



Mary Taylor, CPA
Auditor of State

CLINTON COUNTY
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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clinton Memorial Hospital. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinions on the accompanying financial statements, insofar as it relates to the amounts included for the Clinton Memorial Hospital, are based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, the component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Children Services Board Fund, County Board of MRDD Fund, Motor Vehicle and Gas Tax Fund and the Public Assistance Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2007, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

November 7, 2007

CLINTON COUNTY, OHIO

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

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

Financial Highlights

Key financial highlights for 2006 are as follows:

- The total net assets of the County increased \$6,892,265. Net assets of governmental activities increased \$6,612,008, which represents a 16.61% increase from fiscal year 2005 and net assets of business-type activities increased \$280,257 which represents a 0.42% increase from fiscal year 2005.
- General revenues accounted for \$17,692,400 or 45.95% of total governmental activities revenue. Program specific revenues accounted for \$20,812,040 or 54.05% of total governmental activities revenue.
- The County had \$31,892,432 in expenses related to governmental activities; \$20,812,040 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$17,692,400 were adequate to provide for these programs.
- The County has five major governmental funds. The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$14,320,659 in 2006. The general fund, had expenditures and other financing uses of \$13,059,383 in 2006. The increase in revenues over expenditures contributed to the general fund's fund balance increase of \$1,261,276 from 2005 to 2006.
- The Children Services Board, a County major fund, had revenues of \$2,761,202 in 2006. The Children Services Board had expenditures of \$2,554,695 in 2006. The Children Services Board fund balance increased \$206,507 from 2005 to 2006.
- The County board of MRDD fund, a County major fund, had revenues of \$3,436,614 in 2006. The County board of MRDD fund had expenditures and other financing uses of \$3,678,434 in 2006. The County board of MRDD fund balance decreased \$241,820 from 2005 to 2006.
- The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$5,752,106 in 2006. The Motor Vehicle and Gas tax fund had expenditures of \$5,363,346 in 2006. The Motor Vehicle and Gas Tax fund balance increased \$388,760 from 2005 to 2006.
- The Public Assistance fund, a County major fund, had revenues of \$5,863,530 and expenditures of \$5,644,130 in 2006. The Public Assistance fund balance increased \$219,400 from 2005 to 2006.
- Net assets for business-type activities, which are made of the Clinton Memorial Hospital Fund, had operating revenues of \$92,126,145 and total operating expenses of \$91,051,110.
- In the general fund, the actual revenues and other financing sources came in \$1,908,295 higher than they were originally budgeted and actual expenditures and other financing uses were \$880,635 more than the amount in the original budget. The County uses a conservative budgeting process.

CLINTON COUNTY, OHIO

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

Using the Basic Financial Statements (BFS)

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column. In the case of the County, there are five major governmental funds. The general fund is the largest major fund.

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2006?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

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

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

Reporting the County's Most Significant Funds

Fund Financial Statements

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

CLINTON COUNTY, OHIO

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

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, Children Services Board, County Board of Mental Retardation and Developmentally Disabled (MRDD), Motor Vehicle and Gas Tax, and Public Assistance. The County's major enterprise fund is the Clinton Memorial Hospital. The analysis of the County's major governmental and proprietary funds begins on page 10.

Governmental Funds

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 21-31 of this report.

Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Clinton Memorial Hospital operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a self-funded health insurance program for employees of the County and several governmental units within the County. The County switched from being self-insured to fully insured in 2006. Existing claims prior to January 1, 2006, were paid out during 2006. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 32-35 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 36-37 of this report.

CLINTON COUNTY, OHIO

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 38-75 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets for 2006 and 2005.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Assets</u>						
Current and other assets	\$ 22,163,700	\$ 18,610,137	\$ 38,004,231	\$ 45,972,877	\$ 60,167,931	\$ 64,583,014
Capital assets, net	<u>46,784,388</u>	<u>41,076,493</u>	<u>93,462,014</u>	<u>80,356,294</u>	<u>140,246,402</u>	<u>121,432,787</u>
Total assets	<u>68,948,088</u>	<u>59,686,630</u>	<u>131,466,245</u>	<u>126,329,171</u>	<u>200,414,333</u>	<u>186,015,801</u>
<u>Liabilities</u>						
Long-term liabilities	14,501,219	11,402,091	48,293,121	47,103,136	62,794,340	58,505,227
Other liabilities	<u>8,017,272</u>	<u>8,466,950</u>	<u>15,517,676</u>	<u>11,850,844</u>	<u>23,534,948</u>	<u>20,317,794</u>
Total liabilities	<u>22,518,491</u>	<u>19,869,041</u>	<u>63,810,797</u>	<u>58,953,980</u>	<u>86,329,288</u>	<u>78,823,021</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	33,410,025	32,562,483	45,168,893	33,253,158	78,578,918	65,815,641
Restricted	10,538,391	9,373,882	9,966,481	16,460,690	20,504,872	25,834,572
Unrestricted	<u>2,481,181</u>	<u>(2,118,776)</u>	<u>12,520,074</u>	<u>17,661,343</u>	<u>15,001,255</u>	<u>15,542,567</u>
Total net assets	<u>\$ 46,429,597</u>	<u>\$ 39,817,589</u>	<u>\$ 67,655,448</u>	<u>\$ 67,375,191</u>	<u>\$ 114,085,045</u>	<u>\$ 107,192,780</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2006, the County's assets exceeded liabilities by \$114,085,045. The County's finances remained stable during 2006.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At December 31, 2006, capital assets represented 69.98% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2006, were \$78,578,918. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. Net assets invested in capital assets, net of related debt for the County as a whole increased \$12,763,277 or 19.39%. This increase is due to the hospital facilities revenue refunding and improvements bonds and related construction on progress.

CLINTON COUNTY, OHIO

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

A portion of the County's net assets, \$20,504,872 or 17.97%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets is \$15,001,255. Unrestricted net assets decreased \$541,312 or 3.48% during 2006. Unrestricted net assets of governmental activities increased due to an increase in cash and cash equivalents at December 31, 2006 as a result of increased sales tax revenues.

The table below shows the changes in net assets for fiscal years 2006 and 2005.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 6,056,949	\$ 6,067,746	\$89,567,065	\$87,670,729	\$ 95,624,014	\$ 93,738,475
Operating grants and contributions	13,990,896	10,379,152	-	-	13,990,896	10,379,152
Capital grants and contributions	764,195	426,758	-	-	764,195	426,758
General revenues:						
Property taxes	5,875,049	5,479,115	-	-	5,875,049	5,479,115
Sales tax	7,701,525	5,364,309	-	-	7,701,525	5,364,309
Unrestricted grants	1,548,977	1,342,357	-	-	1,548,977	1,342,357
Investment earnings	823,298	386,526	141,843	-	965,141	386,526
Other	1,743,551	2,962,524	2,559,080	3,000,156	4,302,631	5,962,680
Total revenues	<u>38,504,440</u>	<u>32,408,487</u>	<u>92,267,988</u>	<u>90,670,885</u>	<u>130,772,428</u>	<u>123,079,372</u>
<u>Expenses</u>						
Program expenses:						
General government	8,125,953	7,883,459	-	-	8,125,953	7,883,459
Public safety	4,264,051	4,028,150	-	-	4,264,051	4,028,150
Public works	5,752,603	4,740,192	-	-	5,752,603	4,740,192
Health	3,760,936	4,315,593	-	-	3,760,936	4,315,593
Human services	8,151,335	9,606,062	-	-	8,151,335	9,606,062
Economic development and assistance	500,198	213,991	-	-	500,198	213,991
Other	790,228	1,145,905	-	-	790,228	1,145,905
Interest and fiscal charges	547,128	393,629	-	-	547,128	393,629
Clinton Memorial Hospital	-	-	91,987,731	86,609,933	91,987,731	86,609,933
Total expenses	<u>31,892,432</u>	<u>32,326,981</u>	<u>91,987,731</u>	<u>86,609,933</u>	<u>123,880,163</u>	<u>118,936,914</u>
Change in net assets	6,612,008	81,506	280,257	4,060,952	6,892,265	4,142,458
Net assets at beginning of year	<u>39,817,589</u>	<u>39,736,083</u>	<u>67,375,191</u>	<u>63,314,239</u>	<u>107,192,780</u>	<u>103,050,322</u>
Net assets at end of year	<u>\$46,429,597</u>	<u>\$39,817,589</u>	<u>\$67,655,448</u>	<u>\$67,375,191</u>	<u>\$ 114,085,045</u>	<u>\$ 107,192,780</u>

Governmental Activities

Governmental activities increased \$6,612,008 or 16.61% during 2006.

Governmental activities charges for services revenue decreased 0.18% from \$6,067,746 to \$6,056,949 in 2006. The decrease is due to receiving a less amount of charges for services revenue from zoning fees and board of elections fees in the general fund during 2006.

CLINTON COUNTY, OHIO

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

The state and federal government contributed to the County revenues of \$13,990,896 in operating grants and contributions and \$764,195 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$6,258,698, or 44.73% subsidized public works programs. Operating grants and contributions increased 34.80% in 2006 due primarily to an increase in funding related to the Community Development Block Grant program, human services program, and motor vehicle and gas tax fund. Capital grants and contributions increased 79.07% due to more grant funding received for public works programs.

General revenues totaled \$17,692,400, and amounted to 45.95% of total revenues. These revenues primarily consist of property and sales tax revenue of \$13,576,574, or 76.74% of total general revenues in 2006. Property tax revenue increased slightly, by \$395,934 or 7.23%. The County Commissioners increased sales and use tax by 0.5%, which became effective on October 1, 2005 for a period of five years, and resulted in sales tax revenue increase of \$2,337,216 or 43.57% during 2006, which was the first full year of collections at the increased tax rate. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$1,548,977, or 8.76% of the total. Other revenues decreased \$1,218,973 from miscellaneous refunds and reimbursements received in 2005.

General government expenses include legislative and executive and judicial programs, totaled \$8,125,983 or 25.48% of total governmental expenses. General government expenses were covered by \$1,710,974 of direct charges to users in 2006.

Public works expense increased \$1,012,411 during 2006 from 2005 due to increased maintenance and repair expenses and more capitalized infrastructure from this program during 2006. During 2005, \$1,701,525 in infrastructure capital assets, paid from public works expense, were capitalized compared to \$1,915,058 during 2006.

Human services expense supports the operations of Public Assistance and the Children Services Board, and accounts for \$8,151,335 of expenses, or 25.56% of total governmental expenses of the County. These expenses were funded by \$2,049,015 in charges to users of services and \$4,535,270 in operating grants and contributions in 2006. Human services expenses decreased 15.14% due to decreased revenues and expenses in the Children Services Board and a reclassification of reimbursements in the Public Assistance programs.

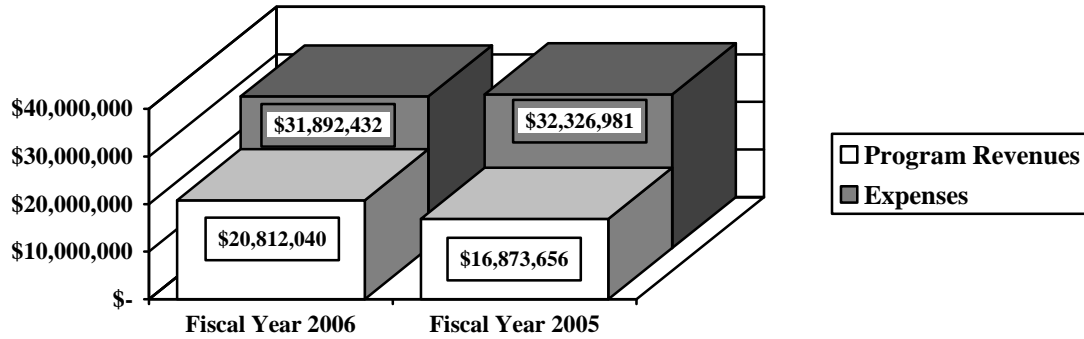
Economic development and assistance expense supports the County's Community Development Block Grant program, and was funded by \$1,568,214 in operating grants and contributions during 2006.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2006 and 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

CLINTON COUNTY, OHIO

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

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

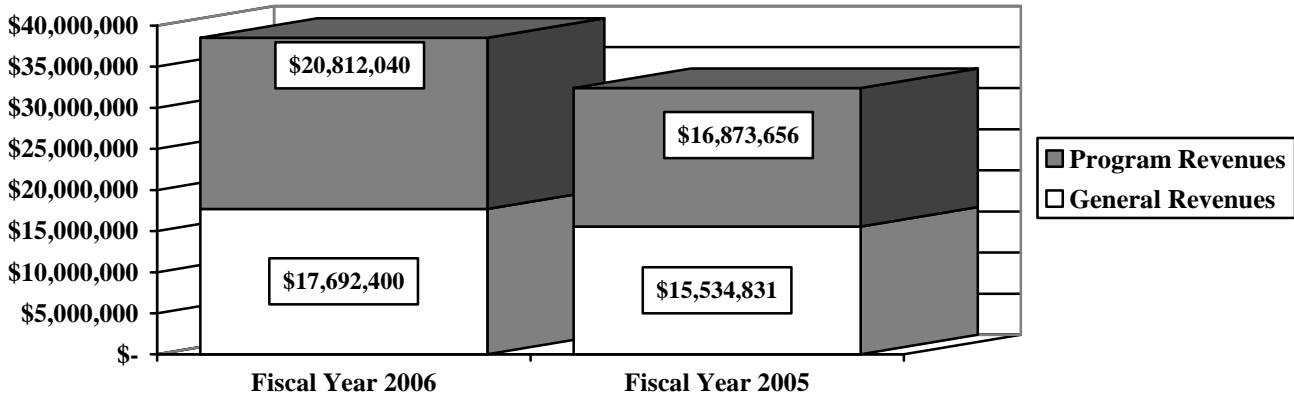
	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Expenses:				
General government	\$ 8,125,953	\$ 5,968,090	\$ 7,883,459	\$ 6,109,164
Public safety	4,264,051	3,281,697	4,028,150	2,475,201
Public works	5,752,603	(1,884,602)	4,740,192	(572,357)
Health	3,760,936	2,240,054	4,315,593	2,696,270
Human services	8,151,335	1,567,050	9,606,062	3,332,459
Economic development and assistance	500,198	(1,068,016)	213,991	213,991
Other	790,228	428,991	1,145,905	804,968
Interest and fiscal charges	<u>547,128</u>	<u>547,128</u>	<u>393,629</u>	<u>393,629</u>
Total expenses	<u>\$ 31,892,432</u>	<u>\$ 11,080,392</u>	<u>\$ 32,326,981</u>	<u>\$ 15,453,325</u>

The dependence upon general revenues for governmental activities is apparent, with 34.74% and 47.80% of expenses supported through taxes and other general revenues during 2006 and 2005, respectively.

CLINTON COUNTY, OHIO

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

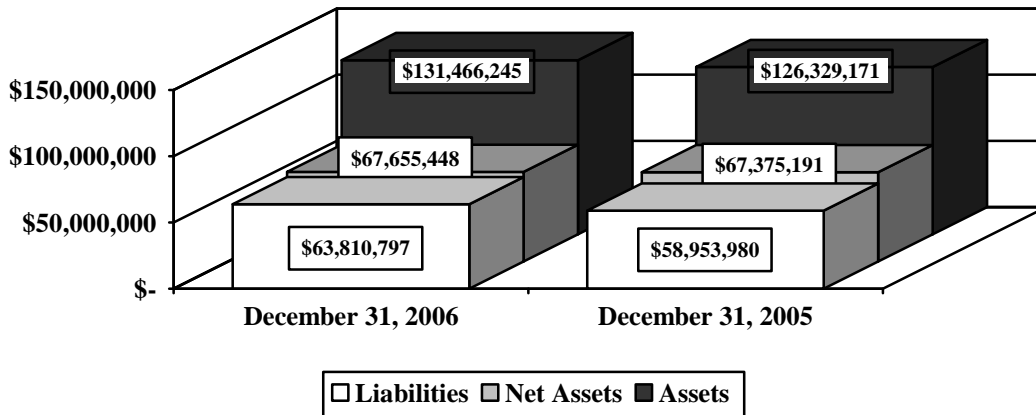
Governmental Activities - General and Program Revenues



Business-Type Activities

The Clinton Memorial Hospital fund is the County's only enterprise fund, and it is reported as a major fund. The Clinton Memorial Hospital reported operating income of \$92,126,145 and an increase in net assets from 2005 to 2006 of \$280,257 or 0.42%. This represents a decrease from the net asset increase of \$4,060,952 for fiscal year 2005. An increase in the growth rate of total revenues and a moderate growth rate of operating expenses can be attributed to the improved performance during 2006. Improvement in revenue growth occurred in areas of surgical, imaging, pharmacy, cardiac diagnostics and sleep lab.

Net Assets in Business – Type Activities



Financial Analysis of the County's Funds

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

CLINTON COUNTY, OHIO

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

Governmental Funds

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

The County's governmental funds (as presented on the balance sheet on pages 21-22). Fund balance was restated at December 31, 2005 (see Note 3.A. for detail). The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2006 for all major and nonmajor governmental funds.

	Fund Balance	Restated	Increase
	<u>December 31, 2006</u>	<u>December 31, 2005</u>	<u>(Decrease)</u>
Major Funds:			
General	\$ 2,960,344	\$ 1,699,068	\$ 1,261,276
Children Services Board	630,625	424,118	206,507
County Board of MRDD	2,613,516	2,855,336	(241,820)
Motor Vehicle and Gas Tax	1,870,423	1,481,663	388,760
Public Assistance	29,945	(189,455)	219,400
Other Nonmajor Governmental Funds	<u>2,457,466</u>	<u>2,514,776</u>	<u>(57,310)</u>
Total	<u>\$ 10,562,319</u>	<u>\$ 8,785,506</u>	<u>\$ 1,776,813</u>

General Fund

The general fund is the operating fund of the County. At the end of the fiscal year, the fund balance of the general fund was \$2,960,344, a 74.23% increase from 2005. The increase of the general fund balance in 2006 was primarily due to an increase in sales taxes in the amount of \$2,333,532 in 2006.

Children Services Board Fund

The children services board, a County major fund, had revenues of \$2,761,202 in 2006. The children services board had expenditures of \$2,554,695 in 2006. The children services board fund balance increased \$206,507 from 2005 to 2006.

County Board of MRDD

The County board of MRDD fund, a County major fund, had revenues of \$3,436,614 in 2006. The County board of MRDD fund had expenditures of \$3,678,434 in 2006. The County board of MRDD fund balance decreased \$241,820 from 2005 to 2006.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues of \$5,752,106 in 2006. The motor vehicle and gas tax fund had expenditures of \$5,363,346 in 2006. The motor vehicle and gas tax fund balance increased \$388,760 from 2005 to 2006.

CLINTON COUNTY, OHIO

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

Public Assistance Fund

The public assistance fund, a County major fund, had revenues and other financing sources of \$5,863,530 in 2006. The public assistance fund had expenditures and other financing uses of \$5,644,130 in 2006 and fund balance increased \$219,400 from 2005 to 2006.

Budgeting Highlights - General Fund

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

In the general fund, there were significant changes between the original and final budget. Final budgeted revenues increased \$1,946,842 over original budgeted revenues. Actual revenues and other financing sources of \$14,353,413 were \$38,547 less than final budgeted revenues. Actual expenditures and other financing uses were \$169,208 less than the final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of 2006, the County had \$140,246,402 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, infrastructure and construction in progress (CIP).

The following table shows fiscal 2006 balances compared to 2005:

	Capital Assets at December 31 (Net of Depreciation)					
	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 821,880	\$ 821,880	\$ -	\$ -	\$ 821,880	\$ 821,880
Land improvements	128,163	135,884	2,029,496	1,946,248	2,157,659	2,082,132
Building and improvements	15,597,702	15,908,362	59,851,542	60,734,098	75,449,244	76,642,460
Equipment	1,485,918	991,166	24,743,765	14,114,000	26,229,683	15,105,166
Vehicles	1,070,091	1,118,698	-	-	1,070,091	1,118,698
Infrastructure	23,183,236	22,100,503	-	-	23,183,236	22,100,503
Construction in progress	<u>4,497,398</u>	<u>-</u>	<u>6,837,211</u>	<u>3,561,948</u>	<u>11,334,609</u>	<u>3,561,948</u>
Total	<u>\$ 46,784,388</u>	<u>\$ 41,076,493</u>	<u>\$ 93,462,014</u>	<u>\$ 80,356,294</u>	<u>\$ 140,246,402</u>	<u>\$ 121,432,787</u>

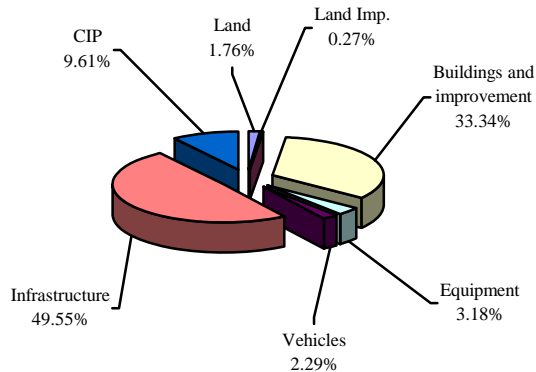
See Note 9 to the basic financial statements for detail on governmental and business-type activities capital assets.

CLINTON COUNTY, OHIO

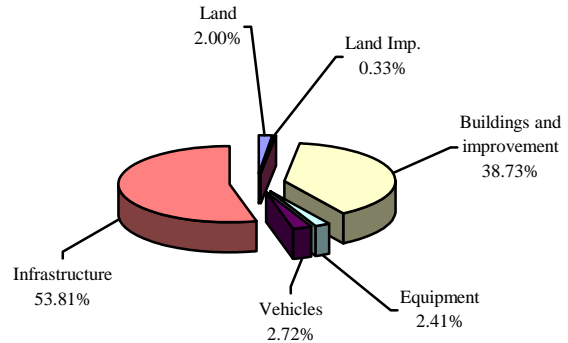
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 UNAUDITED

The following graphs show the breakdown of governmental capital assets by category for 2006 and 2005.

Capital Assets - Governmental Activities 2006



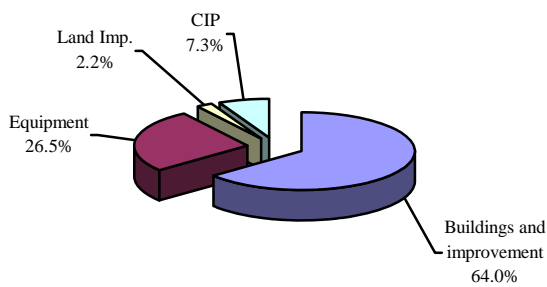
Capital Assets - Governmental Activities 2005



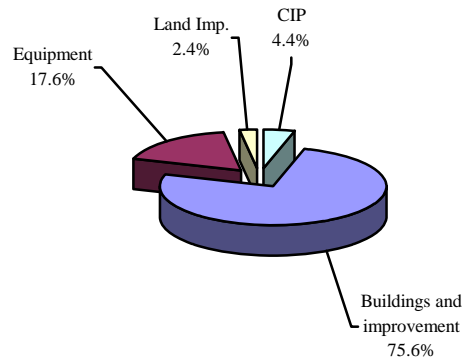
The County's largest governmental capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 49.55% of the County's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2006 and 2005.

Capital Assets - Business-Type Activities 2006



Capital Assets - Business-Type Activities 2005



In 2000, the Clinton Memorial Hospital embarked on a \$50 million expansion program on the main campus in Wilmington. During 2004, completion of the Intensive Care Unit, Pharmacy Services, Cardiac Cath Lab, Rehabilitation Services, Laboratory Services and the expansion phase of Emergency Services took place. Completion of the remaining renovation phases was completed in early 2005. During 2005, the Clinton County Hospital also embarked on construction of a regional cancer center, "The Foster J. Boyd M.D Regional Cancer Center." This center is scheduled to open in February 2007.

CLINTON COUNTY, OHIO

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

Debt Administration

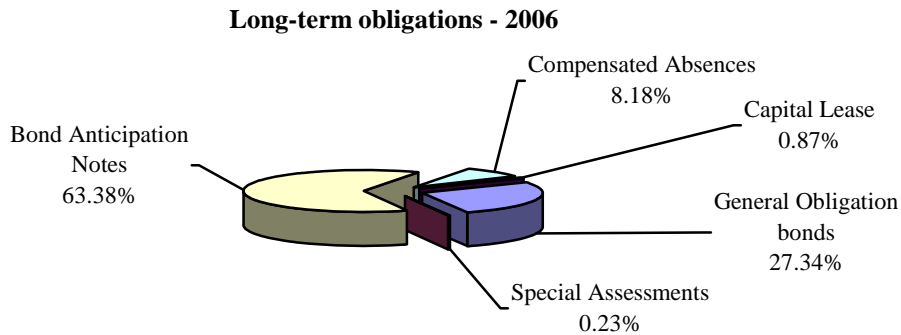
At December 31, 2006, governmental activities had \$3,965,000 in general obligation bonds, bond anticipation notes of \$9,191,518, special assessment bonds of \$32,852, compensated absences of \$1,185,856, and a capital lease of \$125,993 outstanding. Of this total, \$1,235,796 is due within one year and \$13,265,423 is due within greater than one year. At December 31, 2006, business-type activities had \$44,435,000 in hospital facilities revenue refunding and improvement bonds, \$3,099,960 in notes payable and \$758,161 in capital leases outstanding. The following table summarizes the debt obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>	Business-Type Activities <u>2006</u>	Business-Type Activities <u>2005</u>
Long-Term Obligations				
General obligation bonds	\$ 3,965,000	\$ 4,220,000	\$ -	\$ -
Revenue refunding bonds	-	-	44,435,000	45,395,000
OWDA Loan	-	1,366,218	-	-
Special Assessments	32,852	42,550	-	-
Note Payable	9,191,518	4,687,518	3,099,960	599,960
Compensated Absences	1,185,856	1,081,463		
Capital Leases	<u>125,993</u>	<u>4,342</u>	<u>758,161</u>	<u>1,108,176</u>
Total	<u>\$ 14,501,219</u>	<u>\$ 11,402,091</u>	<u>\$ 48,293,121</u>	<u>\$ 47,103,136</u>

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

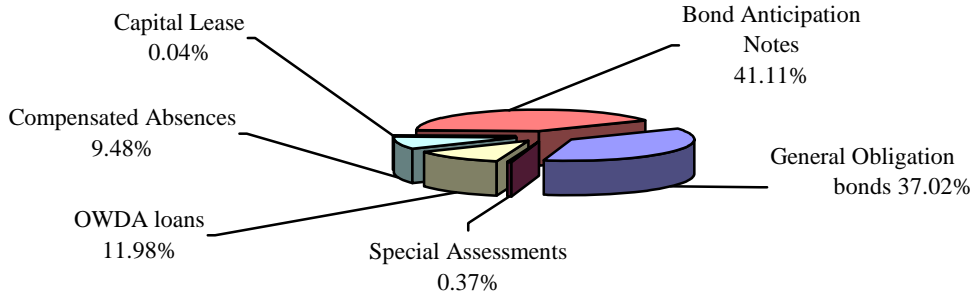
A comparison of the governmental long-term obligations by category is depicted in the chart below.



CLINTON COUNTY, OHIO

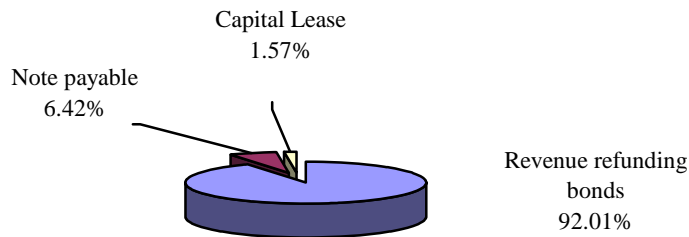
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Long-term obligations - 2005

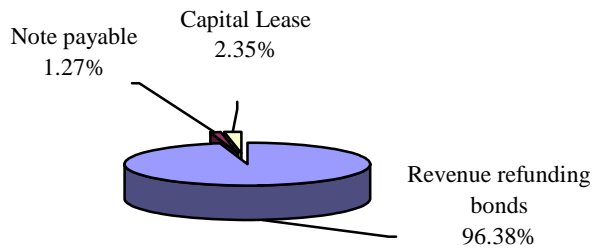


A comparison of the business-type long-term obligations by category is depicted in the chart below.

Business-type long-term obligations - 2006



Business-type long-term obligations - 2005



Economic Factors and Next Year's Budgets and Rates

The County's current population is 40,543.

The County's unemployment rate is currently 4.7%, compared to the 5.4% state average and the 6.1% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2007. Budgeted revenues and other financing sources in the general fund for fiscal year 2007 budget are \$12,742,628. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

CLINTON COUNTY, OHIO

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

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Honorable Wanda Armstrong, Clinton County Auditor, at 46 S. South Street, Wilmington, Ohio 45177-2296.

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CLINTON COUNTY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
Assets:					
Equity in pooled cash and cash equivalents	\$ 10,344,163	\$ 5,094,934	\$ 15,439,097	\$ 211,564	\$ -
Short-term investments.	-	3,291,749	3,291,749	-	-
Receivables (net of allowances for uncollectibles)					
Sales taxes.	1,170,679	-	1,170,679	-	-
Real and other taxes	5,716,060	-	5,716,060	-	-
Accounts.	133,765	12,481,020	12,614,785	14,325	-
Special assessments	66,117	-	66,117	-	-
Accrued interest	142,835	-	142,835	-	-
Notes and other receivables	-	1,312,933	1,312,933	-	-
Estimated third-party payor settlements	-	89,268	89,268	-	-
Due from other governments	4,495,532	-	4,495,532	-	-
Prepayments	73,130	1,672,386	1,745,516	-	-
Materials and supplies inventory	21,419	1,281,131	1,302,550	-	-
Assets whose use is limited - held by trustee	-	4,962,366	4,962,366	-	-
Other assets:					
Investments	-	6,083,657	6,083,657	-	-
Notes and other receivables	-	1,734,787	1,734,787	-	-
Capital assets:					
Land and construction in progress	5,319,278	-	5,319,278	-	-
Depreciable capital assets, net.	<u>41,465,110</u>	<u>93,462,014</u>	<u>134,927,124</u>	<u>31,015</u>	<u>-</u>
Total capital assets.	<u>46,784,388</u>	<u>93,462,014</u>	<u>140,246,402</u>	<u>31,015</u>	<u>-</u>
Total assets.	<u>\$ 68,948,088</u>	<u>\$ 131,466,245</u>	<u>\$ 200,414,333</u>	<u>\$ 256,904</u>	<u>\$ -</u>

- Continued

CLINTON COUNTY, OHIO

STATEMENT OF NET ASSETS (CONTINUED)
DECEMBER 31, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
Liabilities:					
Accounts payable	\$ 1,435,372	\$ 8,402,209	\$ 9,837,581	\$ 873	\$ 344,391
Accrued wages and benefits	254,827	848,769	1,103,596	4,825	-
Due to other governments	794,156	-	794,156	-	-
Due to component unit	2,652	-	2,652	-	-
Accrued vacation	-	2,623,123	2,623,123	-	-
Deferred revenue	5,135,192	-	5,135,192	-	-
Accrued interest payable.	265,171	-	265,171	-	-
Notes payable	59,000	-	59,000	-	-
Amount to be repaid to claimants	70,902	-	70,902	-	-
Other accrued expenses	-	3,643,575	3,643,575	-	-
Long-term liabilities:					
Due within one year.	1,235,796	2,365,838	3,601,634	-	-
Due in more than one year	13,265,423	45,927,283	59,192,706	-	-
Total liabilities.	22,518,491	63,810,797	86,329,288	5,698	344,391
Net assets:					
Invested in capital assets, net of related debt.	33,410,025	45,168,893	78,578,918	-	-
Restricted for:					
Capital projects	172,603	-	172,603	-	-
Debt service.	349,851	-	349,851	-	-
Debt service - held by trustee	-	4,962,366	4,962,366	-	-
Human services programs.	1,117,639	-	1,117,639	-	-
Public works	4,914,243	-	4,914,243	-	-
Health programs.	2,745,080	-	2,745,080	-	-
Capital campaign	-	2,234,858	2,234,858	-	-
Funds to be held to perpetuity	-	2,769,257	2,769,257	-	-
Other purposes	1,238,975	-	1,238,975	-	-
Unrestricted	2,481,181	12,520,074	15,001,255	251,206	(344,391)
Total net assets.	\$ 46,429,597	\$ 67,655,448	\$ 114,085,045	\$ 251,206	\$ (344,391)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants Grants and Contributions
Governmental Activities:				
General government:				
Legislative and executive	\$ 5,466,233	\$ 1,172,757	\$ 385,096	\$ -
Judicial	2,659,720	538,217	61,793	-
Public safety	4,264,051	820,962	161,392	-
Public works.	5,752,603	614,312	6,258,698	764,195
Health	3,760,936	500,449	1,020,433	-
Human services	8,151,335	2,049,015	4,535,270	-
Economic development and assistance.	500,198	-	1,568,214	-
Other	790,228	361,237	-	-
Interest and fiscal charges	547,128	-	-	-
Total governmental activities.	<u>31,892,432</u>	<u>6,056,949</u>	<u>13,990,896</u>	<u>764,195</u>
Business-Type Activities:				
Clinton Memorial Hospital.	91,987,731	89,567,065	-	-
Total business-type activities	<u>91,987,731</u>	<u>89,567,065</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 123,880,163</u>	<u>\$ 95,624,014</u>	<u>\$ 13,990,896</u>	<u>\$ 764,195</u>
Component Units:				
ORION Rehabilitation Center	\$ 184,784	\$ 187,571	\$ -	\$ -
Port Authority	-	-	-	-
Total component units	<u>\$ 184,784</u>	<u>\$ 187,571</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Property taxes levied for:

General fund.	
Legislative and executive - Real Estate Assessment	
Human services - County Board of MRDD	
Human services - Children Services	
Debt service - Capital Purchases	
Debt service - County Buildings	
Debt service - Bypass Jail/Bond	
Sales and other taxes	
Grants and entitlements not restricted to specific programs.	
Investment earnings.	
Miscellaneous.	

Total general revenues

Change in net assets

Net assets at beginning of year.

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
\$ (3,908,380)	\$ -	\$ (3,908,380)	\$ -	\$ -
(2,059,710)	-	(2,059,710)	-	-
(3,281,697)	-	(3,281,697)	-	-
1,884,602	-	1,884,602	-	-
(2,240,054)	-	(2,240,054)	-	-
(1,567,050)	-	(1,567,050)	-	-
1,068,016	-	1,068,016	-	-
(428,991)	-	(428,991)	-	-
(547,128)	-	(547,128)	-	-
<u>(11,080,392)</u>	<u>-</u>	<u>(11,080,392)</u>	<u>-</u>	<u>-</u>
-	(2,420,666)	(2,420,666)	-	-
-	(2,420,666)	(2,420,666)	-	-
<u>(11,080,392)</u>	<u>(2,420,666)</u>	<u>(13,501,058)</u>	<u>-</u>	<u>-</u>
			2,787	-
			<u>-</u>	<u>-</u>
			<u>2,787</u>	<u>-</u>
1,835,321	-	1,835,321	-	-
372,641	-	372,641	-	-
1,858,281	-	1,858,281	-	-
1,144,273	-	1,144,273	-	-
81,335	-	81,335	-	-
127,210	-	127,210	-	-
455,988	-	455,988	-	-
7,701,525	-	7,701,525	-	-
1,548,977	-	1,548,977	-	-
823,298	141,843	965,141	4,398	-
1,743,551	2,559,080	4,302,631	1,212	-
<u>17,692,400</u>	<u>2,700,923</u>	<u>20,393,323</u>	<u>5,610</u>	<u>-</u>
6,612,008	280,257	6,892,265	8,397	-
<u>39,817,589</u>	<u>67,375,191</u>	<u>107,192,780</u>	<u>242,809</u>	<u>(344,391)</u>
<u>\$ 46,429,597</u>	<u>\$ 67,655,448</u>	<u>\$ 114,085,045</u>	<u>\$ 251,206</u>	<u>\$ (344,391)</u>

CLINTON COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle & Gas Tax</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,650,299	\$ 554,193	\$ 2,749,797	\$ 1,438,633
Receivables (net of allowance for uncollectibles):				
Sales taxes	1,165,674	-	-	5,005
Real and other taxes	1,904,050	1,208,114	1,993,974	-
Accounts	35,686	19,254	-	35,419
Special assessments	-	-	-	-
Interfund receivable	424,993	-	-	-
Due from other governments	525,329	285,288	130,939	3,272,999
Accrued interest	139,522	-	596	-
Due from other funds	13,998	2,467	-	9,889
Advances to other funds	106,269	-	-	-
Prepayments	63,174	-	-	-
Materials and supplies inventory	11,977	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 6,040,971</u>	<u>\$ 2,069,316</u>	<u>\$ 4,875,306</u>	<u>\$ 4,761,945</u>
Liabilities:				
Accounts payable	\$ 129,492	\$ 61,072	\$ 32,481	\$ 148,595
Accrued wages and benefits	123,159	-	33,396	27,399
Compensated absences payable	34,148	-	19,232	-
Interfund loans payable	-	-	-	-
Due to other funds	9,674	2,930	-	-
Due to other governments	396,297	-	96,973	83,505
Due to component unit	-	-	2,652	-
Advances to other funds	-	-	-	-
Accrued interest payable	458	-	-	-
Deferred revenue	2,257,497	1,374,689	2,077,056	2,632,023
Amount to be repaid to claimants	70,902	-	-	-
Notes payable	59,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>3,080,627</u>	<u>1,438,691</u>	<u>2,261,790</u>	<u>2,891,522</u>
Fund Balances:				
Reserved for encumbrances	151,517	-	-	245,798
Reserved for prepayments	63,174	-	-	-
Reserved for materials and supplies inventory	11,977	-	-	-
Reserved for advances	106,269	-	-	-
Unreserved, undesignated, reported in:				
General fund	2,627,407	-	-	-
Special revenue funds	-	630,625	2,613,516	1,624,625
Debt service fund	-	-	-	-
Capital projects funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>2,960,344</u>	<u>630,625</u>	<u>2,613,516</u>	<u>1,870,423</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 6,040,971</u>	<u>\$ 2,069,316</u>	<u>\$ 4,875,306</u>	<u>\$ 4,761,945</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	Other Governmental Funds	Total Governmental Funds
\$ 335,505	\$ 3,550,219	\$ 10,278,646
-	-	1,170,679
-	609,922	5,716,060
4,341	38,443	133,143
-	66,117	66,117
-	-	424,993
148,037	130,497	4,493,089
-	2,717	142,835
12,263	-	38,617
-	-	106,269
7,505	2,451	73,130
7,312	2,130	21,419
<u>\$ 514,963</u>	<u>\$ 4,402,496</u>	<u>\$ 22,664,997</u>
\$ 134,079	\$ 928,867	\$ 1,434,586
51,717	18,220	253,891
-	-	53,380
-	2,539	2,539
215	25,798	38,617
150,970	63,828	791,573
-	-	2,652
-	106,269	106,269
-	-	458
148,037	799,509	9,288,811
-	-	70,902
-	-	59,000
<u>485,018</u>	<u>1,945,030</u>	<u>12,102,678</u>
-	96,874	494,189
7,505	2,451	73,130
7,312	2,130	21,419
-	-	106,269
-	-	2,627,407
15,128	1,803,856	6,687,750
-	497,985	497,985
-	54,170	54,170
<u>29,945</u>	<u>2,457,466</u>	<u>10,562,319</u>
<u>\$ 514,963</u>	<u>\$ 4,402,496</u>	<u>\$ 22,664,997</u>

CLINTON COUNTY, OHIO

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

Total governmental fund balances		\$ 10,562,319
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		46,784,388
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 562,795	
Special assessments	66,117	
Intergovernmental revenues	3,460,008	
Interest	<u>64,699</u>	
Total		4,153,619
Internal service funds are used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets. The net assets of the internal service fund are:		(360,723)
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(264,713)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	3,965,000	
Notes payable	9,191,518	
Special assessments	32,852	
Compensated absences	1,129,930	
Capital lease payable	<u>125,993</u>	
Total		<u>(14,445,293)</u>
Net assets of governmental activities		<u><u>\$ 46,429,597</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CLINTON COUNTY, OHIO

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

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle & Gas Tax</u>
Revenues:				
Property taxes	\$ 1,820,726	\$ 1,144,273	\$ 1,889,440	\$ -
Sales taxes	7,627,287	-	-	74,238
Charges for services	1,862,059	150,156	389,239	-
Licenses and permits	303,231	-	-	-
Fines and forfeitures	121,585	-	-	254,816
Intergovernmental	1,192,280	1,439,793	1,038,338	5,115,599
Special assessments	-	-	-	-
Investment income	650,651	-	8,739	-
Rental income	81,195	-	-	-
Other	652,754	26,980	110,858	307,453
Total revenues	<u>14,311,768</u>	<u>2,761,202</u>	<u>3,436,614</u>	<u>5,752,106</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	5,289,512	-	-	-
Judicial	2,403,993	-	-	-
Public safety	3,794,981	-	-	-
Public works	94,959	-	-	5,090,818
Health	42,995	-	3,678,434	-
Human services	348,541	2,554,695	-	-
Economic development and assistance	-	-	-	-
Other	762,114	-	-	-
Capital outlay	-	-	-	272,528
Debt service:				
Principal retirement	959	-	-	-
Interest and fiscal charges	3,631	-	-	-
Total expenditures	<u>12,741,685</u>	<u>2,554,695</u>	<u>3,678,434</u>	<u>5,363,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,570,083</u>	<u>206,507</u>	<u>(241,820)</u>	<u>388,760</u>
Other financing sources (uses):				
Sale of assets	4,670	-	-	-
Bond issue	-	-	-	-
Loan issue	-	-	-	-
Note issue	-	-	-	-
Transfers in	4,221	-	-	-
Transfers out	(317,698)	-	-	-
Other financing sources	-	-	-	-
Other financing uses	-	-	-	-
Capital lease transaction	-	-	-	-
Total other financing sources (uses)	<u>(308,807)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,261,276	206,507	(241,820)	388,760
Fund balances at beginning of year (restated).	1,699,068	424,118	2,855,336	1,481,663
Fund balances at end of year.	<u>\$ 2,960,344</u>	<u>\$ 630,625</u>	<u>\$ 2,613,516</u>	<u>\$ 1,870,423</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,056,392	\$ 5,910,831
-	-	7,701,525
-	807,378	3,208,832
-	4,788	308,019
-	23,162	399,563
3,750,719	4,392,254	16,928,983
-	140,647	140,647
-	123,468	782,858
-	113,297	194,492
<u>319,259</u>	<u>326,247</u>	<u>1,743,551</u>
<u>4,069,978</u>	<u>6,987,633</u>	<u>37,319,301</u>
-	786,130	6,075,642
-	212,312	2,616,305
-	400,826	4,195,807
-	288,823	5,474,600
-	188,873	3,910,302
3,850,578	1,497,699	8,251,513
-	1,580,198	1,580,198
-	4,847	766,961
-	4,680,825	4,953,353
-	6,441,357	6,442,316
-	400,898	404,529
<u>3,850,578</u>	<u>16,482,788</u>	<u>44,671,526</u>
<u>219,400</u>	<u>(9,495,155)</u>	<u>(7,352,225)</u>
-	-	4,670
-	85,000	85,000
-	33,843	33,843
-	9,191,518	9,191,518
-	176,244	180,465
-	(175,450)	(493,148)
1,793,552	-	1,793,552
(1,793,552)	-	(1,793,552)
-	126,690	126,690
<u>-</u>	<u>9,437,845</u>	<u>9,129,038</u>
219,400	(57,310)	1,776,813
(189,455)	2,514,776	8,785,506
<u>\$ 29,945</u>	<u>\$ 2,457,466</u>	<u>\$ 10,562,319</u>

CLINTON COUNTY, OHIO

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

Net change in fund balances - total governmental funds \$ 1,776,813

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

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

Capital asset additions	\$ 7,589,310	
Current year depreciation	<u>(1,786,609)</u>	
		5,802,701

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (179,806)

Proceeds of notes, loans and capital leases are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenue as they increase the liabilities on the statement of net assets. (9,352,051)

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

Property and other taxes	(35,782)	
Intergovernmental	1,168,637	
Special assessments	11,844	
Accrued interest	<u>40,204</u>	
		1,184,903

Repayment of bond and principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 6,442,316

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (142,599)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 281,112

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 798,619

Change in net assets of governmental activities. \$ 6,612,008

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 1,578,732	\$ 1,820,809	\$ 1,820,809	\$ -
Sales taxes	6,609,972	7,623,524	7,623,524	-
Charges for services	1,602,914	1,892,240	1,848,700	(43,540)
Licenses and permits.	262,916	303,231	303,231	-
Fines and forfeitures.	115,266	132,940	132,940	-
Intergovernmental	1,038,553	1,197,802	1,197,802	-
Investment income	556,510	641,844	641,844	-
Rental income	70,400	81,195	81,195	-
Other	605,806	693,705	698,698	4,993
Total revenues.	<u>12,441,069</u>	<u>14,387,290</u>	<u>14,348,743</u>	<u>(38,547)</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	5,470,900	5,864,865	5,660,963	203,902
Judicial	2,346,336	2,488,410	2,492,285	(3,875)
Public safety	3,629,150	3,676,725	3,673,017	3,708
Public works	95,275	95,369	93,634	1,735
Health	49,500	47,041	50,830	(3,789)
Human services	562,025	357,486	354,944	2,542
Other	691,169	622,567	657,626	(35,059)
Total expenditures	<u>12,844,355</u>	<u>13,152,463</u>	<u>12,983,299</u>	<u>169,164</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(403,286)</u>	<u>1,234,827</u>	<u>1,365,444</u>	<u>130,617</u>
Other financing sources (uses):				
Sale of assets	4,049	4,670	4,670	-
Transfers out	(1,000)	(317,742)	(317,698)	44
Advances out.	-	(424,993)	(424,993)	-
Total other financing sources (uses).	<u>3,049</u>	<u>(738,065)</u>	<u>(738,021)</u>	<u>44</u>
Net change in fund balance.	(400,237)	496,762	627,423	130,661
Fund balance at beginning of year	555,210	555,210	555,210	-
Prior year encumbrances appropriated	<u>192,470</u>	<u>192,470</u>	<u>192,470</u>	<u>-</u>
Fund balance at end of year	<u>\$ 347,443</u>	<u>\$ 1,244,442</u>	<u>\$ 1,375,103</u>	<u>\$ 130,661</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 CHILDREN SERVICES BOARD
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,106,015	\$ 1,155,554	\$ 1,155,554	\$ -
Charges for services	147,758	154,376	154,376	-
Intergovernmental	1,327,312	1,386,763	1,386,763	-
Other	18,864	19,709	19,709	-
Total revenues.	<u>2,599,949</u>	<u>2,716,402</u>	<u>2,716,402</u>	<u>-</u>
Expenditures:				
Current:				
Human services	<u>2,833,500</u>	<u>2,862,000</u>	<u>2,570,361</u>	<u>291,639</u>
Total expenditures	<u>2,833,500</u>	<u>2,862,000</u>	<u>2,570,361</u>	<u>291,639</u>
Net change in fund balance	(233,551)	(145,598)	146,041	291,639
Fund balance at beginning of year.	<u>380,997</u>	<u>380,997</u>	<u>380,997</u>	<u>-</u>
Fund balance at end of year	<u>\$ 147,446</u>	<u>\$ 235,399</u>	<u>\$ 527,038</u>	<u>\$ 291,639</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF MRDD
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 1,991,498	\$ 1,905,078	\$ 1,905,078	\$ -
Charges for services	406,896	389,239	389,239	-
Intergovernmental	1,042,002	996,785	996,785	-
Investment income	8,757	8,377	8,377	-
Other	172,859	165,358	165,358	-
Total revenues.	<u>3,622,012</u>	<u>3,464,837</u>	<u>3,464,837</u>	<u>-</u>
Expenditures:				
Current:				
Health	<u>4,128,056</u>	<u>4,401,741</u>	<u>3,640,211</u>	<u>761,530</u>
Total expenditures	<u>4,128,056</u>	<u>4,401,741</u>	<u>3,640,211</u>	<u>761,530</u>
Net change in fund balance	(506,044)	(936,904)	(175,374)	761,530
Fund balance at beginning of year.	2,791,613	2,791,613	2,791,613	-
Prior year encumbrances appropriated	<u>88,739</u>	<u>88,739</u>	<u>88,739</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,374,308</u>	<u>\$ 1,943,448</u>	<u>\$ 2,704,978</u>	<u>\$ 761,530</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE AND GAS TAX
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 64,383	\$ 69,627	\$ 69,627	\$ -
Fines and forfeitures.	181,342	196,113	196,113	-
Intergovernmental	4,501,125	4,867,770	4,867,770	-
Other.	275,150	297,564	297,564	-
Total revenues.	<u>5,022,000</u>	<u>5,431,074</u>	<u>5,431,074</u>	<u>-</u>
Expenditures:				
Current:				
Public works	<u>5,420,130</u>	<u>5,715,536</u>	<u>5,229,186</u>	<u>486,350</u>
Total expenditures	<u>5,420,130</u>	<u>5,715,536</u>	<u>5,229,186</u>	<u>486,350</u>
Net change in fund balance	(398,130)	(284,462)	201,888	486,350
Fund balance at beginning of year.	745,292	745,292	745,292	-
Prior year encumbrances appropriated	<u>204,594</u>	<u>204,594</u>	<u>204,594</u>	<u>-</u>
Fund balance at end of year	<u>\$ 551,756</u>	<u>\$ 665,424</u>	<u>\$ 1,151,774</u>	<u>\$ 486,350</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 PUBLIC ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 3,853,614	\$ 3,753,753	\$ 3,753,753	\$ -
Other	<u>323,296</u>	<u>314,918</u>	<u>314,918</u>	-
Total revenues.	<u>4,176,910</u>	<u>4,068,671</u>	<u>4,068,671</u>	-
Expenditures:				
Current:				
Human services	<u>4,195,044</u>	<u>4,432,432</u>	<u>3,801,752</u>	<u>630,680</u>
Total expenditures	<u>4,195,044</u>	<u>4,432,432</u>	<u>3,801,752</u>	<u>630,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,134)</u>	<u>(363,761)</u>	<u>266,919</u>	<u>630,680</u>
Other financing sources (uses):				
Other financing sources	1,828,677	1,781,289	1,781,289	-
Other financing uses	<u>(1,828,677)</u>	<u>(1,781,289)</u>	<u>(1,781,289)</u>	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(18,134)	(363,761)	266,919	630,680
Fund balance at beginning of year.	<u>68,586</u>	<u>68,586</u>	<u>68,586</u>	-
Fund balance at end of year	<u>\$ 50,452</u>	<u>\$ (295,175)</u>	<u>\$ 335,505</u>	<u>\$ 630,680</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

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

	Business-Type Activity - Clinton Memorial Hospital Enterprise Fund	Governmental Activity - Health Insurance Depository Fund
Operating revenues:		
Charges for services	\$ -	\$ 3,349,671
Net patient service revenue	89,567,065	-
Other.	<u>2,559,080</u>	<u>91,340</u>
Total operating revenues	<u>92,126,145</u>	<u>3,441,011</u>
Operating expenses:		
Personal services	50,762,645	37,672
Contract services	9,623,633	-
Materials and supplies	13,013,616	-
Depreciation	6,710,030	-
Rent	994,721	-
Occupancy.	3,171,440	-
Repairs and maintenance	644,495	-
Physician fees	2,427,620	-
Insurance	1,038,728	2,121,800
Claims.	-	741,172
Administrative costs.	-	19,399
Other	<u>2,664,182</u>	<u>35,268</u>
Total operating expenses.	<u>91,051,110</u>	<u>2,955,311</u>
Operating income	<u>1,075,035</u>	<u>485,700</u>
Nonoperating revenues (expenses):		
Interest revenue	-	236
Change in unrealized gains and losses on investments	141,843	-
Net nonoperating losses	<u>(936,621)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(794,778)</u>	<u>236</u>
Income before transfers	280,257	485,936
Transfers in	<u>-</u>	<u>312,683</u>
Changes in net assets.	280,257	798,619
Net assets (deficit) at beginning of year	<u>67,375,191</u>	<u>(1,159,342)</u>
Net assets (deficit) at end of year	<u>\$ 67,655,448</u>	<u>\$ (360,723)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-Type Activity - Clinton Memorial Hospital Enterprise Fund	Governmental Activity - Health Insurance Depository Fund
Cash flows from operating activities:		
Cash received from service charges.	\$ -	\$ 3,359,066
Cash received from patients and third party payors.	86,172,485	-
Cash received from other receipts, net	2,375,710	91,033
Cash payments for personal services	(50,443,401)	(38,780)
Cash payments for goods and services	(30,130,580)	-
Cash payments for insurance.	-	(2,121,800)
Cash payments for claims.	-	(1,199,490)
Cash payments for administrative costs.	-	(18,613)
Cash payments for other expenses.	-	(35,268)
Net cash provided by operating activities.	<u>7,974,214</u>	<u>36,148</u>
Cash flows from noncapital financing activities:		
Cash received from other funds	-	422,454
Transfers received from other funds	-	312,683
Cash payments to other funds.	-	(706,004)
Net cash provided by noncapital financing activities	<u>-</u>	<u>29,133</u>
Cash flows from capital and related financing activities:		
Repayment of long-term debt	(1,310,015)	-
Interest expense and other nonoperating losses	(1,794,383)	-
Acquisition of property and equipment.	(17,315,750)	-
Net cash used in capital and related financing activities	<u>(20,420,148)</u>	<u>-</u>
Cash flows from investing activities:		
Change in investments, net.	8,424,046	-
Notes and other receivables	1,722,374	-
Interest received	857,762	236
Net cash provided by investing activities	<u>11,004,182</u>	<u>236</u>
Net increase in cash and cash equivalents	(1,441,752)	65,517
Cash and cash equivalents at beginning of year	<u>9,815,799</u>	<u>-</u>
Cash and cash equivalents at end of year.	<u>\$ 8,374,047</u>	<u>\$ 65,517</u>
Cash and cash equivalents include the following:		
Cash and cash equivalents	\$ 5,094,934	\$ -
Investments and assets whose use is limited	3,283,176	-
Total cash and cash equivalents	<u>\$ 8,378,110</u>	<u>\$ -</u>

- Continued

CLINTON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 7,373	\$ 2,781,255
Cash in segregated accounts	-	556,542
Receivables:		
Real and other taxes.	-	33,189,893
Accounts	-	5,724
Special assessments.	-	152,341
Due from other governments	-	3,638,394
Prepayments	-	456
Materials and supplies inventory	-	351
	<hr/>	<hr/>
Total assets	7,373	\$ 40,324,956
	<hr/>	<hr/>
Liabilities:		
Accounts payable	243	\$ -
Due to other governments	-	3,369,578
Deposits held and due to others	-	36,955,378
	<hr/>	<hr/>
Total liabilities	243	\$ 40,324,956
	<hr/>	<hr/>
Net assets:		
Held in trust for other purposes	7,373	
	<hr/>	
Total net assets	\$ 7,130	
	<hr/>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

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

	Private Purpose Trust
Additions:	
Interest	\$ 172
Gifts and contributions.	40,000
Total additions.	40,172
Deductions:	
Benefits.	42,671
Changes in net assets	(2,499)
Net assets at the beginning of the year.	9,629
Net assets at the end of the year	\$ 7,130

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

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

NOTE 1 - DESCRIPTION OF THE COUNTY

Clinton County, Ohio (the "County") was created in 1812. The County is governed by a Board of three commissioners elected by the voters of the County. The County Commissioners serve as the taxing authority, the contracting body, and the chief administrators of public services for the County. Other officials elected by the voters of the County that manage various segments of the County's operations are: the county auditor, county treasurer, recorder, clerk of courts, coroner, engineer, prosecuting attorney, sheriff, two common pleas court judges, a probate court judge, and a county municipal court judge.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

The Clinton Memorial Hospital (the "Hospital") enterprise fund's financial information is presented in conformity with generally accepted accounting principles as recommended by the Audit Guide (Health Care Organizations) published by the American Institute of Certified Public Accountant's. The Hospital applies the provisions of all relevant pronouncements, including those issued after November 30, 1989.

The most significant of the County's accounting policies are described below.

A. Reporting Entity

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

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying basic financial statements as:

BLENDED COMPONENT UNITS

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

CLINTON COUNTY, OHIO

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

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

Local Emergency Planning Commission (LEPC) - The LEPC is a legally separate entity from the County. The County Commissioners do not appoint a voting majority of the LEPC's Board. The LEPC is fiscally independent from the County; however, it would be misleading to exclude the LEPC's operations from that of the County since the LEPC provides services entirely for the benefit of the County. The operations of the LEPC are accounted for as a separate special revenue fund.

Clinton County Solid Waste District (District) - The District is a legally separate entity from the County. By state statute, the County Commissioners comprise the District's entire Board. The County is able to impose its will upon the District as the County Commissioners approve and/or modify the District's budget. The District's Board is substantively the same as the County's. The operations of the District are accounted for as a separate special revenue fund.

DISCRETELY PRESENTED COMPONENT UNITS

ORION Rehabilitation Center, Inc. - The ORION Rehabilitation Center, Inc. (the "Workshop") is a legally separate, nonprofit corporation, served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Clinton County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for adults with mental retardation or developmental disabilities in Clinton County. The Clinton County Board of MRDD provides the Workshop staff, salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and the Workshop's sole purpose of providing assistance to mentally retarded or developmentally disabled adults of Clinton County, the Workshop is reflected as a component unit of the County. It is reported separately to emphasize that it is legally separate from the County.

Clinton County Port Authority - The Clinton County Port Authority (the "Authority") was created by the Clinton County Board of Commissioners in September 2004 to enhance economic development in Clinton County. The Authority is created in accordance with Section 4582.22 of the Ohio Revised Code. The purpose of the Authority is to undertake projects that create or preserve jobs and employment opportunities; that improve and sustain the economic welfare of Clinton County and its residents, and that enhance, aid and promote transportation, housing, recreation, education, governmental, operations and culture within the territory served. The Authority is considered a component unit of the County as the County can impose its will on the Authority through the appointment of the members of the Board of Directors. The Authority reported deficit net assets of \$344,391 December 31, 2006, due to start-up expenses which management expects to be eliminated in future years through operating revenue.

RELATED ORGANIZATIONS

County officials are also responsible for appointing the members of the Boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments of the following organizations:

Clinton County Regional Planning Commission - The Board of County Commissioners appoints 11 of the 20 board members.

Clinton County Regional Airport Authority - The Board of County Commissioners appoints all five of the board members.

CLINTON COUNTY, OHIO

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

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent and custodian, but is not accountable as defined in GASB Statement No. 14; therefore, the operations of the following PCUs have been excluded from the County's BFS, but the funds held on behalf of these PCUs in the County Treasury are included in the agency funds.

Clinton County Emergency Management
Clinton County Soil and Water Conservation District
Clinton County Board of Health
Clinton County Regional Planning Commission
Clinton County Law Library

Information in the notes to the BFS is applicable to the primary government. When information is provided relative to component units, they are specifically identified.

JOINT VENTURE WITHOUT EQUITY INTEREST

Warren/Clinton Counties Community Alcoholism, Drug Addiction and Mental Health Services Board (ADAMHS Board) - The County is a member of the Warren/Clinton Counties Community Alcoholism, Drug Addiction and Mental Health Services Board (ADAMHS Board), which is a joint venture between Warren and Clinton Counties. The purpose of the board is to provide aid, support and education for alcohol and drug dependent citizens, as well as those who are mentally handicapped.

The Warren/Clinton Counties ADAMHS Board is governed by a board appointed by the Ohio Director of Alcohol and Drug Addiction Services, the Ohio Director of Mental Health Services, and Clinton and Warren Counties. The main sources of revenue for this Board are grants from the two previously named state departments and a property tax levy in each of the counties. Outside agencies are contracted by the Board to provide services for the Board. Financial records are maintained by the Warren County Auditor and Treasurer. Pursuant to Section 340.016 of the Ohio Revised Code, any withdrawing county would be required to submit a comprehensive plan that provides for the equitable adjustment and division of debts and obligations of the Joint County District to the State Director of Mental Health.

RISK POOL

County Risk Sharing Authority, Inc. (CORSA) - CORSA is jointly governed by 41 counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

CLINTON COUNTY, OHIO

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

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

Each member has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees. This program is more fully described in Note 14.

B. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the County's proprietary funds are charges for services. Operating expenses for the enterprise fund includes personnel, medical and drug supplies, and other expenses related to Hospital operations and operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Fund Accounting

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

CLINTON COUNTY, OHIO

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

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

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

General - This is the primary operating fund of the County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Children Services Board - This fund accounts for revenue received from a countywide tax levy, grants and charges for services to provide for the care of children of the County.

County Board of Mental Retardation and Developmentally Disabled (MRDD) - This fund accounts for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled. Revenue sources include a countywide property tax levy and federal and state grants.

Motor Vehicle and Gas Tax - This fund accounts for monies received by the County for state gasoline tax and vehicle registration fees used for County road and bridge maintenance, construction and improvements.

Public Assistance - This fund accounts for various federal and state grants, as well as transfer from the general fund used to provide public assistance to general relief recipients, pay their providers for medical assistance, and for certain public social services.

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds and (b) for grants and other resources, the use of which is restricted to a particular purpose.

Proprietary Fund - Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following are the County's proprietary fund types:

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The County has presented the following major enterprise fund:

Clinton Memorial Hospital - This fund accounts for the operations of the hospital.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund accounts for self-funded health insurance program for employees of the County and several governmental units within the County.

CLINTON COUNTY, OHIO

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

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

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

Component Units - Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financial statement to be misleading or incomplete. The County considers Orion Rehabilitation Center and the Clinton County Port Authority to be separate discretely presented component units of the County.

D. Measurement Focus

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

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

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

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

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

CLINTON COUNTY, OHIO

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

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On a full accrual basis, revenue from sales taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (See Note 7), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

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

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

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

Expense/Expenditures - On the full accrual basis of accounting, expenses are recognized at the time they are incurred.

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

CLINTON COUNTY, OHIO

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

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

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners.

Budgetary information for the Workshop and certain other funds is not reported because it is not included in the entity for which the "appropriated budget" is adopted and separate budgetary financial records are not maintained.

Tax Budget - A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted. The expressed purpose of the Tax Budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official Certificate of Estimated Resources, which states the projected revenue of each fund.

On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the final amended certificate issued during 2006.

Appropriations - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2006 are included in the final budget amounts in the budget-to-actual comparisons.

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

CLINTON COUNTY, OHIO

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

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

G. Cash and Investments

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

During fiscal year 2006, investments were limited to federal agency securities, U.S. Treasury notes, U.S. Government money market mutual funds, U.S. obligations, and repurchase agreements.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$650,651 which includes \$570,920 assigned from other County funds.

The County has segregated bank accounts for monies held separately from the County's central bank account. These interest-bearing depository accounts are presented on the combined balance sheet as "Cash in Segregated Accounts" since they are not required to be deposited into the County treasury.

For presentation on the basic financial statements, investments of the cash management pool and investments are considered to be cash equivalents.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

H. Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at estimated net realizable amounts. Revenue from the Medicare and Medicaid programs accounted for approximately 51% of the Hospital's net patient service revenue for the year ended December 31, 2006. Payment for the majority of Medicare and Medicaid inpatient services is based on a prospectively determined fixed price, based on the discharge diagnosis per patient case. Certain other Medicare and Medicaid outpatient services are also reimbursed on a prospectively determined fixed price. The Hospital receives reimbursement for other Medicaid and Medicare outpatient services at amounts which approximate the cost of provided the services.

Final determination of amounts earned is subject to review by the fiscal intermediary. Medicare reports have been settled through 2004, while Medicaid reports have been settled through 2002.

The Hospital has also entered into other contractual arrangements that provide a discount from full established rates for patients enrolled in these plans. Determination of amounts due the Hospital or payable to the third-party payor is subject to audit by the responsible payor. Management believes that adequate provisions have been made for any adjustments that may result from final settlement under these programs.

The Hospital estimates an allowance for doubtful accounts based on an evaluation of historical losses, current economic conditions, and factors unique to their operations.

CLINTON COUNTY, OHIO

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

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

I. Inventories of Materials and Supplies

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventories of the Hospital are stated at the lower of cost or market value determined by the first-in, first-out method and is expensed when used.

Inventory consists of expendable supplies held for consumption.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$5,000. The County's infrastructure consists of roads, bridges, and culverts. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Land Improvements	-	15 years
Buildings and Improvements	70 years	40 years
Machinery and Equipment	4 - 20 years	7-10 years
Infrastructure	30 - 50 years	-
Vehicles	8 years	-

The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period.

CLINTON COUNTY, OHIO

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

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

The Hospital had did not have any capitalized interest for the year ended December 31, 2006. Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset.

K. Compensated Absences

Compensated absences of the County consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "Vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

County employees earn vacation at varying rates ranging from two to five weeks per year. Sick leave is accumulated at the rate of three weeks per year. Vacation and sick leave is accumulated on an hours worked basis. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. The County does not accrue a liability for non-vested sick leave or vacation benefits.

The employees of the Hospital earn vacation days at varying rates depending on years of service. Employees also earn sick leave benefits based on varying rates depending on years of service.

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the accounts "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Prepaid Items

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

M. Accrued Liabilities and Long-term Obligations

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

CLINTON COUNTY, OHIO

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

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

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

N. Interfund Transactions

During the normal course of operations, the County has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the County are treated similarly when involving other funds of the County.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. All other outstanding balances outstanding between funds are reported as "due to/from other funds." These amounts are eliminated in the Statement of Net Assets.

Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

O. Fund Balance Reserves

Reserved fund balances indicate that a portion of fund equity is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The County reports amounts representing encumbrances outstanding, prepayments, materials and supplies inventories, and advances as reservations of fund balance in the governmental funds.

P. Charity Care

The Hospital treats patients regardless of their ability to pay. Amounts not collected under indigent care programs are considered to be charity care. Charity care measured at established rates approximated \$5,170,000 in 2006.

Q. Assets Whose Use is Limited

Assets whose use is limited consists of investments that are held by the trustee of Hospital revenue bonds and are to be utilized for construction costs and related capital expenditures.

CLINTON COUNTY, OHIO

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

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

R. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. During 2006, the County did not receive capital contributions.

S. Net Assets

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

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

T. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the County has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the County as previously reported at December 31, 2005.

CLINTON COUNTY, OHIO

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Prior Period Adjustment

During 2006 the County reclassified bond anticipation notes previously reported as fund liabilities as long-term liabilities of the governmental activities. In accordance with FASB Statement No. 6 “Classification of Short-Term Obligations Expected to Be Refinanced”, the bond anticipation notes should be classified as long-term obligations because they have been replaced with bond anticipation notes before the financial statements have been issued. This prior period adjustment, which includes removing related accrued interest payable as a fund liability, did not have an effect on net assets at the beginning of the year, but had the following effect on fund balance at December 31, 2005:

	<u>General</u>	<u>MVGT</u>	<u>Children Services</u>	<u>MRDD</u>	<u>Public Assistance</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance December 31, 2006	\$ 1,001,834	\$ 424,118	\$ 2,855,336	\$ 1,481,663	\$ (189,455)	\$ (1,578,886)	\$ 3,994,610
Prior period adjustment	<u>697,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,093,662</u>	<u>4,790,896</u>
Restated fund balance, December 31, 2005	<u>\$ 1,699,068</u>	<u>\$ 424,118</u>	<u>\$ 2,855,336</u>	<u>\$ 1,481,663</u>	<u>\$ (189,455)</u>	<u>\$ 2,514,776</u>	<u>\$ 8,785,506</u>

C. Deficit Fund Balances

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Dog and Kennel	\$ 59,108
County Recorder Equipment	7,968
Health Insurance Depository Internal Service Fund	360,723

All other funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

D. Compliance

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

CLINTON COUNTY, OHIO

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's Asset Reserve of Ohio Investment Pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

CLINTON COUNTY, OHIO

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the County had \$54,381 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents"

B. Cash in Segregated Accounts

At year-end, the County had \$556,542 in cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of deposits with fiscal institutions below.

C. Deposits with Financial Institutions

At December 31, 2006, the carrying amount of all County deposits was \$16,600,978. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, \$7,265,630 of the County's bank balance of \$15,633,287 was exposed to custodial risk as discussed below, while \$8,367,657 was covered by Federal Deposit Insurance Corporation.

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

CLINTON COUNTY, OHIO

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

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

D. Investments

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

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLMC	\$ 296,244	\$ -	\$ -	\$ 146,531	\$ 149,713	\$ -
FHLB	2,254,456	696,846	422,508	299,906	-	835,196
FFCB	340,820	-	-	193,656	147,164	-
FNMA	300,046	-	300,046	-	-	-
U.S. Treasury Notes	-	-	-	-	-	-
Repurchase Agreement	3,000,519	3,000,519	-	-	-	-
U.S. Obligations	10,073,338	-	3,992,466	-	-	6,080,872
U.S. Government Money	-	-	-	-	-	-
Market Mutual Funds	201,257	201,257	-	-	-	-
	<u>\$ 16,466,680</u>	<u>\$ 3,898,622</u>	<u>\$ 4,715,020</u>	<u>\$ 640,093</u>	<u>\$ 296,877</u>	<u>\$ 6,916,068</u>

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the County's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in a name of the County. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the County's name.

The Hospital may invest in United States obligations or any other obligation guaranteed by the United States; bonds, notes or any other obligations or securities issued by any federal government or instrumentality; time certificate of deposits or savings or deposit accounts, including passbook accounts, in any eligible institutions mentioned in Section 135.32; bonds and other obligations of the State of Ohio or the political subdivisions of the State provided that such political subdivisions are located wholly or partly within the same county; certain no load money market mutual funds; certain commercial papers; and certain repurchase agreements.

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2006:

CLINTON COUNTY, OHIO

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

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	\$ 296,244	1.80
FHLB	2,254,456	13.69
FFCB	340,820	2.07
FNMA	300,046	1.82
Repurchase Agreement	3,000,519	18.22
U.S. Obligations	10,073,338	61.18
U.S. Government Money Market Mutual Funds	<u>201,257</u>	<u>1.22</u>
	<u>\$ 16,466,680</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 16,600,978
Investments	16,466,680
Cash on hand	<u>54,381</u>
 Total	 <u>\$ 33,122,039</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 10,344,163
Business type activities	19,432,706
Fiduciary funds	<u>3,345,170</u>
 Total	 <u>\$ 33,122,039</u>

F. Component Unit

At December 31, 2006, the carrying amount of the component unit's demand deposits, including nonnegotiable certificates of deposit, was \$211,564 and the bank balance, including nonnegotiable certificates of deposit, was \$211,564. Of the bank balance, \$119,730 was insured by the FDIC. The component unit had \$100 of cash on hand at December 31, 2006, which is included in "Equity in Pooled Cash and Cash Equivalents". At December 31, 2006, the component unit had an investment in the amount of \$91,734 in a money market mutual fund. Money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

CLINTON COUNTY, OHIO

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

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2006, consisted of the following, as reported on the fund financial statements:

Transfers to General fund from:		
Nonmajor Governmental Funds	\$	4,221
Transfers to Nonmajor Governmental Funds from:		
General Fund		5,015
Nonmajor Governmental Fund		171,229
Total Transfers to Nonmajor Governmental Funds		176,244
Transfers to Internal Service Fund from:		
General Fund		312,683

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

- B.** Short term interfund loans consisted of the following at December 31, 2006, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 2,539
	Internal service fund	422,454

This interfund balance will be repaid in the next fiscal year as resources become available.

- C.** Long-term advances to and from other funds at December 31, 2006, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 106,269

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

CLINTON COUNTY, OHIO

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

D. Due from/to other funds consisted of the following at December 31, 2006, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Children Services	\$ 2,930
	Nonmajor governmental fund	11,068
Children Services	Nonmajor governmental fund	2,467
Motor Vehicle & Gas Tax	General	9,674
	Public Assistance	215
Public Assistance	Nonmajor governmental fund	12,263

The balances resulted from the time lag between the dates that payments between the funds are made.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied on April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are currently 25% of true value. The assessed value upon which taxes were collected in 2006 was \$931,754,050. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2006, was \$8.9 per \$1,000 of assessed valuation.

Real property taxes for tax year 2006, are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

CLINTON COUNTY, OHIO

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

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectibles) and real and public utility taxes, which were measurable as of the year-end. Since the current levy is intended to finance 2005 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2007 are shown as 2006 revenue; the remainder is shown as "Deferred Revenue".

The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1977, the County Commissioners by resolution imposed a 0.5% tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. In 1988, the County Commissioners added an additional 0.5% tax to the existing tax. On October 1, 2005, the County Commissioners imposed a 0.5% tax to the existing tax for a period of five years. Vendor collections of the tax are paid to the State Treasurer by the 23rd day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within 45 days after the end of the month following collection. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the general fund and special revenue funds. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue to the extent that they are intended to finance fiscal 2006 operations. Sales and use tax revenue for 2006 amounted to \$7,701,525.

CLINTON COUNTY, OHIO

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

NOTE 8 - RECEIVABLES

Receivables at December 31, 2006, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the balance sheet. Receivables have been recorded to the extent that they are measurable at December 31, 2006, as well as intended to finance fiscal 2006 operations.

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

Governmental Activities:

Sales taxes	\$ 1,170,679
Real estate and other taxes	5,716,060
Accounts	133,765
Special assessments	66,117
Accrued interest	142,835
Due from other governments	4,495,532

Business-Type Activities:

Gross accounts receivable	15,145,020
Less: allowance for doubtful accounts	<u>(2,664,000)</u>
Net accounts receivable	<u>12,481,020</u>
Notes and other receivables	1,312,933
Estimated third-party payor settlements	89,268

Receivables have been disaggregated on the face of the balance sheet. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

CLINTON COUNTY, OHIO

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

NOTE 9 - CAPITAL ASSETS

A. Primary Government

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

<u>Governmental Activities:</u>	Balance <u>12/31/05</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/06</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 821,880	\$ -	\$ -	\$ 821,880
Construction in progress	-	4,497,398	-	4,497,398
Total capital assets, not being depreciated	<u>821,880</u>	<u>4,497,398</u>	<u>-</u>	<u>5,319,278</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	201,001	-	-	201,001
Buildings and improvements	20,130,292	66,158	-	20,196,450
Equipment	2,811,497	770,919	(188,006)	3,394,410
Vehicles	2,959,519	339,777	(508,092)	2,791,204
Infrastructure	<u>29,421,236</u>	<u>1,915,058</u>	<u>-</u>	<u>31,336,294</u>
Total capital assets, being depreciated	<u>55,523,545</u>	<u>3,091,912</u>	<u>(696,098)</u>	<u>57,919,359</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(65,117)	(7,721)	-	(72,838)
Buildings and improvements	(4,221,930)	(376,818)	-	(4,598,748)
Equipment	(1,820,331)	(264,490)	176,329	(1,908,492)
Vehicles	(1,840,821)	(305,255)	424,963	(1,721,113)
Infrastructure	<u>(7,320,733)</u>	<u>(832,325)</u>	<u>-</u>	<u>(8,153,058)</u>
Total accumulated depreciation	<u>(15,268,932)</u>	<u>(1,786,609)</u>	<u>601,292</u>	<u>(16,454,249)</u>
Total capital assets, being depreciated net	<u>40,254,613</u>	<u>1,305,303</u>	<u>(94,806)</u>	<u>41,465,110</u>
Governmental activities capital assets, net	<u>\$ 41,076,493</u>	<u>\$ 5,802,701</u>	<u>\$ (94,806)</u>	<u>\$ 46,784,388</u>

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

Governmental activities:	
Legislative and executive	\$ 200,442
Judicial	75,303
Public safety	199,445
Public works	1,136,735
Health	95,088
Human services	53,561
Other	<u>26,035</u>
Total depreciation expense - governmental activities	<u>\$ 1,786,609</u>

CLINTON COUNTY, OHIO

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

NOTE 9 - CAPITAL ASSETS - (Continued)

	Balance		Deductions/	Balance
<u>Business-Type Activities</u>	<u>12/31/05</u>	<u>Additions</u>	<u>Transfers</u>	<u>12/31/06</u>
<i>Capital assets, being depreciated:</i>				
Land and land improvements	\$ 3,003,929	\$ 211,819	\$ (72,991)	\$ 3,142,757
Buildings and improvements	80,178,917	2,172,357	(634,424)	81,716,850
Equipment	38,201,950	14,534,152	(3,177,272)	49,558,830
Construction in progress	<u>3,561,948</u>	<u>15,277,444</u>	<u>(12,002,181)</u>	<u>6,837,211</u>
Total capital assets, being depreciated	<u>124,946,744</u>	<u>32,195,772</u>	<u>(15,886,868)</u>	<u>141,255,648</u>
<i>Less: accumulated depreciation:</i>				
Land and land improvements	(1,057,681)	(128,122)	72,542	(1,113,261)
Buildings and improvements	(19,444,819)	(2,738,981)	318,492	(21,865,308)
Equipment	<u>(24,087,950)</u>	<u>(3,842,927)</u>	<u>3,115,812</u>	<u>(24,815,065)</u>
Total accumulated depreciation	<u>(44,590,450)</u>	<u>(6,710,030)</u>	<u>3,506,846</u>	<u>(47,793,634)</u>
Business-type activities capital assets, net	<u>\$ 80,356,294</u>	<u>\$ 25,485,742</u>	<u>\$ (12,380,022)</u>	<u>\$ 93,462,014</u>

B. Component Unit Capital Assets

A summary of the changes in the component unit capital assets during the fiscal year follows:

	Balance			Balance
<u>Component Unit:</u>	<u>12/31/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/06</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	\$ 12,761	\$ -	\$ -	\$ 12,761
Buildings and improvements	36,993	-	-	36,993
Furniture and equipment	34,293	-	-	34,293
Vehicles	<u>10,940</u>	<u>13,050</u>	<u>-</u>	<u>23,990</u>
Total capital assets being depreciated	<u>94,987</u>	<u>13,050</u>	<u>-</u>	<u>108,037</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(4,961)	(843)	-	(5,804)
Buildings and improvements	(29,501)	(2,380)	-	(31,881)
Furniture and equipment	(25,721)	(1,576)	-	(27,297)
Vehicles	<u>(11,490)</u>	<u>(550)</u>	<u>-</u>	<u>(12,040)</u>
Total accumulated depreciation	<u>(71,673)</u>	<u>(5,349)</u>	<u>-</u>	<u>(77,022)</u>
Total capital assets, being depreciated, net	<u>\$ 23,314</u>	<u>\$ 7,701</u>	<u>\$ -</u>	<u>\$ 31,015</u>

CLINTON COUNTY, OHIO

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

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE

A. Governmental Activities Capital Lease

During a prior year, the County entered into a capitalized lease for the acquisition of a copier. During 2006 the County entered into capitalized lease agreements for additional copiers. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Governmental activities capital assets consisting of equipment have been capitalized in the amount of \$131,918. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in the amount of \$5,039 were made during fiscal year 2006.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2006:

<u>Year Ending December 31,</u>	<u>Amount</u>
2007	\$ 25,524
2008	25,524
2009	25,524
2010	24,252
2011	24,252
2012-2013	<u>36,378</u>
Total	161,454
Less: amount representing interest	<u>(35,461)</u>
Present value of net minimum lease payments	<u><u>\$ 125,993</u></u>

B. Business-Type Activities Capital Lease

Capital assets have been capitalized in the Hospital enterprise fund. The lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13 "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. The present value of the minimum lease payments at the time of acquisition was capitalized at the time of acquisition and a corresponding liability was recorded in the Hospital enterprise fund. The net carrying value of the assets recorded under capital lease was \$1,217,799 at December 31, 2006.

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

CLINTON COUNTY, OHIO

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

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

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2007	\$ 368,929
2008	368,929
2009	<u>62,737</u>
Total	800,595
Less: amount representing interest	<u>(42,434)</u>
Present value of net minimum lease payments	<u>\$ 758,161</u>

NOTE 11 - COMPENSATED ABSENCES

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the statement of net assets. Vacation and sick leave earned by proprietary fund type employees is expensed when earned.

Upon termination of County service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 30 days and all accumulated vacation. At December 31, 2006 vested benefits for vacation leave for governmental fund type employees totaled \$784,146 and vested benefits for sick leave totaled \$345,784. For the proprietary fund type, vested benefits for vacation leave totaled \$2,546 and there were no vested benefits for sick leave. In accordance with GASB Statement No. 16, an additional liability of \$53,380 was accrued to record termination (severance) payments expected to become eligible to retire in the future for the governmental fund type employees.

CLINTON COUNTY, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

The balance of governmental activities long-term obligations was restated at the beginning of the year by \$4,687,518 to properly record certain bond anticipation notes payable (see Note 3.B. for detail). During 2006, the following changes occurred in the County's governmental long-term obligations:

Governmental Activities:	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Restated Balance at 1/1/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/06</u>	<u>Amount Due in One Year</u>
<u>General Obligation Bonds:</u>							
County Building Improvement Bonds - 5.42%	7/14/1993	6/1/2008	\$ 340,000	\$ -	\$ (105,000)	\$ 235,000	\$ 115,000
Bypass/Jail Construction Bond 4.0-5.75%	12/1/1999	12/1/2019	3,880,000	-	(235,000)	3,645,000	245,000
Haines Ditch Project Bonds - 5.25%-6.00%	12/1/2006	12/1/2014	-	85,000	-	85,000	10,000
Total general obligation bonds			<u>4,220,000</u>	<u>85,000</u>	<u>(340,000)</u>	<u>3,965,000</u>	<u>370,000</u>
<u>Bond Anticipation Notes:</u>							
Property Acquisition & Renovation - 3.40%	5/14/2005	5/14/2006	2,580,518	-	(2,580,518)	-	-
Property Acquisition & Renovation - 4.09%	5/12/2006	5/10/2007	-	2,563,518	-	2,563,518	15,890
Annex Addition - 3.42%	5/14/2005	5/14/2006	894,600	-	(894,600)	-	-
Annex Addition - 4.22%	5/11/2006	5/10/2007	-	794,600	-	794,600	104,000
Various County Improvement - 4.15%	6/30/2005	6/30/2006	400,000	-	(400,000)	-	-
Various County Improvement	5/14/2005	5/14/2006	682,400	-	(682,400)	-	-
Various County Improvement - 4.22%	5/11/2006	5/10/2007	-	612,400	-	612,400	71,500
County Fairgrounds - 4.75%	4/14/2005	4/14/2006	130,000	-	(130,000)	-	-
Capital Purchases Improvement - 4.20%	4/13/2006	4/12/2007	-	504,000	-	504,000	-
Martinsville-Midland Sanitary Project - 4.00%	4/27/2006	4/26/2007	-	4,717,000	-	4,717,000	-
Total bond anticipation notes			<u>4,687,518</u>	<u>9,191,518</u>	<u>(4,687,518)</u>	<u>9,191,518</u>	<u>191,390</u>
<u>Special Assessment Bond</u>							
Ditch Construction Bonds - 6.20%	8/1/2001	8/1/2009	42,550	-	(9,698)	32,852	10,299
Total special assessment bond			<u>42,550</u>	<u>-</u>	<u>(9,698)</u>	<u>32,852</u>	<u>10,299</u>
<u>OWDA Loan Payable</u>							
Wastewater Planning	11/15/2001	1/1/2007	1,366,218	33,843	(1,400,061)	-	-
Total OWDA loan payable			<u>1,366,218</u>	<u>33,843</u>	<u>(1,400,061)</u>	<u>-</u>	<u>-</u>
<u>Other Long-Term Obligations:</u>							
Compensated absences			1,081,463	851,661	(747,268)	1,185,856	648,083
Capital lease			4,342	126,690	(5,039)	125,993	16,024
Total other long-term obligations			<u>1,085,805</u>	<u>978,351</u>	<u>(752,307)</u>	<u>1,311,849</u>	<u>664,107</u>
Total general long-term obligations			<u>\$ 11,402,091</u>	<u>\$ 10,288,712</u>	<u>\$ (7,189,584)</u>	<u>\$ 14,501,219</u>	<u>\$ 1,235,796</u>

CLINTON COUNTY, OHIO

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

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

General Obligation Bonds: General obligation bonds are direct obligations of the County for which its full faith and credit are pledged for repayment. Principal and interest payments on the general obligation bonds are made from the debt service funds.

Special Assessment Bond: The special assessment bond is supported by the full faith and credit of the County. The bond was issued to provide resources for the Upper Middle Fork Group ditch construction. The bond is being retired through special assessments levied against benefited property owners.

Bond Anticipation Notes: In accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected to Be Refinanced", the bond anticipation notes were classified as long-term obligations because they have been replaced with bond anticipation notes before the financial statements have been issued (see Note 3.B. for detail).

OWDA Loan: The County entered into a debt financing arrangement through the Ohio Water Development Authority (OWDA) to fund the Wastewater Planning Project. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2006, the loan was paid in full by the County.

Compensated Absences: Vested sick leave and vacation benefits are presented net of actual increases and decreases because of the practicality of determining these values. The benefits will be paid from the fund from which the employee is paid.

The following is a summary of the County's future principal and interest debt service requirements for the general long-term obligations outstanding:

Year Ending	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 370,000	\$ 209,587	\$ 579,587	\$ 10,299	\$ 2,065	\$ 12,364
2008	390,000	191,055	581,055	10,937	1,422	12,359
2009	280,000	174,668	454,668	11,616	730	12,346
2010	260,000	160,778	420,778	-	-	-
2011	250,000	147,503	397,503	-	-	-
2012-2016	1,395,000	528,583	1,923,583	-	-	-
2017-2019	1,020,000	118,647	1,138,647	-	-	-
Total	<u>\$ 3,965,000</u>	<u>\$ 1,530,821</u>	<u>\$ 5,495,821</u>	<u>\$ 32,852</u>	<u>\$ 4,217</u>	<u>\$ 37,069</u>

CLINTON COUNTY, OHIO

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

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

B. Business-Type Activities Long-Term Obligations

During 2006, the following changes occurred in the County's business-type long-term obligations:

Business-Type Activities:	<u>Balance at 12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/06</u>	<u>Amount Due in One Year</u>
Hospital Facilities Revenue Refunding and Improvement Bonds	\$ 45,395,000	\$ -	\$ (960,000)	\$ 44,435,000	\$ 1,575,000
Series 2006A Note Payable	-	2,500,000	-	2,500,000	451,443
Installment Note Payable	599,960	-	-	599,960	-
Capital Lease Obligation	<u>1,108,176</u>	<u>-</u>	<u>(350,015)</u>	<u>758,161</u>	<u>339,395</u>
Total business-type long-term obligations	<u>\$ 47,103,136</u>	<u>\$ 2,500,000</u>	<u>\$ (1,310,015)</u>	<u>\$ 48,293,121</u>	<u>\$ 2,365,838</u>

Hospital Facilities Revenue Refunding and Improvements Bonds: The 2002 Clinton County adjustable rate demand hospital facilities revenue refunding and improvement bonds were used to refund and retire the 1992 and 1998 bonds and to finance the acquisition, construction, equipping, and installation of new hospital facilities. Under the terms of the 2002 revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included in assets whose use is limited. The bonds also place limits on the incurrence of additional borrowings and requires the Hospital satisfy certain measures of financial performance.

Hospital Facilities Revenue Refunding and Improvements Bonds: The 2005 Clinton County adjustable rate demand hospital facilities revenue refunding and improvement bonds were used to finance the acquisition, construction and equipping of Hospital facilities. Under the terms of the 2005 revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included in assets whose use is limited. The bonds also place limits on the incurrence of additional borrowings and requires the Hospital satisfy certain measures of financial performance.

The Hospital uses derivative financial instruments principally to manage the risk of change in interest rates. During 2005, the Hospital entered into a cash flow hedge interest rate swap agreement with Fifth Third Bank. As a result of the swap, the Hospital locked into an interest rate of 4.23% on \$12,200,000 of the Series 2005 adjustable demand hospital facilities revenue improvement bonds. The fair value of the interest rate swap at December 31, 2006 was a liability of \$413,609. This liability has been recorded in accounts payable and accrued expenses with the related loss on this arrangement deferred as a component of unrestricted net assets. This agreement expires on December 31, 2015.

As of December 31, 2006, the Hospital was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Hospital would be exposed to credit risk in the amount of the derivative's fair value.

Series 2006A Note Payable: This note bears and interest rate of 5.015% and matures October 4, 2011.

Installment Note Payable: The installment note pertains to the purchase of certain real estate and is collateralized by a lien on the real estate.

CLINTON COUNTY, OHIO

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

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

The following is a summary of the County's future principal and interest debt service requirements for the business-type activities long-term obligations outstanding:

Year Ending	Bonds and Notes		
	Principal	Interest	Total
2007	\$ 2,026,443	\$ 1,845,915	\$ 3,872,358
2008	2,114,512	1,756,301	3,870,813
2009	2,213,760	1,662,783	3,876,543
2010	2,309,247	1,565,057	3,874,304
2011	3,011,008	1,462,862	4,473,870
2012-2016	10,610,000	5,960,257	16,570,257
2017-2021	13,140,000	3,488,810	16,628,810
2022-2026	9,885,000	1,017,425	10,902,425
2027-2031	2,225,000	-	2,225,000
Total	\$ 47,534,970	\$ 18,759,410	\$ 66,294,380

C. Legal Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1% of the total assessed valuation of the County.

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to 3% of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000 plus 2-1/2% of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$16,911,836 as of December 31, 2006.

CLINTON COUNTY, OHIO

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

NOTE 13 - NOTES PAYABLE

A. Bond Anticipation Notes Payable

During fiscal year 2005, the County issued \$182,000 in bond anticipation notes. Bond proceeds of \$85,000 were reported in the Ditch nonmajor governmental fund during fiscal year 2006 to retire a portion of the bond anticipation notes. The bond anticipation notes were reported as a liability of the capital project fund, the fund which received the proceeds. The following is a summary of the bond anticipation note activity during fiscal year 2006:

	Issue Date	Maturity Date	Balance at 12/31/05	2006 Issues	2006 Principal Retirement	Balance at 12/31/06
<u>CC Haines Ditch Project</u>						
Haines Ditch Project	11/17/05	11/17/06	\$ 182,000	\$ -	\$ (182,000)	\$ -

B. General Obligation Notes Payable

During fiscal year 2006, the County issued general obligation notes in the amount of \$59,000. The proceeds were reported in the general fund and were used to retire previously issued notes of \$60,000. These notes are related to County land purchase. The following is a summary of the general obligation note activity during fiscal 2006:

	Issue Date	Maturity Date	Balance at 12/31/05	2006 Issues	2006 Principal Retirement	Balance at 12/31/06
<u>Land Purchase</u>						
Fairgrounds Land Purchase - 5.49%	11/21/05	11/9/06	\$ 60,000	\$ -	\$ (60,000)	\$ -
Fairgrounds Land Purchase - 5.35%	11/8/07	11/7/07	-	59,000	-	59,000
Total			\$ 60,000	\$ 59,000	\$ (60,000)	\$ 59,000

NOTE 14 - RISK MANAGEMENT

A. General Insurance

The County is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters.

The County is a member of County Risk Sharing Authority, Inc. (CORSAs), which is a shared risk pool of 41 counties in Ohio. CORSAs was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSAs Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSAs. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

CLINTON COUNTY, OHIO

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

NOTE 14 - RISK MANAGEMENT - (Continued)

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any one time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

The County pays the State Workers' Compensation System a premium based on a rate per \$100 of employee compensation. The rate is calculated based on accident history and administrative costs. Settled claims have not exceeded this coverage in any of the past three fiscal years.

B. Health Care, Vision and Dental Insurance

Effective January 1, 2006, the County has elected to provide medical, vision and dental benefits to employees through a fully insured plan. The County pays a portion of the deductibles for employees. The County is insured through United Health Care with an HRA account for medical, United Health Care for dental and VSP for vision.

Prior to January 1, 2006, the County established a Risk Management Fund (an internal service fund) to account for and finance its medical, vision and dental benefits. Claims incurred prior to 2006 were paid out during 2006. Changes in the balances of the self insurance claims liabilities during the past two years are as follows:

	Beginning of Year <u>Liability</u>	Current Year <u>Claims</u>	Claim <u>Payments</u>	Balance at <u>Year End</u>
2006	\$ 458,318	\$ 741,172	\$ (1,199,490)	\$ -
2005	173,381	3,009,688	(2,724,751)	458,318

C. Professional Liability Insurance

The Hospital's professional liability insurance is underwritten through Ohio Hospital Insurance Company, a private insurer. Professional liability coverage is provided up to \$1 million per occurrence with an annual aggregate of \$3 million and excess insurance of \$10 million for professional and general liability risks.

CLINTON COUNTY, OHIO

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 9.0% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The County's contribution rate for pension benefits for 2006 was 9.20%, except for those plan members in law enforcement and public safety. For those classifications, the County's pension contributions were 12.43% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$1,610,871, \$1,541,281, and \$1,465,766, respectively; 67.15% has been contributed for 2006 and 100% has been contributed for 2005 and 2004. The unpaid contribution to fund pension obligations for 2006, in the amount of \$434,013, is recorded as a liability.

The Hospital's contributions, representing 100% of employer contributions were \$5,095,750, \$4,730,647, and \$4,448,100, for fiscal years 2006, 2005, and 2004, respectively.

B. State Teachers Retirement System

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

CLINTON COUNTY, OHIO

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS Ohio funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS Ohio funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

The County's required contribution for pension obligations for the DBP for the years ended June 30, 2006, 2005, and 2004 was \$24,612, \$28,297, and \$19,677, respectively; 100 percent has been contributed for fiscal years 2006, 2005, and 2004. There were no contributions for the DCP and CP for the fiscal year ended June 30, 2006.

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

CLINTON COUNTY, OHIO

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

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4:00%.

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

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The County's actual employer contributions for 2006 which were used to fund postemployment benefits were \$529,118. Hospital contributions made to fund postemployment benefits approximated \$1,071,000 for 2006. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. At December 31, 2005 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

B. State Teachers Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the STRS Ohio based on authority granted by State statute. STRS Ohio is funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended December 31, 2006, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the County, this amount was \$1,758.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282.743 million, and STRS had 119,184 eligible benefit recipients.

CLINTON COUNTY, OHIO

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

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue funds are as follows:

Net Change in Fund Balances

	Governmental Fund Types				
	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Public Assistance</u>
Budget basis	\$ 627,423	\$ 146,041	\$ (175,374)	\$ 201,888	\$ 266,919
Net adjustment for revenue accruals	(36,975)	44,800	(28,223)	321,032	1,307
Net adjustment for expenditure accruals	(11,579)	15,666	(38,223)	(421,019)	(48,826)
Net adjustment for other financing sources/(uses) accruals	429,214	-	-	-	-
Encumbrances (budget basis)	<u>253,193</u>	<u>-</u>	<u>-</u>	<u>286,859</u>	<u>-</u>
GAAP basis	<u>\$ 1,261,276</u>	<u>\$ 206,507</u>	<u>\$ (241,820)</u>	<u>\$ 388,760</u>	<u>\$ 219,400</u>

CLINTON COUNTY, OHIO

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

NOTE 18 - FUTURE MINIMUM RENTAL EXPENSE AND INCOME

Rent expense related to the Hospital amounted to approximately \$582,000 in 2006. The leases expire in 2047.

Future minimum rental expense payments under the noncancelable leases are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2007	\$ 73,921
2008	42,111
2009	12,000
2010	12,000
2011	12,000
Thereafter	<u>430,000</u>
Total	<u>\$ 582,032</u>

NOTE 19 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

Several claims and lawsuits are pending against the County. No liability has been accrued on the balance sheet. In the opinion of the County Prosecutor, the likelihood of a liability for the County cannot reasonably be estimated at this time.

NOTE 20 - CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. This mix of receivables from self-pay patients and third-party payors as of December 31, 2006, was as follows:

	<u>Amount</u>
Medicare	36%
Medicaid	10%
Other third-party payors	39%
Self pay patients	<u>15%</u>
Total	<u>100%</u>

CLINTON COUNTY, OHIO

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

NOTE 20 - CONCENTRATIONS OF CREDIT RISK - (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. The Hospital believes that it is in compliance with all applicable laws and regulations but has had inquiries from the programs related specifically to the billing of laboratory services. In the opinion of management, the ultimate outcome of these matters will not have a material effect on the financial position of the Hospital. However, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future.

NOTE 21 - CONDUIT DEBT OBLIGATIONS

The County has served as the issuer of \$14,298,685 in industrial revenue bonds. The proceeds were used by private corporations and community organizations to fund various endeavors. The industrial revenue bonds do not constitute a general obligation, debt or bonded indebtedness of the County. Neither is the full faith and credit to taxing power of the County pledged to make repayment.

To provide for the financing of certain expenditures at Clinton Memorial Hospital, the Hospital has issued special facility revenue bonds. These consist of \$35,000,000 in 2002 Clinton County, Ohio, Variable Rate Demand Hospital Improvement Revenue Bonds, with final maturity in February, 2012 and \$12,200,000 in 2005 Clinton County, Ohio, Variable Rate Demand Hospital Improvement Revenue Bonds, with final maturity in December, 2015. These bonds do not constitute a debt or pledge of the faith and credit of the County. As of December 31, 2005, \$44,435,000 was outstanding.

NOTE 22 - SIGNIFICANT SUBSEQUENT EVENTS

In April 2007, the County issued the following bond anticipation notes:

- \$540,900 for the purpose of capital purchases. These notes bear an annual interest rate of 4.34%.
- \$4,925,000 for the Martinsville-Midland Sanitary project.
- \$504,000 for the purpose of County fairground improvements. These notes bear an annual interest rate of 4.35%.

In May 2007, the County issued the following bond anticipation notes:

- \$2,547,628 for the purpose of property acquisition and renovation. These notes bear an annual interest rate of 4.31%.
- \$690,600 for the purpose of building improvements. These notes bear an annual interest rate of 4.31%.

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CLINTON COUNTY

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Rehabilitation Services Commission	N/A	84.126	\$1,670
Special Education - Grants to States	6B-SF-2006	84.027	11,931
Special Education - Preschool Grants	PG-S1-2006	84.173	3,986
Total Special Education			<u>15,917</u>
Total U.S. Department of Education			<u>17,587</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Title XX - Social Services Block Grant	N/A	93.667	25,792
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program - Title XIX: Targeted Case Management (TCM)	N/A	93.778	65,244
Waiver Administration Claiming			81,788
Day Habilitation			306,587
Total Title XIX			<u>453,619</u>
<i>Passed Through the Administration for Children and Families</i>			
Voting Access for Individuals with Disabilities	06-SOS-HHHS-14	93.617	8,736
Total U.S. Department of Health and Human Services			<u>488,147</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction: Hales Branch Road Project	N/A	20.205	<u>272,528</u>
Total U.S. Department of Transportation			<u>272,528</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants:			
Community Housing Improvement Program	B-C-04-014-1	14.228	255,300
Small Cities Program Grant (Formula)	B-F-03-014-1		116,760
	B-F-04-014-1		119,000
	B-F-05-014-1		24,534
	B-F-06-014-1		5,000
Total Small Cities Program			<u>265,294</u>
Water & Sanitary Sewer Competitive Grant	B-W-03-014-1		492,500
	B-W-03-014-2		492,500
Total Water & Sanitary Sewer			<u>985,000</u>
Home Investment Partnerships Program	B-C-04-014-2	14.239	<u>71,945</u>
Total U.S. Department of Housing and Urban Development			<u>1,577,539</u>

(Continued)

CLINTON COUNTY

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Department of Public Safety</i>			
State Domestic Preparedness Equipment Support Program	2003-TE-TX-0199	97.004	755
	2003-MUP-30015		2,094
	2004-GE-T4-0025		97
Total State Domestic Preparedness Equipment Support			<u>2,946</u>
Emergency Management Performance Grant	2006-EM-T5-0001	97.042	29,424
State Homeland Security Program	2006-GE-T6-0051	97.073	38,326
	2005-GE-T5-0001		103,281
Total State Homeland Security Program			<u>141,607</u>
Total U.S. Department of Homeland Security			<u>173,977</u>
<u>The General Services Administration on behalf of the Election Assistance Commission</u>			
<i>Passed Through Ohio Secretary of State</i>			
Help America Vote Act of 2002	E06-0035-14	90.401	346,296
	05-SOS-HAVA-14		697
Total General Services Administration			<u>346,993</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
<i>Passed Through the Ohio Department of Jobs and Family Services via Ohio Area 7 Workforce Investment Board</i>			
Workforce Investment Act Cluster:			
WIA - Adult	N/A	17.258	75,023
WIA - Adult Administration			7,067
WIA - Adult Total			<u>82,090</u>
WIA - Youth	N/A	17.259	76,181
WIA - Youth Administration			7,176
WIA - Youth Total			<u>83,357</u>
WIA - Dislocated Workers	N/A	17.260	113,991
WIA - DW, Rapid Response			40,000
WIA - Dislocated Workers Administration			10,737
WIA - Dislocated Workers Total:			<u>164,728</u>
Total Workforce Investment Act Cluster			<u>330,175</u>
Total U.S. Department of Labor			<u>330,175</u>
Total Federal Expenditures			<u><u>\$3,206,946</u></u>

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

CLINTON COUNTY

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

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—SUBRECIPIENTS

The County passes through certain Federal assistance received from the Ohio Department of Mental Health to subrecipients. As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

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

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Mary Taylor, CPA

Auditor of State

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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, business type activities, the component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 7, 2007, wherein we noted the Clinton Memorial Hospital financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Hospital is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated November 7, 2007.

Material Noncompliance

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

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated November 7, 2007.

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



Mary Taylor, CPA
Auditor of State

November 7, 2007



Mary Taylor, CPA

Auditor of State

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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

Compliance

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

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

In our opinion, Clinton County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying schedule of findings as items 2006-003 and 2006-004.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2006-003 and 2006-004 to be a significant deficiency.

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

The County's responses to the finding we identified is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

November 7, 2007

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #17.258, # 17.259, #17.260 – Workforce Investment Act – DW, Rapid Response, Adult and Youth. CFDA # 90.401 – Help America Vote Act. CFDA # 14.228 Community Development Block Grant.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2006-001

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code, Section 321.09, provides in part, that each business day the county treasurer shall make a statement to the county auditor for the preceding day, showing the total amount deposited in the depository, the total amount paid by check on the depository, the total amount paid out in cash, the balance in the depository, and the balance in the county treasury. We identified the following errors and discrepancies in the Treasurer's statement:

- The County Treasurer's statement understated the depository balance related to the self-insurance account by \$48,321 at December 31, 2006.
- The UMR Health Claims account balances at December 31, 2006 was overstated by \$4,894.
- At December 31, 2006, the Treasurer's Statement did not present actual depository balances and the outstanding warrants that were issued by UMR were not presented on the Auditor/Treasurer Balance Sheet.
- A deposit for \$329,056 was carried as a December 31, 2006 reconciling item on the Treasurer's statement. This December 2006 direct deposit was not reflected on the Treasurer's Statement until January 12, 2007.
- The balance of \$4,158 for the tax overpayment account was not included on the Treasurer's statement.

We recommend the Treasurer present all accounts on the monthly statement at depository values. We also recommend that the Treasurer reconcile monthly the Treasurer's cash balances and the depository balances. Additionally, we recommend that the Treasurer report actual balances on the Treasurer's Statement and that the County Auditor establish a sub-fund to post unidentified direct deposits until the origin and correct posting of the direct deposit can be determined. We recommend that the County follow up on unidentified deposits in a timely manner.

Officials' Response:

County Auditor Wanda Armstrong responded as follows:

"This letter is in response to Finding 2006-001 regarding Noncompliance Citation/Significant Deficiency with ORC Section 321.09. On December 6, 2006, per the suggestion of your staff, I created Fund 835 "Unidentified Deposits" and instructed the treasurer on its use. The purpose of this fund is to reconcile our books with that of the Treasurer's Office and the Bank statements on a daily basis. If a deposit was made into one of the County's bank accounts and a department had not "claimed" the deposit within 3 business days, the Treasurer's office is to make a payin into Fund 835. Once the deposit is claimed by a department, both my office and the Treasurer's office would make an adjusting entry to apply the deposit to the correct fund. Therefore, we do have a policy in place to avoid such citations."

Auditor of State's Conclusion:

Although the County Auditor established the "Unidentified Deposits" sub fund in December 2006, we recommend that the County Treasurer post unidentified deposits to that fund and follow the reconciliation procedures set forth in this finding.

FINDING NUMBER 2006-002

Significant Deficiency

The County is responsible for the design and implementation of an internal control process that provides reasonable assurance as to the integrity of its financial reporting, the efficiency and its effectiveness of its operations. The County does not have a written policy relating to the tagging of capital assets for new items or those already in their inventory listings. The County does not have a system to trace the items that are tagged nor does the County have any policies related to accounting for the disposal of capital assets. In addition, the County did not maintain a current listing of vehicles. The commissioners' office maintains all titles to the County's vehicles.

Failure to maintain accurate capital assets listing increases the difficulty in reconstruction of prior records, creates the potential for inaccurate accounting of current and future assets, and may cause improper reporting of capital assets in the financial statements.

We recommend the County develop a process to update their capital asset inventory records continuously throughout the year noting all additions and dispositions of capital assets. The County should make each department aware of how to accurately record any capital assets purchased during the year. The County should track their capital assets by assigning each qualifying item a specific tag number. The County should maintain an up-to-date vehicle listing. This listing should be reconciled to the vehicle's title.

Employees from each department may request an item to be disposed of by calling the maintenance department and verbally making a request. We recommend that a disposition form be required that includes supervisory approval for any capital asset disposals. Recording all disposals helps assure the County that their capital asset records are current and accurate, and that all disposals were of supervisory specific items.

Correctly tagging and disposing of capital assets will provide the County with an accurate capital asset listing and provide a tracking system to help deter loss or misappropriation as well as provide a current record of the capital assets.

Official's Response:

The Clinton County Commissioners responded as follows:

"In response to the recent audit that was performed for Clinton County we offer the following:

Finding 2006-02 - The County currently has prepared a list of county vehicles, the VIN number, etc. and are keeping it current with all vehicles listed in the County Commissioners name. Although we have to rely on departments to give this information to us, we are making every effort to improve the process. We also need to make you aware that the comparison is done by the GAAP report and the titles themselves. In this process after the GAAP report is completed there are changes that happen throughout the year until the next GAAP report is filed. So we are in hopes that this new list will assist in those discrepancies.

As for the capital assets response we currently have a tagging system when offices wish to destroy property that is no longer working or needed. There is a list of those auction items that we need to be reviewed by your office when checking to see what items were destroyed."

Auditor of State's Conclusion:

Although the County has indicated they have prepared a list of vehicles and tag capital assets that are to be destroyed, we believe that an effective capital asset internal control process would include all the recommendations provided in the above finding, such as: a written policy, tagging new and existing capital assets, and a process to account for capital asset additions and deletions throughout the year.

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2006-003

Noncompliance Citation/Significant Deficiency

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

The Clinton County Department of Jobs and Family Services did not provide evidence documenting it adequately monitored its use of federal funds for all the Workforce Investment Act Grant's (WIA) funding streams. The County did not document that any reviews were performed to determine that the reported expenditures were allowed under the grant guidelines. Onsite monitoring was not completed (per written policy) for any contracts the County had with its subrecipient. As a result of the lack of proper monitoring, the County could not ensure its subrecipient was using WIA funds for authorized purposes in compliance with the provisions of the grant.

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

Officials' Response

The Clinton County Commissioners responded as follows:

"In response to the recent audit that was performed for Clinton County we offer the following: The County will make every effort to comply."

FINDING NUMBER 2006-004

Significant Deficiency

OMB Circular A-133_300 requires recipients of Federal Awards to prepare a *Schedule of Expenditures of Federal Awards* and provide it to the auditor. The schedule should show the name of the program, the Catalog of Federal Domestic Assistance number, the Federal Agency, and the amount of federal expenditures by program. For Federal Awards received as a sub-recipient, the name of the pass through entity and the identifying number assigned by the pass-through entity shall be included.

The County relies on the various departments that manage each award to provide expenditure data and grant agreements to the accounting firm which compile the information for the schedule. However, the County's schedule presented for audit did not list all federal expenditures expended by the County. The Schedule of Federal Awards Expenditures did not include the grants received for Rehabilitations Services Grant, Title VI-B Grant, Early Childhood Grant, Targeted Case Management Grant, Waiver Administrative Claiming Grant, and Day Habilitation Grant. An incomplete and inaccurate schedule could result in the loss of federal funds.

**FINDING NUMBER 2006-004
(Continued)**

We recommend the County develop a system to identify federal award expenditures and monitor its agreements for federal programs periodically during the year to ensure that all federal funds are being properly reported on the schedule.

Officials' Response

We received no response from County Officials to this finding.

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CLINTON COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract without prior certification of an expenditure.	No	Partially corrected. Reissued in the letter to management.
2005-002	Ohio Rev. Code Section 321.09, requires the Treasurer to reconcile with the Auditor on a daily basis. Ohio Rev. Code Section 321.15 provides that no money shall be paid from the County treasury except on a County warrant.	No	Partially corrected. Reissued as Finding 2006-001.
2005-003	Ohio Rev. Code Section 5705.10 states that money is to be used only for the purpose for which the fund was established.	Yes	
2005-004	The County did not have procedures in place to monitor the self insurance fund.	Yes	
2005-005	The County did not properly monitor the Workforce Investment Act Grant.	No	Partially corrected. Reissued as Finding 2006-003.



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2007**