



**Auditor of State
Betty Montgomery**

NOBLE COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds ..	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual:	
General Fund	16
Job and Family Services Fund	17
Motor Vehicle and Gasoline Tax Fund	18
Mental Retardation and Developmental Disabilities Fund	19
Statement of Fiduciary Assets and Liabilities – Agency Funds	20
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Expenditures	47
Notes to the Schedule of Federal Awards Expenditures	49
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
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	53
Schedule of Findings - <i>OMB Circular A-133, § .505</i>	55
Schedule of Prior Audit Findings - <i>OMB Circular A-133, § .315(b)</i>	58
Corrective Action Plan – <i>OMB Circular A-133, § .315(c)</i>	59

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Noble County
200 Courthouse Square
Caldwell, Ohio 43724

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Noble County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Noble County, Ohio, as of December 31, 2005, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Job and Family Services, Motor Vehicle and Gasoline Tax and Mental Retardation and Developmental Disabilities Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 7, 2006

**Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2005**

The discussion and analysis of Noble County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should review the notes to the basic financial statements and financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

- Net assets of governmental activities increased \$240,621 as a result of this year's operations. This minimal change represents less than a one percent increase from 2004.
- General revenues accounted for \$3,993,701 in revenue or 29.2 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$9,683,482 or 70.8 percent of total revenues of \$13,677,183.
- Total assets of governmental activities increased by \$450,285 primarily due an increase in the cash and cash equivalents. This is a result of better matching expenses with current year revenue streams. This results in increased carryover balances into the next year.
- The County had \$13,436,562 in expenses related to governmental activities; \$9,683,482 of these expenses were offset by program specific charges for services, grants, contributions, or interest. General revenues, primarily taxes of \$2,669,854, were adequate to provide for these programs, leaving a net change of \$240,621 for 2005.

Using this Annual Financial Report

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. Fund financial statements also report County's operations in more detail than the government-wide statements by providing information about the County's most financially significant funds.

Reporting Noble County as a Whole

Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 11. While these documents contain the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies.

This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Continued)

In the Statement of Net Assets and the Statement of Activities, all of Noble County's activities are presented as Governmental Activities including general government, public safety, public works, human services, health and economic development and assistance activities. Noble County does not operate any Business-Type Activities and has no Component Units.

Reporting Noble County's Most Significant Funds

Fund Financial Statements

The basic governmental fund financial statements begin on page 13. Fund financial reports provide detailed information about the most significant funds, not the County as a whole. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds include the General Fund and the Job and Family Services, Motor Vehicle and Gasoline Tax, and Mental Retardation and Developmental Disabilities Special Revenue Funds.

Governmental Funds Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the County's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance governmental programs. The relationships or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* (reported in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances) are reconciled in the financial statements.

Noble County as a Whole

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2005 compared to 2004:

**Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Continued)**

Table 1
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	\$8,869,904	\$8,255,433
Capital Assets	<u>23,250,391</u>	<u>23,414,577</u>
Total Assets	<u>32,120,295</u>	<u>31,670,010</u>
Liabilities		
Long-Term Liabilities	(1,360,078)	(1,438,672)
Other Liabilities	<u>(2,341,580)</u>	<u>(2,053,322)</u>
Total Liabilities	<u>(3,701,658)</u>	<u>(3,491,994)</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	22,231,346	22,288,483
Restricted	5,460,291	5,297,804
Unrestricted	<u>727,000</u>	<u>591,729</u>
Total Net Assets	<u>\$28,418,637</u>	<u>\$28,178,016</u>

The County's net assets are reflected in three categories, Invested in Capital Assets, Net of Related Debt, Restricted, and Unrestricted.

The largest portion of the County's net assets (78.2 percent) reflects its investment in capital assets, (e.g., land buildings and improvements, machinery, equipment, furniture and fixtures, and infrastructure), net of related debt. The County uses these capital assets to provide citizens; consequently, these assets are not available for future spending. Although the County's investments 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 capital assets themselves cannot be used to pay these liabilities.

The restricted portion of the County's net assets (19.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets is unrestricted net assets (2.6 percent) may be used to meet the County's ongoing obligations to its citizens and creditors.

Current and other assets increased from 2004 by \$614,471 primarily due prudent financial spending. As a result, cash and cash equivalents increased by \$643,691. However, net assets of the County's governmental activities increased by only \$240,621. This is a result of liabilities increasing by \$209,664 - which is \$240,621 less than the increase in assets. The increase in liabilities is a result of larger increases in amounts due to other governments, which increased by \$193,545 from 2004. The overfunding, and the subsequent requirement for repayment, of state advances to the Job and Family Services Special Revenue Fund is the reason for this intergovernmental payable accrual.

Table 2 shows the changes in net assets for 2005, compared to the changes in net assets for 2004.

**Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Continued)**

Table 2
Change in Net Assets

	Governmental Activities	
	2005	2004
Revenues:		
Program Revenues		
Charges for Services	\$967,194	\$997,396
Operating Grants, Contributions and Interest	8,307,251	6,604,179
Capital Grants and Contributions	409,037	304,817
Total Program Revenues	<u>9,683,482</u>	<u>7,906,392</u>
General Revenues		
Property Taxes	1,661,763	1,612,466
Sales Taxes	1,008,091	909,813
Intergovernmental	369,843	355,155
Investment Earnings	155,376	99,312
Miscellaneous	798,628	895,324
Total General Revenues	<u>3,993,701</u>	<u>3,872,070</u>
Total Revenues	<u>13,677,183</u>	<u>11,778,462</u>
Program Expenses		
General Government		
Legislative and Executive	1,618,373	1,646,661
Judicial	355,117	413,849
Public Safety	1,080,935	1,130,554
Public Works	3,596,843	2,755,933
Health	851,682	900,310
Human Services	4,868,701	3,420,239
Conservation and Recreation	0	56,000
Economic Development and Assistance	822,099	329,294
Intergovernmental	180,000	603,051
Interest and Fiscal Charges	62,812	68,503
Total Expenses	<u>13,436,562</u>	<u>11,324,394</u>
Change in Net Assets	240,621	454,068
Net Assets Beginning of Year	<u>28,178,016</u>	<u>27,723,948</u>
Net Assets End of Year	<u><u>\$28,418,637</u></u>	<u><u>\$28,178,016</u></u>

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.

**Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Continued)**

The County, which is dependent upon property taxes is hampered by a lack of revenue growth and must periodically return to the voters to maintain a constant level of service. The last successful levy renewal/passage was passed during the May 2002 election. Property and sales taxes made up 19.5 percent of revenues for governmental activities for Noble County in fiscal year 2005.

The largest Governmental Activities program expense is human services, which comprises 36.2 percent of expenses. Interest expense during fiscal year 2005 was \$62,812 and was attributable to the outstanding bonds for jail construction, a capital lease for the purchase of equipment, and a promissory note outstanding for the purchase of a vehicle.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost (Revenue) of Services
	2005	2005	2004	2004
General Government				
Legislative and Executive	\$1,618,373	\$1,046,142	\$1,646,661	\$1,038,617
Judicial	355,117	211,194	413,849	260,735
Public Safety	1,080,935	455,999	1,130,554	684,450
Public Works	3,596,843	75,051	2,755,933	(446,406)
Health	851,682	612,505	900,310	709,926
Human Services	4,868,701	1,000,315	3,420,239	1,052,893
Conservation and Recreation	0	0	56,000	14,000
Economic Development and Assistance	822,099	130,323	329,294	(93,304)
Intergovernmental	180,000	158,739	603,051	281,203
Interest and Fiscal Charges	62,812	62,812	68,503	68,503
Total Expenses	<u>\$13,436,562</u>	<u>\$3,753,080</u>	<u>\$11,324,394</u>	<u>\$3,570,617</u>

Operating grants, contributions, and interest (85.7 percent) are the primary source of program revenues, whereas property taxes (41.6 percent) is the primary source of general revenues. The County's dependence upon tax revenues for the shortfall in program revenues is apparent.

The County's Funds

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

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$548,853 with a total fund balance of \$585,431. Unreserved fund balance represents 21.4% of expenditures, an increase of 6.5% from 2004. This is one measurement of the General Fund's liquidity. The General Fund's fund balance increased by \$151,933, as compared to a decrease of \$167,964 in 2004. Key factors for this increase include, but are not limited to, decreases in expenditures relating to the County's general government functions and a decrease in transfers out to other funds of the County.

**Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Continued)**

The Job and Family Services Special Revenue Fund balance decreased by \$139,080. Key factors for this decline include but are not limited to an increase in expenditures for the repayment of an overfunding of state advances.

The Motor Vehicle and Gasoline Tax Special Revenue Fund balance increased by \$577,445, approximately a 54.7% increase from 2004. This significant increase is partially due to expenditures being reimbursed by federal funding from FEMA and also due to increased state funding.

The Mental Retardation and Developmental Disabilities Special Revenue Fund balance decreased by \$20,747. This minimal change reflects this fund's commitment to match expenditures with current year revenue streams.

General Fund Budgeting 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.

During the course of fiscal year 2005 the County amended its General Fund budget numerous times, although none were significant.

For the General Fund, final budget basis revenue estimates were \$29,320 above original budget estimates of \$2,482,795. Actual revenues were \$251,929 higher than final budgeted revenues. This difference was primarily due to conservative sales taxes estimates.

The County's General Fund ending unobligated cash balance was \$371,471 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the County had \$23,250,391 invested in land, buildings and improvements, machinery, equipment, furniture and fixtures, vehicles, and infrastructure from governmental activities. Table 4 shows fiscal year 2005 balances compared to 2004 after accumulated depreciation of \$6,380,226 and \$5,861,816, respectively:

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2005	2004
Land	\$687,086	\$687,086
Gravel Roads/Road Bases	\$12,530,356	\$12,539,967
Buildings and Improvements	3,083,484	3,168,370
Machinery, Equipment, Furniture and Fixtures	591,073	656,889
Vehicles	490,391	380,771
Infrastructure	5,868,001	5,981,494
Total Capital Assets	\$23,250,391	\$23,414,577

The primary decrease in capital assets resulted from \$757,112 in capital asset additions offset by \$742,880 in accumulated depreciation coupled with book value deletions of \$178,418. See Note 11 for more detailed information of the County's capital assets.

**Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Continued)**

Debt

At December 31, 2005 the County had \$1,019,045 in outstanding long-term debt with \$105,171 due within one year. Table 5 outlines the long-term debt held by the County during 2005 and 2004.

Table 5
Long-Term Debt

	Governmental Activities	
	2005	2004
General Obligation Bonds	\$1,000,000	\$1,100,000
Promissory Note	13,379	18,322
Capital Leases	5,666	7,772
Total Long-Term Debt	\$1,019,045	\$1,126,094

The 1996 Jail Construction Bonds were originally issued in the amount of \$2,000,000 for the purpose of constructing a jail facility. The debt is being retired through the Jail Bond Retirement Debt Service Fund by a levy passed in May, 1996. The Promissory Note was originally issued in the amount of \$25,324 for the purchase of a vehicle to be used by the Emergency Management Agency. The capital lease was issued during 2004 in the amount of \$10,849 for the purchase of equipment to be used for homeland security purposes. See Note 17 for more detailed information on the County's debt.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information contact Alice Warner, Auditor of Noble County, Courthouse, Caldwell, Ohio 43724.

This page intentionally left blank.

**Noble County, Ohio
Statement of Net Assets
December 31, 2005**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,085,256
Cash and Cash Equivalents in Segregated Accounts	1,400
Cash and Cash Equivalents with Fiscal Agents	229,570
Materials and Supplies Inventory	234,052
Accrued Interest Receivable	1,288
Accounts Receivable	15,672
Prepaid Items	21,752
Sales Taxes Receivable	153,299
Property and Other Taxes Receivable	1,893,706
Due from Other Governments	2,225,870
Loans Receivable	8,039
Non-Depreciable Capital Assets	13,217,442
Depreciable Capital Assets, Net	10,032,949
<i>Total Assets</i>	32,120,295
Liabilities	
Accrued Wages and Benefits	168,365
Due to Other Governments	282,809
Accounts Payable	153,136
Contracts Payable	98,242
Accrued Interest Payable	4,748
Deferred Revenue	1,634,280
Long-Term Liabilities:	
Due Within One Year	257,628
Due In More Than One Year	1,102,450
<i>Total Liabilities</i>	3,701,658
Net Assets	
Invested in Capital Assets, Net of Related Debt	22,231,346
Restricted for:	
Capital Projects	119,598
Debt Service	191,446
Other Purposes	1,872,517
Restricted for Motor Vehicle Registration	2,543,583
Restricted for Mental Retardation and Developmental Disabilities	733,147
Unrestricted (Deficit)	727,000
<i>Total Net Assets</i>	\$28,418,637

See accompanying notes to the basic financial statements

**Noble County, Ohio
Balance Sheet
Governmental Funds
December 31, 2005**

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$419,028	\$298,266	\$1,003,692	\$449,414	\$1,896,415	\$4,066,815
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	1,400	1,400
Cash and Cash Equivalents with Fiscal Agents	0	0	0	229,570	0	229,570
Sales Tax Receivable	153,299	0	0	0	0	153,299
Materials and Supplies Inventory	21,658	4,550	205,526	400	1,918	234,052
Accounts Receivable	7,839	0	0	0	7,833	15,672
Intergovernmental Receivable	209,912	78,624	1,606,249	37,263	293,822	2,225,870
Interfund Receivable	83,686	50,614	0	0	0	134,300
Prepaid Items	4,605	7,526	1,958	3,900	3,763	21,752
Accrued Interest Receivable	1,007	0	248	0	33	1,288
Property Taxes Receivable	594,199	0	0	340,483	959,024	1,893,706
Loans Receivable	0	0	0	0	8,039	8,039
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	18,441	0	0	0	0	18,441
Total Assets	\$1,513,674	\$439,580	\$2,817,673	\$1,061,030	\$3,172,247	\$9,004,204

Liabilities and Fund Balances

Liabilities

Accounts Payable	\$24,039	\$41,758	\$81,574	\$1,099	\$4,666	\$153,136
Accrued Wages Payable	46,131	43,637	48,102	12,080	18,415	168,365
Contracts Payable	396	66,695	0	0	31,151	98,242
Interfund Payable	0	59,619	0	0	74,681	134,300
Intergovernmental Payable	54,763	182,859	26,409	6,706	12,072	282,809
Deferred Revenue	802,914	8	1,030,108	363,544	1,209,764	3,406,338
Total Liabilities	928,243	394,576	1,186,193	383,429	1,350,749	4,243,190

Fund Balances

Reserved for Encumbrances	18,137	28,160	35,514	259	4,790	86,860
Reserved for Unclaimed Monies	18,441	0	0	0	0	18,441
Reserved for Loans Receivable	0	0	0	0	8,039	8,039
Unreserved:						
Undesignated, Reported in:						
General Fund	548,853	0	0	0	0	548,853
Special Revenue Funds	0	16,844	1,595,966	677,342	1,533,603	3,823,755
Debt Service Funds	0	0	0	0	163,507	163,507
Capital Projects Funds	0	0	0	0	111,559	111,559
Total Fund Balances	585,431	45,004	1,631,480	677,601	1,821,498	4,761,014
Total Liabilities and Fund Balances	\$1,513,674	\$439,580	\$2,817,673	\$1,061,030	\$3,172,247	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. 23,250,391

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

Property Taxes Receivable	259,426	
Accounts Receivable	34	
Due from Other Funds	69,436	
Grants	1,443,162	
Total Other Long-Term Assets		1,772,058

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	(1,000,000)	
Compensated Absences	(341,033)	
Capital Leases Payable	(5,666)	
Long-Term Notes Payable	(13,379)	
Accrued Interest Payable	(4,748)	
Total Long-Term Liabilities		(1,364,826)

Net Assets of Governmental Activities \$28,418,637

See accompanying notes to the basic financial statements

Noble County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$523,235	\$0	\$0	\$286,152	\$834,723	\$1,644,110
Sales Taxes	1,008,091	0	0	0	0	1,008,091
Charges for Services	459,225	21,232	0	0	352,993	833,450
Licenses and Permits	800	0	0	0	785	1,585
Fines and Forfeitures	56,497	0	9,991	0	0	66,488
Intergovernmental	415,917	3,331,792	3,183,567	182,588	2,054,428	9,168,292
Interest	149,129	0	29,043	0	6,681	184,853
Rent	12,295	0	0	400	300	12,995
Other	151,275	527,447	22,253	39,408	58,347	798,730
<i>Total Revenues</i>	<u>2,776,464</u>	<u>3,880,471</u>	<u>3,244,854</u>	<u>508,548</u>	<u>3,308,257</u>	<u>13,718,594</u>
Expenditures						
Current:						
General Government:						
Legislative and Executive	1,408,000	0	0	0	152,871	1,560,871
Judicial	323,378	0	0	0	23,370	346,748
Public Safety	658,369	0	0	0	327,839	986,208
Public Works	0	0	2,774,962	0	108,564	2,883,526
Health	25,880	0	0	497,429	304,436	827,745
Human Services	98,294	3,998,833	0	0	734,066	4,831,193
Economic Development and Assistance	0	0	0	0	822,099	822,099
Other	37,146	0	0	0	0	37,146
Capital Outlay	0	54,718	140,030	31,866	478,959	705,573
Intergovernmental	0	0	0	0	180,000	180,000
Debt Service:						
Principal Retirement	4,943	0	0	0	102,106	107,049
Interest and Fiscal Charges	732	0	0	0	62,506	63,238
<i>Total Expenditures</i>	<u>2,556,742</u>	<u>4,053,551</u>	<u>2,914,992</u>	<u>529,295</u>	<u>3,296,816</u>	<u>13,351,396</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>219,722</u>	<u>(173,080)</u>	<u>329,862</u>	<u>(20,747)</u>	<u>11,441</u>	<u>367,198</u>
Other Financing Sources (Uses)						
Transfers In	0	34,000	247,583	0	33,789	315,372
Transfers Out	(67,789)	0	0	0	(247,583)	(315,372)
<i>Total Other Financing Sources (Uses)</i>	<u>(67,789)</u>	<u>34,000</u>	<u>247,583</u>	<u>0</u>	<u>(213,794)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	151,933	(139,080)	577,445	(20,747)	(202,353)	367,198
Fund Balances at Beginning of Year	433,498	184,084	1,054,035	698,348	2,023,851	4,393,816
<i>Fund Balances at End of Year</i>	<u>\$585,431</u>	<u>\$45,004</u>	<u>\$1,631,480</u>	<u>\$677,601</u>	<u>\$1,821,498</u>	<u>\$4,761,014</u>

See accompanying notes to the basic financial statements

Noble County, Ohio
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005

Net Change in Fund Balances - Governmental Funds \$367,198

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	757,112	
Current Year Depreciation	<u>(742,880)</u>	
Total		14,232

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 loss on the disposal of assets. (178,418)

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

Property Taxes	17,653	
Charges for Services	3,366	
Intergovernmental	(62,328)	
Other	<u>(102)</u>	
Total		(41,411)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

General Obligation Bonds	100,000	
Long-Term Notes	4,943	
Capital Leases	<u>2,106</u>	
Total		107,049

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. 426

Expenses reported in the Statement of Activities relating to compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (28,455)

Change in Net Assets of Governmental Activities \$240,621

See accompanying notes to the basic financial statements

Noble County, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues				
Property Taxes	\$512,330	\$512,330	\$521,372	\$9,042
Sales Taxes	867,450	867,450	1,016,451	149,001
Charges for Services	469,642	477,690	459,835	(17,855)
Licenses and Permits	980	980	800	(180)
Fines and Forfeitures	47,550	47,550	56,497	8,947
Intergovernmental	378,013	390,564	411,027	20,463
Interest	80,000	80,000	140,962	60,962
Rent	14,130	14,130	12,295	(1,835)
Other	112,700	121,421	144,805	23,384
<i>Total Revenues</i>	<u>2,482,795</u>	<u>2,512,115</u>	<u>2,764,044</u>	<u>251,929</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	1,471,049	1,458,104	1,420,116	37,988
Judicial	428,553	436,392	380,702	55,690
Public Safety	649,299	670,860	665,950	4,910
Public Works	1,000	0	0	0
Health	18,722	18,722	18,633	89
Human Services	126,799	101,631	95,034	6,597
Other	24,513	55,997	37,666	18,331
Debt Service:				
Principal Retirement	4,943	4,943	4,943	0
Interest and Fiscal Charges	732	732	732	0
<i>Total Expenditures</i>	<u>2,725,610</u>	<u>2,747,381</u>	<u>2,623,776</u>	<u>123,605</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(242,815)</u>	<u>(235,266)</u>	<u>140,268</u>	<u>375,534</u>
Other Financing Sources (Uses)				
Advances In	0	0	9,937	9,937
Advances Out	0	0	(14,000)	(14,000)
Transfers Out	(67,789)	(67,789)	(67,789)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(67,789)</u>	<u>(67,789)</u>	<u>(71,852)</u>	<u>(4,063)</u>
<i>Net Change in Fund Balance</i>	(310,604)	(303,055)	68,416	371,471
Fund Balance at Beginning of Year	263,689	263,689	263,689	0
Prior Year Encumbrances Appropriated	38,844	38,844	38,844	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$8,071)</u>	<u>(\$522)</u>	<u>\$370,949</u>	<u>\$371,471</u>

See accompanying notes to the basic financial statements

Noble County, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Job and Family Services Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$0	\$0	\$21,232	\$21,232
Intergovernmental	3,411,109	3,555,689	3,266,384	(289,305)
Other	375,000	377,000	476,833	99,833
<i>Total Revenues</i>	<u>3,786,109</u>	<u>3,932,689</u>	<u>3,764,449</u>	<u>(168,240)</u>
Expenditures				
Current:				
Human Services	4,011,477	4,245,198	3,869,696	375,502
Capital Outlay	54,719	54,719	54,719	0
<i>Total Expenditures</i>	<u>4,066,196</u>	<u>4,299,917</u>	<u>3,924,415</u>	<u>375,502</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(280,087)	(367,228)	(159,966)	207,262
Other Financing Source				
Transfers In	34,000	34,000	34,000	0
<i>Net Change in Fund Balance</i>	(246,087)	(333,228)	(125,966)	207,262
Fund Balance at Beginning of Year	220,252	220,252	220,252	0
Prior Year Encumbrances Appropriated	116,978	116,978	116,978	0
<i>Fund Balance at End of Year</i>	<u>\$91,143</u>	<u>\$4,002</u>	<u>\$211,264</u>	<u>\$207,262</u>

See accompanying notes to the basic financial statements

Noble County, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Motor Vehicle and Gasoline Tax Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and Forfeitures	\$8,190	\$8,190	\$9,991	\$1,801
Intergovernmental	2,735,475	2,735,475	3,076,321	340,846
Interest	9,660	9,660	26,727	17,067
Other	59,360	59,360	22,253	(37,107)
<i>Total Revenues</i>	<u>2,812,685</u>	<u>2,812,685</u>	<u>3,135,292</u>	<u>322,607</u>
Expenditures				
Current:				
Public Works	3,016,868	3,314,464	2,924,143	390,321
Capital Outlay	140,030	140,030	140,030	0
<i>Total Expenditures</i>	<u>3,156,898</u>	<u>3,454,494</u>	<u>3,064,173</u>	<u>390,321</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(344,213)	(641,809)	71,119	712,928
Other Financing Sources (Uses)				
Transfers In	<u>0</u>	<u>297,596</u>	<u>247,583</u>	<u>(50,013)</u>
<i>Net Change in Fund Balance</i>	(344,213)	(344,213)	318,702	662,915
Fund Balance at Beginning of Year	526,704	526,704	526,704	0
Prior Year Encumbrances Appropriated	<u>47,136</u>	<u>47,136</u>	<u>47,136</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$229,627</u>	<u>\$229,627</u>	<u>\$892,542</u>	<u>\$662,915</u>

See accompanying notes to the basic financial statements

Noble County, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Mental Retardation and Developmental Disabilities Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$278,190	\$278,190	\$284,688	\$6,498
Intergovernmental	102,660	102,660	184,161	81,501
Rent	0	400	400	0
Other	48,910	48,510	39,408	(9,102)
<i>Total Revenues</i>	<u>429,760</u>	<u>429,760</u>	<u>508,657</u>	<u>78,897</u>
Expenditures				
Current:				
Health	592,234	592,234	481,359	110,875
Capital Outlay	31,866	31,866	31,866	0
<i>Total Expenditures</i>	<u>624,100</u>	<u>624,100</u>	<u>513,225</u>	<u>110,875</u>
<i>Net Change in Fund Balance</i>	(194,340)	(194,340)	(4,568)	(189,772)
Fund Balance at Beginning of Year	672,446	672,446	672,446	0
Prior Year Encumbrances Appropriated	400	400	400	0
<i>Fund Balance at End of Year</i>	<u>\$478,506</u>	<u>\$478,506</u>	<u>\$668,278</u>	<u>(\$189,772)</u>

See accompanying notes to the basic financial statements

Noble County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2005

Assets

Equity in Pooled Cash and Cash Equivalents	\$2,139,225
Cash and Cash Equivalents in Segregated Accounts	45,522
Property Taxes Receivable	6,445,771
Due from Other Governments	<u>1,098,629</u>

Total Assets \$9,729,147

Liabilities

Due to Other Governments	\$7,720,338
Deposits Held and Due to Others	97,544
Undistributed Monies	<u>1,911,265</u>

Total Liabilities \$9,729,147

See accompanying notes to the basic financial statements

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 1 - Description of Noble County and Reporting Entity

Noble County, Ohio (the County), was created March 11, 1851. The County was the last county formed in the State of Ohio and is comprised of fifteen townships. The County is governed by a board of three Commissioners elected by the voters of the County. An elected County Auditor serves as chief fiscal officer. In addition, there are seven other elected officials, each of whom is independent as set forth in Ohio Law. These officials are the Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Recorder, Sheriff and Treasurer. Also elected, to oversee the district's justice system, are a County Court Judge and Common Pleas Judge who also serves as judge for the Probate and Juvenile Courts.

Although the elected officials manage the internal operation of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrator of public services for the County, including each of these departments.

Reporting Entity

The County utilizes Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The reporting entity is comprised of the primary government 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 Noble County this includes the Children's Service Board, the Board of Mental Retardation and Developmental Disabilities, the Department of Job and Family Services, the Fair Housing Board, the Noble County Regional Planning Commission Board, the Committee on Aging, the Emergency Planning and Right-to-Know 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 organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has 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.

The following potential component units have been excluded from the County's financial statements because the County is not financially accountable for these organizations nor are these entities for which the County approves the budget, the issuance of debt, or the levying of taxes:

Noble Counseling Center
Noble County Agricultural Society
Noble County Historical Society
Noble County Rural Water Association
Noble County Council on Aging Senior Center
Noble County Law Library
Noble County Fair Board
Noble County Drug and Alcoholism Council, Inc.

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. 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 nor are they fiscally dependent on the County. Accordingly, the activity of the following districts and agencies will be presented as agency funds within the County's financial statements.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Noble County Health Department is governed by a nine member Board of Health which oversees the operation of the Health District. The Board is elected by a District Advisory Council comprised of township trustees, county commissioners and mayors of participating municipalities. The Board adopts its own budget which is approved by the County Budget Commission, hires and fires its own staff, and operates autonomously from the County. The Board has sole budgetary authority, and controls surpluses and deficits. The County is not legally obligated for the Health District's debt.

Noble County 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.

Noble County Family and Children's First Council accounts for State and Federal grant revenue and expenditures. The Noble County Department of Job and Family Services serves as administrating agent and the County Auditor serves as fiscal agent. The purpose of the council is to help families seeking government services and to coordinate existing government services for families seeking assistance for their children.

Local Emergency Planning Committee (LEPC) of Noble County is a single County district. The State Emergency Response Commission designates Emergency Planning Districts within the state. The committee members are recommended by the County Commission for approval by the State Emergency Response Commission. The LEPC receives operating resources in the form of grants from the State. The activities of the LEPC are accounted for as an agency fund of the County. The County has no ability to impose its will on the organization. No benefit or burden exists.

The County is associated with certain organizations which are defined as Public Entity Risk Pools, Jointly Governed Organizations, or Related Organizations. These organizations are presented in Notes 19, 20, and 21 to the basic financial statements. These organizations are:

Buckeye Joint-County Self-Insurance Council
County Commissioners Association of Ohio Workers' Compensation Group Rating Plan
South East Ohio Joint Solid Waste Management District
Mental Health and Recovery Services Board
Noble County Family and Children First Council
Guernsey-Monroe-Noble Community Action Corporation (GMN)
Buckeye Hills-Hocking Valley Regional Development District
Southeast Ohio Juvenile Rehabilitation District (SOJRD)
Ohio Valley Employment Resource (OVER)
Mid Eastern Ohio Regional Council of Governments (MEORC)
Noble County Metropolitan Housing Authority
Noble County Airport Authority

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 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.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

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 Statement of Net Assets presents the financial condition of the governmental 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. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. 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 governmental program is self-financing or draws from the general revenues of the County.

Fund Financial Statements During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. 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. The County utilizes two categories of funds: governmental 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 To account for various federal and state grants and reimbursements as well as transfers from the General Fund used to provide public assistance, human services and workforce development programs.

Motor Vehicle and Gasoline Tax Fund To account for revenues derived from state-shared motor vehicle license charges, gasoline taxes, and the County's permissive five dollar motor vehicle licenses charge. Expenditures in the Motor Vehicle and Gasoline Tax Special Revenue Fund are restricted by state law to County road and bridge repair and improvement programs.

Mental Retardation and Developmental Disabilities Fund To account for the expenditures related to the mentally retarded and developmentally disabled. Revenue sources include a county-wide property tax levy and federal and State grants.

The other governmental funds of the County account for grants and other resources whose use is restricted to a particular purpose.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Fiduciary Funds Fiduciary fund reporting focuses on net assets. The fiduciary fund type focuses solely on agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds are primarily established to account for the collection of various taxes, receipts and fees and to account for funds of the Noble County Health Department.

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.

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; fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and 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 year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current 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 sale occurs. 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 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.

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

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 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 may appropriate. The appropriations resolution is the Commissioner's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Commissioners. The legal level of control is at the object level for all funds.

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

The appropriation 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 Commissioners during the year.

F. Cash, Cash Equivalents, and Investments

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" on the financial statements.

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

During 2005, investments were limited to non-negotiable certificates of deposit.

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

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

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 2005 amounted to \$149,129, which includes \$138,690 assigned from other County funds.

For presentation on the financial statements, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash equivalents.

G. Restricted Assets

Restricted cash and cash equivalents in the General Fund represent the amount of unclaimed monies available for appropriation.

H. Inventory

On the fund and government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended when used.

I. Receivables and Payables

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

Using this criteria, the County has elected to not record child support arrearages. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of ten thousand dollars. The County's infrastructure consists of roads and bridges. 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.

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

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Description	Governmental Activities Estimated Lives
Buildings and Improvements	50 years
Machinery, Equipment, Furniture and Fixtures	5 - 20 years
Vehicles	5 - 20 years
Infrastructure	5 - 50 years

The County's infrastructure consists of roads and bridges and includes infrastructure acquired prior to the implementation of GASB Statement 34.

L. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund balance amounts are eliminated in the statement of net assets.

M. Compensated Absences

The County reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences" as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". 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 County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the 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 sick leave for employees with ten or more years of service at varying rates depending on County policy.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

N. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, 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 and capital leases payable are recognized as a liability in the fund financial statements when due.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

O. Fund Balance Reserves

The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, loans receivable, and unclaimed monies. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, services for the handicapped and mentally retarded, and services for homeless children or children from troubled families. The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports \$5,460,291 of restricted net assets, of which \$1,001,685 is restricted by enabling legislation.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

S. 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 - Changes in Accounting Principles

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

GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments. See Note 6 "Deposits and Investments" for the required disclosures.

GASB Statement 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries. The implementation of this Statement had no effect on net assets as presented at December 31, 2004.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 4 - Budgetary Basis of Accounting

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual are presented in the basic financial statements for the General Fund and major special revenue funds. The major differences for those funds between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget 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 (GAAP basis).
4. Unrecorded cash, unrecorded interest, and prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
5. 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 for the major funds are as follows:

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GAAP Basis	\$151,933	(\$139,080)	\$577,445	(\$20,747)
Net Adjustment for Revenue Accruals	(3,536)	(116,022)	(107,256)	1,573
Beginning of the Year:				
Unrecorded Cash	9,278	0	246	0
Agency Fund Cash Allocation	10,587	0	0	8,318
Prepaid Items	3,101	5,055	1,065	19,539
End of the Year:				
Unrecorded Cash	(16,299)	0	(2,552)	0
Agency Fund Cash Allocation	(12,450)	0	0	(9,782)
Prepaid Items	(4,605)	(7,526)	(1,958)	(3,900)
Net Adjustment for Expenditure Accruals	(27,759)	218,609	(39,690)	1,355
Advances In	9,937	0	0	0
Advances Out	(14,000)	0	0	0
Encumbrances	<u>(37,771)</u>	<u>(87,002)</u>	<u>(108,598)</u>	<u>(924)</u>
Budget Basis	<u><u>\$68,416</u></u>	<u><u>(\$125,966)</u></u>	<u><u>\$318,702</u></u>	<u><u>(\$4,568)</u></u>

Note 5 - Accountability

A. Accountability

The Recycling and Litter Prevention Special Revenue Fund had a deficit fund balance in the amount of \$8,238 as of December 31, 2005. This deficit is due to the recognition of payables in accordance with generally accepted accounting principles. The General Fund provides operating transfers for this fund but only as cash is required, not as a deficit occurs.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 6 - Deposits and Investments

Monies held by the County are classified by the State statute into two categories, active and inactive.

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

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

Deposits held by the County, which are not considered active, are classified as inactive. Beginning June 15, 2004, 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, Notes, Bonds, 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 deposit 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 either 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.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. 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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Cash on Hand At year-end, the County had \$300 in undeposited cash on hand which is included on the balance sheet 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, \$417,378 of the County's bank balance of \$6,185,913 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by FDIC.

The County has no deposit policy for custodial credit 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 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.

At December 31, 2005, the County's MRDD Special Revenue Fund had a cash balance of \$229,570 with MEORC, a jointly governed organization (see Note 20). The money is held by MEORC in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement No. 3. The classification of cash and cash equivalents and investments for MEORC as a whole may be obtained from their audit report. To obtain financial information, write to the Mid Eastern Ohio Regional Council, Cathy Henthorn, who serves as Associate Director of Business, 160 Columbus Road, Mt. Vernon, Ohio 43050.

Note 7 - 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 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005 on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes, which became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes. 2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all County operations for the year ended December 31, 2005, was \$11.25 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	\$141,153,930
Public Utility Personal Property	36,380,090
Tangible Personal Property	<u>15,215,650</u>
Total Assessed Value	<u><u>\$192,749,670</u></u>

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

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

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

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005 and for which there is an enforceable legal claim. In the General Fund, Mental Health, Mental Retardation and Developmental Disabilities, Senior Citizens, Ambulance, Cooperative Extension Service, Health and Local Soil Special Revenue Funds, and Jail Bond Debt Service Fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2005 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.

Note 8 - Permissive Sales and Use Tax

In 1967, in accordance with Section 5739.02 of the Revised Code, counties were authorized to levy an excise tax of 0.5% to 1-1/2%. The tax must be levied pursuant to a resolution of the County Commissioners and a copy of the resolution of the County Commissioners sent to the Tax Commissioner not later than 60 days prior to the effective date of the tax. The Tax Commissioner shall within forty-five days after the end of each month certify to the Director of Budget and Management the amount of the proceeds of such tax or taxes paid to the Treasurer of State during that month to be returned to the County. The Director then provides for payment to the County Treasurer on or before the twentieth day of the month in which the certification is made. Effective November 1970, the County Commissioners adopted by resolution a 0.5% permissive sales tax as allowed by Section 5739.02 and 5741.02, Revised Code. In February 1985, an additional 0.5% was adopted and in 1994 an additional 0.5% was adopted. Proceeds of the tax are credited to the General Fund. Sales and use tax revenue in 2005 amounted to \$1,008,091.

A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2005. On a full accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable that will be received outside of the available period is deferred.

Note 9 - Receivables

Receivables at December 31, 2005, primarily consisted of taxes, interest, accounts (billings for user charged services, including unbilled utility services), and intergovernmental receivables arising from grants, entitlements and shared revenues. Management believes all receivables are fully collectible within one year.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	<u>Amount</u>
Local Government	\$100,800
Local Government Revenue Assistance	41,677
Homestead and Rollback	81,185
Defense of Indigents	3,309
Estate Tax Fees	680
BMV Fees	624
Emergency Management Township Revenue	1,861
Subsidy Grant	25,110
Homeland Security	6,011
Motor Vehicle License Tax	435,075
Motor Vehicle Gas Tax	1,131,310
Permissive License Plate Tax	3,691
MVGT Township and Corporation Reimbursements	4,675
Recycle Ohio Grant	8,628
ADC Incentive Reimbursement	17
FEMA – State Share	31,498
Workforce Development Revenue	78,607
Reconciliation – Children Services	25,099
ODFS 2820 Reimbursement	29,905
IV-E Reimbursement	14,998
Project Lifesaver Reimbursement	60
SI Ballot Advertising Reimbursement	5,956
Community Housing Improvement Program Grant	9,100
Inclusion Facilitator	11,226
CSEA Reconciliation Closeout	72,555
Targeted Case Management/CAFS	8,285
PU Personal Gas and Electricity Deregulation	25,755
State Victims Advocate Grant	16,905
Housing of Prisoners	6,800
Sheriff Pay Raise	1,642
Citizens Corp Grant	5,801
Reconciliation – Child Support Enforcement Agency	13,876
Emergency Management Planning Grant	12,929
Cost Allocation	10,220
Grand Total Intergovernmental Receivable	<u>\$2,225,870</u>

Note 10 - Federal Food Stamp Program

The County's Department of Job and Family Services distributed through contracting issuance centers, federal food stamps to entitled recipients within Noble County. The receipt and issuance of these stamps have the characteristics of federal "grants"; 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. The County's Department of Job and Family Services had on hand for distribution \$2,190 of federal food stamps at December 31, 2005.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 11 - Capital Assets

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

	<u>Balance</u> <u>12/31/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2005</u>
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$687,086	\$0	\$0	\$687,086
Gravel Roads/Bases	12,539,967	1,436	(11,047)	12,530,356
Total Non-Depreciable Capital Assets	<u>13,227,053</u>	<u>1,436</u>	<u>(11,047)</u>	<u>13,217,442</u>
Depreciable Capital Assets:				
Buildings and Improvements	4,143,107	0	0	4,143,107
Machinery, Equipment, Furniture and Fixtures	1,702,859	58,280	(12,646)	1,748,493
Vehicles	1,053,522	209,126	(28,600)	1,234,048
Infrastructure	9,149,852	488,270	(350,595)	9,287,527
Total Depreciable Capital Assets	<u>16,049,340</u>	<u>755,676</u>	<u>(391,841)</u>	<u>16,413,175</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(974,737)	(84,886)	0	(1,059,623)
Machinery, Equipment, Furniture and Fixtures	(1,045,970)	(120,610)	9,160	(1,157,420)
Vehicles	(672,751)	(88,880)	17,974	(743,657)
Infrastructure	(3,168,358)	(448,504)	197,336	(3,419,526)
Total Accumulated Depreciation	<u>(5,861,816)</u>	<u>(742,880) *</u>	<u>224,470</u>	<u>(6,380,226)</u>
Total Depreciable Capital Assets, Net	<u>10,187,524</u>	<u>12,796</u>	<u>(167,371)</u>	<u>10,032,949</u>
Governmental Capital Assets, Net	<u>\$23,414,577</u>	<u>\$14,232</u>	<u>(\$178,418)</u>	<u>\$23,250,391</u>

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

Governmental Activities

General Government:	
Legislative and Executive	\$18,020
Judicial	8,087
Public Safety	92,114
Public Works	588,074
Health	16,197
Human Services	20,388
Total Depreciation Expense	<u>\$742,880</u>

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 12 - Risk Management

The County is exposed to various risks of loss related to torts; theft, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. During 2005 the County contracted with the Buckeye Joint-County Self-Insurance Council (a public entity risk pool), (See Note 19) for liability, auto, and crime insurance. This organization is a cost-sharing pool. Coverage provided by the program is as follows:

Basic Contribution	Coverage Limits	Deductible
Blanket Buildings and Personal Property	\$ 12,443,252	\$1,000
Accounts Receivable	100,000	0
Arson Reward	5,000	0
Builder Risk	500,000	0
Building Glass	Included	
Business Income and Expense	1,000,000	0
Debris Removal	25% of Loss	0
Fine Arts	25,000	0
Fire Department Service Charge	1,000	0
Fire Devices Refill/Recharge	5,000	0
Legal Liability Real Property	1,000,000	0
Newly Acquired Buildings	500,000	0
Newly Acquired Personal Property	100,000	0
Off Premises Power	25,000	0
Ordinance or Law Coverage A	Blanket	0
Ordinance or Law Coverage B & C	100,000	0
Outdoor Property	100,000	0
Personal Effective	2,500	0
Pollution Clean Up	25,000	0
Property in Transit	25,000	0
Property Off Premises	10,000	0
Sewer/Drain Back-up	Included	0
Earth Quake	5,000,000	25,000
Flood	5,000,000	25,000
Boiler	12,443,252	1,000
Boiler Deep Well Pumps		10,000
Boiler Business Income/Expediting Expense	100,000	0
Ammonia Contamination	100,000	0
Consequential Damage	100,000	0
Hazardous Substance	100,000	0
Utility Interruption	100,000	0
Water Damage	100,000	0
Inland Marine	500,000/5,000/602,403	1,000
Employees Blanket Bond	250,000	0
Elected Officials Bonds	Included	0
Forgery and Alteration	5,000	0
Theft, Disappearance and Destruction	100,000	0
Computer Fraud	50,000	0
General Liability	1,000,000/3,000,000	0
Medical Pay	10,000/50,000	0
Employers Liability – Stop Gap	1,000,000/1,000,000	0
Employees Benefits Liability	1,000,000/3,000,000	0
Public Official Liability – Claims Made	1,000,000/3,000,000	5,000
Law Enforcement – Claims Made	1,000,000/3,000,000	5,000
Auto Based on 57 Vehicles-Liability	1,000,000 Per Acc.	0
Auto Based on 57 Vehicles-Comprehensive	Included	1,000
Auto Based on 57 Vehicles-Collision	Included	1,000

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Settled claims have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

For 2005 the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 19). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than 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. For the County, a savings of approximately \$20,570 was realized on the annual premium cost. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program. The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of 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.

The County pays all elected official bonds by state statute.

Note 13 - Defined Benefit Retirement Plans

Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System of Ohio (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 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan 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) 222-6701 or (800)-222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 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; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$337,298, \$336,932, and \$311,957, respectively. 94 percent has been contributed for 2005 and 100 percent for 2004 and 2003. There were no contributions to the member-directed plan for 2005 made by the County or by the plan members.

Note 14 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Governmental Employers"*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight 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.

The number of active contributing participants in the traditional and combined plans as of December 31, 2005 was 376,109 and 355,287 as of December 31, 2004. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$621,751. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 15 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn two to six weeks of vacation per year, depending on length of service. Vacation accumulation is limited to three years. All accumulated, unused vacation time is paid to eligible employees upon termination of employment.

Employees earn sick leave at the rate of 1.25 days per month of service. Sick leave accumulation is limited to 120 days. Upon retirement or death, an employee can be paid from twenty-five to fifty percent of accumulated, unused sick leave. As of December 31, 2005 the liability for compensated absences was \$341,033 for the entire County.

Note 16 - Capital Leases - Lessee Disclosure

In prior years, the County entered into a capitalized lease agreement for a copy machine. The lease meets the criteria of a capital lease set forth in the Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Equipment acquired by lease has been capitalized in government- wide statements governmental activities in the amount of \$10,849, 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 as part of governmental activities. This governmental activities capitalized leased asset is reflected net of accumulated depreciation in the amount of \$9,115 at December 31, 2005. Principal payments towards this capital lease during 2005 totaled \$2,106 for governmental activities. The lease is being repaid by the Homeland Security Special Revenue Fund.

Future minimum lease payments through 2009 for governmental activities are as follows:

Year	Principal	Interest
2007	\$2,241	\$303
2008	2,386	159
2009	1,039	22
Total	\$5,666	\$484

Note 17 - Long -Term Obligations

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

	Outstanding 12/31//2004	Additions	Deletions	Outstanding 12/31//2005	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$1,100,000	\$0	\$100,000	\$1,000,000	\$100,000
2003 Promissory Note 4.5% - \$25,324	18,322	0	4,943	13,379	5,171
Capital Lease	7,772	0	2,106	5,666	0
Compensated Absences	312,578	195,631	167,176	341,033	152,457
Total Governmental Activities	\$1,438,672	\$195,631	\$274,225	\$1,360,078	\$257,628

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

The County's general obligation bonds were issued February 14, 1996 in the original issue amount of \$2,000,000 at a interest rate of 3.95% to 7.08% with a final maturity date of December 2015 for the purpose of constructing a jail facility. The debt is being retired through the Jail Bond Retirement Debt Service Fund by a levy passed in May 1996.

Annual debt service requirements to retire general obligation bonds outstanding at December 31, 2005 are as follows:

Year Ending December 31	Principal	Interest	Total
2006	\$100,000	\$56,980	\$156,980
2007	100,000	51,680	151,680
2008	100,000	46,280	146,280
2009	100,000	40,830	140,830
2010	100,000	35,330	135,330
2011-2015	500,000	92,400	592,400
Total	<u>\$1,000,000</u>	<u>\$323,500</u>	<u>\$1,323,500</u>

During 2003 the County issued a promissory note in the amount of \$25,324, at an interest rate of 4.5% for the purchase of a vehicle to be utilized by the Emergency Management Agency. The debt is being retired from the General Fund with an agreement with the Emergency Management Agency to pay a rental lease to the County.

Annual debt service requirements to retire the Promissory Note outstanding at December 31, 2005 are as follows:

Year Ending December 31	Principal	Interest	Total
2006	\$5,171	\$504	\$5,675
2007	5,415	260	5,675
2008	2,793	38	2,831
Total	<u>\$13,379</u>	<u>\$802</u>	<u>\$14,181</u>

Compensated absences will be paid from the funds from which the employees' salaries are paid, which consist of the General Fund and the Job and Family Services, Real Estate Assessment, Delinquent Real Estate and Tax Assessment Collection, Child Support Enforcement Agency, Mental Retardation and Developmental Disabilities, Motor Vehicle and Gasoline Tax, Subsidy Grant, Noble County Emergency Management Agency, Dog and Kennel, 911, and Litter Control Special Revenue Funds.

The County's overall legal debt margin at December 31, 2005 was \$4,391,245.

During 2001, the County issued a conduit debt instrument on behalf of the Pure Water Company, Inc. in the amount of \$32,926. The proceeds were used to finance a water line extension project within the County. The issued debt does not constitute a general obligation, debt, or bonded indebtedness of the County. Neither is the full faith and credit of taxing power of the County pledged to make repayment. As of December 31, 2005, \$21,295 of the promissory note remains outstanding.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 18 - Interfund Transactions

Interfund balances at December 31, 2005 consisted of the following individual fund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable Major Fund</u>
<u>Other Nonmajor Governmental Funds</u>	<u>General</u>
Total All Funds	<u>\$14,000</u> <u>\$14,000</u>

As of December 31, 2005, the fund financial statements reflect an interfund receivable in the General Fund in the amount of \$14,000. This receivable is the result of short-term advances made to the Recycling and Litter Prevention and CDBG Special Revenue Funds in the amounts of \$9,000 and \$5,000, respectively. In addition, the General Fund reflects \$69,686 in interfund receivables that represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records, and (3) payments between funds are made. All are expected to be paid within one year.

Interfund transfers for the year ended December 31, 2005 consisted of the following, as reported on the fund statements:

<u>Transfer from</u>	<u>Transfer to</u>			<u>Totals</u>
	<u>Major Funds</u>		<u>Other Nonmajor Governmental Funds</u>	
	<u>Job and Family Services</u>	<u>Motor Vehicle and Gasoline Tax</u>		
Major Fund:				
General Fund	\$34,000	\$0	\$33,789	\$67,789
Other Nonmajor Governmental Funds	0	247,583	0	247,583
Total All Funds	\$34,000	\$247,583	\$33,789	\$315,372

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

Note 19 - Public Entity Risk Pools

A. Buckeye Joint-County Self-Insurance Council

The Buckeye Joint-County Self-Insurance Council is a insurance purchasing pool that serves Noble, Hocking, Jackson, Lawrence, Monroe, Morgan, Pike, Vinton and Washington Counties. The Council was formed as an Ohio nonprofit corporation for the purpose of establishing an insurance pool to obtain general liability, law enforcement, professional and fleet insurance. Member counties provide operating resources to the corporation based on actuarially determined rates. The degree of control exercised by any participating government is limited to its representation on the Governing Board. The Governing Board, consisting of a commissioner from each county, annually elects officers which include a President,

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Vice President, Second Vice President and two Governing Board members. The expenditures and investment of funds by the officers must be approved by the Governing Board unless specific limits have been set by the Governing Board to permit otherwise.

In the event of losses, the first \$250 to \$2,500 of any valid claim, depending on type of loss, will be paid by the member. The next payment, with a maximum pay out ranging from \$100,000 to \$1,000,000 per occurrence, will come from the self insurance pool based on the members percentage of contribution. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments. Noble County does not have any ongoing financial interest or responsibility. The agreement between the County and the Council indicates that a voluntary withdrawal or termination of the Council shall constitute a forfeiture of any pro rata share of the Council reserve fund. In the event of the termination of the Council, current members shall be paid in an amount that they have contributed to the Council as of the last month of the Council's existence. Current calculation of this potential residual interest is therefore not possible. During 2005, Noble County paid \$97,350 to the Council for coverage.

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 ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a County Commissioner. The County's contribution to the pool for 2005 was \$11,374.

Note 20 - Jointly Governed Organizations

A. South East Ohio Joint Solid Waste Management District

The County is a member of the South East Ohio Joint Solid Waste Management District, which is a jointly governed organization involving Noble, Muskingum, Guernsey, Morgan, Monroe and Washington counties. The purpose of the District is to plan and implement comprehensive and environmentally sound solid waste management facilities and provide for the establishment of waste minimization, waste reduction, and recycling programs. The District was created in 1989, as required by the Ohio Revised Code.

The South East Ohio Joint Solid Waste Management District is governed and operated through two groups. An eighteen member board of directors, comprised of three commissioners from each County, is responsible for the District's financial matters. Financial records are maintained by the District. The District's sole revenue source is a waste disposal fee for in-district waste. A forty-three member policy committee, comprised of seven 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. Each participating County's influence is limited to the number of members each appoints to the board. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

B. Mental Health and Recovery Services Board

The Mental Health and Recovery Services Board is a jointly governed organization. Participants are Noble, Muskingum, Coshocton, Guernsey, Perry and Morgan Counties. The Board has the responsibility for development, coordinated continuation and ongoing modernization, funding, monitoring, and evaluation of community-based mental health and substance abuse programming. The Board is managed by a seventeen member board of trustees; three appointed by the Muskingum County Commissioners, seven appointed by the Commissioners of the other participating counties, three by the Director of State Department of Alcohol and Drug Addiction, and four appointed by the Director of the State Department of Mental Health. The Board exercises total control, including budgeting, appropriating, contracting, and designating management.

During 2005, Noble County contributed \$101,364 in tax levy revenue money through a .70 mill levy. The remaining revenues are provided by levies from other member counties, and state and federal grants awarded to the multi-county board. Muskingum County serves as fiscal agent for the Board. Continued existence of the Board is not dependent on the County's continued participation and no equity interest exists. The Board has no outstanding debt.

C. Noble County Family and Children First Council

The Noble County Family and Children First Council is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is comprised of the following members: Director of the Board of Alcohol, Drug Addiction, and Mental Health Services, Coordinator of Early Intervention, Health Commissioner of the Noble County Health Department, Director of Noble County Department of Job and Family Services, Superintendent of Noble Board of MR/DD, Judge of Noble County Juvenile Court, Superintendent of Noble Local School District, Superintendent of Caldwell Exempted School District, Chairman of Noble County Commissioners, Mayor of the Village of Caldwell, a representative from Department of Youth Services, Director of Community Action Agency, three parent representatives, Director of Noble Behavioral Health Choices, Director of Thompkins Child and Adolescent Services, Director of Six County, Inc., Executive Director of GMN Community Action and a representative from Guernsey, Monroe, Noble Parent Mentoring Program. The continued existence of the Council is not dependent of the County's continued participation and no equity interest exists. The Council has no outstanding debt.

D. Guernsey-Monroe-Noble Community Action Corporation (GMN)

The Guernsey-Monroe-Noble Community Action Corporation is a non-profit corporation organized to plan, conduct and coordinate programs designed to combat social and economic problems and to help eliminate conditions of poverty within Guernsey, Monroe and Noble counties. The agency is governed by an eighteen member board which consists of two commissioners or their appointees from each county, two business owners from each county, and two low income individuals elected by each county. The six business owners are nominated by other local business owners and the six low income individuals are nominated by local town council meetings. The agency received federal and state monies which are applied for and received by, and in the name of, the Board of Directors. Continued existence of the Community Action Agency is not dependent upon the County's continued participation, nor does the County have an equity interest in the agency. The agency is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on the County. The agency administers the operations of the Senior Citizens Center. During 2005, \$61,075, in Senior Citizens Levy money was received on behalf of the elderly residents of Noble County.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

E. Buckeye Hills - Hocking Valley Regional Developmental District

The Buckeye Hills - Hocking Valley Regional Development District serves as regional council of governments which is a jointly governed organization created to foster a cooperative effort in regional planning, programming, and the implementing of regional plans and programs. The District is governed by a fifteen member board of directors. The District serves Noble, Athens, Hocking, Meigs, Monroe, Morgan, Perry and Washington Counties. Each participating county appoints one member to the board of directors, the City of Marietta and the City of Athens each appoint one member and the remaining members are private citizens nominated and approved by their respective organizations. The board has total control over budgeting, personnel and all other financial matters. The District receives grant monies directly. The District is not dependent on the County's continued participation and no equity interest exists. The District has no outstanding debt. Noble County's annual cash contribution during 2005 was \$1,406. The local contribution is based on the County's formal resolution of cooperation with the district and the 2000 census.

F. Southeast Ohio Juvenile Rehabilitation District (SOJRD)

The Southeast Ohio Juvenile Rehabilitation District is a jointly governed organization among Noble, Belmont, Harrison, Guernsey, Jefferson and Monroe Counties. SOJRD was formed to operate a regional juvenile rehabilitation facility for the use of member counties, and to house and treat adjudicated non-violent felony offenders. The facility is operated and managed by SOJRD. The participating entities created a Judicial Rehabilitation Board, the members of which are made up of the juvenile judges of each participating county who determine the policy.

A Board of Trustees has been created whose members are appointed by the juvenile judges of which Belmont and Jefferson Counties have three appointees, Guernsey County has two appointees, and Harrison, Monroe and Noble Counties each have one appointee. The facility is located on property now owned by Belmont County. Policies, procedures and the operating budget are approved by the Judicial Rehabilitation Board. The Board is not dependent upon Noble County for its continued existence, no debt exists, and the County does not have an equity interest in or a financial responsibility for the Board. Noble County does not contribute any monies directly to fund the district.

G. Ohio Valley Employment Resource (OVER)

The Ohio Valley Employment Resource is a jointly governed organization whereby the three county commissioners from Monroe, Noble 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.

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

The Mid Eastern Ohio Regional Council of Governments (MEORC) is a jointly governed organization which serves fourteen counties in Ohio. MEORC provides services to the mentally retarded and developmentally disabled residents of the participating counties. The Council is made up of the superintendents of each county's Board of Mental Retardation and Developmental Disabilities. Revenues are generated by fees and state grants. Continued existence of the Council is not dependent on the County's continued participation. The County has no equity interest in, or financial responsibility for the Council. The Council has no outstanding debt. During 2005, the County contributed \$5,882 to MEORC.

Noble County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 21 - Related Organizations

A. Noble County Metropolitan Housing Authority

The Noble County Metropolitan Housing Authority is a nonprofit organization established to provide adequate public housing for low income individuals and was created pursuant to State statutes. The Authority is operated by a five member board. Two members are appointed by the largest municipality in the County, one member is appointed by the probate court judge, one member is appointed by the common pleas court judge, and one member is appointed by the County commissioners. The Authority receives funding from the Federal Department of Housing and Urban Development. The board sets its own budget and selects its own management, and the County is not involved in the management or operation. The County is not financially accountable for the Authority.

B. Noble County Airport Authority

The Noble County Airport Authority was created in 1967. The Authority leases property from the State of Ohio, on which an airport is operated. The Authority is governed by a five-member Board. The original Board was appointed by the Noble County Commissioners, and the Commissioners approve members to fill vacancies upon recommendation of the current Authority Board. The Authority derives its revenues from hanger rental, state and federal grants received directly by the Authority, interest, and a minimal contribution from the County. The County is not financially accountable for the Authority; the County cannot impose its will on the Authority; and no financial benefit/burden relationship exists between the County and the Authority.

Note 22 - Contingent Liabilities

A. Grants

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

B. Litigation

The County is currently party to pending litigation seeking damages and/or injunctive relief as confirmed by the County Prosecutor. The possible outcome and effect on the financial statements cannot be determined at this time.

This page intentionally left blank.

NOBLE COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA # Number	Disbursements
U. S. DEPARTMENT OF AGRICULTURE			
<i>Direct Award:</i>			
Rural Business Enterprise Grants	N/A	10.769	\$ 18,000
Total U.S. Department of Agriculture			18,000
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Ohio Department of Development:</i>			
Community Development Block Grant - State's Program			
Water and Sanitary Sewer Competitive Grant Program	B-W-03-056-1	14.228	134,000
Formula Allocation Program	B-F-02-056-1	14.228	141,500
Formula Allocation Program	B-F-04-056-1	14.228	82,623
Microenterprise Program	B-M-04-056-1	14.228	25,000
Community Housing Improvement Program	B-C-03-056-1	14.228	80,445
Community Housing Improvement Program	B-C-05-056-1	14.228	5,583
Total Community Development Block Grant			469,151
HOME Investment Partnerships Program:			
Community Housing Improvement Program	B-C-03-056-2	14.239	240,509
Total HOME Investment Partnership Program			240,509
Total U.S. Department of Housing and Urban Development			709,660
U. S. DEPARTMENT OF LABOR			
WIA Cluster:			
<i>Passed Through Workforce Investment Act Area # 15:</i>			
Workforce Investment Act - Adult	N/A	17.258	74,482
Workforce Investment Act - Youth	N/A	17.259	47,204
Workforce Investment Act-Manufacturing Grant	N/A	17.260	7,507
Workforce Investment Act - Dislocated Worker	N/A	17.260	27,783
Workforce Investment Act-OH 12 Flood	N/A	17.260	644,103
Workforce Investment Act-OH 14 Flood	N/A	17.260	375,696
Workforce Investment Act-National Emergency Rapid Response	N/A	17.260	150,000
Workforce Investment Act - Total Dislocated Worker			1,205,089
Total WIA Cluster			1,326,775
<i>Passed Through Ohio Department of Job & Family Services:</i>			
Unemployment Insurance	N/A	17.225	46,047
Total U.S. Department of Labor			1,372,822

NOBLE COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA # Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
State Children's Health Insurance Plan	N/A	93.767	63
Medical Assistance Program - Targeted Case Management			
Targeted Case Management	N/A	93.778	22,501
Community Alternative Funding System	N/A	93.778	585
Total Medical Assistance Program			<u>23,086</u>
Social Services Block Grant - Title XX	N/A	93.667	<u>10,896</u>
Total U.S. Department of Health and Human Services			<u>34,045</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Emergency Management Agency</i>			
Homeland Security Cluster:			
Emergency Management Performance Grant	2006-EME60042	97.042	12,929
Emergency Management Performance Grant	2005-EM-T5-0001	97.042	18,539
Total Emergency Management Performance Grant			<u>31,468</u>
State Homeland Security Program	2005-GE-T5-0001	97.073	<u>4,823</u>
Total Homeland Security Cluster		97.067	36,291
Public Assistance Grants	FEMA-1556-DR	97.036	17,435
Public Assistance Grants	FEMA-1580-DR	97.036	188,352
Total Public Assistance Grants			<u>205,787</u>
State Domestic Preparedness Equipment Support Program	2003-MUP-30015	97.004	12,056
State Domestic Preparedness Equipment Support Program	2003-TE-TX-0199	97.004	28,736
State Domestic Preparedness Equipment Support Program	2004-GE-T4-0025	97.004	80,398
Total State Domestic Preparedness Equipment Support Program			<u>121,190</u>
Citizens Corps	2004-GC-T4-0025	97.053	10,866
Community Emergency Response Teams	EMC-2003-GR-7066	97.054	<u>4,575</u>
Total U.S. Department of Homeland Security			<u>378,709</u>
Total Federal Awards Expenditures			<u>\$ 2,513,236</u>

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

NOBLE COUNTY

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

The County passes-through certain federal assistance received from Ohio Department of Jobs and Family Services 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 OMB 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 – MATCHING REQUIREMENTS

Certain Federal programs require the County to 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.

This page intentionally left blank.



Auditor of State Betty Montgomery

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

Noble County
200 Courthouse Square
Caldwell, Ohio 43724

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Noble County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above a material weakness. In a separate letter to the County's management dated November 7, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the County's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the County's management dated November 7, 2006, we reported other matters related to noncompliance we deemed immaterial.

Noble County
Independent Accountants' Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 7, 2006



Auditor of State Betty Montgomery

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

Noble County
200 Courthouse Square
Caldwell, Ohio 43724

To the Board of County Commissioners:

Compliance

We have audited the compliance of Noble County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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, Noble County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated November 7, 2006.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 7, 2006

NOBLE COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant – C.F.D.A. #14.228 and Workforce Investment Act Cluster – C.F.D.A. #17.258, #17.259, #17.260
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

NOBLE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

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

FINDING NUMBER 2005-001

Noncompliance Citation and Reportable Condition

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The following exceptions to this basic requirement are provided by statute:

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

Amounts of less than \$100 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the County.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. **Super Blanket Certificate** – The County may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

County Commissioner Authorization - A board of county commissioners, by resolution, may exempt purchases of \$1,000 or less from the prior certification requirement. The resolution must specify the dollar limit applicable to such purchases and whether it applies to all purchases, is limited to certain classes of purchases, or is limited to specific purchases. The board must notify the county auditor in writing of its intention to adopt such a resolution and the scope of the resolution. The county auditor has 15 days to comment on the resolution before it may be adopted by the board. Where such a resolution has been adopted, any person authorized to make purchases, within 3 business days (or other time limit the commissioners resolve) of making a purchase exempted under the resolution, must file with the county auditor a written or electronic document stating the purpose, amount, appropriation line item and date of the purchase, and the name of the vendor.

The following weaknesses were noted:

- The County did not certify the availability of funds prior to purchase commitment for seventeen percent (17%) of the expenditures tested and there was no evidence the County followed the aforementioned exceptions.

NOBLE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

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

FINDING NUMBER 2005-001 (Continued)

Noncompliance Citation and Reportable Condition (Continued)

Ohio Rev. Code Section 5705.41(D) (1) (Continued)

- The County used blanket certificates throughout the year without the benefit of a resolution or ordinance establishing the amount by which such certificates may not exceed. After this matter was brought to their attention, the County Commissioners made a motion on April 6, 2006 establishing \$5,000 as the threshold for blanket certificates.
- Sixty-five percent (65%) of the year-end outstanding encumbrances tested reflected a higher amount encumbered than needed for actual commitment. Of these, five percent (5%) represented "contract" purchase orders which actually served as blanket certificates for transactions that did not have an established contract or contract amount.

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

We recommend the County certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the County incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

We recommend the County monitor purchase orders more closely toward the end of the year in order to ensure that only valid encumbrances are carried over to the subsequent year. "Contract" purchase orders should only be certified for specific contracts and only for the contract amount expected to be spent during the calendar year. Recurring transactions for which there is no contract should be set up as blanket or super blanket certificates and the guidelines set forth in Section 5705.41(D) should be followed.

Officials Response:

The officials declined to respond to this finding.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards required to be reported herein.

NOBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 § .315 (c)
 DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 5705.41(D)(1) – failure to certify funds prior to purchase commitment.	No	Not Corrected; the noncompliance citation is repeated as Finding Number 2005-001 in the Schedule of Findings.

NOBLE COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (C)
DECEMBER 31, 2005**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-001	The County Auditor's Office plans to discuss prior certification procedures and validity of year-end carry-over purchase orders with the County Departments. The County Auditor's Office will only certify contract purchase orders for which there is a specific contract and only for the amount expected to be spent in the calendar year. All other recurring transactions will be certified by means of blanket or super blanket certification.	Ongoing	Alice Warner, County Auditor



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FINANCIAL CONDITION

NOBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 12, 2006**