FINANCIAL CONDITION
WASHINGTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

WASHINGTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Southeastern Ohio Port Authority, a discretely presented component unit, each major fund, and the aggregate remaining fund information of Washington 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 Wasco, Inc., a discretely presented component unit. 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 Wasco, Inc., 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 *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 Wasco, 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 that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, 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 Washington County, Ohio, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Job and Family Services Fund, Motor Vehicle and Gasoline Tax Fund, Mental Retardation and Developmental Disabilities Fund, County Home Fund, and Mental Health and Addiction Recovery Board Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 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 Condition Assessments of the County's Infrastructure Reported Using the Modified Approach 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 Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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 as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 30, 2007

The discussion and analysis of Washington County's (the County) financial performance provides an overview of the County's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets increased $4,756,131. Net assets of governmental activities increased $5,073,342 or 3.2 percent from 2005. Net assets of business-type activities decreased $317,211, which represents a 7.4 percent decrease from 2005.

- At the end of the current year, the County reported unrestricted net assets for governmental activities of $7,125,687.

- At the end of the current year, the County's governmental funds reported a combined ending fund balance of $23,789,595, an increase of $4,595,901 from the prior year.

Using This Annual Financial Report

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the County as a financial whole or as an entire operating entity.

The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the whole County, presenting an aggregate view of the County's finances as well as a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's most significant funds. Non-major funds are presented separately from major funds in total and in one column.

County-Wide Financial Statements

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

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question.

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. The statement of activities presents information showing how the County's net assets changed during the current year. These statements are prepared using the accrual basis of accounting similar to the accounting method used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses, regardless of when the cash is received or paid.

The change in net assets is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or diminished. However, in evaluating the overall position of the County, nonfinancial information such as changes in the County's tax base and the condition of the County's capital assets will also need to be evaluated.

In the statement of net assets and the statement of activities, the County is divided into three kinds of activities:

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

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The County's Sewer system is reported here.

Component Units - The County's financial statements include financial data of the Wasco, Inc., Sheltered Workshop and the Southeastern Ohio Port Authority. These component units are described in the notes to the financial statements. Component units are separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

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 projects. 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. Fund financial statements provide detailed information about the County's major funds. Based on the restriction on the use of moneys, the County has established many funds that account for the multitude of services provided to our residents. The County's major governmental funds are the General Fund and the Job and Family Services (Public Assistance), Motor Vehicle and Gasoline Tax, Mental Retardation and Developmental Disabilities, County Home, and Mental Health and Addiction Recovery Board Special Revenue Funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year end balances available for spending. These funds are reported on the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services being provided, along with the financial resources available.

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

The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

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 on the government-wide financial statements. The County uses an enterprise fund to account for the Sewer Fund operations. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities. The Self-Insurance Fund accounts for the claims and liabilities relating to the County's MRDD self-insured health program.

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information relating to the modified approach to reporting infrastructure.

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2006 compared to 2005:

Table 1
Net Assets

	Governmental Activities		Business-Type Activity		Totals	
	2006	2005	2006	2005	2006	2005
Assets						
Current and						
Other Assets	$41,122,257	$36,347,907	$570,771	$584,307	$41,693,028	$36,932,214
Capital Assets, Net	141,396,163	141,197,274	5,079,147	5,275,168	146,475,310	146,472,442
Totals Assets	182,518,420	177,545,181	5,649,918	5,859,475	188,168,338	183,404,656
Liabilities						
Current and						
Other Liabilities	13,162,566	13,398,048	329,982	65,923	13,492,548	13,463,971
Long-Term Liabilities	7,443,536	7,308,157	1,370,763	1,527,168	8,814,299	8,835,325
Total Liabilities	20,606,102	20,706,205	1,700,745	1,593,091	22,306,847	22,299,296
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	134,592,689	134,114,692	3,615,887	3,743,288	138,208,576	137,857,980
Restricted	20,193,942	15,664,358	0	0	20,193,942	15,664,358
Unrestricted	7,125,687	7,059,926	333,286	523,096	7,458,973	7,583,022
Total Net Assets	$161,912,318	$156,838,976	$3,949,173	$4,266,384	$165,861,491	$161,105,360

As noted earlier, the County's net assets, when reviewed over time, may serve as a useful indicator of the County's financial position. In the case of the County, assets exceeded liabilities by $165,861,491 ($161,912,318 in governmental activities and $3,949,173 in the business-type activity) as of December 31, 2006. By far, the largest portion of the County's net assets (83.3 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, machinery and equipment, furniture and fixtures, infrastructure, and vehicles), less any related debt, used to acquire those assets, that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets, $20,193,942 or 12.2 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted net assets, $7,458,973 or 4.5 percent are to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for 2006 compared to 2005:

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activity		Total	
Revenues	2006	2005	2006	2005	2006	2005
Program Revenues						
Charges for Services	$5,602,844	$4,412,251	$448,582	$373,712	$6,051,426	$4,785,963
Operating Grants, Contributions, and Interest	27,390,139	20,241,972	0	0	27,390,139	20,241,972
Capital Grants, Contributions, and Interest	1,977,670	1,001,731	0	0	1,977,670	1,001,731
Total Program Revenues	34,970,653	25,655,954	448,582	373,712	35,419,235	26,029,666
General Revenues						
Property Taxes	9,252,822	9,289,031	0	0	9,252,822	9,289,031
Permissive Sales Taxes	9,411,202	8,956,176	0	0	9,411,202	8,956,176
Intergovernmental	1,756,976	1,744,528	0	0	1,756,976	1,744,528
Interest	737,745	554,841	3,165	0	740,910	554,841
Payment in Lieu of Taxes	79,467	79,247	0	0	79,467	79,247
Miscellaneous	484,793	660,656	437	56,747	485,230	717,403
Total General Revenues	21,723,005	21,284,479	3,602	56,747	21,726,607	21,341,226
Total Revenues	56,693,658	46,940,433	452,184	430,459	57,145,842	47,370,892
Program Expenses						
General Government:						
Legislative and Executive	5,612,154	5,892,895	0	0	5,612,154	5,892,895
Judicial	1,746,459	1,387,325	0	0	1,746,459	1,387,325
Public Safety	7,377,983	7,150,047	0	0	7,377,983	7,150,047
Public Works	7,147,870	7,787,629	0	0	7,147,870	7,787,629
Health:						
Alcohol, Drug, and Mental Health	5,469,186	3,995,294	0	0	5,469,186	3,995,294
Mental Retardation and Developmental Disabilities	6,964,449	5,817,981	0	0	6,964,449	5,817,981
County Home	2,309,666	2,358,129	0	0	2,309,666	2,358,129
Other Health	201,615	205,856	0	0	201,615	205,856
Human Services:						
Child Support Enforcement	920,929	906,833	0	0	920,929	906,833
Children Services	2,721,116	2,752,259	0	0	2,721,116	2,752,259
Job and Family Services	6,992,531	6,409,906	0	0	6,992,531	6,409,906
Other Human Services	1,685,154	1,295,332	0	0	1,685,154	1,295,332
Economic Development and Assistance	549,224	1,363,761	0	0	549,224	1,363,761
Intergovernmental	1,643,489	326,650	0	0	1,643,489	326,650
Interest and Fiscal Charges	278,491	354,667	0	0	278,491	354,667
Prior Period Adjustment	0	0	0	(472,789)	0	(472,789)
Sewer	0	0	769,395	592,033	769,395	592,033
Total Program Expenses	51,620,316	48,004,564	769,395	119,244	52,389,711	48,123,808
Increase (Deficiency) before Transfers	5,073,342	(1,064,131)	(317,211)	311,215	4,756,131	(752,916)
Transfers	0	(36,287)	0	36,287	0	0
Net Increase (Decrease) in Net Assets	5,073,342	(1,100,418)	(317,211)	347,502	4,756,131	(752,916)
Net Assets Beginning of Year	156,838,976	157,939,394	4,266,384	3,918,882	161,105,360	161,858,276
Net Assets End of Year	$161,912,318	$156,838,976	$3,949,173	$4,266,384	$165,861,491	$161,105,360

Governmental Activities

Operating grants were the largest program revenues, accounting for $27,390,139 or 48.3 percent of total governmental activities revenues. The major recipients of intergovernmental program revenues were the Job and Family Services (Public Assistance), Motor Vehicle and Gasoline Tax, Mental Health, Children Services, and Mental Retardation and Developmental Disabilities governmental activities.

Property tax revenues account for $9,252,822 or 16.3 percent of total governmental activities revenues. Another major component of governmental activities revenues was permissive sales taxes, which accounted for $9,411,202 or 16.6 percent of total revenues.

The County's direct charges to users of governmental services made up $5,602,844 or 9.9 percent of total governmental activities revenues. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human Service programs accounted for $12,319,730, or 23.9 percent of total expenses for governmental activities. Other major program expenses for governmental activities include health programs, which accounted for $14,944,916, or 29 percent of total expenses.

The increase in judicial program expenses is primarily due to the employer cost of employee health insurance expense being reported as an individual departmental expense for the first time in 2006. For judicial program expense, this resulted in $155,770 reported as a departmental expense that in prior years was reported with other County health insurance costs as their own separate budget item.

After consulting with the MHAR Fiscal Director, it was determined that the $1,473,892 increase in Alcohol, Drug, and Mental Health program expenses is primarily due to more agencies billing Medicaid for more services to eligible clients.

After consulting with the MRDD Director of Finance, it was determined that the $1,146,468 increase in Mental Retardation and Developmental Disabilities Health program expenses is almost entirely due to reporting the claims of the employee health self insurance program. The Board was not self-insured in 2005.

After consulting with the County Commissioners, it was determined that economic development and assistance program expenses decreased from 2005 to 2006 due to the elimination of the County Economic Development Office in 2006 and the large FEMA flood related expenses paid in 2005 that thankfully were not repeated in 2006.

Business-Type Activity

The net assets for business-type activities decreased by $317,211 during 2006. Charges for services accounted for $448,582, or 99 percent of revenues.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government:				
Legislative and Executive	$5,612,154	$3,281,359	$5,892,895	$3,115,276
Judicial	1,746,459	727,764	1,387,325	515,145
Public Safety	7,377,983	5,658,147	7,150,047	6,329,526
Public Works	7,147,870	182,116	7,787,629	3,376,890
Health:				
Alcohol, Drug, and Mental Health	5,469,186	(943,831)	3,995,294	389,698
Mental Retardation and Developmental Disabilities	6,964,449	3,058,305	5,817,981	3,354,912
County Home	2,309,666	1,712,999	2,358,129	1,803,716
Other Health	201,615	55,206	205,856	56,874
Human Services:				
Child Support Enforcement	920,929	(64,897)	906,833	(75,702)
Children Services	2,721,116	695,665	2,752,259	1,008,093
Job and Family Services	6,992,531	(697,145)	6,409,906	251,878
Other Human Services	1,685,154	1,454,338	1,295,332	1,125,296
Economic Development and Assistance	549,224	44,502	1,363,761	715,289
Intergovernmental	1,643,489	1,206,644	326,650	27,052
Interest and Fiscal Charges	278,491	278,491	354,667	354,667
Total Expenses	$51,620,316	$16,649,663	$48,004,564	$22,348,610

Charges for services, operating grants, and capital grants of $34,970,653, or 67.7 percent of the total costs of services, are received and used to fund governmental activities expenses of the County. The remaining $16,649,663 in governmental activities expenses is funded by property taxes, permissive sales taxes, intergovernmental revenues, interest, and miscellaneous revenues.

The $3,882,679 in net cost of services for Health demonstrates the costs of services that are not supported from state and federal resources. As such, the taxpayers have approved property tax levies for several programs including Alcohol, Drug and Mental Health, Mental Retardation and Developmental Disabilities, and the County Home.

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.

As of December 31, 2006, the County's governmental funds reported a combined ending fund balance of $23,789,595, an increase of $4,595,901 in comparison with the prior year. $21,759,213, or 91.5 percent of this total, constitutes unreserved, undesignated fund balance. The remainder of the 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 ($1,870,581) or a variety of other restricted purposes ($159,801). While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expenditure restrictions mandated by the source of the resource, such as the State or federal government.

The General Fund is the primary operating fund of the County. At the end of 2006, unreserved fund balance was $6,387,196, while total fund balance was $7,273,963. 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 balance represents 40.2 percent to total General Fund expenditures, while total fund balance represents 45.8 percent of that same amount.

The fund balance of the County's General Fund increased by $411,086 during 2006. After consulting with the County Commissioners, it was determined that the primary cause for the increase was under spending in accounts, particularly in utilities.

The fund balance of the Job and Family Services Special Revenue Fund increased by $866,327 during 2006. After consulting with the DJFS Director, it was determined that the increase is due primarily to the timing of revenues versus end of the calendar year needs. It is important to remember that this report is a one day snapshot of the agency's finances.

The fund balance of the Motor Vehicle and Gasoline Tax Special Revenue Fund increased by $630,310 during 2006. After consulting with the County Engineer, it was determined that the primary causes for the increase were conservative revenue estimating for the new (last phase) 2 cent gasoline tax increase and that there was under spending in the operational accounts.

The fund balance of the Mental Retardation and Developmental Disabilities Special Revenue Fund increased by $970,536 during 2006. After consulting with the MRDD Director of Finance, it was determined that the main cause for the increase was the receipt of a Medicaid settlement in the amount of $984,000 during 2006 which was still on hand at calendar year end.

The fund balance of the County Home Special Revenue Fund increased by $610,508 during 2006. After consulting with the Administrator of the County Home, it was determined that there were several reasons for the increase. The resident population during 2006 was below capacity while the budget was prepared to address a greater resident population, even with a reduction of one staff person. This led to under spending from the operational accounts.

The fund balance of the Mental Health and Addiction Recovery Board Special Revenue Fund increased by $298,331 during 2006.

Proprietary Funds **-** The County maintains two different types of proprietary funds. Enterprise funds are used to report functions presented as business-type activities on the government-wide financial statements. The County uses an enterprise fund to account for Sewer Fund operations. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities. The County uses an internal service fund to account for the Mental Retardation and Developmental Disabilities self-insurance program. The Self-Insurance Fund accounts for the claims and liabilities relating to the County's self-insured health program.

As of December 31, 2006, net assets for the County's enterprise fund were $3,949,173. Of that total, $333,286 represents unrestricted net assets.

Budgetary Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Board of County Commissioners adopts a permanent annual operating budget for the County on or about January 1.

For the General Fund, budget basis revenue was $17,705,418, below final estimates of $19,305,429. Final estimated receipts were above original estimates of $16,888,825, mainly due to a revision in the permissive sales tax revenue estimates.

Capital Assets and Debt Administration

Capital Assets - The County's capital assets for governmental and business-type activities as of December 31, 2006, were $146,475,310 (net of accumulated depreciation). This includes land and improvements, buildings and improvements, machinery and equipment, furniture and fixtures, infrastructure, and vehicles.

For governmental activities, the most significant capital asset additions during 2006 included the addition of several new vehicles for DJFS, Youth Services, EMA, Juvenile Probation, and the highway department; several new pieces of equipment at the highway department and for 911 services, and a new booking workstation for the Sheriff's department.

The County uses the modified approach to present county roads and bridges (infrastructure). Disclosures about the condition assessments and maintenance costs regarding the County's infrastructure can be found in the Required Supplementary Information.

Note 9 (Capital Assets) provides capital asset activity during 2006.

Debt Administration - As of December 31, 2006, the County had total general obligation bonded debt outstanding of $6,372,606. All of this debt is expected to be repaid through governmental activities. The County's long-term general obligation bonded debt decreased by $459,891 (7.2 percent) during 2006. In December 2006, the County issued $440,000 in Energy Conservation Bonds. Other outstanding long-term debt included an Energy Conservation Loan of $34,356, O.P.W.C. loans of $310,967, OWDA Loans of $257,793, and FHA loans payable of $801,500.

In March 2006, various purpose bond anticipation notes were issued in the amount of $552,500. These notes were issued for the acquisition of a building and to replace the Health Department's roof. Notes 16 and 17 provide information regarding bond anticipation notes.

In May 2006, various purpose bond anticipation notes were issued in the amount of $208,000. These notes were issued for a variety of purposes including: purchasing new court vehicles, the purchase of computer equipment, and sanitary sewer projects. Notes 16 and 17 provide information regarding bond anticipation notes.

In addition, County's long-term obligations include compensated absences for sick leave benefits and a capital lease. Additional information on the County's long-term obligations can be found in Note 16 of this report.

Economic Factors

The unemployment rate for the County is currently 5.3 percent, which is an increase from 4.9 percent a year ago. This rate is lower than the State's current rate of 5.4 percent but exceeds the current national rate of 4.3 percent. The increase demonstrates that the economic recovery seen nationally is lagging in Ohio, including Washington County. However, the employment level is better than the state average and significantly better than many surrounding counties in southeast Ohio in particular.

The County's $1.135 billion tax base has decreased 3.0 percent from the prior year. This decrease is attributed primarily to the mandated reduction in estimated tangible personal property value as a direct result of House Bill 66 as enacted in 2005 by the State. The dollar value of the tangible personal property reduction in Washington County is approximately $46.7M, while the net reduction in total estimated property value was approximately $34.2M. However, it should be noted that the State is providing reimbursement for the reduction in tangible personal property tax revenue to the County for all existing levies. Real property values within the County have risen over the past several years, and are now at an all time high.

The County's permissive sales tax revenues in governmental funds increased on an accrual basis by 5.1% and by 2.6% on a cash basis from 2005 to 2006 following five years of mostly steady growth, despite uncertain economic conditions. In fact, from a cash perspective rather than an accrual basis, the revenue has averaged growth of 2.6% per year on that basis over the last six years.

Various economic factors were considered in the preparation of the County's 2006 budget, and will be considered in the preparation of future budgets. Appropriate measures will continue to be taken to ensure spending is within available resources.

Requests 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 information should be addressed to: William D. McFarland, Washington County Auditor, 205 Putnam Street, Marietta, Ohio 45750.

Washington County, Ohio
Statement of Net Assets
December 31, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
Assets					
Equity in Pooled Cash and Cash Equivalents	$21,846,788	$212,755	$22,059,543	$0	$0
Cash and Cash Equivalents	0	0	0	226,923	114,576
Cash and Cash Equivalents in Segregated Accounts	37,030	0	37,030	0	0
Cash and Cash Equivalents with Fiscal Agents	3,973	0	3,973	0	0
Accounts Receivable	338,437	148,019	486,456	173,227	0
Receivable from External Parties	0	0	0	1,262	0
Due from Component Unit	45,097	0	45,097	0	0
Accrued Interest Receivable	20,932	0	20,932	0	0
Intergovernmental Receivable	7,692,658	0	7,692,658	0	200,000
Taxes Receivable	9,926,838	0	9,926,838	0	0
Loans Receivable	7,166	0	7,166	0	45,555
Prepaid Items	324,745	1,419	326,164	23,604	1,194
Materials and Supplies Inventory	422,544	0	422,544	13,578	0
Special Assessments Receivable	0	208,578	208,578	0	0
Investments in Segregated Accounts	348,486	0	348,486	0	0
Deferred Charges	107,563	0	107,563	0	0
Non-Depreciable Capital Assets	123,619,322	189,760	123,809,082	0	0
Depreciable Capital Assets, Net	17,776,841	4,889,387	22,666,228	120,405	6,127
Total Assets	182,518,420	5,649,918	188,168,338	558,999	367,452
Liabilities					
Accounts Payable	774,476	4,723	779,199	26,916	5,291
Contracts Payable	290,573	0	290,573	0	0
Retainage Payable	26,794	0	26,794	0	0
Accrued Wages Payable	632,881	2,532	635,413	48,369	627
Matured Compensated Absences Payable	992	0	992	0	0
Vacation Benefits Payable	1,065,558	6,171	1,071,729	23,069	0
Intergovernmental Payable	680,054	213,699	893,753	6,243	0
Accrued Interest Payable	64,143	9,857	74,000	0	0
Claims Payable	515,962	0	515,962	0	0
Deferred Revenue	9,060,073	0	9,060,073	0	0
Notes Payable	51,060	93,000	144,060	0	0
Capital Lease Payable	0	0	0	747	0
Long-Term Liabilities:					
Due Within One Year	518,477	31,666	550,143	0	2,002
Due In More Than One Year	6,925,059	1,339,097	8,264,156	0	43,095
Total Liabilities	20,606,102	1,700,745	22,306,847	105,344	51,015
Net Assets					
Invested in Capital Assets, Net of Related Debt	134,592,689	3,615,887	138,208,576	119,658	6,127
Restricted for:					
Capital Projects	484,283	0	484,283	0	0
Debt Service	45,800	0	45,800	0	0
Other Purposes	3,011,237	0	3,011,237	0	0
Road and Bridge Projects	4,690,641	0	4,690,641	0	0
Mental Health	2,746,774	0	2,746,774	0	0
County Home	2,727,586	0	2,727,586	0	0
Job and Family Services	832,084	0	832,084	0	0
Mental Retardation and Developmental Disabilities	2,706,073	0	2,706,073	0	0
Child Support Enforcement Agency	269,621	0	269,621	0	0
Children Services	2,527,940	0	2,527,940	0	0
Senior Services	41,769	0	41,769	0	0
Unclaimed Monies	110,134	0	110,134	0	0
Unrestricted	7,125,687	333,286	7,458,973	333,997	310,310
Total Net Assets	$161,912,318	$3,949,173	$165,861,491	$453,655	$316,437

See accompanying notes to the basic financial statements

Washington County, Ohio

Statement of Activities
For the Year Ended December 31, 2006
For the Fiscal Year Ended August 31, 2006 - WASCO, Inc. Component Unit

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	$5,612,154	$2,288,924	$41,871	$0
Judicial	1,746,459	855,318	163,377	0
Public Safety	7,377,983	1,073,116	443,485	203,235
Public Works	7,147,870	191,661	5,456,552	1,317,541
Health:				
Alcohol, Drug, and Mental Health	5,469,186	0	6,413,017	0
Mental Retardation and Developmental Disabilities	6,964,449	432,716	3,473,428	0
County Home	2,309,666	288,476	308,191	0
Other Health	201,615	146,409	0	0
Human Services:				
Child Support Enforcement	920,929	216,277	769,549	0
Children Services	2,721,116	4,998	2,020,453	0
Job and Family Services	6,992,531	87,840	7,601,836	0
Other Human Services	1,685,154	17,109	213,707	0
Economic Development and Assistance	549,224	0	110,643	394,079
Intergovernmental	1,643,489	0	374,030	62,815
Interest and Fiscal Charges	278,491	0	0	0
Total Governmental Activities	51,620,316	5,602,844	27,390,139	1,977,670
Business-Type Activity				
Sewer	769,395	448,582	0	0
Total Primary Government	$52,389,711	$6,051,426	$27,390,139	$1,977,670
Component Units				
WASCO, Inc.	$1,549,863	$1,597,733	$0	$0
Southeastern Ohio Port Authority	154,184	0	352,950	0

General Revenues
Property Taxes Levied for:
General Purposes
County Home
Mental Retardation and Developmental Disabilities
Senior Services
Bond Retirement
Sales Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Payment in Lieu of Taxes
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - Restated (See Note 3)

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 Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
($3,281,359)	$0	($3,281,359)	$0	$0
(727,764)	0	(727,764)	0	0
(5,658,147)	0	(5,658,147)	0	0
(182,116)	0	(182,116)	0	0
			0	
943,831	0	943,831	0	0
(3,058,305)	0	(3,058,305)	0	0
(1,712,999)	0	(1,712,999)	0	0
(55,206)	0	(55,206)	0	0
64,897	0	64,897	0	0
(695,665)	0	(695,665)	0	0
697,145	0	697,145	0	0
(1,454,338)	0	(1,454,338)	0	0
(44,502)	0	(44,502)	0	0
(1,206,644)	0	(1,206,644)	0	0
(278,491)	0	(278,491)	0	0
(16,649,663)	0	(16,649,663)	0	0
0	(320,813)	(320,813)	0	0
(16,649,663)	(320,813)	(16,970,476)	0	0
0	0	0	47,870	0
0	0	0	0	198,766
2,620,820	0	2,620,820	0	0
2,118,642	0	2,118,642	0	0
3,553,315	0	3,553,315	0	0
756,434	0	756,434	0	0
203,611	0	203,611	0	0
9,411,202	0	9,411,202	0	0
1,756,976	0	1,756,976	0	0
737,745	3,165	740,910	2,094	2,373
79,467	0	79,467	0	0
484,793	437	485,230	750	86
21,723,005	3,602	21,726,607	2,844	2,459
5,073,342	(317,211)	4,756,131	50,714	201,225
156,838,976	4,266,384	161,105,360	402,941	115,212
$161,912,318	$3,949,173	$165,861,491	$453,655	$316,437

Washington County, Ohio

Balance Sheet

Governmental Funds

December 31, 2006

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities
Assets				
Equity in Pooled Cash and Cash Equivalents	$5,796,501	$1,935,096	$2,448,786	$2,617,322
Cash and Cash Equivalents in Segregated Accounts	23,145	0	0	11,552
Investments in Segregated Accounts	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	110,134	0	0	0
Materials and Supplies Inventory	48,876	73,611	263,030	13,426
Receivables:				
Property Taxes	2,295,563	0	0	3,163,154
Sales Taxes	1,493,374	0	0	0
Accounts	22,102	0	0	49,522
Intergovernmental	867,188	0	2,369,210	748,448
Interfund	139,685	0	0	4,197
Due from Component Unit	0	0	0	0
Accrued Interest	16,816	0	0	0
Loans	0	0	0	0
Prepaid Items	181,485	35,566	34,208	14,210
Total Assets	$10,994,869	$2,044,273	$5,115,234	$6,621,831
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$239,031	$10,348	$42,761	$147,241
Contracts Payable	13,279	0	102,645	0
Retainage Payable	0	0	0	0
Accrued Wages Payable	245,486	72,778	50,677	114,734
Matured Compensated Absences Payable	992	0	0	0
Interfund Payable	0	2,800	0	0
Accrued Interest Payable	2,112	0	0	0
Intergovernmental Payable	315,866	50,425	92,772	105,830
Deferred Revenue	2,853,080	971,094	1,587,538	3,649,016
Notes Payable	51,060	0	0	0
Total Liabilities	3,720,906	1,107,445	1,876,393	4,016,821
Fund Balances				
Reserved for Encumbrances	776,633	47,068	99,738	94,778
Reserved for Unclaimed Monies	110,134	0	0	0
Reserved for Loans	0	0	0	0
Unreserved:				
Undesignated, Reported in:				
General Fund	6,387,196	0	0	0
Special Revenue Funds	0	889,760	3,139,103	2,510,232
Debt Service Fund	0	0	0	0
Capital Projects Funds	0	0	0	0
Total Fund Balances	7,273,963	936,828	3,238,841	2,605,010
Total Liabilities and Fund Balances	$10,994,869	$2,044,273	$5,115,234	$6,621,831

See accompanying notes to the basic financial statements

County Home	Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
$2,660,190	$484,804	$5,793,955	$21,736,654
0	0	2,333	37,030
0	0	348,486	348,486
0	0	0	110,134
16,702	0	6,899	422,544
1,924,090	0	1,050,657	8,433,464
0	0	0	1,493,374
20,455	0	43,075	135,154
84,814	2,385,547	1,237,451	7,692,658
0	0	0	143,882
0	0	45,097	45,097
0	0	4,116	20,932
0	0	7,166	7,166
24,710	0	34,566	324,745
$4,730,961	$2,870,351	$8,573,801	$40,951,320
$31,213	$61,793	$242,089	$774,476
0	0	174,649	290,573
0	0	26,794	26,794
44,218	13,750	91,238	632,881
0	0	0	992
349	5,901	87,441	96,491
0	0	0	2,112
30,142	19,434	65,585	680,054
2,008,904	1,412,868	2,123,792	14,606,292
0	0	0	51,060
2,114,826	1,513,746	2,811,588	17,161,725
71,207	240,355	540,802	1,870,581
0	0	0	110,134
0	0	49,667	49,667
0	0	0	6,387,196
2,544,928	1,116,250	4,491,566	14,691,839
0	0	223,112	223,112
0	0	457,066	457,066
2,616,135	1,356,605	5,762,213	23,789,595
$4,730,961	$2,870,351	$8,573,801	$40,951,320

Washington County, Ohio

Reconciliation of Total Governmental Fund Balances to

Net Assets of Govermental Activities

December 31, 2006

Total Governmental Fund Balances		$23,789,595
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		141,396,163
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	356,673	
Intergovernmental	5,188,115	
Interest	1,431	5,546,219
An internal service fund is used by management to charge the costs of providing health care insurance to Mental Retardation and Developmental Disabilities employees. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		(356,097)
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(1,065,558)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		107,563
Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds Payable	5,909,477	
Compensated Absences Payable	281,592	
Accrued Interest Payable	62,031	
Energy Conservation Note Payable	34,356	
Energy Conservation Bonds Payable	463,129	
Long-Term Bond Anticipation Notes Payable	709,440	
Capital Leases Payable	45,542	(7,505,567)
Net Assets of Governmental Activities		$161,912,318

See accompanying notes to the basic financial statements

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Washington County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2006

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities
Revenues				
Property Taxes	$2,627,325	$0	$0	$3,596,708
Sales Taxes	9,411,202	0	0	0
Payments in Lieu of Taxes	32,681	0	0	32,904
Charges for Services	2,610,985	0	103,950	416,945
Licenses and Permits	5,034	0	0	0
Fines and Forfeitures	132,581	0	83,061	0
Intergovernmental	1,930,340	7,601,836	5,062,776	3,322,401
Interest	748,258	0	96,695	0
Miscellaneous	410,169	0	217,979	23,502
Total Revenues	17,908,575	7,601,836	5,564,461	7,392,460
Expenditures				
Current:				
General Government:				
Legislative and Executive	4,167,186	0	0	0
Judicial	1,356,706	0	0	0
Public Safety	6,277,709	0	0	0
Public Works	2,287,664	0	4,934,151	0
Health:				
Alcohol, Drug, and Mental Health	0	0	0	0
Mental Retardation and Developmental Disabilities	0	0	0	6,408,124
County Home	0	0	0	0
Other Health	62,601	0	0	0
Human Services:				
Child Support Enforcement	0	0	0	0
Children Services	0	0	0	0
Job and Family Services	0	7,048,304	0	0
Other Human Services	433,058	0	0	0
Economic Development and Assistance	0	0	0	0
Intergovernmental	1,294,296	0	0	0
Debt Service:				
Principal Retirement	0	12,636	0	11,452
Interest and Fiscal Charges	7,325	1,150	0	2,348
Issuance Costs	0	0	0	0
Current Refunding	4,400	0	0	0
Total Expenditures	15,890,945	7,062,090	4,934,151	6,421,924
Excess of Revenues Over (Under) Expenditures	2,017,630	539,746	630,310	970,536
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	6,246	0	0	0
Bonds Issued	0	0	0	0
Premium on Bonds Issued	0	0	0	0
Notes Issued	156,940	0	0	0
Transfers In	125,000	277,392	0	0
Inception of Capital Lease	0	49,189	0	0
Current Refunding	(83,600)	0	0	0
Transfers Out	(1,811,130)	0	0	0
Total Other Financing Sources (Uses)	(1,606,544)	326,581	0	0
Net Change in Fund Balances	411,086	866,327	630,310	970,536
Fund Balances Beginning of Year	6,862,877	70,501	2,608,531	1,634,474
Fund Balances End of Year	$7,273,963	$936,828	$3,238,841	$2,605,010

See accompanying notes to the basic financial statements

County Home	Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
$2,215,408	$0	$1,017,071	$9,456,512
0	0	0	9,411,202
13,882	0	0	79,467
288,476	0	1,335,714	4,756,070
0	0	425,992	431,026
0	0	184,335	399,977
306,834	5,725,352	5,673,222	29,622,761
0	0	47,667	892,620
22,124	24	227,768	901,566
2,846,724	5,725,376	8,911,769	55,951,201
0	0	732,559	4,899,745
0	0	486,070	1,842,776
0	0	846,781	7,124,490
0	0	1,334,241	8,556,056
0	5,457,045	0	5,457,045
0	0	0	6,408,124
2,237,991	0	0	2,237,991
0	0	133,062	195,663
0	0	910,148	910,148
0	0	2,626,553	2,626,553
0	0	0	7,048,304
0	0	1,235,347	1,668,405
0	0	543,730	543,730
0	0	349,193	1,643,489
0	0	455,000	479,088
0	0	264,020	274,843
0	0	28,323	28,323
0	0	0	4,400
2,237,991	5,457,045	9,945,027	51,949,173
608,733	268,331	(1,033,258)	4,002,028
1,775	0	0	8,021
0	0	440,000	440,000
0	0	23,323	23,323
0	0	552,500	709,440
0	30,000	1,503,738	1,936,130
0	0	0	49,189
0	0	(552,500)	(636,100)
0	0	(125,000)	(1,936,130)
1,775	30,000	1,842,061	593,873
610,508	298,331	808,803	4,595,901
2,005,627	1,058,274	4,953,410	19,193,694
$2,616,135	$1,356,605	$5,762,213	$23,789,595

Washington 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

Net Change in Fund Balances - Governmental Funds		$4,595,901
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:		
Capital Asset Additions	2,226,725	
Current Year Depreciation	(1,394,845)	831,880
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the proceeds and the loss on disposal of assets:		
Loss on Disposal of Capital Assets	(624,970)	
Proceeds from Sale of Capital Assets	(8,021)	(632,991)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund:		
Property Taxes	(203,690)	
Intergovernmental	1,136,893	
Interest	(7,723)	
Charges for Services	15,771	
Other Revenue	4,409	945,660
Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities:		
General Obligation Bonds Payable	455,000	
Energy Conservation Notes Payable	11,452	
Bond Anticipation Notes Payable	640,500	
Capital Lease Payable	12,636	1,119,588
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:		
Capital Facilities Jail Bond Premium	6,430	
Energy Conservation Bond Premium	194	
Accrued Interest Payable	(3,605)	
Amortization of Issuance Costs	(4,934)	
Amortization of Discount	(1,733)	(3,648)
The inception of capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net assets.		(49,189)
Issuance costs are reported as an expenditure when paid in the governmental funds, but is deferred and amortized on the statement of activities. This is the unamortized issuance costs on the bonds.		28,323
Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. Governmental funds report the effect of premiums and discounts when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:		
Bond Anticipation Notes	(709,440)	
Energy Conservation Bonds	(440,000)	
Premium on Energy Conservation Bonds	(23,323)	(1,172,763)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Vacation Benefits Payable	(195,416)	
Compensated Absences Payable	(37,906)	(233,322)
The internal service fund used by management to charge the costs of insurance and workers' compensation to individual funds is not reported in the statement of activities eliminated. The net expenses of the internal service fund is allocated among governmental activities.		(356,097)
Change in Net Assets of Governmental Activities		$5,073,342

Washington County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis)

General Fund

For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$2,566,850	$2,566,850	$2,609,131	$42,281
Sales Taxes	9,102,000	11,481,403	9,343,662	(2,137,741)
Payment in Lieu of Taxes	31,865	31,865	32,681	816
Charges for Services	1,865,130	1,870,130	2,595,600	725,470
Licenses and Permits	269,000	269,000	5,034	(263,966)
Fines and Forfeitures	389,000	389,000	126,233	(262,767)
Intergovernmental	1,759,950	1,759,950	1,927,938	167,988
Interest	601,130	601,130	671,433	70,303
Miscellaneous	303,900	336,101	393,706	57,605
Total Revenues	16,888,825	19,305,429	17,705,418	(1,600,011)
Expenditures				
Current:				
General Government:				
Legislative and Executive	5,147,611	5,242,767	4,357,986	884,781
Judicial	1,320,357	1,352,362	1,333,402	18,960
Public Safety	7,790,470	7,868,854	6,743,475	1,125,379
Public Works	2,783,933	2,863,285	2,713,805	149,480
Health	115,477	115,477	84,609	30,868
Human Services	593,669	710,063	485,653	224,410
Intergovernmental	1,574,414	1,574,714	1,314,296	260,418
Principal Retirement	0	0	98,000	(98,000)
Interest and Fiscal Charges	0	0	5,213	(5,213)
Total Expenditures	19,325,931	19,727,522	17,136,439	2,591,083
Excess of Revenues Over (Under) Expenditures	(2,437,106)	(422,093)	568,979	991,072
Other Financing Sources (Uses)				
Notes Issued	0	0	208,000	208,000
Proceeds from Sale of Capital Assets	86,600	86,600	6,246	(80,354)
Advance Out	0	0	(55,158)	(55,158)
Transfers In	100,000	125,000	125,000	0
Transfers Out	(2,065,140)	(5,853,721)	(1,811,130)	4,042,591
Total Other Financing Sources (Uses)	(1,878,540)	(5,642,121)	(1,527,042)	4,115,079
Net Change in Fund Balance	(4,315,646)	(6,064,214)	(958,063)	5,106,151
Fund Balance Beginning of Year	4,715,528	4,715,528	4,715,528	0
Prior Year Encumbrances Appropriated	1,038,748	1,038,748	1,038,748	0
Fund Balance (Deficit) End of Year	$1,438,630	($309,938)	$4,796,213	$5,106,151

See accompanying notes to the basic financial statements

Washington County, Ohio

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Job and Family Services Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Intergovernmental	$7,938,184	$7,938,184	$7,169,252	($768,932)
Miscellaneous	1,000	1,000	0	(1,000)
Total Revenues	7,939,184	7,939,184	7,169,252	(769,932)
Expenditures				
Current:				
Human Services	8,368,860	8,776,859	7,190,012	1,586,847
Debt Service:				
Principal Retirement	12,636	12,636	12,636	0
Interest and Fiscal Charges	1,150	1,150	1,150	0
Total Expenditures	8,382,646	8,790,645	7,203,798	1,586,847
Excess of Revenues Under Expenditures	(443,462)	(851,461)	(34,546)	816,915
Other Financing Sources				
Transfers In	277,392	277,392	277,392	0
Net Change in Fund Balance	(166,070)	(574,069)	242,846	816,915
Fund Balance Beginning of Year	1,521,836	1,521,836	1,521,836	0
Prior Year Encumbrances Appropriated	114,625	114,625	114,625	0
Fund Balance End of Year	$1,470,391	$1,062,392	$1,879,307	$816,915

See accompanying notes to the basic financial statements

Washington County, Ohio

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Motor Vehicle and Gasoline Tax Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Charges for Services	$42,879	$42,879	$103,880	$61,001
Fines and Forfeitures	37,721	37,721	80,462	42,741
Intergovernmental	5,667,080	5,667,080	5,097,650	(569,430)
Interest	35,000	35,000	96,695	61,695
Miscellaneous	54,920	204,920	215,488	10,568
Total Revenues	5,837,600	5,987,600	5,594,175	(393,425)
Expenditures				
Current:				
Public Works	6,428,846	7,264,343	5,057,996	2,206,347
Net Change in Fund Balance	(591,246)	(1,276,743)	536,179	1,812,922
Fund Balance Beginning of Year	1,469,147	1,469,147	1,469,147	0
Prior Year Encumbrances Appropriated	283,442	283,442	283,442	0
Fund Balance End of Year	$1,161,343	$475,846	$2,288,768	$1,812,922

See accompanying notes to the basic financial statements

Washington County, Ohio

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Mental Retardation and Developmental Disabilities Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$3,483,220	$3,483,220	$3,573,732	$90,512
Payments in Lieu of Taxes	0	0	32,904	32,904
Charges for Services	445,000	445,000	374,022	(70,978)
Intergovernmental	2,433,668	3,445,694	3,197,327	(248,367)
Miscellaneous	0	0	23,502	23,502
Total Revenues	6,361,888	7,373,914	7,201,487	(172,427)
Expenditures				
Current:				
Health	6,225,125	6,940,177	6,522,084	418,093
Debt Service:				
Principal Retirement	0	11,452	11,452	0
Interest and Fiscal Charges	0	8,844	2,348	6,496
Total Expenditures	6,225,125	6,960,473	6,535,884	424,589
Net Change in Fund Balance	136,763	413,441	665,603	252,162
Fund Balance Beginning of Year	1,440,037	1,440,037	1,440,037	0
Prior Year Encumbrances Appropriated	166,830	166,830	166,830	0
Fund Balance End of Year	$1,743,630	$2,020,308	$2,272,470	$252,162

See accompanying notes to the basic financial statements

Washington County, Ohio

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
County Home Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$2,217,270	$2,217,270	$2,203,775	($13,495)
Payments in Lieu of Taxes	0	0	13,882	13,882
Charges for Services	242,025	242,025	287,574	45,549
Intergovernmental	276,660	276,660	306,834	30,174
Miscellaneous	21,900	21,900	22,124	224
Total Revenues	2,757,855	2,757,855	2,834,189	76,334
Expenditures				
Current:				
Health	2,751,104	2,752,879	2,361,746	391,133
Excess of Revenues Over Expenditures	6,751	4,976	472,443	467,467
Other Financing Sources				
Proceeds from Sale of Capital Assets	1,775	1,775	1,775	0
Net Change in Fund Balance	8,526	6,751	474,218	467,467
Fund Balance Beginning of Year	1,949,782	1,949,782	1,949,782	0
Prior Year Encumbrances Appropriated	82,666	82,666	82,666	0
Fund Balance End of Year	$2,040,974	$2,039,199	$2,506,666	$467,467

See accompanying notes to the basic financial statements

Washington County, Ohio

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Mental Health and Addiction Recovery Board Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$4,947,754	$8,940,583	$5,272,171	($3,668,412)
Miscellaneous	0	0	24	24
Total Revenues	4,947,754	8,940,583	5,272,195	(3,668,388)
Expenditures				
Current:				
Health	2,973,098	7,917,814	5,803,181	2,114,633
Excess of Revenues Over (Under) Expenditures	1,974,656	1,022,769	(530,986)	(1,553,755)
Other Financing Sources				
Transfers In	30,000	30,000	30,000	0
Net Change in Fund Balance	2,004,656	1,052,769	(500,986)	(1,553,755)
Fund Balance Beginning of Year	350,790	350,790	350,790	0
Prior Year Encumbrances Appropriated	269,158	269,158	269,158	0
Fund Balance End of Year	$2,624,604	$1,672,717	$118,962	($1,553,755)

See accompanying notes to the basic financial statements

Washington County, Ohio

Statement of Fund Net Assets

Proprietary Funds

December 31, 2006

	Business-Type Activity Sewer Enterprise Fund	Governmental Activity- Internal Service Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$212,755	$0
Cash and Cash Equivalents with Fiscal Agents	0	3,973
Prepaid Items	1,419	0
Receivables:		
Accounts	148,019	203,283
Special Assessments	208,578	0
Total Current Assets	570,771	207,256
Noncurrent Assets:		
Non-Depreciable Capital Assets	189,760	0
Depreciable Capital Assets, Net	4,889,387	0
Total Assets	5,649,918	207,256
Liabilities		
Current Liabilities:		
Accounts Payable	4,723	0
Accrued Wages and Benefits Payable	2,532	0
Vacation Benefits Payable	6,171	0
Intergovernmental Payable	213,699	0
Accrued Interest Payable	9,857	0
Interfund Payable	0	47,391
Claims Payable	0	515,962
Notes Payable	93,000	0
Current Portion of OWDA Loan Payable	5,437	0
Current Portion of OPWC Loans Payable	15,729	0
Current Portion of FHA Loan Payable	10,500	0
Total Current Liabilities	361,648	563,353
Long-Term Liabilities (Net of Current Portion):		
Compensated Absences Payable	503	0
OWDA Loans Payable	252,356	0
OPWC Loans Payable	295,238	0
FHA Sewer Loan Payable	791,000	0
Total Long-Term Liabilities	1,339,097	0
Total Liabilities	1,700,745	563,353
Net Assets		
Invested in Capital Assets, Net of Related Debt	3,615,887	0
Unrestricted	333,286	(356,097)
Total Net Assets	$3,949,173	($356,097)

See accompanying notes to the basic financial statements

Washington County, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended December 31, 2006

	Business-Type Activity	Governmental Activity
	Sewer Enterprise Fund	Internal Service Fund
Operating Revenues		
Charges for Services	$448,582	$0
Charges for Services - Health Benefits	0	495,000
Miscellaneous	437	0
Total Operating Revenues	449,019	495,000
Operating Expenses		
Personal Services	84,278	0
Fringe Benefits	24,369	0
Contractual Services	320,394	0
Contractual Services - Health Benefits	0	47,391
Materials and Supplies	63,009	0
Claims - Health Benefits	0	803,706
Depreciation	204,065	0
Other	27,350	0
Total Operating Expenses	723,465	851,097
Operating Loss	(274,446)	(356,097)
Non-Operating Revenues (Expenses)		
Interest Income	3,165	0
Interest and Fiscal Charges	(45,930)	0
Change in Net Assets	(317,211)	(356,097)
Net Assets Beginning of Year - Restated (See Note 3)	4,266,384	0
Net Assets End of Year	$3,949,173	($356,097)

See accompanying notes to the basic financial statements

Washington County, Ohio

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2006

	Business-Type Activity Sewer Enterprise Fund	Governmental Activities- Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	$431,916	$0
Cash Received from Transactions from Other Funds	$0	495,000
Cash Payments for Employee Services and Benefits	(104,742)	0
Cash Payments for Goods and Services	(210,890)	0
Cash Payments for Claims - Health Benefits	0	(491,027)
Other Operating Expenses	(28,574)	0
Other Operating Revenues	437	0
Net Cash Provided by Operating Activities	88,147	3,973
Cash Flows from Investing Activities		
Interest	3,362	0
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Notes	93,000	0
Proceeds from OWDA Loan	415	0
Special Assessments	20,597	0
Payments for Capital Acquistions	(8,044)	0
Principal Paid on Debt	(162,233)	0
Interest and Fiscal Charges Paid on Debt	(46,073)	0
Net Cash Used for Capital and Related Financing Activities	(102,338)	0
Net Increase (Decrease) in Cash and Cash Equivalents	(10,829)	3,973
Cash and Cash Equivalents Beginning of Year	223,584	0
Cash and Cash Equivalents End of Year	$212,755	$3,973
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating Loss	($274,446)	($356,097)
Adjustments:		
Depreciation	204,065	0
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(16,666)	(203,283)
Increase in Prepaid Items	(1,224)	0
Decrease in Accounts Payable	(32,294)	0
Decrease in Accrued Wages and Benefits Payable	(29)	0
Increase in Vacation Benefits Payable	3,702	0
Increase in Compensated Absences Payable	216	0
Increase in Interfund Payable	0	47,391
Increase in Claims Payable - Health Benefits	0	515,962
Increase in Intergovernmental Payable	204,823	0
Net Cash Provided by Operating Activities	$88,147	$3,973

See accompanying notes to the basic financial statements

Washington County, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Funds

December 31, 2006

Assets	
Equity in Pooled Cash and Cash Equivalents	$1,897,477
Cash and Cash Equivalents in Segregated Accounts	400,445
Investments in Segregated Accounts	41,197
Receivables:	
Property Taxes	35,763,564
Accounts	147,205
Special Assessments	226,539
Intergovernmental	3,260,312
Total Assets	$41,736,739
Liabilities	
Intergovernmental Payable	$40,760,961
Undistributed Monies	975,778
Total Liabilities	$41,736,739

See accompanying notes to the basic financial statements

NOTE 1 - REPORTING ENTITY

Washington County, Ohio (the County), was created July 26, 1778, by Governor Aurthur St. Clair. The County was the first county formed in the Northwest Territory and is composed of twenty-two townships. The County is governed by a board of three County Commissioners elected by the voters of the County. An elected County Auditor serves as chief fiscal officer. In addition, there are seven other elected administrative officials. These officials are: County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, and Sheriff. Also elected are two Common Pleas Court Judges and a Probate and Juvenile Court Judge. The County Commissioners serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the County.

The reporting entity is composed 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 Washington County, this includes the Board of Mental Retardation and Developmental Disabilities, the Children Services' Board, the Mental Health and Recovery Services Board, and all departments and activities that are directly operated by the elected County officials.

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 program's governing board and (1) the County is able to significantly influence the programs of services performed or provided by the organization; or (2) the County is legally entitled to or can access the organization's resources; the County is legally obligated or has otherwise 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 for which the County approves the budget, the levying of taxes, or the issuance of debt.

Discretely Presented Component Units

Wasco, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. Wasco, Inc., under a contractual agreement with the Washington County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Washington County. The Washington County Board of MR/DD provides Wasco, Inc. with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of Wasco, Inc. Based on the significant services and resources provided by the County to Wasco, Inc., and the sole purpose of Wasco, Inc. being to provide assistance to the retarded and handicapped adults of Washington County, Wasco, Inc. is presented as a component unit of Washington County. Wasco, Inc. operates on a fiscal year ending August 31. The financial statements of Wasco, Inc. are prepared in accordance with Governmental Accounting Standards Board Statement 34 following the governmental model of reporting. Separately issued financial statements can be obtained from Wasco, Inc., Marietta, Ohio.

Southeastern Ohio Port Authority (the Authority) was created during 2003, pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution, and research and development interest of Southeastern Ohio, including rendering financial and other assistance to such enterprises situated in the region and to induce the location in Southeastern Ohio of other manufacturing, commerce, distribution, and research entities; to purchase, subdivide, sell, and lease real property in Southeastern Ohio; and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio. The Authority's Board of Directors consists of the number of Directors it deems necessary.

They are appointed by the Washington County Commissioners. The County assumes the responsibility to provide financial support to the Authority and is obligated for the debt of the Authority; therefore, it is included as a discretely presented component unit. Separately issued financial statements can be obtained from the Authority in Marietta, Ohio.

The following potential component units have been excluded from the County's financial statements:

Washington County Career Center
Washington County Educational Service Center
Washington County Agricultural Society
Washington County Historical Society
Washington State Community College
Washington County Cooperative Extension
Marietta Tourist and Convention Bureau
Washington County Law Library

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statements:

Washington County General Health District The District is governed by the Board of Health which overseas the operation of the District and is elected by a regional advisory council comprised of township trustees, mayors of participating municipalities, and one County Commissioner. The council adopts its own budget and operates autonomously from the County. Funding is based on a rate per taxable valuation, along with State and federal grants applied for by the District.

Washington County Soil and Water Conservation District The Soil and Water Conservation District is statutorily created as a separate and distinct political subdivision of the State. The five supervisors of the Soil and Water Conservation District are elected officials authorized to contract and sue on behalf of the District. The supervisors adopt their own budget, authorize District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

The County is associated with certain organizations which are defined as jointly governed organizations and insurance purchasing pools. These organizations are presented in Notes 19 and 21 to the Basic Financial Statements. The organizations are:

Buckeye Hills-Hocking Valley Regional Development District
Joint Solid Waste District
Washington County Family and Children First Council
Washington-Morgan Community Action Corporation
Wood, Washington, and Wirt Planning Commission
Buckeye Hills Resource Conservation and Development Project
Mid Eastern Ohio Regional Council of Governments (MEORC)
Ohio Valley Employment Resource (OVER)
County Risk Sharing Authority, Inc. (CORSA)
County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is associated with the Washington County Public Library, which is classified as a related organization. Additional information concerning the related organization is presented in Note 20.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements. The County has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activity and enterprise fund. 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. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

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

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

> ***General Fund*** The General Fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Job and Family Services Fund*** The Job & Family Services Fund accounts for various federal and State grants as well as transfers from the General Fund used to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.
>
> ***Motor Vehicle and Gasoline Tax Fund*** This fund accounts for revenue derived from motor vehicle licenses, gasoline taxes, grants, permissive sales taxes, and interest. Expenditures in this fund are restricted by State law to County road and bridge repair/improvements programs.
>
> ***Mental Retardation and Developmental Disabilities Fund*** This fund accounts for the operation of a school and the costs of administering a sheltered workshop for the mentally retarded and developmentally disabled residents of the County. Revenue sources are federal and State grant monies and a county-wide property tax levy.
>
> ***County Home Fund*** This fund accounts for property tax revenues and other resources used to finance the operation of the County Home.
>
> ***Mental Health and Addiction Recovery Board Fund*** This fund accounts for all State, federal, and local funds that have been expended primarily to pay the cost of contracts with local mental health agencies that provide services to the public at large.

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 Fund*** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is a description of the County's enterprise fund:
>
> > ***Sewer Fund*** This fund accounts for sanitary sewer services provided to County individual and commercial users. The costs of providing these services are financed primarily through user charges.
>
> ***Internal Service Fund*** Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The Internal Service Fund was used to account for the operation of the Board of Mental Retardation Developmental Disabilities' self-insurance program for employee health benefits and prescription drugs.

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

The County's fiduciary funds are all classified as agency funds. The agency funds account for assets held by the County as agent for the Board of Health and other districts and entities and for various taxes, assessments, and state shared resources collected on behalf of and distributed to other local governments.

C. Measurement Focus

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

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in 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.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: sales tax (see Note 8), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees, and rentals. Using this criteria, the County has elected to not record child support arrearages within the special revenue and agency fund types. This amount, while potentially significant, is not considered measurable, and because collection is often significantly in arrears, the County is unable to determine a reasonable value.

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. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund, program, department, and object level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2006.

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

F. Cash and Cash Equivalents

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

During 2006, the County had investments in certificates of deposit, which are reported at cost, and in Federal Home Loan Bank Bonds and Federated Government National Mortgage Association Trust Funds as part of the Children Services Special Revenue Fund. These investments are reported at fair value, which is based on quoted market prices. The County Court Agency Fund certificate of deposit and the investments of the Children Services Special Revenue Fund are reflected as "Investments in Segregated Accounts".

The County has segregated bank accounts for monies held separate from the County's pooled accounts. These depository accounts are presented as "Cash and Cash Equivalents in Segregated Accounts" since they are not deposited into the County's treasury.

The County utilizes a financial institution to account for the self insurance internal service fund. This interest bearing depository account is presented in the financial statements as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits.

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2006 amounted to $748,258, which includes $577,356 assigned from other County funds.

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

Wasco, Inc. considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. Investments for Wasco, Inc. (component unit) consist of certificates of deposit. These investments have maturities of more than three months.

The Authority's funds are held in a demand account.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

H. 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. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The County was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest costs incurred during the construction of capital assets utilized by the enterprise funds are also capitalized.

All reported capital assets are depreciated except for land, infrastructure, and construction in process. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activity Estimated Lives
Land Improvements	40-100 Years	40-100 Years
Buildings and Improvements	40-100 Years	40-100 Years
Machinery and Equipment	5-10 Years	5-10 Years
Furniture and Fixtures	5-20 Years	5-20 Years
Vehicles	8 Years	8 Years
Business-Type Infrastructure	N/A	40 Years

The County's infrastructure consists of County roads and bridges, certain culverts, and sewer systems. The County reports infrastructure acquired prior to December 31, 1980.

County roads and bridges (infrastructure reported in the Governmental activities column of the statement of net assets) are presented using the modified approach and therefore these assets are not depreciated. In addition, expenditures made by the County to preserve existing roads or bridges are expensed rather than capitalized. Only expenditures for additions or improvement are capitalized. Additional disclosures about the condition assessments and maintenance cost regarding the County's roads and bridges appear in the Required Supplementary Information.

WASCO, Inc. depreciates buildings, equipment and fixtures and vehicles for 10 years utilizing the straight-line method. The Authority depreciates buildings and infrastructure from 30-50 years, building improvements for 20 years, and vehicles and equipment for 5 years.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long term liabilities, as the balances are to be used by the employees in the year following the year benefits are earned. For Wasco, Inc., all unused vacation leave at fiscal year end is accrued as a liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the County's termination policy. The County records a liability for accumulated, unused sick leave for all employees of the following departments after fifteen years of service: Recorder, Veterans, Commissioners, Auditor, Treasurer, Common Pleas Court, County Home, Juvenile/Probate Court, Clerk of Courts, and Board of Elections, and after twenty years of service for the remaining departments.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term notes are recognized as a liability in the governmental fund financial statements when due.

M. Fund Balance Reserves

The County reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, unclaimed monies, and loans (community development block grant monies loaned to local businesses). Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

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 constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports $19,923,964 of restricted net assets, none of which are restricted by enabling legislation. The restrictions for other purposes include activities related to highway and bridge maintenance, Court and Corrections activities, community development projects, and miscellaneous other activities.

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 services for wastewater treatment and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

P. Internal Activity

Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities.

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

Q. 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. The County did not have any extraordinary or special items in 2006.

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.

NOTE 3 –RESTATEMENT OF PRIOR YEAR NET ASSETS

The County has restated capital assets based on corrections made to historical values in 2006. Capital assets of business-type activities were understated by $472,789. Net assets of the sewer enterprise fund and the business-type activity increased from $3,793,595 to $4,266,384.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances 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 Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures 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 (budget basis) rather than as a reservation of fund balance.

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).

5. Unrecorded cash and unrecorded interest are reported on the balance sheet (GAAP basis), but not on the budgetary basis. The reconciled difference is reflected in the following tables as unrecorded cash.

6. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.

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

Net Change in Fund Balances
General and Major Special Revenue Funds

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	County Home	Mental Health and Addiction Recovery Board
GAAP Basis	$411,086	$866,327	$630,310	$970,536	$610,508	$298,331
Net Adjustment for Revenue Accruals	(174,323)	(481,773)	32,351	(167,565)	(902)	(535,055)
Beginning of the Year:				0		0
Unrecorded Cash	28,736	0	600	611	0	140,902
Unreported Interest	52,236	0	0	0	0	0
Segregated Accounts	24,784	0	0	10,509	0	0
Agency Fund Cash Allocation	61,895	0	0	87,389	55,481	0
Prepaid Items	76,605	4,069	4,967	65,527	777	2,600
End of the Year:				0		0
Unrecorded Cash	(31,767)	0	(3,237)	0	0	(59,028)
Unreported Interest	(61,484)	0	0	0	0	0
Segregated Accounts	(23,145)	0	0	(11,552)	0	0
Agency Fund Cash Allocation	(80,089)	0	0	(110,365)	(67,114)	0
Prepaid Items	(181,485)	(35,566)	(34,208)	(14,210)	(24,710)	0
Principal Retirement	(93,600)	0	0	0	0	0
Note Proceeds from Current Refunding	51,060	0	0	0	0	0 0
Net Adjustment for Expenditure Accruals	21,059	(54,422)	62,177	69,210	(13,412)	(41,922)
Advances Out	(55,158)	0	0	0	0	0
Encumbrances	(984,473)	(55,789)	(156,781)	(234,487)	(86,410)	(306,814)
Budget Basis	($958,063)	$242,846	$536,179	$665,603	$474,218	($500,986)

NOTE 5 – ACCOUNTABILITY AND COMPLIANCE

A. *Accountability*

The Senior Citizens Levy Special Revenue Fund had a deficit fund balance of $24,836 as of December 31, 2006. The deficit resulted from adjustments for accrued liabilities in accordance with generally accepted accounting principles. The General Fund provides operating transfers for these funds but only as cash is required, not as deficits occur.

The Self Insurance Internal Service Fund had deficit net assets of $356,097 as of December 31, 2006. The deficit is due to claims expense exceeding assessed charges. The County has decided to discontinue the Self Insurance program.

B. Compliance

During 2006, the County had final appropriations plus prior year balance in excess of estimated revenues in the General Fund as follows:

	Final Budget
Estimated Resources	$19,517,029
Prior Year Balance	5,754,276
Appropriations	(25,581,243)
	($309,938)

The County will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

NOTE 6 - DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT

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

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury Bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;

3. Written repurchase agreements in the securities listed above:

4. Bond and other obligations of the State of Ohio or its political subdivisions;

5. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;

6. No-load money market mutual funds;

7. The State Treasurer's investment pool (STAROhio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;

9. Commercial paper notes**,** corporate notes and bankers acceptances; and

10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

Cash on Hand At year end, the County had $1,728 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the County's bank balance was $25,182,853.

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

Investments As of December 31, 2006, the County had the following investments:

	Fair Value	Maturity
Federal Home Loan Bank Bonds	$30,150	4/4/2007
Federal Home Loan Bank Bonds	49,953	5/15/2007
Federal Home Loan Bank Bonds	49,625	11/21/2008
Federal Home Loan Bank Bonds	50,375	5/15/2009
Federal Home Loan Bank Bonds	49,578	11/9/2010
Federated Government National Mortgage Association Trust Fund	17,795	Average of 6-14 years
Total	$247,476	

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the County's investment policy requires that the County's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations.

Credit Risk The Federal Home Loan Bank Bonds carried a credit rating by Moody's of Aaa. The Federated Government National Mortgage Association Trust Fund carried a rating by Moody's of Aaa. The County has no investment policy that would limit its investment choices other than what has been approved by State statute.

Concentration of Credit Risk Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The County places no limit on the amount it may invest in any one issuer. The County has 93 percent of its investments in Federal Home Loan Bank Bonds and 7 percent in Federated Government National Mortgage Association Trust Funds.

COMPONENT UNITS

At fiscal year end, of Wasco, Inc.'s bank balance of $175,315, $75,315 was exposed to custodial risk due to collateral securities not in the Workshop's name, and $100,000 was covered by Federal Deposit Insurance Corporation. Wasco had no investments at fiscal year end. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

At year end, of the Authority's bank balance of $115,584; $15,584 was exposed to custodial risk due to collateral securities not in the Authority's name, and $100,000 was covered by Federal Deposit Insurance Corporation.

NOTE 7- RECEIVABLES

A. Property Taxes

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

2006 real property taxes are levied after October 1, 2006, on the assessed value 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 2007.

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.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 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.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments 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 full tax rate for all County operations for the year ended December 31, 2006, was $9.05 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	$849,521,780
Public Utility Tangible Personal Property	129,813,790
Tangible Personal Property	155,853,150
Total Assessed Value	$1,135,188,720

The County treasurer collects property taxes on behalf of all taxing districts in the County. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2006, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2006 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

B. *Intergovernmental Receivables*

Governmental Activities	Amounts
Local Government	$670,971
Homestead and Rollback	370,773
School Lunch Reimbursement	5,972
Estate Tax	269
Ballot Advertising	5,663
Court Fines	31,403
Defense of Indigents	9,751
Sheriff False Alarms	25
Contract Services	41,004
Prisoner Care	23,386
Sheriff Pay Reimbursement	2,182
FEMA	2,562
Emergency Management Performance Grant	18,948
Bureau of Workers Compensation Refund	12,064
Ohio Department of Transportation Litter Grant	1,997
Special Education Part B- IDEA	50,570
Early Childhood Special Education	13,266
Innovative Programs - Title V	173
VOCA - Victim Assistance	25,511
VOCA - Juvenile Victim Assistance	15,080
Access Visitation	3,990
Juvenile Center Federal School Lunch	6,919
Title XX - MRDD	24,012
County Board Consolidated Payment	468,770
Federal Block Grant Prevention and Treatment	97,744
Community Development Block Grant	257,706
Waiver Administration	8,029
PASARR - Mental Health	1,258
Criminal Justice Treatment and Prevention	293,750
Chip Grant	138,383
Children Services Grants	550,167
Adult Court Implementation Grant	100,000
State Subsidy - Mental Health	1,119,207

	Amounts
Governmental Activities (cont'd):	
Gas Excise Tax	$1,140,887
Motor Vehicle License	1,190,623
Permissive Motor Vehicle License	29,917
Safe Haven Grant	67,688
Wireless 911 Surcharges	14,749
Youth Led Prevention Grant	1,884
Ohio Third Frontier Internship Program	24,224
Urban Mass Transportation	55,400
ADA HB 484	10,596
Title XIX Medicaid	586,111
Womens Setaside	17,167
Southern Consortium	23,060
Community Plan BG	15,066
D&A State (Treatment and Prevention)	67,233
Area Agency on Aging - RSVP	2,847
ODADAS Womens Match	10,869
Sheriff Traffic Grant	16,860
TANF (ODADAS)	4,176
Title XX - Mental Health	37,426
Miscellaneous	120
Mediation Grant	4,250
Total Governmental Activities	$7,692,658

C. Loans Receivable

The Community Development Block Grant Special Revenue Fund reflects loans receivable of $7,166. This amount is for the principal owed to the County for Federal Community Development Block Grant Program monies loaned to individuals for home improvements. The loans bear interest at annual rates of five percent. These loans are to be repaid over periods ranging from four to seven years. The amount not scheduled for collection during the subsequent year is $6,572

D. Due from Component Unit

In 2005, the County loaned the Authority $50,000 to preserve and protect a portion of Kardex jobs planned for relocation to Pennsylvania. The loan is at a rate of 3% per annum to be paid in monthly installments on a 20 year amortization schedule with no prepayment penalties. A balloon payment will be due at the time of Kardex's building lease termination or in three years whichever comes last. At December 31, 2006, the County recorded a "Due from Component Unit" in the amount of $45,097.

NOTE 8 - PERMISSIVE SALES AND USE TAX

In 1983, the County Commissioners, by resolution, imposed a one percent tax on all retail sales 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. At the November 1989 general election, an additional one-half percent tax was approved by the voters of the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of the month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited to the General Fund.

NOTE 9 - CAPITAL ASSETS

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

	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	$472,858	$0	$0	$472,858
Infrastructure	122,383,050	959,210	(463,736)	122,878,524
Construction in Progress	0	267,940	0	267,940
Total Non-Depreciable Capital Assets	122,855,908	1,227,150	(463,736)	123,619,322
Depreciable Capital Assets:				
Land Improvements	674,715	0	0	674,715
Buildings and Improvements	18,919,647	37,865	0	18,957,512
Machinery and Equipment	5,094,490	601,384	(288,092)	5,407,782
Furniture and Fixtures	1,110,295	11,900	0	1,122,195
Vehicles	5,852,668	348,426	(108,659)	6,092,435
Total Depreciable Capital Assets	31,651,815	999,575	(396,751)	32,254,639
Accumulated Depreciation:				
Land Improvements	(228,036)	(44,659)		(272,695)
Buildings and Improvements	(6,174,550)	(460,581)	0	(6,635,131)
Machinery and Equipment	(2,544,162)	(379,185)	127,924	(2,795,423)
Furniture and Fixtures	(501,883)	(45,222)	0	(547,105)
Vehicles	(3,861,818)	(465,198)	99,572	(4,227,444)
Total Accumulated Depreciation	(13,310,449)	(1,394,845) *	227,496	(14,477,798)
Total Depreciable Capital Assets, Net	18,341,366	(395,270)	(169,255)	17,776,841
Governmental Capital Assets, Net	$141,197,274	$831,880	($632,991)	$141,396,163

* Depreciation expense was charged to governmental activities as follows:

General Government:	
Legislative and Executive	$131,330
Judicial	32,422
Public Safety	455,753
Public Works	400,849
Health:	
Alcohol, Drug, and Mental Health	1,867
Mental Retardation and Developmental Disabilities	100,050
County Home	84,827
Other Health	6,219
Human Services:	
Child Support Enforcement	5,246
Children Services	121,883
Job and Family Services	35,285
Other Human Services	19,114
Total Depreciation Expense	$1,394,845

	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006
Business-Type Activity:				
Non-Depreciable Capital Assets:				
Land	$189,760	$0	$0	$189,760
Depreciable Capital Assets:				
Buildings and Improvements	851,885	0	0	851,885
Machinery and Equipment	451,229	8,044	0	459,273
Infrastructure	6,240,666	0	0	6,240,666
Vehicles	44,223	0	0	44,223
Total Depreciable Capital Assets	7,588,003	8,044	0	7,596,047
Accumulated Depreciation:				
Buildings and Improvements	(480,293)	(19,818)	0	(500,111)
Machinery and Equipment	(239,546)	(30,392)	0	(269,938)
Infrastructure	(1,739,584)	(152,804)	0	(1,892,388)
Vehicles	(43,172)	(1,051)	0	(44,223)
Total Accumulated Depreciation	(2,502,595)	(204,065)	0	(2,706,660)
Total Depreciable Capital Assets, Net	5,085,408	(196,021)	0	4,889,387
Business-Type Capital Assets, Net	$5,275,168	($196,021)	$0	$5,079,147

Asset Category	WASCO, Inc.	Port Authority
Buildings	$9,548	$0
Equipment and Furniture	170,095	6,489
Vehicles	251,813	0
Total	431,456	6,489
Less Accumulated Depreciation	(311,051)	(362)
Net Capital Assets	$120,405	$6,127

NOTE 10 - RISK MANAGEMENT

PRIMARY GOVERNMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. During 2006, the County contracted with the County Risk Sharing Authority, Inc. (CORSA), an insurance purchasing pool, (see Note 21), for liability, auto, and crime insurance. CORSA, a non-profit corporation sponsored by the County Commissioners of Ohio, was created to provide affordable liability, property, casualty, and crime insurance coverage for its members and was established May 12, 1987. Coverage provided by the program and applicable deductibles are as follows:

	Coverage	Deductible
General Liability	$1,000,000 each occurrence	$2,500
Law Enforcement Liability	1,000,000 each occurrence	2,500
Automobile Liability	1,000,000 each occurrence	2,500
Errors and Omissions Liability	1,000,000/1,000,000	2,500
Property Damage Liability	92,434,679	2,500
Equipment Breakdown	100,000,000	2,500
Crime	1,000,000	2,500
Stop Gap Liability	1,000,000	2,500
Medical Professional Liability	1,000,000	2,500
Bridges	2,809,930	2,500

Settled claims have not exceeded coverage in any of the last three years. There has been no significant reduction in coverage from the prior year.

MR/DD Employee Medical Benefits

Starting in 2006, medical/surgical benefits, vision, dental, and prescription insurance was offered to MR/DD employees through a self-insurance internal service fund through Employee Benefit Services. The claims liability of $515,962 reported at December 31, 2006 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Amounts reported were provided by the County's third party administrators. Changes in claims activity for 2006 are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2006	$0	$1,006,989	$491,027	$515,962

Ohio Workers' Compensation Group Rating Plan

For 2006, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 21). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environment for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Gates McDonald, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

COMPONENT UNITS

Professional and general liability for Wasco, Inc. is protected by the Erie Insurance Group with a $1,000,000 per occurrence limit. Property damage is covered up to $70,000 per scheduled property. Vehicles are also covered under the Erie Insurance Group with liability coverage up to $1,000,000 per occurrence. Officers and directors liability is covered through Cincinnati Insurance Company at $1,000,000. Settlement amounts have not exceeded this coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

Wasco, Inc. pays the State Workers' Compensation System a premium for employee injury coverage. The premium is based on a rate per $100 of covered wages. This rate is calculated based on accident history and administrative costs.

The Authority has obtained commercial insurance for property, general liability, and public employee dishonesty.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The County's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were $1,573,446, $1,519,325, and $1,594,831 respectively; 88.34 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member-directed plan for 2006 were $26,125 made by the County and $17,162 made by the plan members.

B. State Teachers Retirement System

Certified teachers employed by the school for Mental Retardation and Developmental Disabilities participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds, times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB

Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For year ended December 31, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The County's required contributions for pension obligations to the DB Plan for the fiscal years ended December 31, 2006, 2005, and 2004, were $69,930, $69,068, and $87,295 respectively; 96.55 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. For fiscal year 2006, the County did not have any employees participating in either the DC or Combined Plans.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

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

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. The County's actual contributions for 2006 which were used to fund postemployment benefits were $801,864. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were $11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $31.3 billion and $20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created 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.

B. State Teachers Retirement System

The Mental Retardation and Developmental Disabilities Board provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. The system is funded on a pay-as-you-go basis.

All STRS Ohio retirees who participate in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled $5,240 for 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was $3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS Ohio were $282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

NOTE 13 - OTHER EMPLOYER BENEFITS

A. Deferred Compensation Plan

Washington County employees and elected officials may participate in a state-wide deferred compensation plan created in accordance with Internal Revenue Code Section 457 offered by the State of Ohio. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

B. Compensated Absences

County employees follow various personnel policies as established by the County Commissioners, union agreements, or departmental mandates. Some employees of the Mental Retardation and Developmental Disabilities, Child Support Enforcement, Sheriff, and Job and Family Services departments are represented by union agreements. Employees of Engineer and County Home departments follow their own departmental policies. All other County employees follow the Commissioners policy.

Each employee accrues 4.6 hours of sick time for each two week pay period worked. Accrual continues during periods of approved paid leave. Unused sick leave is cumulative without limit. Job and Family Services, Mental Retardation and Developmental Disabilities (union employees), and Child Support Enforcement employees earn annual leave based on their length of service and can be converted to extended illness leave at the rate of threes days credit for each two days of unused leave converted. Upon retirement, with 10 years (5 years for engineer employees) of service with the County, the State, or any of its political subdivisions, all employees, except for Job and Family Services and Mental Retardation and Developmental Disabilities employees, are paid 25% of their sick (extended illness leave for Child Support Enforcement) leave up to a maximum of 240 hours. Mental Retardation and Developmental Disabilities union employees are paid 25% of their extended illness leave not to exceed 480 hours and 50% of their annual leave balance. Job and Family Services employees are paid their total hours times 2/3 times 50% of the final rate of pay up to a maximum of three times the employee’s annual leave entitlement.

Mental Retardation and Developmental Disabilities non-union employees are paid 50% of their sick balance up to a maximum of 480 hours. Unused vacation time and compensatory time are paid to a terminated employee at varying rates depending on length of service and department policy.

C. Insurance Benefits

The County provides employee medical/surgical benefits, life insurance, and accidental death and dismemberment insurance to employees, except Children Services and MR/DD, through Medical Mutual .. The plan has $100 single and $250 family deductible limits. Except for employees of the Mental Health and Health Department, the County pays 80 percent of the total monthly premium for family coverage and single coverage. The County pays 100 percent for both single and family coverage for employees of the Mental Health Department. The County pays 81 percent for both single and family coverage for employees of the Health Department. Premiums are paid from the same funds that pay the employee's salaries.

Employee medical/surgical benefits, dental, life insurance, and accidental death and dismemberment insurance for employees of the Children Services Department is provided through Anthem Blue Cross/Blue Shield and Anthem Life. For MR/DD employees, the School District provides life insurance and accidental death and dismemberment insurance through CBA Benefit Services, in the amount of $20,000 for all employees.

Dental insurance is provided to employees of the Department of Job and Family Services, Child Support Enforcement Agency, the Health Department, and the Children Services Board. Vision insurance is provided to employees of the Department of Job and Family Services and the Child Support Enforcement Agency.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

PRIMARY GOVERNMENT

In 2006, the County entered into capitalized leases for several Job and Family Services copiers. The leases met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defined a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of $49,189, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Capitalized leased assets are reflected net of accumulated depreciation for a book value of $39,351 as of December 31, 2006. Principal payments towards all capital leases during 2006 totaled $12,636.

Future minimum lease payments through 2010 are as follows:

	Governmental Activities	
Year	Principal	Interest
2007	$11,406	$2,526
2008	12,140	1,792
2009	12,922	1,010
2010	9,074	214
Total	$45,542	$5,542

COMPONENT UNIT

In prior years, Wasco, Inc. entered into a capital lease for a risograph. The lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defined a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as expenses in the Basic Financial Statements. The item acquired by the lease has been capitalized in the amount of $7,474, which is equal to the present value of the future minimum lease payments at the time of acquisition. Capitalized leased assets are reflected net of accumulated depreciation in the amount of $4,112 as of December 31, 2006. Principal payments towards all capital leases during 2006 totaled $748.

The following is a schedule of future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of August 31, 2006:

	Amount
Total Future Minimum Lease Payments	$747
Less: Amount Representing Interest	0
Present Value of Net Minimum Obligations	747
Less: Current Obligation Under Capital Lease	(747)
Long-Term Obligations Under Capital Lease	$0

NOTE 15 - CONTRACTUAL COMMITMENTS

As of December 31, 2006, the County had contractual purchase commitments as follows:

Projects	Fund	Purchase Commitments	Amounts Paid as of 12/31/2006	Amounts Remaining on Contracts
HB 300 Energy Project	Energy Conservation Fund	$433,176	$267,940	$165,236
Booth Hollow Culvert Replacement	General Fund	44,847	0	44,847
County Road 3 Paving	General Fund	112,432	7,298	105,134
Shinn Covered Bridge Repairs	Gasoline Tax Fund	37,720	0	37,720
Lowell Bridge Inspections	General Fund	171,700	115,356	56,344
		$799,875	$390,594	$409,281

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in the County's long-term obligations during the year consisted of the following:

	Original Issue Amount	Principal Outstanding 12/31/05	Additions	Deductions	Principal Outstanding 12/31/06	Amounts Due within One Year
Governmental Activities:						
General Obligation Bonds:						
1998 - Juvenile Center - 4.4%-5.9%	$1,800,000	$1,375,000	$0	$75,000	$1,300,000	$80,000
2006 - Energy Conservation - 5%	440,000	0	440,000	0	440,000	35,000
Bond Premium		0	23,323	194	23,129	0
2004 - Capital Facilities Jail:						
Serial - 2%-4.25%	2,090,000	1,885,000	0	135,000	1,750,000	135,000
Term - 4.05%	385,000	385,000	0	0	385,000	0
Term - 5.75%	925,000	925,000	0	0	925,000	0
Bond Premium		115,215	0	6,430	108,785	0
Bond Discount		(31,041)	0	(1,733)	(29,308)	0
1996 - Courthouse Renovation - 3.75%-5.00%	1,350,000	405,000	0	130,000	275,000	135,000
1996 - Building Acquisition - Job and Family Services - 3.75%-5.5%	1,740,000	1,265,000	0	70,000	1,195,000	75,000
1996 - Building Acquisition - Commissioners - 3.75%-4.75%	380,000	45,000	0	45,000	0	0
Total General Obligation Bonds		6,369,174	463,323	459,891	6,372,606	460,000
Long-Term Bond Anticipation Notes:						
Computer Equipment - 2005 - 5.35%	88,000	88,000	0	88,000	0	0
Health Department Roof - 2005 - 4.75%	57,500	57,500	0	57,500	0	0
Building Acquisition/Improvement - 2005 - 4.75%	495,000	495,000	0	495,000	0	0
2006 - $552,500 Various Purpose - 6.50%						
Health Department Roof	57,500	0	57,500	0	57,500	0
Building Acquisition/Improvement	495,000	0	495,000	0	495,000	0
2006 - $208,000 Various Purpose - 6.00%						
County Vehicles	65,940	0	21,980	0	21,980	0
Various Purposes	54,060	0	51,360	0	51,360	0
Computer Equipment	88,000	0	83,600	0	83,600	0
Total Long-Term Bond Anticipation Notes		640,500	709,440	640,500	709,440	0
1999 - Energy Conservation Note - 5.125%	114,523	45,808	0	11,452	34,356	34,356
Compensated Absences - Sick Leave		243,686	72,886	34,980	281,592	12,715
Capital Leases		8,989	49,189	12,636	45,542	11,406
Total Governmental Activities		$7,308,157	$1,294,838	$1,159,459	$7,443,536	$518,477

(continued)

	Original Issue Amount	Principal Outstanding 12/31/05	Additions	Deductions	Principal Outstanding 12/31/06	Amounts Due within One Year
Business-Type Activity:						
OPWC Loans:						
1995 - Devola Sewer Loan - 0%	328,552	$156,060	$0	$24,640	$131,420	$8,214
1999 - Cherry Blossom Sewer Loan - 2.00%	80,370	61,355	0	5,558	55,797	1,890
1998 - Barlow Vincent Sewer Plant Loan - 0%	225,000	140,625	0	16,875	123,750	5,625
Total OPWC Loans		358,040	0	47,073	310,967	15,729
1997 - FHA Sewer Loan	506,000	811,000	0	9,500	801,500	10,500
2004 - OWDA Loan - 3.41%	279,030	265,038	0	7,660	257,378	5,437
2006 - OWDA Loan - 4.99%		0	415	0	415	0
Bond Anticipation Note - 5.35%		93,000	0	93,000	0	0
Compensated Absences - Sick Leave		287	216	0	503	0
Total Business-Type Activity		$1,527,365	$631	$157,233	$1,370,763	$31,666

A. *Governmental Activities*

The Courthouse Renovation, Juvenile Center, and the Commissioners portion of the Building Acquisition General Obligation Bonds are unvoted and will be retired from the General Bond Retirement Fund with general property tax revenues. The Capital Facilities Jail Bonds are unvoted and will be retired from the General Bond Retirement Fund with permissive sales tax revenues. The Job and Family Services portion of the Building Acquisition General Obligation Bonds is unvoted and will be retired from the Job and Family Services Bond Retirement Fund with rental payments received from the Job and Family Special Revenue Fund. The Energy Conservation Note is unvoted and will be retired with monies realized through energy savings. The capital leases are being paid for by the Job and Family Services Special Revenue Fund.

Compensated absences for sick leave liabilities will be paid from the General Fund and the Mental Health, Miscellaneous Local Funds, Public Assistance, Child Support Enforcement Agency, Motor Vehicle Gasoline Tax, County Home, Mental Retardation and Developmental Disabilities, Court/Corrections Funds, Sheriff's Sales Tax, Children Services, and Other Grant Special Revenue Funds.

The following is a summary of the County's future annual principal and interest requirements to retire general obligation bonds:

Year Ended December 31,	Principal	Interest	Total
2007	$460,000	$299,296	$759,296
2008	480,000	276,660	756,660
2009	350,000	255,298	605,298
2010	365,000	240,738	605,738
2011	385,000	224,963	609,963
2012-2016	2,185,000	845,708	3,030,708
2017-2021	1,555,000	345,415	1,900,415
2022-2023	490,000	42,550	532,550
Total	$6,270,000	$2,530,628	$8,800,628

The Energy Conservation Note will be retired in February 2007.

Bond Anticipation Notes At December 31, 2006, the County had $709,440 outstanding in long-term bond anticipation notes.

The computer equipment bond anticipation notes issued on May 17, 2005, for $88,000 matured on May 11, 2006. These notes were issued for the purpose of purchasing new computer equipment.

The health department roof bond anticipation note issued on March 3, 2005, for $57,500 matured on March 2, 2006. These notes were issued for the purpose of replacing the health department building roof.

The building acquisition/improvement bond anticipation notes issued on March 3, 2005, for $495,000 matured on March 2, 2006. These notes were issued for the purpose of acquiring a building beside the courthouse and making renovations to that building for various county uses.

The various purpose bond anticipation notes issued on May 11, 2006, for $208,000 will mature on May 10, 2007. The various purpose bond anticipation notes were issued to retire the $88,000 computer equipment bond anticipation notes issued on May 17, 2005. The $88,000 computer equipment bond anticipation note rolled over into bond anticipation notes in the amount of $83,600. The County issued $54,060 in bond anticipation notes to pay for various projects of the County. The County issued $65,940 in bond anticipation notes for the purpose of purchasing new County vehicles.

The various purpose bond anticipation notes issued on March 2, 2006, for $552,500 will mature on February 28, 2007. The various purpose bond anticipation notes were issued to retire the $57,500 health department roof bond anticipation notes issued March 3, 2005, and the $495,000 building acquisition/improvement bond anticipation notes issued March 3, 2005. The $57,500 health department roof bond anticipation notes rolled over into bond anticipation notes in the amount of $57,500. The $495,000 building acquisition/improvement bond anticipation notes rolled over into bond anticipation notes in the amount of $495,000.

The new notes are reported as fund obligations to the extent that they were repaid upon maturity on May 10, 2007. See Note 25. The portion that was refinanced prior to the issuance of the financial statements is reported as long-term obligations.

Mandatory Redemptions The 2004 Jail bond issue consisted of serial and term bonds. The term bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption of the Authorizing Legislation. The mandatory redemption is to occur on December 1, 2017, (with the balance of $195,000 to be paid at stated maturity on December 1, 2018) at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2017	$190,000

The bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation. The mandatory redemption is to occur on December 1 in each of the years 2020 through 2022 (with the balance of $250,000 to be paid at stated maturity on December 1, 2023) at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2020	$210,000
2021	225,000
2022	240,000

Term bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

Optional Redemption The bonds maturing on or after December 1, 2015, are also subject to prior redemption on or after December 1, 2014, by and at the sole option of the County, either in whole on any date or in part (as selected by the County) on any date and in integral multiples of $5,000, at par plus accrued interest to the redemption date.

B. Business-Type Activity

The Ohio Public Works Commission Devola loan and part of the Cherry Blossom loan will be repaid using revenue from a special assessment assessed upon property owners. In the event of default of the property owners, the County would pay the loan using the operating revenues of the sewer district. The Barlow Vincent Sewer loan, parts of the Cherry Blossom loan, the OWDA Loans, and the FHA loans will be repaid using operating revenues of the sewer district. All of the loans are recorded in the Sewer Enterprise Fund.

The Ohio Water Development Authority (OWDA) Sewer Design Loan relates to a project for engineering design of various Sewer projects. As of December 31, 2006, the County had drawn down $415. No principal payments were made during 2006. This loan will be repaid over five years and the County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The following is a summary of the County's future annual principal and interest requirements to retire the loans:

Year Ended December 31,	Principal	Interest	Total
2007	$31,666	$41,557	$73,223
2008	53,669	45,215	98,884
2009	54,628	44,160	98,788
2010	58,103	43,167	101,270
2011	60,594	42,134	102,728
2012-2016	280,762	193,545	474,307
2017-2021	200,834	159,728	360,562
2022-2026	198,089	120,541	318,630
2027-2031	163,500	84,831	248,331
2032-2037	268,000	44,934	312,934
Total	$1,369,845	$819,812	$2,189,657

Bond Anticipation Note The bond anticipation note was issued on May 17, 2005, for $98,000 and matured on May 11, 2006, which was then rolled over into a new note in the amount of $93,000. This bond anticipation note was issued for sewer improvements. On May 10, 2007, the entire amount of the bond was paid; therefore, $93,000 was shown in the short-term notes payable schedule in Note 16. The note liability is reflected in the Sewer Enterprise Fund.

C. Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total valuation of the County. The Code further provides that the total 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 County's total debt margin was $26,879,718 and the unvoted debt margin was $20,340,278 at December 31, 2006.

D. Conduit Debt

Pursuant to State statue, various industrial revenue bonds have been issued for private industry within the County. The proceeds of the industrial revenue bonds are used by the various private industries for new construction or improvements. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. As of December 31, 2006, $79,330,000 of industrial revenue bonds had been issued, and $66,959,000 of those remained outstanding.

E. Component Unit

During 2004, the County loaned the Authority $50,000 to preserve and protect a portion of Kardex jobs. The loan is at a rate of 3% per annum to be paid in monthly installments on a 20 year amortization schedule with no prepayment penalties. A balloon payment will be due at the time of Kardex's building lease termination or in three years whichever comes last. Maturities of long-term debt are as follows:

Year Ended December 31,	Principal	Interest	Total
2007	$2,002	$1,326	$3,328
2008	2,063	1,265	3,328
2009	2,126	1,202	3,328
2010	2,190	1,138	3,328
2011	2,257	1,071	3,328
2012-2024	34,459	6,859	41,318
Total	$45,097	$12,861	$57,958

NOTE 17 – SHORT-TERM OBLIGATIONS

A summary of the note transactions for the year ended December 31, 2006, follows:

	Outstanding 12/31/2005	Additions	Deductions	Outstanding 12/31/2006
Governmental Activities:				
Computer Equipment - 5.35%	$10,000	$0	$10,000	$0
Children Services Building - 5.35%	200,000	0	200,000	0
Building Acquisition and Improvement - Other Governmental Funds - 4.75%	7,500	0	7,500	0
2006 - $208,000 Various Purpose - 6.00%:				
County Vehicles	0	43,960	0	43,960
Various Purpose	0	2,700	0	2,700
Computer Equipment	0	4,400	0	4,400
Total Governmental Funds	$217,500	$51,060	$217,500	$51,060
Business-Type Activity:				
Sewer Improvements - 5.35%	$5,000	$0	$5,000	$0
Sewer Improvements - 2006 - 6.00%	0	93,000	0	93,000
Total Business-Type Activity	$5,000	$93,000	$5,000	$93,000

The building acquisition/improvement bond anticipation notes issued on March 3, 2005, for $7,500 matured on March 2, 2006. These notes were issued for the purpose of acquiring a building beside the courthouse and making renovations to that building for various county uses.

The Children Services bond anticipation notes issued on May 17, 2005, for $200,000 matured on May 11, 2006. These notes were issued for the purpose of constructing a new Children Services Building.

The various purpose bond anticipation notes issued on May 11, 2006, for $208,000 will mature on May 10, 2007. The various purpose bond anticipation notes were issued to retire the $88,000 computer equipment bond anticipation notes issued on May 17, 2005. The $88,000 computer equipment bond anticipation note rolled over into bond anticipation notes in the amount of $83,600. $4,400 of the computer equipment bond anticipation notes were retired on May 10, 2007. The County issued $54,060 in bond anticipation notes to pay for various projects of the County. $2,700 of the various purpose bond anticipation notes were retired on May 10, 2007. The County issued $65,940 in bond anticipation notes for the purpose of purchasing new County vehicles. $43,960 of the County vehicles bond anticipation notes were retired on May 10, 2007 (See Note 25).

The various purpose bond anticipation notes are backed by the full faith and credit of Washington County. The notes were issued on May 17, 2005, and matured on May 11, 2006. It was replaced with a new note for $51,060, and matures on May 10, 2007. These bond anticipation notes were issued for various purposes, including new court vehicles and new computer equipment. No long-term financing arrangements have been made for these notes.

The Sewer Enterprise Fund bond anticipation note is backed by the full faith and credit of Washington County. The sewer improvement note was issued on May 17, 2006, and matured on May 11, 2007. It was replaced with a new note for $93,000, and matures on May 10, 2007.

NOTE 18 – INTERFUND BALANCES AND TRANSFERS

Interfund balances, as of December 31, 2006, consist of the following individual interfund receivables and payables:

	Interfund Payable					
	Major Funds					
Interfund Receivable	Job and Family Services	County Home	Mental Health and Addiction Recovery Board	Other Governmental Funds	Internal Service Fund	Total
Major Funds:						
General Fund	$2,800	$349	$2,683	$86,462	$47,391	$139,685
Mental Retardation and Developmental Disabilties	0	0	3,218	979	0	4,197
Total All Funds	$2,800	$349	$5,901	$87,441	$47,391	$143,882

The interfund receivables/payables are due to lags between the dates interfund goods and services are provided, transactions were recorded in the accounting system, and payments between funds were made. The Self-Insurance Internal Service Fund interfund payable to the General Fund is due to a cash deficit at December 31, 2006. All amounts are expected to be repaid within one year.

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

	Transfer In				
	Major Funds				
Transfer Out	General	Job and Family Services	Mental Health and Addiction Recovery Board	Other Nonmajor Governmental	Total
Major Funds:					
General Fund	$0	$277,392	$30,000	$1,503,738	$1,811,130
Other Nonmajor Governmental	125,000	0	0	0	125,000
Total All Funds	$125,000	$277,392	$30,000	$1,503,738	$1,936,130

Transfers were 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; to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, to move monies back to the General Fund from the Certificate of Title Special Revenue Fund, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Developmental District serves as the Area Agency on Aging for Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and implementing plans and programs. The District is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens Council, one member from the City of Marietta Council, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The District administers County Community Development Block Grant and Issue II monies. During 2006, the District received $21,688 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

B. Joint Solid Waste District

The County is a member of the Joint Solid Waste District which consists of Washington, Guernsey, Monroe, Morgan, Muskingum, and Noble Counties. The purpose of the District is to make disposal of waste in the six-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989 as required by the Ohio Revised Code.

The Joint Solid Waste District is governed and operated through three groups. An eighteen-member board of directors, composed of the three Commissioners from each County, is responsible for the District's financial matters. Financial records were maintained by Muskingum County until May 1993 at which time Noble County assumed the responsibility. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no contributions were received from the County in 2006. No future contributions by the County are anticipated. A thirty-one member policy committee composed of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the Policy Committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

C. Washington County Family and Children First Council

The Washington County Family and Children First Council provides services to multi-need youth in Washington County. Members of the Cluster include the Washington County Health Department, the Regional Office of Youth Services, the Washington County Juvenile Court, the Washington County Mental Health Board, Washington County Children Services, the General Health District, a representative from the City of Marietta Health Department, and a representative of the Washington County School Districts. The operation of the Council is controlled by an advisory committee which consists of a representative from each agency. In 2006, the County contributed $81,130.

D. Washington-Morgan Community Action Corporation

The Community Action Corporation of Washington-Morgan Counties is operated as non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Childrens' Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program, and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the

Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. The continued existence of the Corporation is not dependent on the County's continued participation and no equity interest exists.

E. Wood, Washington, and Wirt Planning Commission

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is composed of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives and one Washington County Commissioner serves on the Commission. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. In 2006, the County contributed $7,563 to the Commission. The continued existence of the Commission is not dependent on the County's continued participation and no equity interest exists.

F. Buckeye Hills Resource Conservation and Development Project

The Buckeye Hills Resource Conservation and Development Project was organized to lead local efforts directed toward improving social and economic conditions of the Buckeye Hills RC&D Area through development, conservation, and proper use of all the resources of the area. It serves Athens, Belmont, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties. The Project is governed by an executive council. The Council is composed of one County Commissioner from each county, one member from the Soil and Water Conservation District of each county, a representative chosen jointly by the county commissioners and Soil and Water Conservation Districts of each county, a member from the Muskingum Watershed Conservancy District, and one member from the Rush Creek Conservancy District. The Council has total control over budgeting, personnel, and all other financial matters. During 2006, the Council received $300 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

G. Mid Eastern Ohio Regional Council of Governments (MEORC)

The Mid Eastern Ohio Regional Council of Governments is a regional council of governments created pursuant to Ohio Revised Code Chapter 167. Participating counties include Belmont, Carroll, Coshocton, Fairfield, Guernsey, Harrison, Hocking, Holmes, Jefferson, Knox, Monroe, Morgan, Muskingum, Noble, Perry, Tuscarawas, and Washington Counties. MEORC was created to provide the best possible services to persons with mental retardation and disability in their respective counties. Each county has representation on the MEORC board. Member counties have a contract between its county MR/DD board and the MEORC for MEORC to provide supported living services or housing to eligible persons in the member counties.

H. Ohio Valley Employment Resource (OVER)

The Ohio Valley Employment Resource is a jointly governed organization whereby the three county commissioners from Monroe, Noble, Morgan and Washington Counties serve on the governing board. The Ohio Valley Employment Resource was formed for the purpose of creating and providing employment and training programs in response to local need, a part of which is implementation of the Workforce Investment Act, P.L. 105-220. The continued existence of the Ohio Valley Employment Resource is not dependent on the County's continued participation and no equity interest exists. The Ohio Valley Employment Resource has no outstanding debt.

NOTE 20 - RELATED ORGANIZATION

The Washington County Public Library is statutorily created as a separate and distinct political subdivision of the State governed by a board of trustees consisting of seven members. The Washington County Commissioners appoint three members and the Court of Common Pleas appoints the remaining members. The County made no contributions to the Public Library. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the County for operational subsidies. Although the County does serve as the taxing authority of the Library, this is strictly a ministerial function. Once the board of trustees has determined that a levy is necessary, its amount, and its duration, the County must place the levy before the voters. The Library may issue debt or the County may provide facilities for the Library through the issuance of debt if the voters agree.

NOTE 21 - INSURANCE PURCHASING POOLS

A. County Risk Sharing Authority, Inc. (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a public entity shared risk pool among fifty-five counties in Ohio. 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 losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment for insurance to CORSA in 2006 was $279,243.

B. County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

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

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuring year by the participants at the meeting held in the month of December each year. No participant can have more than member of the group executive committee in any year and each elected member shall be a County Commissioner.

NOTE 22 - RELATED PARTY TRANSACTIONS

Wasco, Inc., a discretely presented component unit of Washington County, received contributions from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its program. These contributions are reflected as operating revenues and operating expenses at cost or fair market value, as applicable, in the basic financial statements in the amount of $226,496. Additional habilitative services provided directly to the component unit's clients by the County amounted to $916,947.

The Southeastern Ohio Port Authority, a discretely presented component unit of Washington County, received contributions from the County for the general operation of the Authority. These contributions are reflected as operating revenues and operating expenses at cost or fair market value, as applicable, in the basic financial statements in the amount of $50,000.

NOTE 23 – FOOD STAMPS

The County's Department of Job and Family Services distributes, through contracting issuance centers, federal food stamps to entitled recipients within Washington County. The receipt and issuance of the stamps have the characteristics of a federal grant. However, the Department of Job and Family Services merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements, as the only economic interest related to these stamps rests with the ultimate recipient.

NOTE 24 - 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 Prosecutor, any potential liability would not have a material effect on the County's financial condition.

NOTE 25 – SUBSEQUENT EVENTS

On February 9, 2007, the County paid off the Energy Conservation Note early. The balance of the Note was $34,356. On February 28, 2007, the County issued taxable capital facility notes in the amount of $552,500 to finance the acquisition of a new building and a new Health Department Roof. The notes have an interest rate of 6.50 percent and mature on February 27, 2008. The $57,500 health department roof bond anticipation notes dated March 2, 2006 rolled over into bond anticipation notes in the amount of $57,500. The $495,000 building acquisition/improvement bond anticipation notes dated March 2, 2006 rolled over into bond anticipation notes in the amount of $495,000.

On May 10, 2007, the County refinanced bond anticipation notes and issued new notes in the amount of $156,940 to pay for the court vehicles and new computer equipment. The notes have an interest rate of 6 percent and mature on May 9, 2008. Of this various purpose issue the County made a principal payment in the amount of $43,960 on the $65,940 County vehicles bond anticipation notes dated May 11, 2006, and rolled the remaining balance of $21,980. The County made a principal payment in the amount of $2,700 on the $54,060 various purpose bond anticipation notes dated May 11, 2006, and rolled the remaining balance of $51,360. The County made a principal payment in the amount of $4,400 on the $88,000 building acquisition/improvement bond anticipation notes dated May 11, 2006, and rolled the remaining balance of $83,600. The County made a principal payment of $93,000 on the $93,000 sewer improvements bond anticipation notes dated May 11, 2006.

The County reports its roads and bridges infrastructure assets using the modified approach. The following disclosures pertain to the condition assessments and budgeted versus actual expenditures for the preservation of these assets.

County Roads

The condition of road pavement is measured using a Pavement Management system, which assigns a numerical ranking to each road based on the following criteria: pavement surface type, condition, traffic factors, maintenance history and professional judgment. The system rates the condition as follows:

Conditon Category	Condition Index Range	Description of Condition
Failed	<30	Impassable, unsafe, needs major reconstruction
Poor	30-45	Passable, marginally safe, needs major repair
Fair	46-60	Average, functions as designed, needs routine maintenance and repair
Good	61-85	Safe and very suitable for its purpose, needs preventative maintenance
Excellent	>85	New or like new, no repair needed

It is the goal of the Washington County Engineer that 90% of the County roads are rated at fair or better condition.

Bridges

Bridges are evaluated annually as required by law and following the Ohio Department of Transportation inspection and inventory guidelines. Bridges are rated by a general appraisal as follows:

Bridge General Appraisal Rating	Description of Condition
9	Excellent, new or like new
8	Very good, no problems
7	Good, minor maintenance deterioration of structural elements
6	Satisfactory, minor deterioration of structural elements
5	Fair, still functioning as designed, minor section loss to structural elements, non-structural deterioration
4	Poor, needs major repair or manitenance, to continue to function, load reduction may be needed.
3	Serious, needs major rehabilitation to continue to function, may need load reduction
2	Critical, not functioning as designed, load reduction, replacement needed
1	Closed

It is the goal to maintain the Washington County bridges such that 90% have general appraisals of 5 or higher.

The following summarized the road and bridge conditions as of December 31, 2006, 2005, 2004 and 2003:

Road Condition as of December 31,

	2006		2005		2004		2003	
Condition Category	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation
Excellent	38%	100%	42%	100%	36%	100%	73%	100%
Good	47%	62%	56%	58%	44%	64%	24%	27%
Fair	15%	15%	2%	2%	17%	20%	3%	3%
Poor	0%	0%	0%	0%	3%	3%	0%	0%
Failed	0%	0%	0%	0%	0%	0%	0%	0%

Bridge Condition as of December 31,

Bridge	2006		2005		2004		2003	
General Appraisal	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation
9	1%	1%	1%	1%	0%	0%	2%	2%
8	5%	6%	4%	5%	4%	4%	1%	3%
7	22%	28%	17%	22%	16%	20%	21%	24%
6	43%	71%	44%	66%	50%	70%	50%	74%
5	18%	89%	22%	88%	21%	91%	18%	92%
4	9%	98%	10%	98%	6%	97%	6%	98%
3	1%	99%	1%	99%	3%	100%	2%	100%
2	1%	100%	1%	100%	0%	100%	0%	100%
1	0%	100%	0%	100%	0%	100%	0%	100%

Budget versus actual expenditures for roads and bridges maintenance for 2006, 2005, 2004 and 2003:

Total Road Maintenance Expense	Budgeted	Actual	Difference
2006	$3,477,203	$2,359,037	$1,118,166
2005	3,330,450	2,760,370	570,080
2004	3,215,237	2,729,711	485,526
2003	2,719,220	2,554,162	165,058

Total Bridge Maintenance Expense	Budgeted	Actual	Difference
2006	$347,298	$256,120	$91,178
2005	348,613	324,768	23,845
2004	363,992	301,082	62,910
2003	285,288	174,240	111,048

WASHINGTON COUNTY

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

FEDERAL GRANTOR *Pass-Through Grantor* Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
Passed through the Ohio Department of Education:				
Food Donation	10.550	N/A	$	$ 384
Nutrition Cluster:				
School Breakfast Program	10.553	05PU	27,367	
National School Lunch Program	10.555	LLP1	3,227	
National School Lunch Program	10.555	LLP4	42,301	
Summer Food Service Program For Children	10.559	23NP	36,611	
Total Nutrition Cluster			109,506	0
Total United States Department of Agriculture			109,506	384
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through the Ohio Department of Development:				
Community Development Block Grants - State's Program	14.228	B-C-04-077-1	54,354	
		B-F-04-077-1	102,560	
		B-F-05-077-1	111,635	
		B-N-04-077-1	1,181	
Total Community Development Block - State's Program			269,730	0
HOME Investment Partnerships Program	14.239	B-C-04-077-2	47,621	
Total United States Department of Housing and Urban Development			317,351	0
UNITED STATES DEPARTMENT OF JUSTICE				
Passed through the Ohio Attorney General's Office:				
Crime Victim Assistance	16.575	2006VAGENE616	15,014	
		2007VAGENE616	4,270	
Total Crime Victim Assistance			19,284	0
Passed through the Ohio Department of Alcohol and Drug Addiction Services:				
Drug Court Discretionary Grant Program	16.585	2004-DC-BX-0061	195,428	0
Passed through the Ohio Office of Criminal Justice Services:				
Edward Byrne Justice Assistance Grant Formula Program	16.738	2005-JG-LLE-5147	19,985	
Total United States Department of Justice			234,697	0
UNITED STATES DEPARTMENT OF LABOR				
Passed through the Ohio Department of Development:				
WIA Adult - Ohio Third Frontier Internship Program	17.258	N/A	19,435	0
Total United States Department of Labor			19,435	0
UNITED STATES DEPARTMENT OF TRANSPORTATION				
Passed through the Ohio Department of Transportation:				
Highway Planning and Construction - Emergency Relief	20.205	N/A	1,291,759	
Federal Transit - Formula Grants	20.507	N/A	216,489	
Passed through Ohio Department of Public Safety:				
State and Community Highway Safety	20.600	N/A	28,250	
Total United States Department of Transportation			1,536,498	0

WASHINGTON COUNTY

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

FEDERAL GRANTOR *Pass-Through Grantor* Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF EDUCATION				
Passed through the Ohio Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	066274-6BSF-2006	$ 49,645	$
		066274-6BSF-2007	5,619	
Total Special Education - Grants to States			55,264	0
Special Education - Preschool Grants	84.173	066274-PGS1-2006	15,404	
		066274-PGS1-2007	1,474	
Total Special Education - Preschool Grants			16,878	0
Total Special Education Cluster			72,142	0
State Grants for Innovative Programs	84.298	066274-C2S1-2006	312	
		066274-C2S1-2007	19	
Total State Grants for Innovative Programs			331	0
Total United States Department of Education			72,473	0
ELECTION ASSISTANCE COMMISSION				
Passed through the Ohio Secretary of State:				
Help America Vote Act - Training	39.011	E06-0068-005	5,000	
Total Election Assistance Commission			5,000	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Ohio Department of Mental Retardation and Developmental Disabilities:				
Social Services Block Grant	93.667	N/A	50,329	
State Children's Insurance Program	93.767	N/A	3,885	
Medical Assistance Program - CAFS	93.778	N/A	10,464	
Medical Assistance Program - TCM	93.778	N/A	159,025	
Medical Assistance Program - Waiver Administration	93.778	N/A	287,356	
Total Medical Assistance Program			456,845	0
Passed through the Ohio Department of Alcohol and Drug Addiction Services:				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	84-00451-SIG-05-0416	111,591	
Block Grants for Prevention and Treatment of Substance Abuse -				
Substance Abuse Prevention and Treatment Block Grant	93.959	N/A	207,636	
Women's Setaside		84-02293-WOMEN-P-06-901	34,333	
Total Block Grants for Prevention and Treatment of Substance Abuse			241,969	0
State Children's Insurance Program	93.767	N/A	39,464	
Medical Assistance Program	93.778	N/A	99,427	
Passed through the Ohio Department of Mental Health:				
Public Health and Social Services Emergency Fund	93.003	IBHS-HRSA-3A6	1,683	
Social Services Block Grant	93.667	N/A	63,682	
State Children's Insurance Program	93.767	N/A	181,731	
Medical Assistance Program	93.778	N/A	1,453,391	
Block Grants for Community Mental Health Services	93.958			
Community Plan		N/A	43,200	
Child and Adolescent Block Grant		N/A	17,068	
Total Block Grants for Community Mental Health Services			60,268	0

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

FEDERAL GRANTOR *Pass-Through Grantor* Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Passed through the Ohio Department of Job and Family Services:				
Promoting Safe and Stable Families	93.556	N/A	$ 83,603	$
Child Welfare Services - State Grants	93.645	N/A	82,390	
Grants to States for Access and Visitation Programs	93.597	G-05-09-1501	15,468	
		G-67-09-1027	3,207	
		G-67-09-0499	2,555	
Total Grants to States for Access and Visitation Programs			21,230	0
Total United States Department of Health and Human Services			2,951,488	0
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Passed through the North Central Service Center:				
Retired and Senior Volunteer Program	94.002	04SRNOH001	53,292	
Total Corporation for National and Community Service			53,292	0
UNITED STATES DEPARTMENT OF HOMELAND SECURITY				
Passed through the Ohio Department of Public Safety:				
Homeland Security Cluster:				
State Domestic Preparedness Equipment Support Program	97.004		98,171	
Homeland Security Grant Program	97.067		137,503	
Total Homeland Security Cluster	97.067		235,674	0
Disaster Grants - Public Assistance	97.036	1580-2	11,098	
		OH04-03	81,700	
Total Disaster Grants - Public Assistance			92,798	0
Total United States Department of Homeland Security			328,472	0
Total Federal Awards Expenditures			**$ 5,628,212**	**$ 384**

The Notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.

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.

NOTE B – SUBRECIPIENTS

The County passes-through certain Federal assistance received from the Ohio Department of Job and Family Services and Ohio Department of Development to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring subrecipients 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 – NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE D – FOOD DONATION PROGRAM

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.

NOTE E – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to eligible persons for water and sewer rehabilitation. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2006, the gross amount of loans outstanding under this program was $9,590. Delinquent amounts due are $9,590.

NOTE F – 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.

NOTE G – HOMELAND SECURITY CLUSTER

The County reported the following federal programs for the Homeland Security Cluster on the Schedule of Federal Awards Expenditures. Several programs were incorporated into the State Domestic Preparedness Equipment Support Program (97.004) and Homeland Security Grant Program (97.067) in accordance with the guidance from the U.S. Department of Homeland Security.

NOTE G – HOMELAND SECURITY CLUSTER (Continued)

CFDA #	Program	Grant #	Amount
97.004	State Domestic Preparedness Equipment Support Program	2004-GE-T4-0025	$ 93,463
97.053	Citizens Corps	2004-GC-T4-0025	4,708
97.004	**Total State Domestic Preparedness Equipment Support Program**		$ 98,171
97.042	Emergency Management Performance Grants	2005-EM-T5-0001	$ 17,236
97.073	State Homeland Security Program	2005-GE-T5-001	120,267
97.067	**Total Homeland Security Grant Program**		$ 137,503
	Total Homeland Security Cluster		**$ 235,674**

NOTE H – U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES GRANT PROGRAMS

The County has several U.S. Department of Health and Human Services grants that pass through different state agencies. The following schedule combines these amounts to show the total by grant program:

CFDA #	Program	Pass through Agency	Amount
93.667	Social Services Block Grant	Ohio Department of Mental Retardation and Developmental Disabilities	$ 50,329
		Ohio Department of Mental Health	63,682
		Total Social Services Block Grant	$ 114,011
93.767	State Children's Insurance Program	Ohio Department of Mental Retardation and Developmental Disabilities	$ 3,885
		Ohio Department of Alcohol and Drug Addiction Services	39,464
		Ohio Department of Mental Health	181,731
		Total State Children's Insurance Program	$ 225,080
93.778	Medical Assistance Program	Ohio Department of Mental Retardation and Developmental Disabilities	$ 456,845
		Ohio Department of Alcohol and Drug Addiction Services	99,427
		Ohio Department of Mental Health	1,453,391
		Total Medical Assistance Program	$ 2,009,663

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

Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the Southeastern Ohio Port Authority, a discretely presented component unit, each major fund, and the aggregate remaining fund information of Washington 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 October 30, 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 Wasco, Inc., a discretely presented component unit, in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and, accordingly, this report does not extend to that component unit.

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 necessary identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

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

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
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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. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated October 30, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards,* which are described in the accompanying Schedule of Findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated October 30, 2007.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. 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 County Commissioners, and federal awarding agencies and pass through entities. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 30, 2007

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

Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

Compliance

We have audited the compliance of Washington 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.

The County's basic financial statements include the operations of Wasco, Inc., a discretely presented component unit. Our audit of Federal awards, described below, did not include the operations of Wasco, Inc., because the component unit is legally separate from the primary government which this report addresses, and because it expended less than $500,000 of Federal awards for the year ended December 31, 2006, it was not subject to OMB Circular A-133 audit requirements.

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

In our opinion, Washington County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006. In a separate letter to the County's management dated October 30, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program 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.

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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section that would necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted matters 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 October 30, 2007.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 30, 2007

WASHINGTON 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)?**	No
(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?**	No
(d)(1)(vii)	**Major Programs (list):**	Medical Assistance Program CFDA # 93.778 Highway Planning and Construction – Emergency Relief CFDA # 20.205
(d)(1)(viii)	**Dollar Threshold: Type A/B Programs**	Type A: > $300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

FINDING NUMBER 2006-001

Noncompliance Citation and Significant Deficiency

Ohio Admin. Code 117-2-02(A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The County received $1,283,011 in Highway Planning and Construction money in 2006 through the Ohio Department of Transportation. The Ohio Department of Transportation made checks payable directly to the contractor. The County did not post the revenues and the expenditures for the grant to its books, nor were estimated resources amended or supplemental appropriations passed.

WASHINGTON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2006
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation and Significant Deficiency – Ohio Admin. Code 117-2-02(A) (Continued)

The revenues and expenditures, however, were booked during the financial statement conversion. Not budgeting for the grant did not result in a budgetary violation.

Not recording the revenues and expenditures from a grant where payments are made directly to the contractor could result in understating of revenue and expenditures and could result in potential budgetary violations.

We recommend the County Engineer's office notify the County Auditor's Office of payments made by the Ohio Department of Transportation directly to the contractors so a memo receipt and expenditure can be recorded in the bookkeeping system. We also recommend the County Engineer obtain an amended certificate of estimated resources and pass supplemental appropriations for these transactions.

Official's Response: The Auditor's office was not notified of nor had knowledge of the activities of the Engineer's Office which led to the finding.

FINDING NUMBER 2006-002

Noncompliance Citation and Significant Deficiency

Ohio Admin. Code Section 117-2-02(C)(1) provides that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2006, estimated resources as approved by the Budget Commission did not agree to the County's ledgers for one fund. The variance was as follows:

Fund	Estimated Receipts Per Budget Commission	Amounts Per County Reports	Variance
Motor Vehicle and Gasoline Tax Fund	$ 5,847,600	$ 4,822,600	$ (1,025,000)

At December 31, 2006, appropriations as approved by the Board of County Commissioners did not agree to the County's ledgers for one fund. The variance was as follows:

Fund	Appropriations per Board of County Commissioners	Amounts Per County Reports	Variance
Motor Vehicle and Gasoline Tax Fund	$ 6,980,900	$ 6,533,097	$ (447,803)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-002 (Continued)

Noncompliance Citation and Significant Deficiency – Ohio Admin. Code 117-2-02(C)(1) (Continued)

At December 31, 2006, appropriations as approved by the Board of County Commissioners did not agree to the County's ledgers for one line-item (legal level of control). The variance was as follows:

Fund	Appropriations per Board of County Commissioners	Amounts Per County Reports	Variance
Motor Vehicle and Gasoline Tax Fund - Benefits	$ 500,578	$ 0	$ (500,578)

Failure to properly post estimated resources and appropriations could lead to lack of budgetary control.

We recommend the County accurately post to their accounting system estimated receipts as certified by the County Budget Commission and appropriations as approved by the Board of County Commissioners.

Official's Response: This finding is a direct result of reporting issues still in the process of being refined from the conversion to a new budgetary software package that went live in September 2005. It is important to note that at no time were funds encumbered that could have led to the expenditure of funds which were not actually available. We did have a practical grasp of the situation. However, the reporting was not accurate.

3. FINDINGS FOR FEDERAL AWARDS

None.

Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 6, 2007

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us