u>	<u>(2,473,400)</u>	<u>(7,690,000)</u>
Total Other Financing Sources (Uses)	<u>(3,356,524)</u>	<u>1,419,395</u>	<u>(135,400)</u>	<u>(3,158,528)</u>
Net Change in Net Assets	4,114,859	485,625	2,611,126	(4,059,336)
Fund Balance, Beginning of Year, as restated	<u>6,788,929</u>	<u>(327,274)</u>	<u>7,408,874</u>	<u>(2,636,203)</u>
Fund Balance, End of Year	<u>\$ 10,903,788</u>	<u>158,351</u>	<u>10,020,000</u>	<u>(6,695,539)</u>

See accompanying notes to the basic financial statements.

CLARK COUNTY, OHIO
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2006

Nonmajor Governmental Funds	Total Governmental Funds		
		Total Net Change in Fund Balances - Governmental Funds	\$ 6,274,094
		Amounts reported for governmental activities in the Statement of Activities are different because:	
		Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those exceeded capital outlay in the current period.	
5,143,894	19,403,937	Capital Asset Additions	5,491,919
-	18,820,858	Depreciation	(4,276,472)
22,439,828	59,145,332		
5,032,875	18,246,636		
418,171	431,308		
988,027	1,906,699		
49,277	49,277		
30,395	3,043,250		
1,867,851	2,877,115		
		Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(440,153)
35,970,318	123,924,412		
		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues on the funds.	2,954,666
2,280,506	6,283,168		
297,063	9,030,920		
4,174,484	16,825,459		
7,752,017	11,756,848	The internal service funds are used to charge the cost of insurance and the cost of document imaging to individual funds is reported in the government-wide statement of activities.	74,187
475,364	23,030,748		
17,890,434	43,846,980		
1,277,789	2,043,489		
2,652,213	3,441,149		
		Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	860,000
860,000	860,000		
355,780	467,652		
38,015,650	117,586,413		
		Some expenses in reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
(2,045,332)	6,337,999	Compensated Absences	(920,497)
		Accrued Wages and Benefits	304,849
18,084	18,584	Accrued Interest Payable	(84,975)
13,769,883	23,738,423		
(8,620,815)	(23,820,912)	Change in Net Assets of Governmental Activities	\$ <u>10,237,618</u>
5,167,152	(63,905)	See accompanying notes to the basic financial statements.	
3,121,820	6,274,094		
5,931,918	17,166,244		
9,053,738	23,440,338		

CLARK COUNTY, OHIO
Statement of Net Assets
Proprietary Funds
December 31, 2006

	Enterprise Funds			Internal Service Funds
	Sewer	Water	Total	
ASSETS:				
Current:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,849,026	2,107,175	4,956,201	202,560
Cash and Cash Equivalents in Segregated Accounts	369,245	-	369,245	-
Cash and Cash Equivalents with Fiscal and Escrow Agents	5,537	-	5,537	-
Net Receivables:				
Accounts	221,385	136,265	357,650	-
Intergovernmental	169,751	-	169,751	-
Materials and Supplies Inventory	96,986	79,352	176,338	-
Prepaid Items	5,419	3,214	8,633	-
Total Current Assets	<u>3,717,349</u>	<u>2,326,006</u>	<u>6,043,355</u>	<u>202,560</u>
Noncurrent Assets:				
Unamortized Bond Issue Costs	40,343	-	40,343	-
Capital Assets, net of accumulated depreciation	15,955,171	6,295,056	22,250,227	-
Total Noncurrent Assets	<u>15,995,514</u>	<u>6,295,056</u>	<u>22,290,570</u>	<u>-</u>
Total Assets	<u>\$ 19,712,863</u>	<u>8,621,062</u>	<u>28,333,925</u>	<u>202,560</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 245,438	297,358	542,796	-
Accrued Wages and Benefits	51,024	41,748	92,772	-
Retainage Payable	5,537	-	5,537	-
Claims Payable	-	-	-	13,437
Accrued Interest Payable	46,304	59,541	105,845	-
Notes Payable	1,785,000	2,585,000	4,370,000	-
Total Current Liabilities	<u>2,133,303</u>	<u>2,983,647</u>	<u>5,116,950</u>	<u>13,437</u>
Noncurrent Liabilities:				
Compensated Absences Payable	71,705	58,667	130,372	-
OPWC Loan Payable	637,050	413,000	1,050,050	-
General Obligation Bonds Payable	2,363,000	-	2,363,000	-
Accrued Bond Premium	20,772	-	20,772	-
Unamortized Charge - Refunding Issue	(63,498)	-	(63,498)	-
Total Noncurrent Liabilities	<u>3,029,029</u>	<u>471,667</u>	<u>3,500,696</u>	<u>-</u>
Total Liabilities	<u>5,162,332</u>	<u>3,455,314</u>	<u>8,617,646</u>	<u>13,437</u>
NET ASSETS:				
Invested in Capital Assets, net of related debt	11,170,121	3,297,056	14,467,177	-
Unrestricted	3,380,410	1,868,692	5,249,102	189,123
Total Net Assets	<u>14,550,531</u>	<u>5,165,748</u>	<u>19,716,279</u>	<u>189,123</u>
Total Liabilities and Net Assets	<u>\$ 19,712,863</u>	<u>8,621,062</u>	<u>28,333,925</u>	<u>202,560</u>

Net assets reported for business-type activities in the statement of net assets is different because they include a proportionate share of the balance of the internal service fund.

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19,716,478

See accompanying notes to the basic financial statements.

CLARK COUNTY, OHIO
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2006

	Enterprise Funds			Internal Service Funds
	Sewer	Water	Total	
OPERATING REVENUES:				
Charges for Services	\$ 2,950,296	1,726,611	4,676,907	224,650
Other Operating Revenue	<u>213,100</u>	<u>52,876</u>	<u>265,976</u>	<u>-</u>
Total Operating Revenues	<u>3,163,396</u>	<u>1,779,487</u>	<u>4,942,883</u>	<u>224,650</u>
OPERATING EXPENSES:				
Personnel Services	810,537	663,250	1,473,787	-
Contractual Services	2,158,714	1,142,038	3,300,752	17,316
Claims	-	-	-	211,878
Materials and Supplies	126,602	63,047	189,649	-
Other Expenses	115,688	82,053	197,741	-
Depreciation	<u>449,263</u>	<u>82,830</u>	<u>532,093</u>	<u>-</u>
Total Operating Expenses	<u>3,660,804</u>	<u>2,033,218</u>	<u>5,694,022</u>	<u>229,194</u>
Operating Income	<u>(497,408)</u>	<u>(253,731)</u>	<u>(751,139)</u>	<u>(4,544)</u>
NONOPERATING REVENUES (EXPENSES):				
Grants	431,344	37,659	469,003	-
Transfers In	708,491	172,023	880,514	82,489
Loss from Disposal of Capital Assets	-	(241,278)	(241,278)	-
Interest Expense	(192,184)	(87,684)	(279,868)	(2,045)
Transfers Out	<u>(708,491)</u>	<u>(172,023)</u>	<u>(880,514)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>239,160</u>	<u>(291,303)</u>	<u>(52,143)</u>	<u>80,444</u>
Change in Net Assets	(258,248)	(545,034)	(803,282)	75,900
Net Assets, Beginning of Year	<u>14,808,779</u>	<u>5,710,782</u>		<u>113,223</u>
Net Assets, End of Year	\$ <u><u>14,550,531</u></u>	<u><u>5,165,748</u></u>		<u><u>189,123</u></u>
Some amounts reported for business-type activities in the statement of activities are different because a proportionate share of the net expense of the internal service funds are reported with business-type activities.			<u>1,713</u>	
Change in net assets of business-type activities			<u><u>(801,569)</u></u>	

See accompanying notes to the basic financial statements.

CLARK COUNTY, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

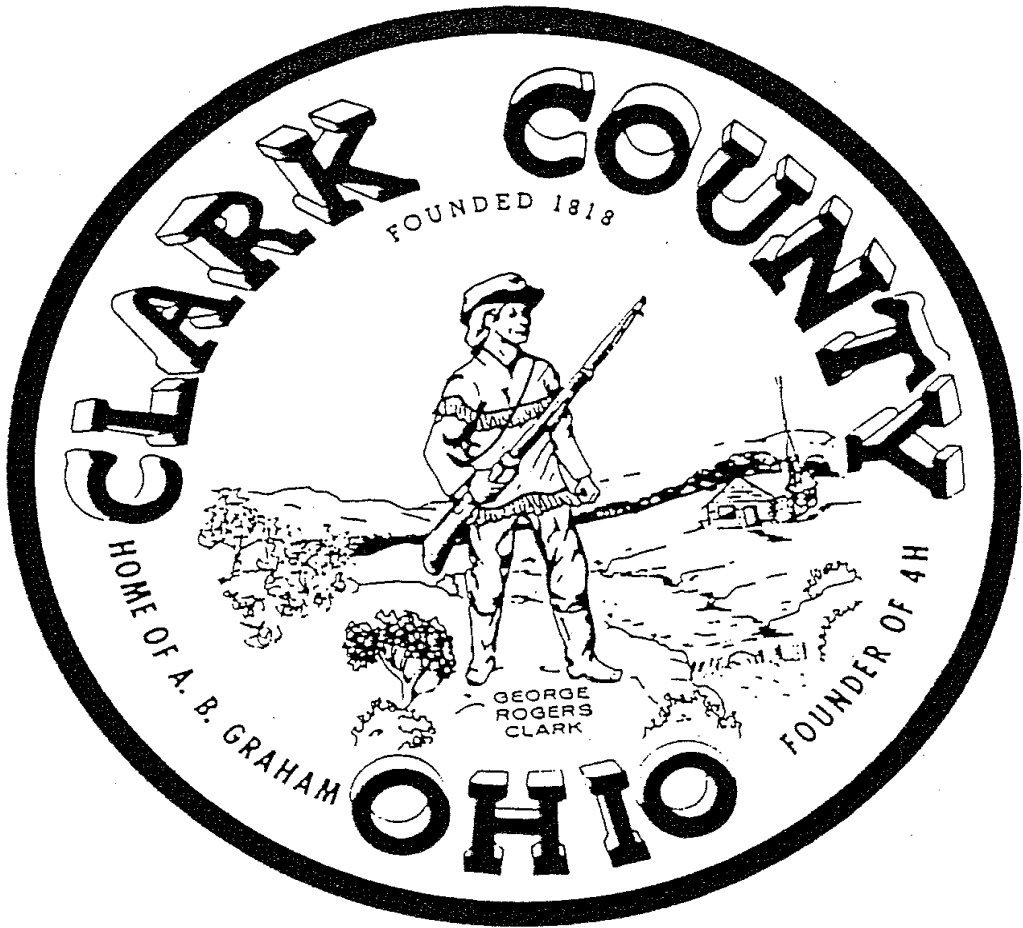
	Enterprise Funds			Internal Service Funds
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 3,149,615	1,794,024	4,943,639	224,650
Cash Paid for Employees Salaries and Benefits	(789,889)	(646,355)	(1,436,244)	-
Cash Paid to Suppliers	(2,202,164)	(955,127)	(3,157,291)	(17,316)
Cash Paid for Claims and Charges	-	-	-	(257,709)
Other Operating Revenues	213,100	52,876	265,976	-
Other Operating Expenses	(115,688)	(82,053)	(197,741)	-
Net Cash Provided (Used) by Operating Activities	<u>254,974</u>	<u>163,365</u>	<u>418,339</u>	<u>(50,375)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Grants	261,593	37,659	299,252	-
Proceeds from Notes	2,868,800	2,585,000	5,453,800	-
Acquisition and Construction of Capital Assets	(321,703)	(10,064)	(331,767)	-
Interest Paid on G.O. Notes	(76,931)	(65,857)	(142,788)	-
Interest Paid on G.O. Bonds	(90,265)	-	(90,265)	-
Principal Paid on G.O. Notes	(2,740,000)	(2,255,000)	(4,995,000)	-
Principal Paid on OPWC Loans	(49,750)	(25,200)	(74,950)	-
Principal Paid on G.O. Bonds	(348,700)	-	(348,700)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(496,956)</u>	<u>266,538</u>	<u>(230,418)</u>	<u>-</u>
Increase (Decrease) in Cash and Cash Equivalents	(241,982)	429,903	187,921	(50,375)
Cash and Cash Equivalents, Beginning of Year	<u>3,465,790</u>	<u>1,677,272</u>	<u>5,143,062</u>	<u>252,935</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,223,808</u>	<u>2,107,175</u>	<u>5,330,983</u>	<u>202,560</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (497,408)	(253,731)	(751,139)	(4,544)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	449,263	82,830	532,093	-
Changes in Assets and Liabilities:				
Accounts Receivable	199,319			
Materials and Supplies Inventory	(3,342)	67,413	266,732	-
Accounts Payable	86,325	(2,734)	(6,076)	-
Accrued Wages & Benefits	16,427	252,692	339,017	-
Accrued Compensated Absences	4,221	13,442	29,869	-
Claims Payable	-	3,453	7,674	-
Retainage Payable	169	-	-	(45,831)
	<u>-</u>	<u>-</u>	<u>169</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 254,974</u>	<u>163,365</u>	<u>418,339</u>	<u>(50,375)</u>

See accompanying notes to the basic financial statements.

CLARK COUNTY, OHIO
Statement of Fiduciary Net Assets - Fiduciary Funds
December 31, 2006

	<u>Agency Funds</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 16,664,830
Cash and Cash Equivalents in Segregated Accounts	1,996,408
Net Receivables:	
Special Assessments	1,875,710
Tax to be Collected for Other Governments	113,364,627
Due from Other Governments	<u>-</u>
 Total Assets	 \$ <u>133,901,575</u>
 LIABILITIES:	
Due to Other Governments	\$ 115,962,008
Undistributed Monies	<u>17,939,567</u>
 Total Liabilities	 \$ <u>133,901,575</u>

See accompanying notes to the basic financial statements.



CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 1 – REPORTING ENTITY

Clark County, Ohio (The County), was established in 1818. 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, three Common Pleas Court Judges, a Probate Court Judge, a Court of Appeals Judge, and a Juvenile Court Judge. Although these elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budgeting and taxing authority, contracting body and the chief administrators of public services for the entire County.

A reporting entity is comprised of the primary government, component units and other Organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Clark County, this includes the Children's Services Board, the Board of Mental Retardation and Developmental Disabilities (MRDD), the Human Services Department, the Clark County Solid Waste Management Board, the Clark County Emergency Management Agency and all departments and activities that are directly operated by the elected County officials.

Discretely Presented Component Units:

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

The component units column on the government-wide financial statements includes the financial data of the County's discretely presented component units. They are reported separately to emphasize that they are legally separate from the County. Condensed financial information for each component unit is provided in notes 20 and 21.

Housing Connection of Clark County:

The Housing Connection of Clark County is a legally separate, not-for-profit corporation. The Organization is governed by a board of five to nine members who are elected from the voting members of the Organization. The voting members of the Organization consist of one individual from the Clark County Board of MRDD and one individual from The Arc of Clark County, a not-for-profit corporation. The Organization provides affordable housing in Clark County for occupancy by persons with mental retardation and other developmental disabilities. The Clark County Board of MRDD provides staff wages and benefits as well as office space for the Organization. The Housing Connection of Clark

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

County is reflected as a component unit of Clark County because of the fiscal dependence of the Organization on the County. The Housing Connection of Clark County operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from the Housing Connection of Clark County located at 2527 Kenton Street, Springfield, Ohio, 45502.

TAC Industries, Inc.:

TAC Industries, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. The workshop, under contractual agreement with the Clark County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped individuals in Clark County. The Clark County Board of MRDD provides the workshop with personnel necessary for the operation of the habilitation services to the clients, facilities (land and buildings) for operations of the center, supplies that pertain to training programs, maintenance and repair of the buildings along with reasonable utilities, and competent, professional staff to supervise and train clients of TAC Industries, Inc. The workshop is presented as a component unit of Clark County because it would be misleading to exclude it due to the financial support the workshop receives from the County. TAC Industries, Inc. operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from TAC Industries, Inc., located at 2160 Old Selma Road, Springfield, Ohio, 45505.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Clark County (the County and the primary government) follows GASB guidance as applicable to its governmental and business-type activities, and Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions, and Accounting Research Board bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements or that have been made applicable by the GASB. The County has elected to follow GASB guidance for business-type activities and enterprise funds rather than FASB guidance issued after November 30, 1989. The most significant of the County's accounting policies are described below.

A. Basis of Presentation:

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

Government-wide Financial Statements: The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds, and its component units. The statements distinguish between those activities of the primary government that are governmental and those that are considered business-type activities. Each component unit is reported in a column, to show that each entity is legally separate from the other.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

The statement of net assets presents the financial condition of the governmental and business-type activities of the County and its component units at year-end. Interfund receivables and payables within governmental activities and within business-type activities have been eliminated to minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total columns. The balance of the internal service fund has been eliminated against the expenses and program revenues shown in governmental activities on the statement of activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities, for business-type activities of the County and for activities of the County's component units. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. The County does not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges paid by the recipient of the goods or services and (2) 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 are presented as general revenues of the County. 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. The activity of the internal service fund and interfund activity has been eliminated to avoid duplicating revenues and expenses.

Fund Financial Statements: During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The County also maintains an internal service fund for management of a self-insured dental plan for employees of the County. Agency funds, which are a type of fiduciary fund, are used to account for assets held by the government as an agent for individuals, private organizations and other governments.

B. Fund Accounting:

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

Governmental Funds: Governmental funds are those through which most governmental functions 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:

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

General Fund: The General Fund is the primary operating fund. It accounts for all financial resources of the primary government not recorded elsewhere. The General Fund balance is available to the County for any purpose, provided it is expended or transferred in accordance with state law.

Job & Family Services Fund: The Job & Family Services Fund is used to maintain and account for the revenue and expenditures necessary to support of Human Service programs administered by Clark County.

Mental Retardation/Developmental Disabilities (Board of MR/DD) Fund : The Board of MR/DD Fund is used to maintain and account for revenue received from Tax Levies, State Grants, Federal Grants, SSI, Donations and other various sources used to support the programs carried out within Clark County to assist the Mentally Retarded and Developmentally Disabled residents.

Permanent Improvement Fund : The Permanent Improvement Fund of the County is used to account for the various construction projects throughout the County.

The County's nonmajor governmental funds account for (1) grants and other resources whose use is restricted to a particular purpose; (2) the accumulation of resources for, and payment of, the principal, interest and related costs for the County's general long-term debt; and (3) financial resources used for the acquisition, construction or renovation of facilities (other than those financed by proprietary funds).

Proprietary Funds: Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the County's intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The County's enterprise funds include the following:

Sewer Fund: The Sewer Fund is used to maintain and account for the operation of the County's sewage treatment and collection systems.

Water Fund: The Water Fund is used to maintain and account for the operation of the County's water treatment and distribution systems.

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the government on a cost-reimbursement basis. The County's internal service fund accounts for dental insurance for the employees of the County.

Fiduciary Funds: Fiduciary fund reporting focuses on net assets and changes in net assets. There are four types of fiduciary funds: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The only type of fiduciary fund the County uses is agency funds.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

The agency funds account for assets held in a purely custodial capacity by the County as fiscal agent for other entities, and for various taxes, state-shared revenues and fines and forfeitures collected on behalf of and distributed to other local governments. Agency fund transactions typically involve only the receipt, temporary investment and distribution of these fiduciary resources.

C. Basis of Accounting and Measurement Focus:

Basis of accounting determines when transactions are captured in the financial records and reported on the financial statements. Measurement focus refers to what is expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering which resources are measured.

Differences in the accrual and the modified accrual basis of accounting arise in the timing of recognition of revenue and the recording of deferred revenue, and in the presentation of expenses versus expenditures. Under the non-GAAP budgetary basis, transactions are recorded when cash is received or disbursed.

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

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

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

Fiduciary funds are prepared using the accrual basis of accounting. Agency funds, which are custodial in nature, do not measure results of operations and do not have a measurement focus.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

"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. The County considers revenues reported in the governmental funds to be available if the revenues are collected within thirty-one 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 the accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see note 5). Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements that 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 the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under this 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.

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. On the modified accrual basis, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, provided current financial resources are to be used. As a result, compensated absences and most claims and judgments are not recorded as expenditures or liabilities until current financial resources are required. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Cash and Cash Equivalents:

Cash resources of the majority of individual funds are combined to form a pool of cash and investments managed by the County Treasurer. Interest earned on investments is accrued as earned. Under existing Ohio law, all investment earnings are assigned to the general fund unless

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

statutorily required to be credited to a specific fund. Distribution is made utilizing a formula based on the average month-end balance of cash and cash equivalents of all funds.

For reporting purposes, "Equity in Pooled Cash and Cash Equivalents" is defined as cash on hand, demand deposits and investments held in the County treasury. Cash and cash equivalents that are held separately within departments of the County and not held by the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts." Cash and cash equivalents that are held separately by a trustee or fiscal agent and not managed by the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents with Fiscal and Escrow Agents."

For cash flow reporting purposes, the County's proprietary funds consider cash and cash equivalents to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. "Equity in Pooled Cash and Cash Equivalents" is considered to be cash and cash equivalents since these assets are available on demand.

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments held by the Treasurer are stated at fair value using quoted market prices, except for repurchase agreements that are reported at cost. Net unrealized gains and losses calculated through the aggregate method are recorded as investment income in the General Fund. By statute, the Treasurer invests any short-term cash surplus. The residual investments are included in "Equity with County Treasurer." STAR Ohio is an investment pool that allows governments within the State to pool their funds for investment purposes. STAR Ohio is managed by the State Treasurer's Office and is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006. Note 4 provides detailed disclosure regarding cash, cash equivalents and investments held by the County.

During fiscal year 2006, investments were limited to government securities, certificates of deposit and STAR Ohio.

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

E. Receivables and Payables:

Receivables to be recorded on the County's financial statements are recorded 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 collectibility.

Using this criterion, the County has elected not to record child support arrearage within the special revenue and agency funds and Court receivables within the 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.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

F. Materials and Supplies Inventory:

Inventory consists of expendable supplies held for consumption. All inventories are valued at cost using the first in/first out (FIFO) method. The costs of inventory items are recorded as expenditures in the fund financial statements for the governmental funds when purchased and as expenses in the business-type funds when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental fund financial statements, which indicates that it does not constitute available expendable financial resources even though it is a component of net current assets.

G. Prepaid Items:

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

H. Interfund Balances:

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All unpaid reimbursements between funds are reported as "due to/from other funds." Interfund receivables and payables within governmental activities and within business-type activities have been eliminated in the government-wide statement of net assets; any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances."

I. Capital Assets:

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The County considers a capital asset to be one with an initial individual cost of at least \$2,500 and an estimated useful life of at least two years. The County's infrastructure consists of roads, bridges, culverts, water and sewer lines, and similar items constructed or acquired on or after January 1, 2003. Pursuant to GASB 34, for the fiscal year beginning after June 15, 2006, the County must retroactively report all infrastructure assets acquired before January 1, 2003. The County expects to accomplish retroactive reporting of infrastructure prior to that deadline.

The costs of improvements and major renovations that extend the asset's useful life are capitalized. Interest incurred during the construction of assets utilized by the enterprise funds is

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

also capitalized. Normal maintenance and repair costs that do not add to the value of the asset nor materially extend an asset's life are not capitalized.

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

Buildings	20 - 40 years
Improvements	20 years
Water and Sewer Lines	65 years
Infrastructure	10 - 60 years
Machinery and Equipment	5 - 20 years

The County's policy is to capitalize net interest on business-type activities construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of debt proceeds. Capitalized interest on business-type activities construction projects is amortized on a straight-line basis over the-estimated useful life of the asset. For 2006, interest costs incurred on construction projects for all activities was not material.

J. Compensated Absences:

The County follows the provision of *GASB Statement No. 16, "Accounting for 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 County will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued using the vesting method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments.

County employees earn vacation and sick leave at varying rates depending on length of service and departmental policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County. Upon retirement, unused sick leave is paid for one-fourth of the first thirty days of total sick leave accumulated. All payments are made at the employee's current wage rate.

Compensated absences are accrued when incurred in the government-wide financial statements and in proprietary funds. A liability for these amounts is recorded in governmental funds only if they have matured, for example as a result of employee resignations and retirements. Compensated absences will be paid by the fund which pays the employee's salary.

K. Accrued and Long-Term Liabilities:

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statement, and all payables, accrued liabilities and long-term obligations payable from

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

proprietary funds are reported on the enterprise fund financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in full from current financial resources are reported as obligations of the funds. Bonds and loans are recognized as a liability on the fund financial statements when due.

L. Self Insurance:

The County is self-insured for employee dental care benefits. The program is administered by Managed Care of America (MCA), which provides claims review and processing services. Each County department is charged for its share of covered employees. The County has recorded a liability at year-end for both incurred but not paid claims and incurred but unreported claims.

M. Reservations of Fund Balance:

In the fund financial statements, 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 that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, inventory, prepaids, and contributions to the permanent funds that must be kept intact.

N. Net Assets:

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

O. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for sewer and water services. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the fund. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

P. Contributions of Capital:

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system or from grants or outside contributions of resources restricted to capital acquisition and construction.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Q. Interfund Activity:

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating 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.

R. Estimates:

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

S. Extraordinary and Special Items:

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

NOTE 3 – RESTATEMENT OF PRIOR YEAR FUND BALANCES/ACCOUNTABILITY

A. Restatement of Fund Balances:

During the year, the County restructured and reclassified certain funds for reporting purposes. The reclassification had the following effect on fund balances of major and nonmajor funds of the County.

	General Fund	Job & Family Services	Children's Home Levy	Mental Retardation/ Developmental Disabilities	Permanent Improvement	Nonmajor Governmental	Total
Balance, December 31, 2005	\$ 6,788,929	(456,192)	2,491,131	7,207,196	-	1,135,180	17,166,244
Major Fund to Nonmajor Fund	-	-	(2,491,131)	-	-	2,491,131	-
Nonmajor Fund to Major Fund	-	-	-	-	(2,636,203)	2,636,203	-
Reclassification of Funds	-	128,918	-	201,678	-	(330,596)	-
Balance, January 1, 2006	\$ <u>6,788,929</u>	<u>(327,274)</u>	<u>-</u>	<u>7,408,874</u>	<u>(2,636,203)</u>	<u>5,931,918</u>	<u>17,166,244</u>

The reclassifications had no effect on the government-wide financial statements.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

B. Accountability:

The following funds have equity deficits as of December 31, 2006:

	<u>Deficit Fund Equity</u>
Governmental Activities:	
Permanent Improvement Fund	\$ 6,695,539
Dog and Kennel Fund	906

The deficits are a result of the application of GAAP. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 – DEPOSITS AND INVESTMENTS

Policies and Procedures

Monies of substantially all funds of the County are maintained or invested in a common group of bank accounts, STAROhio, a certificate of deposit and various federal securities. This is done in order to maximize the rate of interest that can be earned on invested funds. Interest income is distributed to the funds according to the charter and statutory requirements.

The provisions of the County's investment policy and the Ohio Revised Code govern the investment and deposit of City monies. In accordance with these provisions, only financial institutions located in Ohio and primary securities dealers are eligible to hold public deposits. The provisions also permit the County to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAROhio) and obligations of the United States government or certain agencies thereof. The County may also enter into repurchase agreements with any eligible depository for a period not exceeding five years.

Public depositories must give security for all public funds on deposit. According to the County's Deposit and Investment Policy, these institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the face value of which is at least 105 percent of the total value of public monies on deposit at the institution.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the County's deposits may not be returned. Protection of the County's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", \$5,065,354 of the County's December 31, 2006 bank balance of \$6,730,206 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the County's name.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Investments

At year-end, the County had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than One Year	One to Five Years
Federal Home Loan Mortgage Corp.	\$ 21,303,454	\$ 9,426,724	\$ 11,876,730
Federal Home Loan Mortgage Corp.-Med Term Note	1,949,320	-	1,949,320
Federal National Mortgage Corp.	16,999,771	10,442,775	6,556,996
Federal Home Loan Bank	17,960,626	5,983,776	11,976,850
Federal Farm Credit Bank	2,997,190	-	2,997,190
STAR Ohio	5,617,668	5,617,668	-
Total	\$ 66,828,029	\$ 31,470,943	\$ 35,357,086

Interest Rate Risk – The County's investment policy and the Ohio Revised Code state that the maximum maturity for any investment is limited to five years from the date of settlement unless the investment matches a specific obligation or debt.

Credit Risk – The County's investment policy states that investment in corporate entities must have a debt rating of Aa or better by Standard & Poors' or Moody's rating service. The County's investments in US government agencies all have a rating of AAA by Standard & Poors'. The County's investment STAR Ohio has an AAAM credit rating by Standard & Poors'.

Concentration of Credit Risk – The County's investment policy does not place any limit on investments in any single issuer. At December 31, 2006 the County had five percent or more of its investment portfolio in the following investments:

Investment	Percent
Federal Home Loan Mortgage Corp.	31.88%
Federal Home Loan Mortgage Corp.-Med Term Note	2.91%
Federal National Mortgage Corp.	25.44%
Federal Home Loan Bank	26.88%
Federal Farm Credit Bank	4.48%
STAR Ohio	8.41%

NOTE 5 – PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (other than public utility) located in the County. Property tax revenue received during 2006 for real and public utility property taxes is for 2005 taxes and property tax revenue received during 2006 for tangible personal property (other than public utility) is for 2006 taxes.

The 2006 real property taxes are levied after October 1, 2006 on the assessed values as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2006.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88 percent of cost). The 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2006 with real property taxes.

The 2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are 25 percent of assessed valuations.

The full tax rate for all County operations for the tax year 2006 was \$13.44 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:

Real Property and Public Utility	\$2,090,593,930
Tangible Personal Property	208,177,263
Public Utility Tangible Personal Property	<u>80,483,060</u>
Total Assessed Value	<u>\$2,379,254,253</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes are paid by multi-county taxpayers are due September 20. Single County taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property tax on behalf of all taxing districts within the County. Receivables for these taxes have been recorded as "Taxes to Be Collected for Other Governments" on the balance sheet. The County Auditor periodically remits to itself its share of the taxes collected. The County records receipt of these taxes in various funds. The County's share of taxes receivable have been recorded as "Taxes Receivable" in the individual funds.

Accrued property taxes receivable represent 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 funds are therefore offset by a credit to deferred revenue.

NOTE 6 – PERMISSIVE SALES AND USE TAX

In 1993, the County Commissioners by resolution imposed a .5 percent emergency tax in addition to the previous 1 percent 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

CLARK COUNTY, OHIO
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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 Commissioners certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the General Fund. Amounts that are measurable and to be received within the available period are accrued as revenue. Permissive sales tax revenue received in 2006 amounted to \$18,820,858.

NOTE 7 – INTERFUND TRANSFERS AND BALANCES

Interfund transfers for the year ended December 31, 2006, consisted of the following:

	Transfer In	Transfer Out
General Fund	\$ 1,679,673	(5,036,697)
Job & Family Services Fund	1,419,395	-
Mental Retardation/ Developmental Disabilities Fund	2,338,000	(2,473,400)
Permanent Improvement Fund	4,531,472	(7,690,000)
Non-Major Governmental Funds	13,769,883	(8,620,815)
Internal Service Funds	82,489	-
Total Transfers	\$ 23,820,912	(23,820,912)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

The County had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

	Due From			
	Job & Family Services Fund	Mental Retardation/ Developmental Disabilities Fund	Nonmajor Governmental Funds	
General Fund	\$ -	-	13,830	13,830
Job & Family Services Fund	250,000	-	-	250,000
Nonmajor Governmental Funds	-	300,000	9,433	309,433
Total	\$ 250,000	300,000	23,263	573,263

Interfund balances at December 31, 2006, consisted of short-term loans between related funds. All interfund balances will be repaid during 2007.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 8 – RECEIVABLES

Receivables at December 31, 2006 consisted of current and delinquent property taxes, special assessments, accounts, intergovernmental grants and accrued interest on investments. All receivables are considered collectible in full due to the ability to foreclose for nonpayment of taxes and the stable condition of State programs. A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Local Government and Local Government Revenue Assistance	\$ 1,254,845
Public Assistance for Human Services Programs	14,543,745
Grants and Reimbursements	6,035,454
Homestead and Rollback	933,997
Gasoline and Excise Tax	1,125,000
Motor Vehicle License Fees & Permissive Auto Tax	2,200,000
Total Governmental Activities	\$ 26,093,041

NOTE 9 – CAPITAL ASSETS

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

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
<u>Governmental Activities:</u>				
Non-depreciable capital assets:				
Land	\$ 6,698,517	506,371	-	7,204,888
Construction in Progress	12,462,020	1,896,466	(13,183,092)	1,175,394
Non-depreciable capital assets	19,160,537	2,402,837	(13,183,092)	8,380,282
Depreciable capital assets:				
Buildings	34,074,981	8,497	-	34,083,478
Improvements	14,367,397	13,824,604	-	28,192,001
Machinery and Equipment	14,424,645	944,678	(461,923)	14,907,400
Infrastructure	11,247,451	1,494,395	-	12,741,846
Depreciable capital assets	74,114,474	16,272,174	(461,923)	89,924,725
Less: accumulated depreciation				
Buildings	(18,835,993)	(824,747)	-	(19,660,740)
Improvements	(3,207,856)	(1,054,217)	-	(4,262,073)
Machinery and Equipment	(9,507,282)	(1,275,429)	21,770	(10,760,941)
Infrastructure	(1,643,083)	(1,122,079)	-	(2,765,162)
Accumulated depreciation	(33,194,214)	(4,276,472) *	21,770	(37,448,916)
Depreciable capital assets, net	40,920,260	11,995,702	(440,153)	52,475,809
Governmental activities capital assets, net	\$ 60,080,797	14,398,539	(13,623,245)	60,856,091

CLARK COUNTY, OHIO
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* - Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$ 2,028,168
Judicial	100,868
Public Safety	346,875
Public Works	1,458,928
Health	232,140
Human Services	<u>109,493</u>
	<u>\$ 4,276,472</u>

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
<u>Business-Type Activities:</u>				
Non-depreciable capital assets:				
Land	\$ 681,429	-	-	681,429
Non-depreciable capital assets	<u>681,429</u>	<u>-</u>	<u>-</u>	<u>681,429</u>
Depreciable capital assets:				
Buildings	6,430,651	-	-	6,430,651
Improvements	750,670	230,296	(268,087)	712,879
Machinery and Equipment	2,250,757	101,471	-	2,352,228
Water and Sewer Lines	<u>25,127,642</u>	<u>-</u>	<u>-</u>	<u>25,127,642</u>
Depreciable capital assets	<u>34,559,720</u>	<u>331,767</u>	<u>(268,087)</u>	<u>34,623,400</u>
Less: accumulated depreciation				
Buildings	(2,262,675)	(157,267)	-	(2,419,942)
Improvements	(131,458)	(35,179)	26,809	(139,828)
Machinery and Equipment	(1,566,009)	(133,288)	-	(1,699,297)
Water and Sewer Lines	<u>(8,589,176)</u>	<u>(206,359)</u>	<u>-</u>	<u>(8,795,535)</u>
Accumulated depreciation	<u>(12,549,318)</u>	<u>(532,093)</u>	<u>26,809</u>	<u>(13,054,602)</u>
Depreciable capital assets, net	<u>22,010,402</u>	<u>(200,326)</u>	<u>(241,278)</u>	<u>21,568,798</u>
Business-Type activities capital assets, net	<u>\$ 22,691,831</u>	<u>(200,326)</u>	<u>(241,278)</u>	<u>22,250,227</u>

NOTE 10 – RISK MANAGEMENT

A. Self-Insurance Program:

The County continues to manage its dental insurance on a self-insured basis. Managed Care of America (MCA), a third party administrator, processes the claims for the County. The County Commissioners have established a premium for dental insurance. The County pays a portion of the dental premium and employees are responsible for the balance of the dental premiums. Premiums are transferred from the individual funds where employees' salaries are paid to the Dental Internal Service fund. The County is billed their proportionate share of actual billings processed by MCA in the prior month. These payments are accounted for in the Dental Insurance Internal Service fund. The County also pays a fixed cost to MCA. Under the insurance

CLARK COUNTY, OHIO
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For the Year Ended December 31, 2006

program, the Internal Service fund provides coverage for up to a maximum of \$1,000 per individual per year. There has been no significant reduction in coverage from the prior year.

Claims payable is based on requirements of *GASB Statement No. 10*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements- Indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The third party administrator estimates claims payable at December 31, 2006 to be \$13,437.

The changes in claims liability for 2006:

<u>Year</u>	Beginning of Fiscal Year <u>Liability</u>	Current Year <u>Claims</u>	Claim <u>Payments</u>	Balance at Fiscal <u>Year End</u>
2005	\$ 64,785	685,758	691,275	59,268
2006	\$ 59,268	260,187	306,018	13,437

B. Other Insurance Coverage:

The County is exposed to various risks of loss related to torts, theft of or damage to, and destruction of assets, errors or omissions, injuries to employees and natural disasters. During 2006, the County contracted with County Risk Sharing Authority (CORSA) for liability, property and crime insurance. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. The County pays all elected officials' bonds by statute.

There were no significant reductions in insurance coverage during the year in any category of risk. Insurance coverage for each of the past three years was sufficient to cover any insurance settlements.

The County has elected to take advantage of the retrospective rating plan for workers' compensation offered by the State of Ohio. This plan allows the County to pay a fraction of the premium it would pay as an experience-rated risk.

Retrospective rating constitutes a step closer to self-insurance. In the retrospective rating plan, the County agrees to assume a portion of the risk in return for a possible reduction in premiums. The greater the percentage of the risk the County assumes, the greater the potential reduction in premiums. If the County's loss experience is better than predicted by the experience-rating system, its premium obligation will be less than what it would have paid under experience rating. If its experience is worse than predicted, its premium obligation will be more than it would have been assessed under experience rating, limited to the maximum premium.

The County has assumed the risk for individual claims up to a maximum of \$300,000. The County has also agreed to pay all claims up to a maximum of 200% of what the County would have paid had the County remained an experience-rated risk. Claims exceeding these limits will be paid by the State. Each year, the County pays the State a "minimum premium" for retaining the

CLARK COUNTY, OHIO
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risk of having to pay claims, which exceed the County's maximum claim limits. For each year the County elects the retrospective rating plan for workers' compensation, liability is attached for ten years.

All claims processing is done by the State. The State initially pays all claims and then bills the County. At December 31, 2006, a claims liability of \$2,190,224 is reported in the government-wide statement of net assets and represents the liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, based on an estimate provided by the Bureau of Workers' Compensation. Claims incurred during the year were \$399,696.

NOTE 11 – DEFINED BENEFIT RETIREMENT PLANS

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan — a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan — a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan — a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. 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 to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. 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. The 2006 member contribution rates were 9.0% for members in state, local, and public safety classifications. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%. The 2006 employer contribution rate was 13.54% of covered payroll. For local government employer units, the rate was 13.70% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2006 was 16.93%. The County's required contributions for pension obligations to the plans for the years ended December 31, 2006, 2005, and 2004 were

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\$7,070,349, \$6,802,317 and \$6,781,194 respectively; equal to the required contribution for each of the three years.

NOTE 12 – 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 provides retirement, disability, and survivor benefits as well as post-retirement health care coverage to qualifying members of both 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-retirement 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 is considered to be an Other Post-employment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2006, state employers contributed at a rate of 13.54% of covered payroll, local government employer units, contributed at 13.70% of covered payroll and public safety and law enforcement employer units contributed at 16.93%. The portion of employer contributions, for all employers, allocated to health care was 4.50%.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

Actuarial Review: The following assumptions and calculations were based on the System's latest Actuarial Review as of December 31, 2005.

Funding Method: The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

Assets Valuation Method: All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return: The investment assumption rate for 2005 was 6.50%.

Active Employee Total Payroll: An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of

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active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care: Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years, (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

OPEB is advance-funded on an actuarially determined basis. The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 358,804. The portion of County's contributions that were used to fund post-employment benefits was \$2,322,610. The amount of \$11.1 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006. The Actuarial Valuation as of December 31, 2006, reported the actuarially accrued liability and the unfunded actuarial accrued liability for OPEB, based on the actuarial cost method used, at \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective 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.

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

NOTE 13 – OTHER EMPLOYEE BENEFITS

County employees may participate in two deferred compensation plans; the Ohio Public Employees Deferred Compensation Program and the County Commissioners Association of Ohio Deferred Compensation Plan. These plans are created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. The deferred pay and income earned on it is not subject to taxation until the employee receives it. According to the plans, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
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NOTE 14 – LONG-TERM OBLIGATIONS

A schedule of changes in long-term obligations of the County during 2006 were as follows:

	Amount Outstanding 12/31/2005	Additions	Retirements	Amount Outstanding 12/31/2006	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>General Obligation Bonds:</u>					
3.00% to 4.25% - 2002					
Human Service Building Refunding	\$ 3,205,000	-	335,000	2,870,000	410,000
3.00% to 4.50% -					
Human Services Improvement	960,000	-	125,000	835,000	125,000
1.50% to 4.00% - 2003					
BRF Refunding	<u>1,225,000</u>	<u>-</u>	<u>400,000</u>	<u>825,000</u>	<u>355,000</u>
Total General Obligation Bonds	5,390,000	-	860,000	4,530,000	890,000
Compensated Absences	4,818,551	5,771,516	4,818,551	5,771,516	47,833
Accrued Bond Premium	19,214	-	6,987	12,227	6,987
Less: Deferred Amounts					
Deferred Amount on Refunding	<u>(20,613)</u>	<u>-</u>	<u>(7,495)</u>	<u>(13,118)</u>	<u>(7,495)</u>
Total Governmental Activities	<u>10,207,152</u>	<u>5,771,516</u>	<u>5,678,043</u>	<u>10,300,625</u>	<u>937,325</u>
<u>Business-Type Activities:</u>					
<u>General Obligation Bonds:</u>					
Limecrest Sewer Construction	\$ 416,700	-	8,700	408,000	9,200
1.50% to 4.00% - 2003					
Southwest Sewer Refunding	490,000	-	160,000	330,000	165,000
1.50% to 4.00% - 2003					
Medway Refunding	<u>1,805,000</u>	<u>-</u>	<u>180,000</u>	<u>1,625,000</u>	<u>185,000</u>
Total General Obligation Bonds	2,711,700	-	348,700	2,363,000	359,200
<u>Ohio Public Works Commission Loans:</u>					
Northridge Water Tank	243,200	-	15,200	228,000	15,200
Southwest Treatment Plant	103,275	-	12,150	91,125	12,150
Southwest Treatment Plant II	109,225	-	12,850	96,375	12,850
West Enon Sanitary Sewer	445,500	-	24,750	420,750	24,750
Green Meadows Water Tank	195,000	-	10,000	185,000	10,000
Southwest Equipment Replacement	-	28,800	-	28,800	-
Compensated Absences	122,698	130,372	122,698	130,372	-
Accrued Bond Premium	25,630	-	4,858	20,772	4,858
Less: Deferred Amounts					
Deferred Amount on Refunding	<u>(84,577)</u>	<u>-</u>	<u>(21,079)</u>	<u>(63,498)</u>	<u>(21,079)</u>
Total Business-Type Activities	<u>\$ 3,871,651</u>	<u>159,172</u>	<u>530,127</u>	<u>3,500,696</u>	<u>417,929</u>

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

General Obligation Bonds:

All general obligation bonds are supported by the full faith and credit of the County. General obligation bonds in the governmental activities will be paid from a .1 mill un-voted property tax and rental charges to the County departments and other tenants who occupy the facilities. These bonds are being repaid from the applicable debt service funds with general governmental revenue sources.

Advance and Current Refunding Debt:

In 2003, the County issued \$4,165,000 to advance refund the Human Services Building Improvement Bonds and current refund the Human Services/CSEA Building Improvement Bonds.

\$2,140,324 of the bond proceeds were deposited in a Escrow Fund to be used for the purchase of U.S. Treasury Obligations for the purpose of generating resources for all future debt service payments on \$1,910,000 of Human Services Building Improvement Bonds, Series 1996, which will be considered refunded debt. In addition, \$2,019,191 of the bond proceeds was placed in the Escrow Fund for a current refunding of \$1,975,000 of Human Services Building Improvement Bonds, Series 1992. As a result, the refunded bonds are considered to be defeased and the liability was removed from the government-wide statements. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$213,312 and resulted in an economic gain of \$172,437.

Enterprise Debt:

The enterprise general obligation bonds, Issue II loans and the Ohio Public Works Commission loans are supported by the revenues of the sewer and water enterprise funds, and are repaid from the respective funds.

Conduit Debt:

From time to time, the County has issued Industrial Revenue Bonds, Healthcare Facilities Revenue Bonds, and Multifamily Housing Taxable Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the private interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At December 31, 2006 there were 54 series of Industrial Revenue Bonds, Healthcare Facilities Revenue Bonds, and Multifamily Housing Taxable Revenue Bonds outstanding. The aggregate principal amount payable for the 10 series issued after July 1, 1995 was \$97.195 million. The aggregate principal amount payable for the 48 series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$78.505 million.

CLARK COUNTY, OHIO
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The County entered an agreement with the Ohio Department of Transportation for a loan in the amount of \$2,020,000 through the State Infrastructure Bank. The loan is for the benefit of the Clark County-Springfield Transportation Coordinating Committee (TCC). TCC has assigned its allocation of federal aid transportation funds to repay the loan. The County would be liable for this debt in the event of default.

The County is not aware of and has not been notified of any condition of default under those bonds or the related financing documents.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and un-voted net debt of the County less the same exempt debt shall never 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 \$57,981,356 and a limit on un-voted debt margin of \$20,233,713.

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

Governmental Long-Term Bond Obligations

2007	\$ 1,054,603
2008	1,049,465
2009	610,390
2010	636,328
2011	629,153
2012 – 2015	<u>1,216,584</u>
Total Principal and Interest	5,196,523
Less: Amount Representing Interest	<u>(666,523)</u>
Total Principal	\$ <u>4,530,000</u>

Enterprise Long-Term Bond Obligations

	<u>Total</u>
2007	\$ 441,480
2008	433,545
2009	263,940
2010	263,235
2011	266,868
2011 – 2015	863,927
2016 – 2020	147,950
2021 – 2025	147,925
2026 – 2030	<u>118,225</u>
Total Principal and Interest	2,947,095
Less: Amount Representing Interest	<u>(584,095)</u>
Total Principal	\$ <u>2,363,000</u>

CLARK COUNTY, OHIO
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NOTE 15 – NOTE TRANSACTIONS

The notes being paid out of the governmental and business-type activities are bond anticipation notes. All of the notes are backed by the full faith and credit of Clark County. Those notes pertaining to business-type activities will be paid from revenues derived by the County from the operation of the sewer and water systems. The note liability is reflected in the fund, which received the proceeds.

	Interest Rate	Amount Outstanding 12/31/2005	Additions	Retirements	Amount Outstanding 12/31/2006
<u>Governmental Activities:</u>					
Various Purpose 2006-1	3.67%	\$ -	1,450,000	(1,450,000)	-
MRDD Series 2005	3.22%	1,705,000	-	(1,705,000)	-
Capital Improvement Note	4.00%	-	1,230,000	-	1,230,000
Juvenile Center Renovations 2005	3.65%	3,900,000	-	(3,900,000)	-
Various Purpose Series 2006C	3.83%	-	11,200,000	-	11,200,000
Various Purpose Series 2005-1	2.75%	1,645,000	-	(1,645,000)	-
Various Purpose Series 2006B	4.27%	-	1,095,000	-	1,095,000
Various Purpose Series 2005-2	3.00%	1,050,000	-	(1,050,000)	-
Various Purpose Series 2005-2	3.90%	-	995,000	-	995,000
Various Purpose Series 2005-3	3.11%	480,000	-	(480,000)	-
Various Purpose Series 2006-2	4.00%	-	2,755,000	-	2,755,000
Total Governmental Activities		<u>8,780,000</u>	<u>18,725,000</u>	<u>(10,230,000)</u>	<u>17,275,000</u>
<u>Business-Type Activities:</u>					
Various Purpose Series 2006-1	3.67%	-	1,635,000	(1,055,000)	580,000
Various Purpose Series 2005-1	2.75%	2,200,000	-	(2,200,000)	-
Various Purpose Series 2005-2	3.90%	-	1,185,000	-	1,185,000
Various Purpose Series 2005-2	3.00%	310,000	-	(310,000)	-
Various Purpose Series 2006C	3.83%	-	1,440,000	-	1,440,000
Various Purpose Series 2005-3	3.11%	1,430,000	-	(1,430,000)	-
Capital Improvement Note	4.00%	-	1,165,000	-	1,165,000
Total Business-Type Activities		<u>3,940,000</u>	<u>5,425,000</u>	<u>(4,995,000)</u>	<u>4,370,000</u>
		<u>\$ 12,720,000</u>	<u>24,150,000</u>	<u>(15,225,000)</u>	<u>21,645,000</u>

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Eastern Miami Valley Alcohol Drug Addiction and Mental Health Board – Clark County is a participant in the Eastern Miami Valley ADAMH, which is a joint county Alcohol, Drug Addiction and Mental Health Board. The Organization was formed for the purpose of providing high quality and cost-effective alcohol and drug addiction and mental health services to the residents of Greene, Madison and Clark Counties. The governing board consists of eighteen members, five of which are appointed by the Clark County Commissioners. The Clark County Auditor serves as the fiscal agent for the Board. Financial information can be obtained by writing Eastern Miami Valley ADAMH at 1055 E. High Street, Springfield, Ohio 45505.

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West Central Ohio Port Authority – The West Central Ohio Port Authority was established under Section 4582.21 of the Ohio Revised Code. Under the Revised Code, the Port Authority is a legally separate entity. The Board of the Authority is comprised of seven members: 2 members from Champaign County, 3 from Clark County, and 2 from Fayette County. The members are appointed by the County Commissioners of each respective county. Clark County does not approve its budget, nor is it responsible for the Authority's debt. During 2006, the County did not contribute any money to the Authority.

Springfield Metropolitan Housing Authority – The Springfield Metropolitan Housing Authority was established under Section of 3735 of the Ohio Revised Code. The Board is comprised of five members: one appointed by the Clark County Probate Court, one appointed by the Clark County Court of Common Pleas, one appointed by the Clark County Commissioners, and two appointed by the City of Springfield Commissioners.

Clark County cannot significantly influence the Authority's operations, the board has sole budgetary authority, and the County is not legally or morally obligated for the Authority's debt. During 2006, Clark County did not contribute any money to the Springfield Metropolitan Housing Authority.

West Central Community Correction Facility – The West Central Community Correction Facility was established as a legally separate district under Section 2301.51 of the Ohio Revised Code to provide a district community-based correctional facility and program for the use of the member courts of common pleas. Member courts are from the counties of Clark, Champaign, Delaware, Logan, Madison, Marion, Morrow and Union. The Judicial Corrections Board is comprised of 11 judges, one each from the member counties and, based upon population, two from Clark, Delaware, and Marion County. Funds for the construction and operation are received through grant revenue from the State of Ohio. Clark County, having the largest population, serves as fiscal agent for the facility.

NOTE 17 – RELATED ORGANIZATIONS

Clark County Public Library – Clark County Public Library is a related Organization. The County appoints the governing board of the Library; however, the County cannot influence the Library's operations nor does the Library represent a potential financial benefit or burden on the County. The County serves in a ministerial capacity as taxing authority for the Library. Once the Library Board determines to present a levy to the voters, including the determination of its rate and duration, the County must place the levy on the ballot. The Library may not issue debt. The Library determines its own budget. The Library received \$237,566 in tax revenue, and \$5,034,737 in library and local government money passed thru the County during 2006.

National Trail Parks and Recreation District – The National Trail Parks and Recreation District is a related Organization. The three Park District Commissioners are appointed by the Probate Judge of the County, but the County's accountability does not extend beyond making the appointments. The District received \$76,073 in local government monies passed thru the County during 2006.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 18 – CONTINGENT LIABILITIES

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

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecuting Attorney, any potential liability would not have a material effect on the general-purpose financial statements.

NOTE 19 – SUBSEQUENT EVENTS

On February 15, 2007, the County purchased 164 acres of land in Mad River Township for the purpose of securing property to augment the existing wellfield in the Park Layne water district in the amount of \$500,000.

On March 13, 2007, the County authorized the issuance and sale of notes in the aggregate principal amount of \$1,755,000 in the anticipation of the issuance of bonds, for the purpose of: improving the county's fairgrounds, including installation of water and sanitary sewer lines, resurfacing interior roadways, remodeling buildings to comply with the Americans with Disabilities Act Requirements.

On March 20, 2007, the County authorized the payment for a note due March 27, 2007. The note will be refinanced in the amount of \$1,700,000 at a interest rate of 3.9 to 4%.

On April 24, 2007, the County authorized the issuance and sale of \$1,260,000 of notes, in anticipation of the issuance of bonds for the purpose of (i) paying costs of acquiring, furnishing and equipping a Community Mental Health Facility, including acquisition of the site thereof, together with any necessary appurtenances for use by the County Board Of Mental Retardation and Developmental Disabilities and (ii) paying the costs of improvements to the Springview board of elections building, including improvements to the roof, HVAC system and the parking facilities.

On May 29, 2007, the County authorized the issuance and sale of notes in the aggregate principal amount of \$2,430,000, in anticipation of the issuance of bonds, for the purpose of paying the costs of constructing an addition to and renovating the existing recreation building located on the F.F. Mueller campus, to be utilized by the community living services division of the Clark County Board Of Mental Retardation and Developmental Disabilities, together with all necessary appurtenances thereto.

On May 1, 2007, the County authorized the following agreement: agreement with: Ohio Department of Transportation total project: \$1,350,000 with 80% funding up to \$1,282,000 description: improvements to Upper Valley Pike from Cottonwood Drive, located north of Shrine Road to Ross Lane near the northern Upper Valley Mall entrance. The project will resurface the existing roadway, address drainage issues by improving or enclosing roadside ditches, and evaluate existing traffic signals and signage.

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On May 29, 2007, the County authorized the issuance and sale of \$2,255,000 of notes, in anticipation of the issuance of bonds for the purpose of (i) improving the public water supply system in the county by paying a portion of the costs of constructing a new water storage tank and appurtenances thereto, (ii) paying the costs of installing a new sanitary sewer in the west Enon Estates subdivision located within the County, by constructing gravity sewers, force mains, manholes and a lift station, replacing pavement, and restoring underground and surface areas, together with all necessary work, incidentals and appurtenances thereto, (iii) purchasing document imaging systems hardware, together with necessary appurtenances thereto, (iv) purchasing the Clark Township firehouse for use as an EMA building, (v) paying costs of public building improvements, including the construction of a new roof for the Garfield Building and the Health Center, (vi) paying the costs of improvements to the county's waste management building, including the construction of a dock and the resurfacing, striping and grading of the building's parking lot, together with all necessary work, incidentals and appurtenances thereto, (vii) paying costs of constructing a bypass road connecting U.S. Route 40 and State Route 54, including grading, draining, paving and lighting, and all related improvements thereto, and (viii) paying costs of constructing sanitary sewer lines and all appurtenances thereto.

NOTE 20 – THE HOUSING CONNECTION OF CLARK COUNTY, INC.

A. Summary of Significant Accounting Policies:

Organization

The Housing Connection of Clark County, Inc. is a non-profit organization that provides affordable housing in Clark County to individuals with mental retardation and other developmental disabilities.

Measurement Focus and Basis of Accounting

The financial statements of the Housing Connection of Clark County have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes in funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. In accordance with SFAS No. 117, fund balances are classified on the statement of financial position as unrestricted, temporarily restricted or permanently restricted net assets based on the absence or existence and type of donor-imposed restrictions.

Land, Buildings, and Equipment

Land, Buildings and Equipment for the Housing Connection are capitalized at cost, or if donated, at the approximate fair value at the date of donation. Expenditures for replacements are capitalized and the replaced items are retired. It is the Housing Connection's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed as maintenance and repairs. Depreciation is computed using the straight-line method based on

CLARK COUNTY, OHIO
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For the Year Ended December 31, 2006

five to 27.5 years for estimated useful lives. Depreciation expense for the fiscal year ended December 31, 2006 was \$81,044.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision has been made for federal and state income taxes.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be all unrestricted and temporarily restricted highly liquid investments with maturities of three months or less at the time of acquisition.

During the year, the Organization's checking account bank balance exceeded the federally insured limits. At December 31, 2006, the Organization had no uninsured cash balances.

B. Related Party and Donated Services:

The Housing Connection is housed in facilities furnished by the Clark County Board of Mental Retardation and Developmental Disabilities. The Board furnishes the staff members work space, some equipment and pays the expenses related to upkeep of the facilities. Contributions of staff wages and benefits are reflected in the financial statements for the year ended December 31, 2005. Wages and benefits paid were \$43,145. No value is reflected herein for rent on the office space since no specific, easily identifiable space is used.

C. Economic Dependence:

The Housing Connection is economically dependent upon the continuing support by the Clark County Board of Mental Retardation.

D. Mortgage Note Payable:

Mortgages payable are at interest rates ranging from 5.0% to 8.5% and mature at various dates through the year 2017. The mortgages are collateralized by each respective location's land and house. Aggregate principal payment requirements are as follows for the subsequent five years:

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For the Year Ended December 31, 2006

<u>Year Ending</u>	<u>Amount</u>
2007	\$ 47,394
2008	48,177
2009	47,619
2010	49,770
2011 and beyond	<u>252,458</u>
	\$ <u>445,418</u>

Interest expense for the year ended December 31, 2006 was \$28,543.

E. Grants:

The Organization receives Community Capital Assistance Funds for housing distributed by the Clark County Board of Mental Retardation and Developmental Disabilities, which in turn receives the funds from the Ohio Department of Mental Retardation and Developmental Disabilities. The grant is used to purchase single-family dwellings for the occupancy of the disabled. The grant is to be forgiven over a fifteen-year period.

The Organization has received a total of \$1,161,730 in grant money, of which \$669,832 is deferred to later years.

F. Leases:

The Organization is the lessor of single-family dwellings under operating leases expiring annually.

The Organization rented all of its current dwellings in 2006 and expects full rental for 2007. The estimated rental income to be received on the leases for 2007 is \$218,586.

G. Fair Values of Financial Instruments:

The following methods and assumptions were used by the Organization to estimate the fair values of financial instruments as disclosed herein:

Cash: The carrying amount approximates fair value because of the short maturity nature of this asset.

Certificate of Deposit: The instruments are carried at cost, which approximates fair value.

Long-Term Debt: The fair value of long-term debt is estimated based on interest rates for the same or similar debt offered to the Organization having the same or similar remaining maturities and collateral requirements.

H. Real Estate Tax Abatement:

During 1997, the Organization received approval from the State of Ohio Department of Taxation for exemption from real estate taxes on its various properties. The exemption applies to properties purchased before 1997, and future years exemption is ongoing. During 2006, real estate taxes paid and accrued were \$9,296 and \$971 respectively. These taxes relate to the

CLARK COUNTY, OHIO
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For the Year Ended December 31, 2006

properties purchased during 2003 for which exemption will be requested once the property has been owned for a one year period.

I. Temporarily Restricted Assets:

In May 2002, the Board of Directors of Clark County Mental Retardation and Developmental Disabilities (MRDD) contributed \$75,000 to the Organization. The funds are restricted for the future purchase of houses by the Organization.

NOTE 21 – TAC INDUSTRIES, INC.

A. Summary of Significant Accounting Policies:

The following accounting principles and practices of TAC Industries, Inc. ("Organization") are set forth to facilitate the understanding of data presented in the financial statements:

Description of Business

TAC Industries, Inc. (TAC) was organized to give the mentally retarded and developmentally disabled citizens of Clark County an opportunity for sheltered employment while educating and training these citizens for a position in the competitive job market. To ensure a full spectrum of employment opportunities for the citizens, TAC may employ other disabled citizens that are not mentally retarded. The Organization contracts with local businesses and federal agencies for various jobs that can be performed within the production capabilities of TAC Industries, Inc.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with the Statement of Financial Accounting standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, TAC Industries is required to report, where applicable, information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. When a restriction is met in the same reporting period, the support is recorded as unrestricted in the Statement of Activities and Changes in Net Assets. The Organization currently has only unrestricted net assets. As permitted by this statement, the Organization does not use fund accounting.

Investments

The financial statements of the Organization have been prepared in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Method of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, TAC considers amounts on hand and in demand deposits to be cash and cash equivalents.

Accounts Receivable, Trade

Accounts receivable consists of amounts due from customers for trade activities. No allowance for uncollectible accounts was set up as management deems all amounts to be collectible.

Inventory

Inventory is stated at cost, using the first-in, first-out (FIFO) method.

Property, Equipment and Depreciation

Property and equipment are stated at cost, if purchased, or at fair market value if donated. Major expenditures for property and equipment expenditures, which substantially increase useful lives of property and equipment, are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets.

Federal Income Taxes

TAC Industries Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Product revenue is recognized when the product is shipped and support when contributions are made, which may be when cash received, unconditional promises are made, or ownership of other assets is transferred to the Organization and are measured at their fair values.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
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B. Investments:

Investments are recorded at fair value at December 31, 2006 and consist of the following:

	<u>Cost</u>	<u>2006 Fair Value</u>	<u>Unrealized Gain / (Loss)</u>
Money Market Funds	\$ 7,994	7,994	-
Corporate Bonds and Notes	26,803	25,883	(920)
U.S. Government Securities	61,879	59,944	(1,935)
Equities	<u>114,018</u>	<u>136,271</u>	<u>22,253</u>
	<u>\$ 210,694</u>	<u>230,092</u>	<u>19,398</u>

C. Note Payable:

During 2006, the Organization purchased their Columbus Avenue facility from Clark County. As part of this sale, the Organization assumed the outstanding note of \$260,000. The note is payable in an annual installment of \$45,000, including interest at 4%, through 2013. The building's fair market value is estimated to approximate the note assumed.

The minimum principal payments on the note payable at December 31, 2006 due in each of the next five years are as follows:

2007	\$ 40,000
2008	36,200
2009	37,648
2010	39,154
2011	40,720
Thereafter	<u>66,278</u>
	<u>\$ 260,000</u>

D. Capital Leases:

Capital leases consisted of the following at December 31:

Capital lease payable to Deaton Company, payable in monthly installments of \$11,897, including interest through January 1, 2018. Secured by building acquired under the lease.	\$ 949,294
Capital lease payable to Deaton Company, payable in monthly installments of \$3,685, including interest through March 1, 2018. Secured by building acquired in the lease.	<u>495,038</u>
	<u>\$1,444,332</u>

CLARK COUNTY, OHIO
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Minimum future lease payments on the capital leases payable are due as follows:

2007	\$ 186,984
2008	186,984
2009	186,984
2010	186,984
2011	186,984
Thereafter	<u>1,144,856</u>
	2,079,776
Less imputed interest	<u>(635,444)</u>
Present value of net minimum lease payment	<u>\$1,444,332</u>

The amount capitalized under lease agreements at December 31, 2006 was \$1,759,000 and the related accumulated depreciation with respect to these assets was \$173,835.

The building acquired under the second capital lease is sub-leased to the Clark County Board of Mental Retardation and Developmental Disabilities, a related party. Rental income of \$55,000 was recorded as of December 31, 2006.

Non-cancelable future minimum rentals are as follows.

2007	\$ 54,996
2008	<u>36,664</u>
	\$ <u>91,660</u>

E. Line of Credit:

TAC has \$700,250 unused line of credit with two regional financial institutions to be drawn down upon as needed for working capital and operating purposes with variable interest rates. There was no outstanding loan balances as of December 31, 2006. The lines are collateralized by substantially all of the Organization's assets, excluding buildings.

F. Related Party:

TAC has an ongoing contractual relationship with the Clark County Board of Mental Retardation and Developmental Disabilities (Board). As part of that relationship, TAC reimburses the Board an amount agreed upon by the two organizations for selected operating expenses incurred by the Board. The reimbursement agreement does not identify expense categories for which payment was made. TAC was charged \$190,000 for 2006, which is expensed on the statements of activities and changes in net assets as unallocated payments to affiliated organizations. Other expenditures made by the County Board are handled on an in-kind basis. The value of this in-kind support was calculated at \$129,044 for the year ended December 31, 2006.

TAC charges the Board for facility and other charges for use of TAC leased buildings. Lease income of \$148,186 was recorded in 2006 under this agreement.

CLARK COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

G. Concentration of Credit Risk:

TAC provides services to businesses in Clark County, Southwestern Ohio and the United States Government. Due to the nature of the Organization's business and the specialization of its workforce, the Organization generally conducts most of its business with fewer than fifteen customers. Credit risk with respect to trade receivables consists of reliance on these businesses as the Organization extends credit to its customers in the ordinary course of its business. Two customers amounted to 98% of the Organization's receivable trade balance as of December 31, 2006. These two customers account for 98% of the Organization's total sales for the year ended December 31, 2006. The Organization's largest customer requires the Organization to have workers with disabilities comprise at least 75% of its eligible workforce. This customer approximated 93% of the total sales for the year.

The Organization places its cash in accounts with financial institutions that are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2006 and at various times during the year the Organization had on deposit funds in excess of \$100,000.

Financial instruments that potentially subject the Organization to concentrations of credit risk are cash invested in local financial institutions and trade accounts receivable.

Credit risk with respect to trade receivables consists of reliance on businesses located in Clark County and Southwestern Ohio.

REQUIRED SUPPLEMENTARY INFORMATION

CLARK COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
General Fund
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 3,715,959	3,715,959	3,514,028	(201,931)
Permissive Sales Tax	18,600,000	18,600,000	19,136,330	536,330
Intergovernmental	5,700,955	5,756,779	5,943,116	186,337
Charges for Services	6,097,870	6,145,870	5,795,418	(350,452)
Licenses and Permits	31,800	31,800	13,137	(18,663)
Fees, Fines and Forfeitures	751,675	751,675	817,512	65,837
Investment Income	1,300,500	1,300,500	2,598,336	1,297,836
Other Revenue	<u>311,480</u>	<u>633,874</u>	<u>797,247</u>	<u>163,373</u>
Total Revenues	<u>36,510,239</u>	<u>36,936,457</u>	<u>38,615,124</u>	<u>1,678,667</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	5,237,772	4,806,677	4,182,761	623,916
Judicial	8,700,570	9,098,092	8,805,555	292,537
Public Safety	12,833,788	13,193,188	12,893,354	299,834
Public Works	6,412,432	6,485,450	5,607,875	877,575
Health	539,498	579,498	513,521	65,977
Human Services	740,906	740,906	663,152	77,754
Conservation and Recreation	<u>484,851</u>	<u>484,851</u>	<u>484,751</u>	<u>100</u>
Total Expenditures	<u>34,949,817</u>	<u>35,388,662</u>	<u>33,150,969</u>	<u>2,237,693</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>1,560,422</u>	<u>1,547,795</u>	<u>5,464,155</u>	<u>3,916,360</u>
OTHER FINANCING SOURCES (USES):				
Sales of Fixed Assets	-	-	500	500
Advances In	-	395,000	410,000	15,000
Transfers In	-	35,100	1,273,665	1,238,565
Advances Out	-	(410,000)	(410,000)	-
Transfers Out	<u>(5,263,640)</u>	<u>(5,338,552)</u>	<u>(5,026,379)</u>	<u>312,173</u>
Total Other Financing Sources (Uses)	<u>(5,263,640)</u>	<u>(5,318,452)</u>	<u>(3,752,214)</u>	<u>1,566,238</u>
Net Change in Fund Balance	(3,703,218)	(3,770,657)	1,711,941	5,482,598
Fund Balance, Beginning of Year	5,115,880	5,115,880	5,115,880	-
Prior Year Encumbrances Appropriated	<u>1,362,248</u>	<u>1,362,248</u>	<u>1,362,248</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,774,910</u>	<u>2,707,471</u>	<u>8,190,069</u>	<u>5,482,598</u>

See accompanying notes to the required supplementary information.

CLARK COUNTY, OHIO

Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
 Department of Job & Family Services Special Revenue Fund
 For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Intergovernmental	\$ 22,050,000	22,650,000	18,692,109	(3,957,891)
Charges for Services	5,625,000	5,625,000	5,627,500	2,500
Other Revenue	<u>2,500</u>	<u>2,500</u>	<u>11,997</u>	<u>9,497</u>
Total Revenues	<u>27,677,500</u>	<u>28,277,500</u>	<u>24,331,606</u>	<u>(3,945,894)</u>
EXPENDITURES:				
Current:				
Human Services	<u>27,785,371</u>	<u>28,385,371</u>	<u>27,347,345</u>	<u>1,038,026</u>
Total Expenditures	<u>27,785,371</u>	<u>28,385,371</u>	<u>27,347,345</u>	<u>1,038,026</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>(107,871)</u>	<u>(107,871)</u>	<u>(3,015,739)</u>	<u>(2,907,868)</u>
OTHER FINANCING SOURCES (USES):				
Advances In	500,000	500,000	250,000	(250,000)
Transfers In	1,711,776	1,711,776	1,419,395	(292,381)
Advances Out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(250,000)</u>	<u>250,000</u>
Total Other Financing Sources (Uses)	<u>1,711,776</u>	<u>1,711,776</u>	<u>1,419,395</u>	<u>(292,381)</u>
Net Change in Fund Balance	1,603,905	1,603,905	(1,596,344)	(3,200,249)
Fund Balance, Beginning of Year, as restated	(719,077)	(719,077)	(719,077)	-
Prior Year Encumbrances Appropriated	<u>1,902,833</u>	<u>1,902,833</u>	<u>1,902,833</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>2,787,661</u>	<u>2,787,661</u>	<u>(412,588)</u>	<u>(3,200,249)</u>

See accompanying notes to the required supplementary information.

CLARK COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual - Budgetary (Non-GAAP) Basis
MR/DD Special Revenue Fund
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 11,199,578	11,199,578	10,745,287	(454,291)
Intergovernmental	13,212,490	13,212,490	12,042,946	(1,169,544)
Charges for Services	836,000	840,040	1,854,303	1,014,263
Investment Income	-	-	10,452	10,452
Other Revenue	<u>5,500</u>	<u>6,845</u>	<u>217,216</u>	<u>210,371</u>
Total Revenues	<u>25,253,568</u>	<u>25,258,953</u>	<u>24,870,204</u>	<u>(388,749)</u>
EXPENDITURES:				
Current:				
Health	<u>24,999,312</u>	<u>24,938,706</u>	<u>22,487,376</u>	<u>2,451,330</u>
Total Expenditures	<u>24,999,312</u>	<u>24,938,706</u>	<u>22,487,376</u>	<u>2,451,330</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>254,256</u>	<u>320,247</u>	<u>2,382,828</u>	<u>2,062,581</u>
OTHER FINANCING SOURCES (USES):				
Advances In	581,000	581,000	300,000	(281,000)
Transfers In	2,198,000	2,198,000	2,038,000	(160,000)
Advances Out	(140,500)	(140,500)	-	140,500
Transfers Out	<u>(2,591,400)</u>	<u>(2,657,391)</u>	<u>(2,473,400)</u>	<u>183,991</u>
Total Other Financing Sources (Uses)	<u>47,100</u>	<u>(18,891)</u>	<u>(135,400)</u>	<u>(116,509)</u>
Net Change in Fund Balance	301,356	301,356	2,247,428	1,946,072
Fund Balance, Beginning of Year	8,013,074	8,013,074	8,013,074	-
Prior Year Encumbrances Appropriated	<u>333,590</u>	<u>333,590</u>	<u>333,590</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 8,648,020</u>	<u>8,648,020</u>	<u>10,594,092</u>	<u>1,946,072</u>

See accompanying notes to the required supplementary information.

CLARK COUNTY, OHIO
Notes to the Required Supplementary Information
For the Year Ended December 31, 2006

Budgetary Process:

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The County is required by state law to adopt annual budgets for all funds, except fiduciary funds specifically exempted by statute. The County does not adopt an annual budget for the Mercy Unit Bond Retirement Debt Service Fund. This fund is only used to maintain funds for matured interest payable. Listed below are the major steps of the budget preparation process:

Tax Budget:

A budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission reviews estimated revenues and determine if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2006.

Appropriations:

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

The County Commissioners legally enacted several supplemental appropriation resolutions during the year. The budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

CLARK COUNTY, OHIO

Notes to the Required Supplementary Information
For the Year Ended December 31, 2006

Budgeted Level of Expenditures:

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the Commissioners. Expenditures/expenses plus encumbrances may not legally exceed appropriations at the level of appropriation. Commissioners' appropriations are made to fund department and object level (i.e., personnel & fringes, operating expenses, capital asset expense, debt service, etc.) The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the Commissioners.

Encumbrances:

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Lapsing of Appropriations:

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

While reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund-types (GAAP basis). Material encumbrances are disclosed in the notes for proprietary fund types (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

CLARK COUNTY, OHIO

Notes to the Required Supplementary Information
For the Year Ended December 31, 2006

5. State statute requires short-term note debt to be repaid from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

6. Revenues and expenditures were not presented for non-budgeted funds (budget basis) but were recorded on the operating statement (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

Net Change in Fund Balances

	<u>General Fund</u>	<u>Job & Family Services Fund</u>	<u>Mental Retardation/ Developmental Disabilities Fund</u>
GAAP Basis	\$ 4,114,859	485,625	2,611,126
Revenue Accruals	(59,163)	(76,990)	(1,007)
Expenditure Accruals	(1,948,065)	(2,004,979)	(362,691)
Other Financing Sources/Uses	<u>(395,690)</u>	<u>-</u>	<u>-</u>
Budget Basis	\$ <u>1,711,941</u>	<u>(1,596,344)</u>	<u>2,247,428</u>

**FINANCIAL CONDITION
CLARK COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non - Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE:				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
Food Donation:	N/A	10.550		\$2,163
School Breakfast Program:	069997-05-PU 07 069997-05-PU 06	10.553	\$3,422 12,678	
Total School Breakfast Program			16,100	
National School Lunch Program:	LL-P1 07 LL-P4 07 LL-P1 06 LL-P4 06	10.555	1,388 5,307 5,206 19,628	
Total National School Lunch Program			31,529	
Team Nutrition Grants	N/A	10.574	490	
Total U.S. Department of Agriculture/Nutrition Cluster			48,119	2,163
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Direct Award:				
Community Development Block Grants/Brownfields Economic Development Initiative	B-02-SP-OH-0558	14.246	369,368	
Passed Through Ohio Department of Development:				
Community Development Block Grants/State's Program	BF-06-012-1 BF-05-012-1 BF-04-012-1 BD-04-012-1 BN-05-012-1	14.228	2,000 208,187 34,529 223,459 6,500	
Total Community Development Block Grant/State's Program			474,675	
Total U.S. Department of Housing and Urban Development			844,043	
U.S. DEPARTMENT OF JUSTICE:				
Direct Awards:				
Grants To Encourage Arrest Policies and Enforcement of Protection Orders	2005-WE-AX-0126	16.590	187,276	
Local Law Enforcement Block Grant Program	2005-DJ-BX-1494	16.592	95,567	
Passed Through Office of the Attorney General:				
Crime Victim Assistance	2007VACHAE048 2006VACHAE048 2007VACHAE589 2006VACHAE589	16.575	8,017 26,172 9,479 27,877	
Total Crime Victim Assistance			71,545	
Public Safety Partnership and Community Policing Grants		16.710	38,303	
Passed Through Office of Criminal Justice:				
Violence Against Women Formula Grants	2005-WF-VA5-8307	16.588	45,598	
Total U.S. Department of Justice			438,289	

**FINANCIAL CONDITION
CLARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non - Cash Disbursements
U.S. DEPARTMENT OF LABOR:				
Passed through Area 7 Workforce Investment Board				
Workforce Investment Act (WIA) Cluster				
WIA-Adult Programs (SFY06)	N/A	17.258	300,421	
WIA-Adult Programs (SFY06)-Admin			22,048	
WIA-Adult Programs (SFY07)			219,262	
WIA-Adult Programs (SFY07)-Admin			10,165	
Total WIA-Adult			551,896	
WIA-Youth Activities (SFY06)	N/A	17.259	303,789	
WIA-Youth Activities (SFY06)-Admin			18,329	
WIA-Youth Activities (SFY07)			97,369	
WIA-Youth Activities (SFY07)-Admin			8,451	
Total WIA-Youth			427,938	
WIA-Dislocated Workers (SFY06)	N/A	17.260	197,534	
WIA-Dislocated Workers (SFY06)-Admin			12,750	
WIA-Dislocated Workers (SFY07)			131,445	
WIA-Dislocated Workers (SFY07)-Admin			5,879	
Total WIA-Dislocated Workers			347,608	
Total U.S. Department of Labor			1,327,442	
U.S. DEPARTMENT OF TRANSPORTATION:				
Passed through Ohio Department of Transportation				
Highway Planning and Construction	05N013	20.205	37,509	
Passed Through Ohio Governor's Highway Safety Office:				
Alcohol Safety & Drunk Driving Prevention Incentive Grants	LEO-2006-12-00-00-00603-00	20.601	8,334	
	HVEO-2007-12-00-00-620-00		6,930	
Total Alcohol Safety & Drunk Driving Prevention Incentives			15,264	
Total U.S. Department of Transportation			52,773	
U.S. DEPARTMENT OF GENERAL SERVICES ADMINISTRATION				
Passed Through Ohio Secretary of State				
Election Reform Payments	05-SOS-HAVA-12	39.011	23,763	
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Direct Award:				
Surveys - Studies - Investigations and Special Purpose Grants	XP-96570501-0	66.606	4,210	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed Through Ohio Secretary of State				
Voting Access for Individuals with Disabilities Grants to States	06-SOS-HHHS-12	93.617	5,375	
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:				
Child Support Enforcement	N/A	93.563	233,972	
Social Services Block Grant	FY06	93.667	100,777	
	FY07		72,896	
Total Social Services Block Grant			173,673	
State Children's Insurance Program (SCHIP)	FY06	93.767	359	
Medical Assistance Program				
Waiver Administration	N/A	93.778	11,930	
Community Alternative Funding Source (CAFS)	N/A		5,718	
Targeted Case Management	N/A		126,876	
Home and Community Based Services	N/A		1,580,490	
Total Medical Assistance Program			1,725,014	
Block Grants for Prevention and Treatment of Substance Abuse	N/A	93.959	21,952	
Total U.S. Department of Health and Human Services			2,160,345	

FINANCIAL CONDITION
CLARK COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non - Cash Disbursements
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through Ohio Emergency Management Agency:				
Hazard Mitigation Grant	FEMA-DR-1453-OH	97.039	4,350	
Emergency Management Performance Grants	2006-EME60042	97.042	52,992	
Citizen Corps	2006-GC-T6-0051	97.053	676	
	2005-GC-T5-0001		10,435	
	2004-GC-T4-0025		1,272	
Total Citizen Corps			<u>12,383</u>	
State Homeland Security Program	2006-GE-T6-0051	97.073	13,882	
	2005-GE-T5-0001		175,769	
Total State Homeland Security Program			<u>189,651</u>	
Total U.S. Department of Homeland Security			<u>259,376</u>	
Total Expenditures of Federal Awards for 2006			<u>\$5,158,360</u>	<u>\$2,163</u>

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

**FINANCIAL CONDITION
CLARK COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*.

NOTE B – SUBRECIPIENTS

The County passes-through certain federal assistance received from the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction to the Eastern Miami Valley Alcohol, Drug Addiction and Mental Health Services Board of Clark, Greene, and Madison Counties. These federal funds are not included on the Schedule since Clark County acts only as a pass-through entity and has no administrative responsibilities.

As described in Note A, the County records expenditures of federal awards to sub-recipients when paid in cash.

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

NOTE C- FOOD DISTRIBUTION

Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received. This note applies only to the Juvenile Center.

NOTE D- MATCHING REQUIREMENTS

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



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*

Honorable Board of County Commissioners
Honorable County Auditor
Honorable County Treasurer
Clark County
50 East Columbia Street
Springfield, Ohio 45501

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clark County, Ohio (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 September 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*. Other auditors audited the financial statements of The Housing Connection of Clark County, Inc. in accordance with auditing standards generally accepted in the United States of American and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to that Component Unit. Also, other auditors audited the financial statements of TAC Industries, Inc. , as described in our opinion on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

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 opinions 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.

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

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.

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, we believe the significant deficiency described above as 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 September 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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

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 September 27, 2007.

The County's responses to the findings identified in our audit are described in the accompanying Officials' Response and Corrective Action Plan. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

September 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

Honorable Board of County Commissioners
Honorable County Auditor
Honorable County Treasurer
Clark County
50 East Columbia Street
Springfield, Ohio 45501

To the Board of Commissioners:

Compliance

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

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

As described in finding 2006-003 in the accompanying schedule of findings, the County did not comply with a requirement regarding preparation of the Schedule of Federal Awards Expenditures. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to the Schedule of Federal Awards Expenditures.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above applying to each of its major federal programs for the year ended December 31, 2006. In a separate letter to the County's management dated September 27, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

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Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with 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 a 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 also noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 27, 2007.

The County's responses to the findings we identified are described in the accompanying Officials' Response and Corrective Action Plan. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

September 27, 2007

**FINANCIAL CONDITION
CLARK COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA# 14.228: Community Development Block Grants/State's Program CFDA# 17.258, 17.259 & 17.260: Workforce Investments Act [Cluster] CFDA# 93.778: Medical Assistance Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

SIGNIFICANT DEFICIENCY AND NONCOMPLIANCE

FINDING NUMBER 2006-001

As required by **Ohio Administrative Code § 117-2-03(B)**, the County filed its 2006 Annual Financial Report with the Auditor of State's office on May 31, 2007, however, this filing did not include updated amounts for capital assets. Capital assets accounted for 45 percent of the County's total assets; therefore, the report filed on May 31, 2007 was neither accurate nor complete. Additionally, numerous transfers and advances were misclassified in the compilation resulting in several unadjusted differences.

Late and/or inaccurate filing did not provide for timely financial information for management decisions or public information regarding the County's financial status. The County should implement policies and procedures for preparing and filing timely and accurate financial reports.

Officials' Response: See page 80.

SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS

FINDING NUMBER 2006-002

The County's capital asset policy required that all items exceeding \$2,500 be recorded, tagged and capitalized accordingly. The following information should be maintained and retained for each capitalized asset:

- Description of Asset
- Location of Asset
- Identification Code of Asset
- Applicable Fund Number Used to Acquire the Asset
- Applicable Department Number Which Maintains the Asset
- Purchase Date of Asset (date placed in service)
- Cost of Asset
- Useful Life of Asset and its Salvage Value
- Depreciation Records of Asset
- Improvements Performed on the Asset

The County was not able to generate Capital Asset Reports with the aforementioned information as required.

For 2006 reporting purposes the following errors were noted:

Governmental – Type Activities:

- Current year "right of way" land acquisitions valued at \$22,302 had not been recorded as additions.
- Construction in Progress was understated by \$1,954,754; of this amount, \$857,945 had been improperly recorded as improvements, thus the corresponding depreciation of \$34,753 was erroneously recorded.
- Improvements of \$19,975 were made and not recorded, as well as the corresponding depreciation of \$499.
- A building was sold and this item was not removed from the County records, the building's original cost was \$210,752 and was fully depreciated at the time of the transaction.
- Equipment of \$501,362 was disposed of by the County and not removed from the records; the corresponding \$253,430 depreciation of this equipment also remained on the records.

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

Business – Type Activities:

- Additions to water/sewer lines of \$7,907 and the corresponding depreciation of \$198 had not been recorded as additions to Business-type capital assets.

The County elected to report infrastructure using the transition method. Based on this method, the County is not required to report major general infrastructure assets acquired, reconstructed or improved between 1980 and the year of implementation until the fiscal year ending December 31, 2007. The County developed a draft policy to address the 2007 reporting requirement for infrastructure, but had not implemented it.

To reduce the risk of material misstatement of capital assets the County should (1) follow the written policies and procedures for updating current capital asset records, (2) centralize the tracking of Construction in Progress, (3) routinely compare capital asset records for consistency and completeness, and (4) implement the policy to address the 2007 reporting requirement for infrastructure. Similar Capital Asset issues have been reported since 2003.

Officials' Response: See page 80.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS AND NONCOMPLIANCE

FINDING NUMBER 2006-003

Office of Management and Budget (OMB) Circular A-133, Section .310 (b) requires recipients to prepare a schedule of expenditures of federal awards that should include, among other things, providing the total federal awards expended for each individual federal program.

The County's 2006 Schedule of Federal Awards Expenditures, which was presented on the cash basis of accounting, had the following errors:

- Expenditures for the Victims Crime Assistance Program, the Workforce Investment Act Grant, and the Medical Assistance Program were reported at the incorrect amounts.
- The expenditures for the Highway Planning and Construction Grant, Voting Access for Individuals with Disabilities Grants to States, Child Support Enforcement, State Children's Insurance Program, Block Grants for Prevention and Treatment of Substance Abuse, Hazard Mitigation Grant, Emergency Performance Grant, Citizen Corps, and State Homeland Security Grant were not reported.
- The Medical Assistance Program was not reported in the required format.
- No amount was reported for the Food Donation Program.
- The Grants to Encourage Arrest Policies and Enforcement of Protection Orders and Local Law Enforcement Block Grant were reported as Domestic Violence Enhanced Response Team and Edward Byrne Memorial Justice Assistance Program (respectively).

FINDING NUMBER 2006-003
(Continued)

Reporting inaccurate grant information may jeopardize future grant funding and/or returning funding to the grantor. To reduce the risk of inaccurate reporting of federal expenditures and noncompliance with OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organization*, due care should be taken in the preparation of the Schedule of Federal Awards Expenditures. A similar comment was issued in the report for the year ended December 31, 2005. The Schedule should be reviewed after preparation and tied to the underlying cash reports of the County for accuracy.

Officials' Response: See page 80.

**FINANCIAL CONDITION
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	OAC 117-2-03(B) - Filing annual report with incorrect information	Not Corrected	Repeated as finding 2006-001.
2005-002	41 CFR 105-71.132 – Capital asset reporting (for federal programs).	Partially	Federal grant portion corrected, see current finding 2006-002.
2005-003	OMB Circular A-133, Section .310(b) - Incomplete Schedule of Expenditures of Federal Awards	Not Corrected	Repeated as finding 2006-003.

**FINANCIAL CONDITION
CLARK COUNTY**

**OFFICIALS' RESPONSES AND CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (C)
DECEMBER 31, 2006**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2006-001	OAC 117-2-03(B) – We have updated the 2006 information since the time such reports were filed with the State. We will take action with staff as well as outside departments to ensure capital assets are properly accounted for in the 2007 audit.	12/31/2007	Robert Vanderhorst, Deputy Auditor Fiscal Services
2006-002	Capital Asset Reporting – The Capital Assets will be updated for the year 2007, including those items that were not included on the 2006 capital assets (additions and deletions). We also will be educating outside departments on the proper procedures and notifications for the addition and disposal of assets to ensure all are accounted for each year as well as updating the amount that we will include as capital assets (dollar limit) to remove many items from the report which need not be included. Staff will ensure all is accurate for 2007.	12/31/2007	Robert Vanderhorst, Deputy Auditor Fiscal Services
2006-003	OMB Circular A-133, Section .310(b) – Our IPA prepared this schedule utilizing information provided by departments within Clark County and they assumed that information provided was accurate. Our office will work with both the IPA and the outside reporting departments to ensure that the information on the 2007 Schedule will be accurate. We have notified our IPA of the findings of the State Auditor for 2006 and corrections have been made to the Schedule.	12/31/2007	Robert Vanderhorst, Deputy Auditor Fiscal Services



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2007**