

# **Coshocton County**

*Audited Financial Statements*

*December 31, 2006*





Mary Taylor, CPA  
Auditor of State

County Commissioners  
Coshocton County  
349 Main Street  
Coshocton, Ohio 43812

We have reviewed the *Independent Auditor's Report* of Coshocton County, prepared by Rea & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Coshocton County is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 24, 2007

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**COSHOCTON COUNTY**

**DECEMBER 31, 2006**

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**COSHOCTON COUNTY**

**DECEMBER 31, 2006**

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August 24, 2007

Board of County Commissioners  
Coshocton County  
349 Main Street  
Coshocton, OH 43812

### **Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Coshocton County (the "County"), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Coshocton County, as of December 31, 2006, and the respective changes in financial position and the cash flows where applicable and the respective budgetary comparison for the General Fund, Human Services Fund, Motor Vehicle & Gasoline Tax Fund, Hopewell MR/DD Fund and Emergency Ambulance Levy Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 24, 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 grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 15 is not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Coshocton County Commissioners  
Independent Auditor's Report  
August 24, 2007

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Hea & Associates, Inc.*



## COSHOCTON COUNTY, OHIO

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

The management's discussion and analysis of Coshocton 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 \$1,530,792 which represents a 4.68% increase from fiscal year 2005 (as restated – see Note 3.C).
- General revenues accounted for \$12,318,458 or 36.90% of total governmental activities revenue. Program specific revenues accounted for \$21,061,701 or 63.10% of total governmental activities revenue.
- The County had \$31,849,367 in expenses related to governmental activities; \$21,061,701 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12,318,458 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 \$8,812,420 in 2006. The general fund, had expenditures and other financing uses of \$8,248,618 in 2006. The increase in revenues over expenditures contributed to the general fund's fund balance increasing \$563,802 from 2005 to 2006.
- The Human Services fund, a County major fund, had revenues and other financing sources of \$4,576,836 in 2006. The Human Services fund had expenditures of \$5,986,256 in 2006. The Human Services fund balance decreased \$1,409,420 from 2005 to 2006.
- The Motor Vehicle License and Gasoline Tax fund, a County major fund, had revenues and other financing sources of \$5,626,973 in 2006. The Motor Vehicle License and Gasoline Tax fund had expenditures of \$7,141,068 in 2006. The Motor Vehicle License and Gasoline Tax fund balance decreased \$1,514,095 from 2005 to 2006.
- The Hopewell MRDD fund, a County major fund, had revenues of \$5,692,790 in 2006. The Hopewell MRDD fund had expenditures and other financing uses of \$5,014,908 in 2006. The Hopewell MRDD fund balance increased \$677,882 from 2005 to 2006.
- The Emergency Ambulance Levy fund, a County major fund, had revenues of \$663,902 and expenditures of \$1,256,291 in 2006. The Emergency Ambulance Levy fund balance decreased \$592,389 from 2005 to 2006.
- In the general fund, the actual revenues and other financing sources came in \$934,435 higher than they were originally budgeted and actual expenditures and other financing uses were \$193,745 less than the amount in the original budget. The County uses a conservative budgeting process.

#### **Using the Basic Financial Statements**

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.

## COSHOCTON COUNTY, OHIO

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

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, human services, motor vehicle license and gasoline tax, Hopewell MRDD, and emergency ambulance levy 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's Governmental Activities include most of the County's programs and services 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.

#### **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.

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, Human Services Fund, Motor Vehicle License and Gasoline Tax Fund, Hopewell Mental Retardation and Developmentally Disabled (MRDD) Fund and Emergency Ambulance Levy Fund. The analysis of the County's major governmental 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.

## COSHOCTON COUNTY, OHIO

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

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 19-29 of this report.

#### ***Proprietary Funds***

The County maintains proprietary funds. 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. Because this service predominantly benefits governmental 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 30-32 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 statement can be found on page 33 of this report.

#### ***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 34-68 of this report.

## COSHOCTON COUNTY, OHIO

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

#### Government-Wide Financial Analysis

The Statement of Net Assets provides the perspective of the County as a whole. The net assets of the County have been restated as shown in Note 3.C. of the notes to the basic financial statements.

The table below provides a summary of the County's net assets for 2006 and 2005.

	Governmental Activities	
	2006	Restated 2005
<b><u>Assets</u></b>		
Current and other assets	\$ 22,618,020	\$ 22,478,099
Capital assets, net	<u>26,943,661</u>	<u>24,254,274</u>
Total assets	<u>49,561,681</u>	<u>46,732,373</u>
<b><u>Liabilities</u></b>		
Long-term liabilities	5,921,069	6,309,456
Other liabilities	<u>9,392,118</u>	<u>7,705,215</u>
Total liabilities	<u>15,313,187</u>	<u>14,014,671</u>
<b><u>Net Assets</u></b>		
Invested in capital		
Invested in capital assets, net of related debt	21,197,999	18,967,867
Restricted	10,949,368	12,333,866
Unrestricted	<u>2,101,127</u>	<u>1,415,969</u>
Total net assets	<u>\$ 34,248,494</u>	<u>\$ 32,717,702</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 \$34,248,494. 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 year-end, capital assets represented 54.36% of total assets. Capital assets include land, buildings and improvements, machinery and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2006, were \$21,197,999. 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.

A portion of the County's net assets, \$10,949,368 or 31.97% of total net assets, 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 \$2,101,127.

**COSHOCTON COUNTY, OHIO**

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

The table below shows the changes in net assets for fiscal years 2006 and 2005. The net assets at December 31, 2005 and 2004 have been restated as described in Note 3.C to the financial statements.

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,566,716	\$ 3,417,071
Operating grants and contributions	17,362,975	14,078,447
Capital grants and contributions	1,132,010	803,546
General revenues:		
Property taxes	5,686,206	7,191,227
Sales tax	4,171,550	3,197,532
Unrestricted grants	837,540	1,515,851
Investment earnings	781,660	380,140
Miscellaneous	841,502	664,737
Gain on sale of capital assets	-	433,082
Total revenues	<u>33,380,159</u>	<u>31,681,633</u>
<b><u>Expenses</u></b>		
General government	4,694,327	4,010,999
Public safety	4,702,796	4,534,748
Public works	4,802,986	4,904,244
Health	6,337,451	4,741,858
Human services	10,393,596	8,807,166
Conservation and recreation	380,697	389,613
Other	274,880	251,687
Interest and fiscal charges	<u>262,634</u>	<u>246,220</u>
Total expenses	<u>31,849,367</u>	<u>27,886,535</u>
Change in net assets	1,530,792	3,795,098
Net assets at beginning of year (restated)	<u>32,717,702</u>	<u>28,922,604</u>
Net assets at end of year	<u>\$ 34,248,494</u>	<u>\$ 32,717,702</u>

**Governmental Activities**

Governmental activities increased \$1,530,792 or 4.68% during 2006.

Governmental activities charges for services revenue decreased 24.89% from \$3,417,071 in 2005 to \$2,566,716 in 2006. The decrease is due to reporting of certain items previously recorded as "charges for services" in the prior year that are being reported as "operating grants and contributions" in the current year financial statements. Operating grants and contributions indicates the proper classification of these receipts.

# COSHOCTON COUNTY, OHIO

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

The state and federal government contributed to the County revenues of \$18,494,985 in the form of operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$6,822,118, or 36.89% subsidized human services programs. Operating grants and contributions increased 31.37% in 2006 due to an increase in funding and the reclassification of amounts previously reported as "charges for services" in the prior year financial statements.

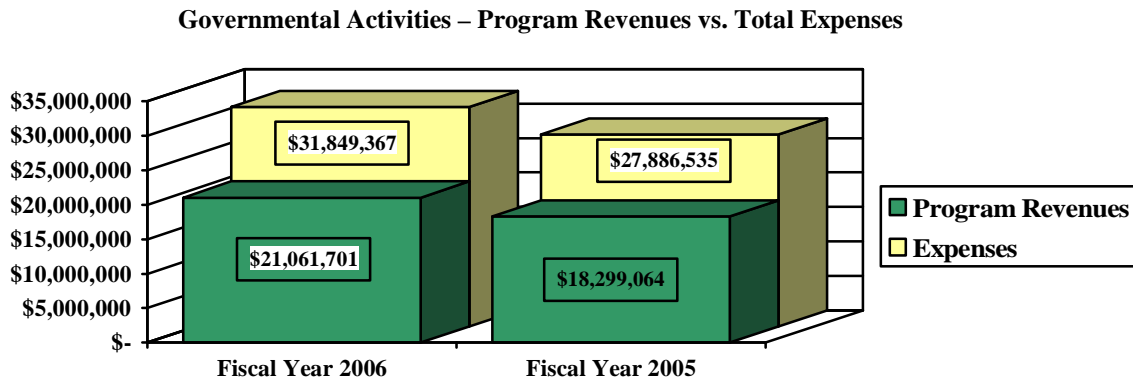
The County received capital grants and contributions of \$1,132,010 during 2006 from the Ohio Department of Transportation and the Ohio Public Works Commission for road, bridge and culvert improvements. These revenues subsidized public works programs.

General revenues totaled \$12,318,458, and amounted to 36.90% of total revenues. These revenues primarily consist of property and sales tax revenue of \$9,857,756, or 80.02% of total general revenues in 2006. Property tax revenue decreased \$1,505,021 from 2005 to 2006. This is a result of less real estate tax revenue collected but undistributed at December 31, 2006 compared to December 31, 2005. The County sales tax revenue increased \$974,018 from 2005 to 2006. 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 \$837,540, or 6.80% of general revenues. Other revenues increased \$176,765 from miscellaneous refunds and reimbursements.

General government expenses include legislative and executive and judicial programs, totaled \$4,694,327 or 14.74% of total governmental expenses. General government expenses were covered by \$1,771,082 of direct charges to users in 2006.

Human services expenses support the operations of Public Assistance and the Children Services Board, and accounts for \$10,393,596 of expenses, or 32.63% of total governmental expenses of the County. These expenses were funded by \$403,410 in charges to users of services and \$6,822,118 in operating grants and contributions in 2006.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The graph below shows the County's total expenses and the portion of those expenses which are offset by specific program revenues:



**COSHOCTON COUNTY, OHIO**

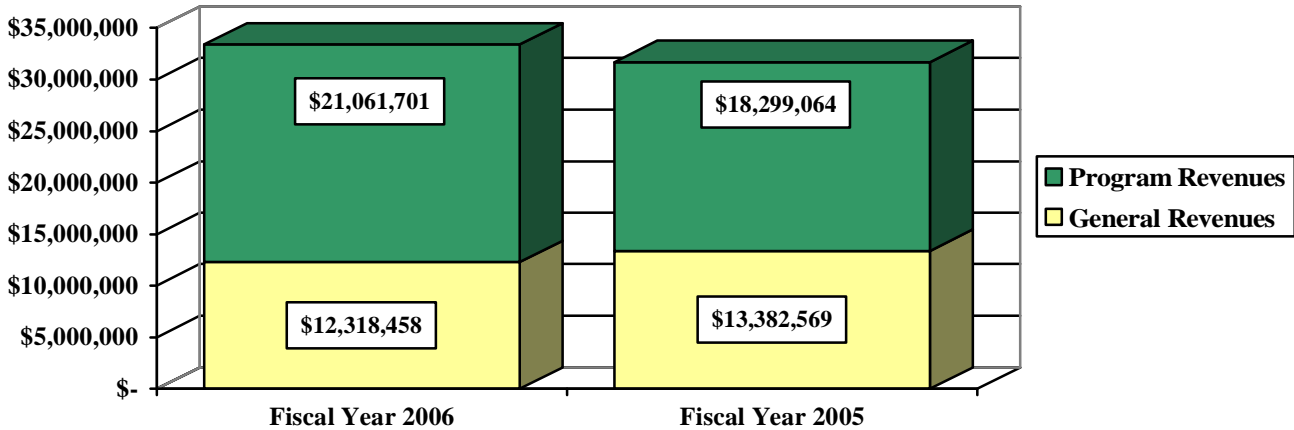
**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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.

	<b>Governmental Activities</b>			
	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	\$ 4,694,327	\$ 2,921,809	\$ 4,010,999	\$ 889,019
Public safety	4,702,796	2,793,613	4,534,748	1,922,055
Public works	4,802,986	(2,365,312)	4,904,244	975,070
Health	6,337,451	3,464,197	4,741,858	1,719,723
Human services	10,393,596	3,168,068	8,807,166	3,194,084
Conservation and recreation	380,697	380,697	389,613	389,613
Other	274,880	274,880	251,687	251,687
Interest and fiscal charges	<u>262,634</u>	<u>149,714</u>	<u>246,220</u>	<u>246,220</u>
<b>Total expenses</b>	<b><u>\$ 31,849,367</u></b>	<b><u>\$ 10,787,666</u></b>	<b><u>\$ 27,886,535</u></b>	<b><u>\$ 9,587,471</u></b>

The dependence upon general revenues for governmental activities is apparent, with 33.87% and 34.38% of expenses supported through taxes and other general revenues during 2006 and 2005, respectively. The graph below shows the total general revenues and program revenues of the County for 2006 and 2005.

**Governmental Activities - General and Program Revenues**



**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.

**COSHOCTON COUNTY, OHIO**

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

**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, an 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 are presented on the balance sheet on pages 19-20. 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. The fund balance of the Hopewell MRDD fund has been restated at December 31, 2005 as described in Note 3.C. to the financial statements.

	Fund Balance	Restated Fund Balance	Increase
	<u>December 31, 2006</u>	<u>December 31, 2005</u>	<u>(Decrease)</u>
Major Funds:			
General	\$ 1,784,786	\$ 1,220,984	\$ 563,802
Human Services	13,325	1,422,745	(1,409,420)
Motor Vehicle License and Gasoline Tax	210,174	1,724,269	(1,514,095)
Hopewell MRDD	3,418,278	2,740,396	677,882
Emergency Ambulance Levy	985,167	1,577,556	(592,389)
Other Nonmajor Governmental Funds	<u>2,889,318</u>	<u>2,937,938</u>	<u>(48,620)</u>
Total	<u>\$ 9,301,048</u>	<u>\$ 11,623,888</u>	<u>\$ (2,322,840)</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 \$1,784,786, a 46.18% increase from 2005. The increase of the general fund balance in 2006 was primarily due to an increase in tax revenue in 2006. The table that follows assists in illustrating the revenues of the general fund.

	<u>2006</u>	<u>2005</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 5,366,905	\$ 4,264,318	25.86 %
Charges for services	1,057,651	1,036,639	2.03 %
Licenses and permits	2,396	2,757	(13.09) %
Fines and forfeitures	75,560	59,962	26.01 %
Intergovernmental	1,145,812	1,070,155	7.07 %
Investment income	639,634	347,667	83.98 %
Other	<u>521,638</u>	<u>373,618</u>	39.62 %
Total	<u>\$ 8,809,596</u>	<u>\$ 7,155,116</u>	23.12 %

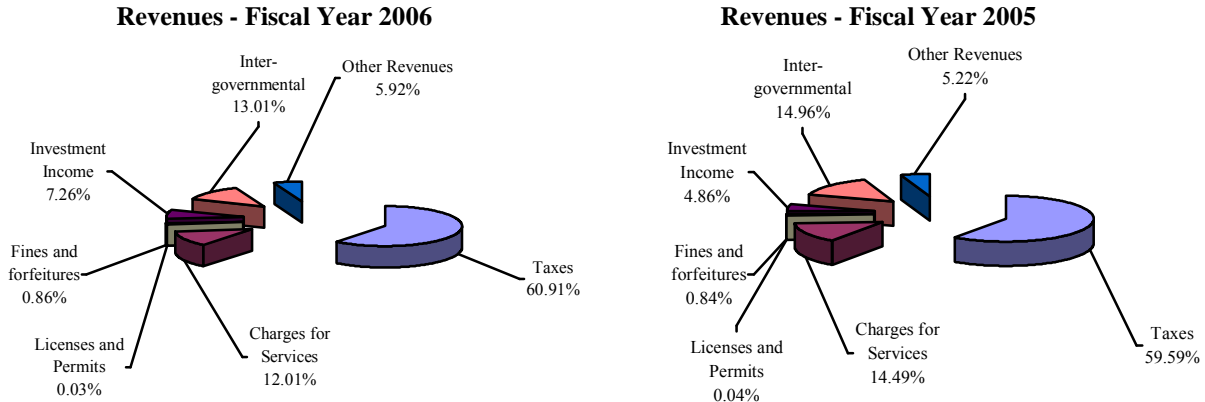
Tax revenue represents 60.91% of all general fund revenue. Tax revenue increased by 25.86% over prior year. The increase in investment income is due to higher interest rates throughout the year. The increase in intergovernmental revenues is due to greater funding from state and federal sources. All other revenue remained comparable to 2005.



**COSHOCTON COUNTY, OHIO**

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

The graphs below show the breakdown of revenues, by source, for 2006 and 2005.



The table that follows assists in illustrating the expenditures of the general fund.

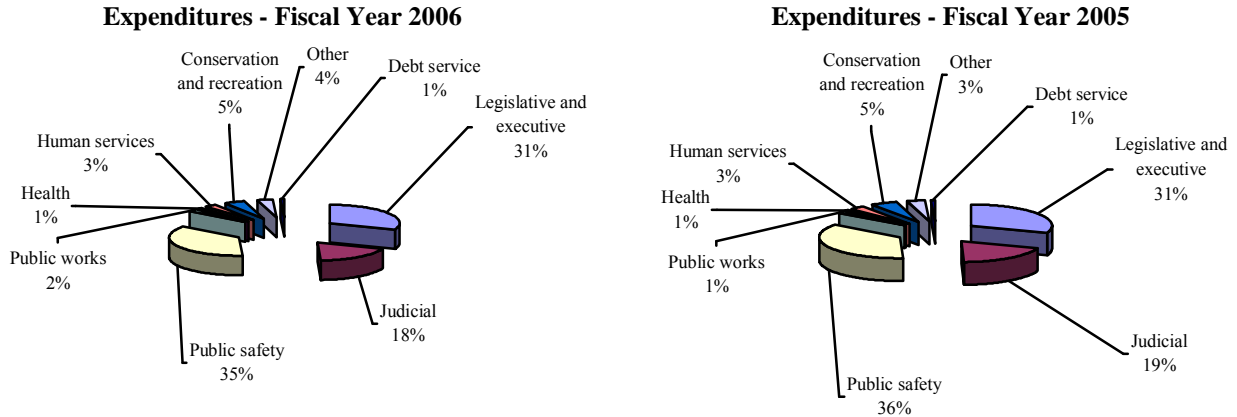
	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government			
Legislative and executive	\$ 2,483,465	\$ 2,238,940	10.92 %
Judicial	1,460,582	1,370,960	6.54 %
Public safety	2,914,002	2,598,866	12.13 %
Public works	156,951	109,140	43.81 %
Health	69,615	59,723	16.56 %
Human services	225,050	222,408	1.19 %
Conservation and recreation	375,013	389,613	(3.75) %
Other	290,972	251,196	15.83 %
Debt service	64,811	64,811	-
<b>Total</b>	<b><u>\$ 8,040,461</u></b>	<b><u>\$ 7,305,657</u></b>	<b>10.06 %</b>

The most significant increase was in the area of public safety, the general fund's largest expenditures. This increase can be attributed to wage and benefit increases as well as an overall increase in operating expenses of departments like the Sheriff, juvenile probation, detention home and jail operations. The other significant increase was in the area of legislative and executive, one of the general fund's largest expenditures. This increase can be attributed to wage and benefit increases as well as overall operating costs of departments that benefit the general operations of the County such as Commissioners, Auditor, Treasurer, Prosecuting Attorney and Recorder. All other expenditures remained comparable to 2005.

# COSHOCTON COUNTY, OHIO

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

The graphs below show the breakdown of expenditures, by function, for 2006 and 2005.



### ***Human Services Fund***

The Human Services fund a County major fund, had revenues and other financing sources of \$4,576,836 in 2006. The Human Services fund had expenditures of \$5,986,256 in 2006. The Human Services fund balance decreased \$1,409,420 from 2005 to 2006.

### ***Motor Vehicle License and Gasoline Tax Fund***

The Motor Vehicle License and Gasoline Tax fund, a County major fund, had revenues and other financing sources of \$5,626,973 in 2006. The Motor Vehicle License and Gasoline Tax fund had expenditures of \$7,141,068 in 2006. The Motor Vehicle License and Gasoline Tax fund balance decreased \$1,514,095 from 2005 to 2006.

### ***Hopewell MRDD Fund***

The Hopewell MRDD fund, a County major fund, had revenues of \$5,692,790 in 2006. The Hopewell MRDD fund had expenditures and other financing uses of \$5,014,908 in 2006. The Hopewell MRDD fund balance increased \$677,882 from 2005 to 2006.

### ***Emergency Ambulance Levy Fund***

The Emergency Ambulance Levy fund, a County major fund, had revenues of \$663,902 and expenditures of \$1,256,291 in 2006. The Emergency Ambulance Levy fund balance decreased \$592,389 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 \$504,469 over original budgeted revenues. Actual revenues and other financing sources of \$8,553,919 were \$429,966 more than final budgeted revenues. Actual expenditures and other financing uses were \$431,262 less than the final budgeted expenditures.

**COSHOCTON COUNTY, OHIO**

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

**Capital Assets and Debt Administration**

*Capital Assets*

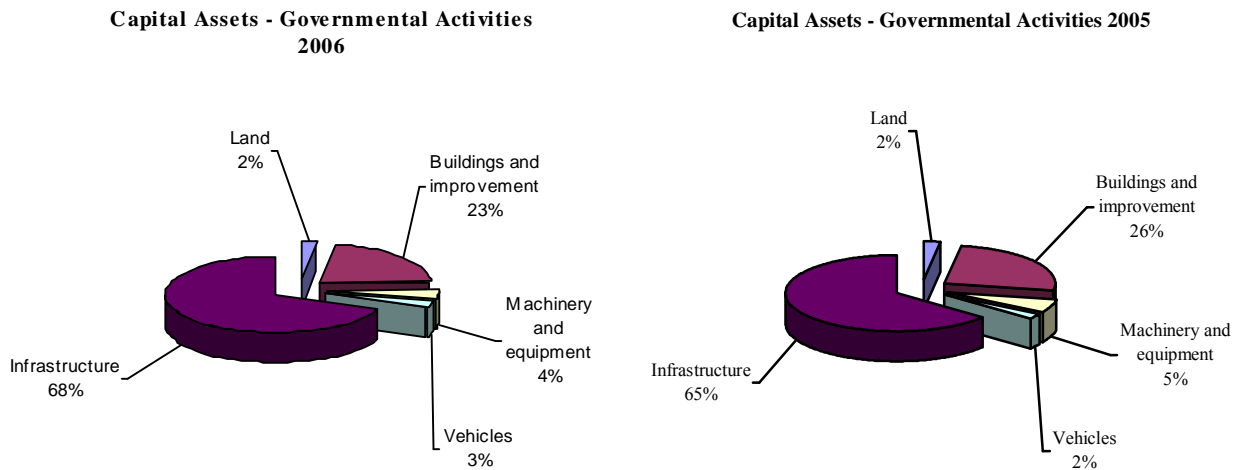
At the end of 2006, the County had \$26,943,661 (net of accumulated depreciation) invested in land, buildings and improvements, machinery and equipment, vehicles and infrastructure. The 2005 capital assets have been restated as described in Note 3.C. to the basic financial statements.

The following table shows fiscal 2006 balances compared to 2005:

	<b>Capital Assets at December 31 (Net of Depreciation)</b>	
	Governmental Activities	Governmental Activities
	<u>2006</u>	Restated <u>2005</u>
Land	\$ 598,087	\$ 598,087
Building and improvements	6,094,549	6,224,135
Machinery and equipment	1,094,588	1,329,021
Vehicles	725,264	561,533
Infrastructure	<u>18,431,173</u>	<u>15,541,498</u>
Total	<u>\$ 26,943,661</u>	<u>\$ 24,254,274</u>

See Note 13 to the basic financial statements for detail on governmental activities capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2006 and 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, 68% of the County's total governmental capital assets.

**COSHOCTON COUNTY, OHIO**

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

**Debt Administration**

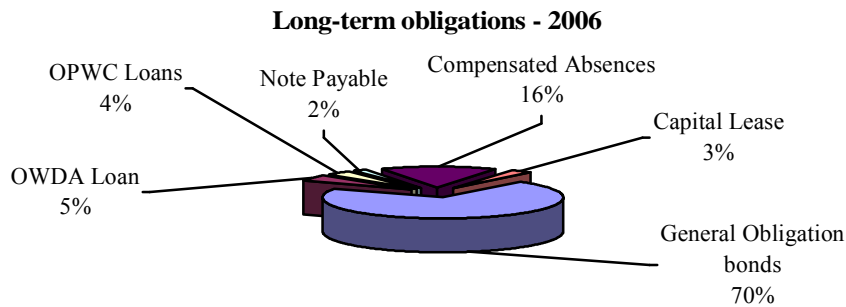
At December 31, 2006, governmental activities had \$4,206,360 in general obligation bonds, an OWDA loan of \$290,062, OPWC loans of \$211,782, a note payable of \$105,000, compensated absences of \$925,407, and a capital lease of \$182,458 outstanding. Of this total, \$936,435 is due within one year and \$4,984,634 is due within greater than one year. The following table summarizes the debt obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
Long-Term Obligations		
General obligation bonds	\$ 4,206,360	\$ 4,536,100
OWDA Loan	290,062	171,476
OPWC Loans	211,782	219,873
Note Payable	105,000	120,000
Compensated Absences	925,407	1,023,047
Capital Leases	<u>182,458</u>	<u>238,960</u>
Total	<u>\$ 5,921,069</u>	<u>\$ 6,309,456</u>

See Note 14 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.



**Economic Factors and Next Year's Budgets and Rates**

The County's current population is 40,543.

The County's unemployment rate is currently 5.0%, compared to the 5.9% 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 \$9,582,544. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

## COSHOCTON COUNTY, OHIO

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

The 2006 General Fund cash balance continues to improve with a \$1,433,993 carryover. With the passage of Resolution 2005-57 to increase the rate of the sales tax, a 34.12 percent increase in collection was reported on December 31, 2006. These funds were collected for the preservation of the public peace, health, safety and welfare of the inhabitants of the County. They provide vital services for the County. The Coshocton Port Authority reported the following economic development projects that commenced or were completed in 2006:

- Coshocton Ethanol LLC began construction on its \$105 million ethanol production facility in Franklin Township with an anticipated completion date in the fall of 2007. The project area is located within a Joint Economic Development District (JEDD). An estimated 175-200 construction workers are expected to be on this work site during the summer of 2007. There will be at least 41 new full-time jobs created when the facility is in production.
- Intrinergy, an alternative fuel provider, began construction of its \$15 million renewable syntheses fuel supply facility in Coshocton early in 2007. Intrinergy will operate a gasification system at the Clow Water Systems Co. to provide is exclusively with energy thus driving Clow's energy costs downward. There are expected to be between five and ten full-time positions created at Intrinergy.
- Kraft Foods, Inc. commenced its \$35 million expansion at its existing Oscar Mayer bacon production plant in Coshocton this year. The Ohio Department of Development provided \$250,000 in grant funds to assist with a public infrastructure needed to facilitate the growth. The investment will retain 416 full-time positions at Kraft.
- Annin & Company completed its 50,000 square foot expansion in 2005 with new job creation realized in 2006. As part of an enterprise zone agreement with the Coshocton County Commissioners, Annin & Company agreed to create 38 new full-time positions. The company, however, actually created 62 new full-time positions increasing its payroll to 222 workers. The company invested approximately \$12.1 million as part of its expansion. Annin is the nation's largest manufacturer of American flags.
- In nine months, more than \$4 million was raised by private donations to renovate Roscoe Village Inn for the future Coshocton Campus. The Central Ohio Technical College is on schedule to open this new Coshocton facility in January 2008. Students attending are from twenty-two Ohio counties and one from out of state. Enrollment is expected to exceed five hundred this year.

#### **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 Sandra Corder, Coshocton County Auditor, at 349 Main Street—Room 101, Coshocton, Ohio 43812, phone (740) 622-1243, or email at [auditor@coshoctoncounty.net](mailto:auditor@coshoctoncounty.net).

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**COSHOCTON COUNTY, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2006

	<b>Component Units</b>		
	<b>Governmental Activities</b>	<b>Regional Airport Authority</b>	<b>Hopewell Industries, Inc.</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 9,784,488	\$ 49,469	\$ 132,311
Cash with fiscal agent . . . . .	1,084,037	-	-
Investments . . . . .	-	-	139,853
Receivables (net of allowances for uncollectibles):			
Sales taxes . . . . .	659,310	-	-
Real and other taxes . . . . .	6,696,892	-	-
Accounts . . . . .	117,442	-	24,608
Accrued interest . . . . .	70,471	-	-
Due from other governments . . . . .	3,879,175	49,376	-
Prepayments . . . . .	75,886	-	488
Materials and supplies inventory . . . . .	250,319	-	5,003
Capital assets:			
Land and construction in progress . . . . .	598,087	383,264	-
Depreciable capital assets, net . . . . .	26,345,574	3,990,665	43,842
Total capital assets . . . . .	<u>26,943,661</u>	<u>4,373,929</u>	<u>43,842</u>
Total assets . . . . .	<u>49,561,681</u>	<u>4,472,774</u>	<u>346,105</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	647,081	-	890
Contracts payable . . . . .	822,066	49,376	-
Accrued wages and benefits . . . . .	218,237	-	4,952
Due to other governments . . . . .	383,832	-	-
Deferred revenue . . . . .	6,342,273	-	-
Accrued interest payable . . . . .	25,974	-	-
Notes payable . . . . .	750,000	60,000	-
Loan payable . . . . .	-	20,588	-
Claims payable . . . . .	202,655	-	9,255
Long-term liabilities:			
Due within one year . . . . .	936,435	-	-
Due in more than one year . . . . .	4,984,634	-	-
Total liabilities . . . . .	<u>15,313,187</u>	<u>129,964</u>	<u>15,097</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	21,197,999	4,293,341	43,842
Restricted for:			
Capital projects . . . . .	320,563	-	-
Debt service . . . . .	326,111	-	-
Public works projects . . . . .	3,479,515	-	-
Human services programs . . . . .	1,737,212	-	-
Health programs . . . . .	3,574,126	-	-
Other purposes . . . . .	1,511,841	-	-
Unrestricted . . . . .	2,101,127	49,469	287,166
Total net assets . . . . .	<u>\$ 34,248,494</u>	<u>\$ 4,342,810</u>	<u>\$ 331,008</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants Grants and Contributions</b>
<b>Governmental Activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 3,096,559	\$ 1,488,990	\$ 1,436	\$ -
Judicial . . . . .	1,597,768	282,092	-	-
Public safety . . . . .	4,702,796	92,747	1,816,436	-
Public works . . . . .	4,802,986	90,711	5,945,577	1,132,010
Health . . . . .	6,337,451	95,846	2,777,408	-
Human services . . . . .	10,393,596	403,410	6,822,118	-
Conservation and recreation . . . . .	380,697	-	-	-
Other . . . . .	274,880	-	-	-
Interest and fiscal charges . . . . .	262,634	112,920	-	-
<b>Total primary government . . . . .</b>	<b>\$ 31,849,367</b>	<b>\$ 2,566,716</b>	<b>\$ 17,362,975</b>	<b>\$ 1,132,010</b>
<b>Component Units:</b>				
Regional Airport Authority . . . . .	\$ 710,166	\$ 419,454	\$ 152,321	\$ 215,713
Hopewell Industries, Inc . . . . .	329,884	223,085	76,522	-
<b>Total component units . . . . .</b>	<b>\$ 1,040,050</b>	<b>\$ 642,539</b>	<b>\$ 228,843</b>	<b>\$ 215,713</b>

**General Revenues:**

Property taxes levied for:

- General purposes . . . . .
- Human services . . . . .
- Public Safety . . . . .
- Debt service . . . . .

Sales taxes levied for:

- General purposes . . . . .
- Grants and entitlements not restricted to specific programs . . . . .
- Unrestricted investment earnings . . . . .
- Miscellaneous . . . . .

Total general revenues . . . . .

Change in net assets . . . . .

**Net assets at beginning of year (restated). . . . .**

**Net assets at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Primary Government</b>	<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Regional Airport Authority</b>	<b>Hopewell Industries, Inc.</b>
\$ (1,606,133)	\$ -	\$ -
(1,315,676)	-	-
(2,793,613)	-	-
2,365,312	-	-
(3,464,197)	-	-
(3,168,068)	-	-
(380,697)	-	-
(274,880)	-	-
(149,714)	-	-
<u>(10,787,666)</u>	<u>-</u>	<u>-</u>
-	77,322	-
-	-	(30,277)
-	<u>77,322</u>	<u>(30,277)</u>
1,259,700	-	-
3,608,174	-	-
542,980	-	-
275,352	-	-
4,171,550	-	-
837,540	-	-
781,660	5,205	15,509
841,502	3,469	2,193
<u>12,318,458</u>	<u>8,674</u>	<u>17,702</u>
1,530,792	85,996	(12,575)
<u>32,717,702</u>	<u>4,256,814</u>	<u>343,583</u>
<u>\$ 34,248,494</u>	<u>\$ 4,342,810</u>	<u>\$ 331,008</u>

**COSHOCTON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006

	<u>General</u>	<u>Human Services</u>	<u>Motor Vehicle License and Gasoline Tax</u>	<u>Hopewell MRDD</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,481,534	\$ 196,042	\$ 1,340,780	\$ 2,494,650
Cash with fiscal agent . . . . .	-	-	-	1,084,037
Receivables (net of allowance for uncollectibles):				
Sales taxes . . . . .	659,310	-	-	-
Real and other taxes . . . . .	1,522,700	-	-	3,100,495
Accounts . . . . .	33,558	-	-	-
Due from other governments . . . . .	522,218	78,271	2,844,231	131,668
Accrued interest . . . . .	70,471	-	-	-
Due from other funds . . . . .	49,044	2,600	-	-
Prepayments . . . . .	75,886	-	-	-
Materials and supplies inventory . . . . .	12,025	-	238,294	-
Total assets . . . . .	<u>\$ 4,426,746</u>	<u>\$ 276,913</u>	<u>\$ 4,423,305</u>	<u>\$ 6,810,850</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 119,393	\$ 94,414	\$ 15,638	\$ 16,858
Contracts payable . . . . .	-	-	822,066	-
Accrued wages and benefits . . . . .	73,982	39,348	18,355	40,832
Due to other governments . . . . .	112,902	39,124	67,646	102,719
Due to other funds . . . . .	2,390	12,431	-	-
Accrued interest payable . . . . .	-	-	8,063	-
Deferred revenue . . . . .	2,333,293	78,271	2,531,363	3,232,163
Notes payable . . . . .	-	-	750,000	-
Total liabilities . . . . .	<u>2,641,960</u>	<u>263,588</u>	<u>4,213,131</u>	<u>3,392,572</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	298,218	541,190	768,085	276,716
Reserved for prepayments . . . . .	75,886	-	-	-
Reserved for materials and supplies inventory . . . . .	12,025	-	238,294	-
Unreserved, undesignated (deficit), reported in:				
General fund . . . . .	1,398,657	-	-	-
Special revenue funds . . . . .	-	(527,865)	(796,205)	3,141,562
Debt service fund . . . . .	-	-	-	-
Capital projects funds . . . . .	-	-	-	-
Total fund balances . . . . .	<u>1,784,786</u>	<u>13,325</u>	<u>210,174</u>	<u>3,418,278</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,426,746</u>	<u>\$ 276,913</u>	<u>\$ 4,423,305</u>	<u>\$ 6,810,850</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Emergency Ambulance Levy</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,246,896	\$ 2,939,455	\$ 9,699,357
-	-	1,084,037
-	-	659,310
839,647	1,234,050	6,696,892
-	83,884	117,442
33,105	269,682	3,879,175
-	-	70,471
-	424	52,068
-	-	75,886
-	-	250,319
<u>\$ 2,119,648</u>	<u>\$ 4,527,495</u>	<u>\$ 22,584,957</u>
\$ 261,729	\$ 139,049	\$ 647,081
-	-	822,066
-	45,453	217,970
-	61,203	383,594
-	37,247	52,068
-	-	8,063
872,752	1,355,225	10,403,067
-	-	750,000
<u>1,134,481</u>	<u>1,638,177</u>	<u>13,283,909</u>
33,947	426,538	2,344,694
-	-	75,886
-	-	250,319
-	-	1,398,657
951,220	1,876,803	4,645,515
-	327,885	327,885
-	258,092	258,092
<u>985,167</u>	<u>2,889,318</u>	<u>9,301,048</u>
<u>\$ 2,119,648</u>	<u>\$ 4,527,495</u>	<u>\$ 22,584,957</u>

**COSHOCTON COUNTY, OHIO**

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

<b>Total governmental fund balances</b>		\$ 9,301,048
<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.		26,943,661
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 354,619	
Sales taxes	316,200	
Intergovernmental revenues	3,333,284	
Interest	<u>56,691</u>	
Total		4,060,794
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:		(118,029)
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(17,911)
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	4,206,360	
OPWC loan	211,782	
OWDA loan	290,062	
Compensated absences	925,407	
Capital lease payable	182,458	
Notes payable	<u>105,000</u>	
Total		<u>(5,921,069)</u>
<b>Net assets of governmental activities</b>		<u>\$ 34,248,494</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**COSHOCTON COUNTY, OHIO**

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

	<u>General</u>	<u>Human Services</u>	<u>Motor Vehicle License and Gasoline Tax</u>	<u>Hopewell MRDD</u>
<b>Revenues:</b>				
Property taxes . . . . .	\$ 1,304,982	\$ -	\$ -	\$ 2,834,659
Sales taxes . . . . .	4,061,923	-	-	-
Charges for services . . . . .	1,057,651	-	-	-
Licenses and permits . . . . .	2,396	-	-	-
Fines and forfeitures . . . . .	75,560	-	43,954	-
Intergovernmental . . . . .	1,145,812	4,304,457	5,393,142	2,811,299
Investment income . . . . .	639,634	-	76,122	-
Rental income . . . . .	112,871	-	-	-
Other . . . . .	408,767	109,222	103,755	46,832
Total revenues . . . . .	<u>8,809,596</u>	<u>4,413,679</u>	<u>5,616,973</u>	<u>5,692,790</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	2,483,465	-	-	-
Judicial . . . . .	1,460,582	-	-	-
Public safety . . . . .	2,914,002	-	-	-
Public works . . . . .	156,951	-	7,029,032	-
Health . . . . .	69,615	-	-	4,789,908
Human services . . . . .	225,050	5,986,256	-	-
Conservation and recreation . . . . .	375,013	-	-	-
Other . . . . .	290,972	-	-	-
Capital outlay . . . . .	-	-	-	-
Debt service:				
Principal retirement . . . . .	56,502	-	53,498	-
Interest and fiscal charges . . . . .	8,309	-	58,538	-
Total expenditures . . . . .	<u>8,040,461</u>	<u>5,986,256</u>	<u>7,141,068</u>	<u>4,789,908</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>769,135</u>	<u>(1,572,577)</u>	<u>(1,524,095)</u>	<u>902,882</u>
<b>Other financing sources (uses):</b>				
Loan issue . . . . .	-	-	10,000	-
Transfers in . . . . .	2,824	163,157	-	-
Transfers out . . . . .	(208,157)	-	-	(225,000)
Total other financing sources (uses) . . . . .	<u>(205,333)</u>	<u>163,157</u>	<u>10,000</u>	<u>(225,000)</u>
Net change in fund balances . . . . .	563,802	(1,409,420)	(1,514,095)	677,882
<b>Fund balances at beginning of year (restated)</b>	<u>1,220,984</u>	<u>1,422,745</u>	<u>1,724,269</u>	<u>2,740,396</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,784,786</u>	<u>\$ 13,325</u>	<u>\$ 210,174</u>	<u>\$ 3,418,278</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Emergency Ambulance Levy</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 561,267	\$ 1,194,472	\$ 5,895,380
-	-	4,061,923
-	1,262,174	2,319,825
-	2,070	4,466
-	10,040	129,554
102,635	4,982,593	18,739,938
-	9,213	724,969
-	-	112,871
-	172,926	841,502
<u>663,902</u>	<u>7,633,488</u>	<u>32,830,428</u>
-	534,757	3,018,222
-	67,185	1,527,767
-	1,957,729	4,871,731
-	482,804	7,668,787
1,256,291	94,545	6,210,359
-	4,247,350	10,458,656
-	-	375,013
-	-	290,972
-	196,291	196,291
-	309,333	419,333
-	177,876	244,723
<u>1,256,291</u>	<u>8,067,870</u>	<u>35,281,854</u>
<u>(592,389)</u>	<u>(434,382)</u>	<u>(2,451,426)</u>
-	118,586	128,586
-	286,004	451,985
-	(18,828)	(451,985)
-	385,762	128,586
(592,389)	(48,620)	(2,322,840)
1,577,556	2,937,938	11,623,888
<u>\$ 985,167</u>	<u>\$ 2,889,318</u>	<u>\$ 9,301,048</u>

**COSHOCTON 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** \$ (2,322,840)

*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	\$	4,855,704	
Current year depreciation		<u>(2,166,317)</u>	
			2,689,387

Proceeds of loans 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. (128,586)

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		(209,174)	
Sales taxes		109,627	
Intergovernmental		592,587	
Accrued interest		<u>56,691</u>	
			549,731

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. 419,333

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (17,911)

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. 97,640

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. 244,038

**Change in net assets of governmental activities.** \$ 1,530,792

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**COSHOCTON 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>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes . . . . .	\$ 4,364,636	\$ 4,653,609	\$ 5,002,497	\$ 348,888
Charges for services . . . . .	909,464	969,677	1,063,577	93,900
Licenses and permits . . . . .	2,335	2,490	2,396	(94)
Fines and forfeitures . . . . .	62,558	66,700	67,643	943
Intergovernmental . . . . .	1,221,117	1,301,964	1,339,365	37,401
Investment income . . . . .	559,673	596,728	619,922	23,194
Rental income . . . . .	112,548	120,000	112,871	(7,129)
Other . . . . .	387,153	412,785	342,824	(69,961)
Total revenues . . . . .	<u>7,619,484</u>	<u>8,123,953</u>	<u>8,551,095</u>	<u>427,142</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	2,452,778	2,690,960	2,638,471	52,489
Judicial . . . . .	1,705,053	1,643,958	1,521,568	122,390
Public safety . . . . .	2,981,381	3,066,765	2,973,362	93,403
Public works . . . . .	231,014	229,489	201,810	27,679
Health . . . . .	88,125	89,385	70,502	18,883
Human services . . . . .	285,914	285,915	268,848	17,067
Conservation and recreation . . . . .	374,913	375,013	375,013	-
Other . . . . .	388,429	378,639	281,776	96,863
Debt service:				
Principal retirement . . . . .	56,502	56,502	56,502	-
Interest and fiscal charges . . . . .	8,309	8,309	8,309	-
Total expenditures . . . . .	<u>8,572,418</u>	<u>8,824,935</u>	<u>8,396,161</u>	<u>428,774</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(952,934)</u>	<u>(700,982)</u>	<u>154,934</u>	<u>855,916</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	2,824	2,824
Transfers out . . . . .	<u>(225,645)</u>	<u>(210,645)</u>	<u>(208,157)</u>	<u>2,488</u>
Total other financing sources (uses) . . . . .	<u>(225,645)</u>	<u>(210,645)</u>	<u>(205,333)</u>	<u>5,312</u>
Net change in fund balance . . . . .	(1,178,579)	(911,627)	(50,399)	861,228
<b>Fund balance at beginning of year . . . . .</b>	701,133	701,133	701,133	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>382,287</u>	<u>382,287</u>	<u>382,287</u>	<u>-</u>
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (95,159)</u>	<u>\$ 171,793</u>	<u>\$ 1,033,021</u>	<u>\$ 861,228</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 4,893,488	\$ 6,145,517	\$ 4,304,457	\$ (1,841,060)
Other . . . . .	79,627	100,000	106,622	6,622
Total revenues. . . . .	<u>4,973,115</u>	<u>6,245,517</u>	<u>4,411,079</u>	<u>(1,834,438)</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	6,393,418	6,831,628	6,326,069	505,559
Total expenditures . . . . .	<u>6,393,418</u>	<u>6,831,628</u>	<u>6,326,069</u>	<u>505,559</u>
Deficiency of revenues under expenditures . . . . .	(1,420,303)	(586,111)	(1,914,990)	(1,328,879)
<b>Other financing sources:</b>				
Operating transfers in. . . . .	121,033	152,000	163,157	11,157
Total other financing sources. . . . .	<u>121,033</u>	<u>152,000</u>	<u>163,157</u>	<u>11,157</u>
Net change in fund balance . . . . .	(1,299,270)	(434,111)	(1,751,833)	(1,317,722)
<b>Fund balance at beginning of year. . . . .</b>	886,561	886,561	886,561	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>417,702</u>	<u>417,702</u>	<u>417,702</u>	<u>-</u>
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ 4,993</u>	<u>\$ 870,152</u>	<u>\$ (447,570)</u>	<u>\$ (1,317,722)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines and forfeitures . . . . .	\$ 43,056	\$ 50,000	\$ 43,326	\$ (6,674)
Intergovernmental . . . . .	3,612,373	4,195,000	4,160,495	(34,505)
Investment income . . . . .	21,528	25,000	68,523	43,523
Other . . . . .	54,106	82,972	103,755	20,783
Total revenues . . . . .	<u>3,731,063</u>	<u>4,352,972</u>	<u>4,376,099</u>	<u>23,127</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	5,310,400	6,247,489	5,900,127	347,362
Debt service:				
Principal retirement . . . . .	53,498	53,498	53,498	-
Interest and fiscal charges . . . . .	50,000	50,475	50,475	-
Total expenditures . . . . .	<u>5,413,898</u>	<u>6,351,462</u>	<u>6,004,100</u>	<u>347,362</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,682,835)</u>	<u>(1,998,490)</u>	<u>(1,628,001)</u>	<u>370,489</u>
<b>Other financing sources:</b>				
Note issuance . . . . .	760,000	760,000	760,000	-
Total other financing sources . . . . .	<u>760,000</u>	<u>760,000</u>	<u>760,000</u>	<u>-</u>
Net change in fund balance . . . . .	(922,835)	(1,238,490)	(868,001)	370,489
<b>Fund balance at beginning of year . . . . .</b>	1,083,620	1,083,620	1,083,620	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>281,280</u>	<u>281,280</u>	<u>281,280</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 442,065</u>	<u>\$ 126,410</u>	<u>\$ 496,899</u>	<u>\$ 370,489</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes . . . . .	\$ 2,582,185	\$ 2,805,909	\$ 2,788,251	\$ (17,658)
Intergovernmental . . . . .	2,254,924	2,450,294	2,825,786	375,492
Other . . . . .	56,504	61,400	46,832	(14,568)
Total revenues. . . . .	<u>4,893,613</u>	<u>5,317,603</u>	<u>5,660,869</u>	<u>343,266</u>
<b>Expenditures:</b>				
Current:				
Health . . . . .	<u>5,101,251</u>	<u>5,438,329</u>	<u>5,039,533</u>	<u>398,796</u>
Total expenditures . . . . .	<u>5,101,251</u>	<u>5,438,329</u>	<u>5,039,533</u>	<u>398,796</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(207,638)</u>	<u>(120,726)</u>	<u>621,336</u>	<u>742,062</u>
<b>Other financing uses:</b>				
Transfers out . . . . .	<u>-</u>	<u>(225,000)</u>	<u>(225,000)</u>	<u>-</u>
Total other financing uses . . . . .	<u>-</u>	<u>(225,000)</u>	<u>(225,000)</u>	<u>-</u>
Net change in fund balance . . . . .	(207,638)	(345,726)	396,336	742,062
<b>Fund balance at beginning of year (restated) . . .</b>	2,451,631	2,451,631	2,451,631	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>392,502</u>	<u>392,502</u>	<u>392,502</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,636,495</u>	<u>\$ 2,498,407</u>	<u>\$ 3,240,469</u>	<u>\$ 742,062</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes . . . . .	\$ 466,620	\$ 466,620	\$ 547,595	\$ 80,975
Intergovernmental . . . . .	93,448	93,448	102,635	9,187
Total revenues. . . . .	<u>560,068</u>	<u>560,068</u>	<u>650,230</u>	<u>90,162</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	<u>2,105,657</u>	<u>2,105,657</u>	<u>1,290,238</u>	<u>815,419</u>
Total expenditures . . . . .	<u>2,105,657</u>	<u>2,105,657</u>	<u>1,290,238</u>	<u>815,419</u>
Net change in fund balance . . . . .	(1,545,589)	(1,545,589)	(640,008)	905,581
<b>Fund balance at beginning of year. . . . .</b>	1,271,899	1,271,899	1,271,899	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>305,657</u>	<u>305,657</u>	<u>305,657</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 31,967</u>	<u>\$ 31,967</u>	<u>\$ 937,548</u>	<u>\$ 905,581</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COSHOCTON COUNTY, OHIO

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
DECEMBER 31, 2006

	<b>Governmental Activity - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents. . . . .	\$ 85,131
Total assets . . . . .	<u>85,131</u>
<b>Liabilities:</b>	
Current liabilities:	
Accrued wages and benefits . . . . .	267
Due to other governments . . . . .	238
Claims payable . . . . .	<u>202,655</u>
Total liabilities . . . . .	<u>203,160</u>
<b>Net assets:</b>	
Unrestricted (deficit) . . . . .	<u>(118,029)</u>
Total net assets (deficit) . . . . .	<u><u>\$ (118,029)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**

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

	<b>Governmental Activity - Internal Service Fund</b>
	<u>                    </u>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 2,280,411
Other . . . . .	<u>80,267</u>
Total operating revenues . . . . .	<u>2,360,678</u>
<b>Operating expenses:</b>	
Personal services . . . . .	16,282
Contract services . . . . .	319,276
Claims. . . . .	1,775,786
Other . . . . .	<u>5,296</u>
Total operating expenses. . . . .	<u>2,116,640</u>
Operating income/changes in net assets . . . . .	<u>244,038</u>
<b>Net assets (deficit) at beginning of year. . . . .</b>	<u>(362,067)</u>
<b>Net assets (deficit) at end of year . . . . .</b>	<u><u>\$ (118,029)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COSHOCTON COUNTY, OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Governmental Activity - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from interfund services . . . . .	\$ 2,280,411
Cash received from other receipts . . . . .	80,267
Cash payments for personal services. . . . .	(16,201)
Cash payments for contractual services . . . . .	(319,276)
Cash payments for claims . . . . .	(1,952,980)
Cash payments for other expenses . . . . .	(5,296)
Net cash provided by operating activities . . . . .	66,925
Net increase in cash and cash equivalents . . . . .	66,925
<b>Cash and cash equivalents at beginning of year . . . . .</b>	18,206
<b>Cash and cash equivalents at end of year. . . . .</b>	<b>\$ 85,131</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income. . . . .	\$ 244,038
Changes in assets and liabilities:	
(Decrease) in accrued wages and benefits . . . . .	(157)
Increase in due to other governments . . . . .	238
Decrease in claims payable . . . . .	(177,194)
Net cash provided by operating activities. . . . .	<b>\$ 66,925</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**COSHOCTON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2006

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 2,694,388
Cash in segregated accounts . . . . .	482,957
Receivables:	
Real and other taxes . . . . .	25,169,931
Due from other governments . . . . .	<u>2,797,555</u>
Total assets . . . . .	<u><u>\$ 31,144,831</u></u>
 <b>Liabilities:</b>	
Due to other governments . . . . .	\$ 27,967,486
Deposits held and due to others . . . . .	<u>3,177,345</u>
Total liabilities . . . . .	<u><u>\$ 31,144,831</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## COSHOCTON COUNTY, OHIO

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

#### NOTE 1 - DESCRIPTION OF THE COUNTY

Coshocton County, Ohio (the "County") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The County was formed by the Ohio State Legislature in 1811. The County is governed by a three-member Board of 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.

The County Auditor serves as fiscal officer for the County and the tax assessor for all political subdivisions within the County. The County Treasurer is required by Ohio law to collect locally assessed taxes. As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County Treasury. Other elected officials include the Prosecutor, Engineer, Recorder, Sheriff, Coroner, Clerk of Courts, and Common Pleas Judges.

#### 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 activities and its proprietary fund 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 proprietary fund, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

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:

##### *DISCRETELY PRESENTED COMPONENT UNITS*

The component unit's column in the combined financial statements identifies the financial data of the County's component units: Coshocton County Regional Airport Authority and the Hopewell Industries, Inc. They are reported separately to emphasize that they are legally separate from the County.

## COSHOCTON COUNTY, OHIO

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

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

Coshocton County Regional Airport Authority (the "Authority") - is a legally separate regional airport authority established pursuant to Section 308.03 of the Ohio Revised Code, for the purpose of acquiring, constructing, operating, and maintaining an airport and airport facility in, and for, Coshocton County. Coshocton County Commissioners appoint a voting majority of the board and the County has a financial benefit/burden relationship with the Authority.

Hopewell Industries, Inc., (the "Workshop") - is a legally separate, not-for-profit corporation, served by a self-supporting board of trustees. The Workshop, under a contractual agreement with the Coshocton County Board of Mental Retardation and Developmental Disabilities (Board of MRDD), provides sheltered employment for mentally retarded or disabled adults in Coshocton County. The Coshocton County Board of MRDD provides the Workshop with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and Workshop's sole purpose of providing assistance to the retarded and disabled adults of Coshocton County, the Workshop is considered a component unit of the County.

Information related to Coshocton County Regional Airport Authority and Hopewell Industries, Inc. is presented in Notes 20 and 21.

#### *EXCLUDED POTENTIAL COMPONENT UNITS*

As counties are structured in Ohio, the County Auditor and County Treasurer, respectively, serve as fiscal officer and custodian of funds for various agencies, boards, and commissions. As fiscal officer, the County Auditor certifies the availability of cash and appropriations prior to the processing of payments and purchases. As the custodian of all public funds, the County Treasurer invests public monies held on deposit in the County Treasury.

In the case of the separate agencies, boards, and commissions listed below the County serves as fiscal agent and custodian, but is not accountable; therefore the operations of the following PCUs have been excluded from the County's basic financial statements, but the funds held on behalf of these PCUs in the County Treasury are included in the agency funds.

Information in the notes to the basic financial statements is applicable to the primary government. When information is provided relative to the component unit, it is specifically identified.

#### *JOINTLY GOVERNED ORGANIZATIONS*

Solid Waste District (the "District") - The County is a member of the Coshocton, Fairfield, Licking, and Perry Solid Waste District, which is a jointly governed organization. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989 as required by the Ohio Revised Code.

The District is governed and operated through three groups. A twelve-member Board of Directors, consisting of three commissioners from each County, is responsible for the District's financial matters. Financial records are maintained by the Licking County Auditor. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. No contributions were made by the County in 2006 and no future contributions by the County are anticipated.

## COSHOCTON COUNTY, OHIO

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

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

A twenty-nine-member policy committee, consisting of seven members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the policy committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

County Risk Sharing Authority, Inc. (CORSA) - CORSA is jointly governed by forty-one 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.

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. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2006 was \$231,200.

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

During 2006, Coshocton County contributed \$450,003 from levy proceeds. Additional revenues are provided by levies from other member counties, and state and federal grants awarded to the multi-county board. Continued existence of the ADAMH is not dependent on the County's participation and no equity interest exists. The ADAMH has no outstanding debt.

Area Office on Aging (the "Council") - The Area Office on Aging is a regional council of governments that assists nine counties, including Coshocton County, in providing services to senior citizens in the Council's service area. The Council is governed by a board of directors consisting of one representative appointed by each participating County. The board has total control over budgeting, personnel, and all other financial matters. The continued existence of the Council is not dependent on the County's continued participation and no equity interest exists. The Council has no outstanding debt.

## COSHOCTON COUNTY, OHIO

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

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

Mid East Ohio Regional Council of Governments (MEORC) - MEORC is a jointly governed organization which serves fourteen counties in Ohio. MEORC provides services to the mentally retarded and developmentally disabled residents in the participating counties. MEORC is made up of the superintendents of each county's Board of Mental Retardation and Developmental Disabilities. Revenues are generated by fees and state grants. Continued existence of MEORC is not dependent on the County's continued participation. The County has no equity interest in, or financial responsibility for the MEORC. MEORC has no outstanding debt. During 2006, Coshocton County did not make any voluntary contributions to MEORC.

Ohio Mideastern Governments Association (OMEGA) - OMEGA is organized as an agency of the local governments by agreement among the membership. OMEGA consists of Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Tuscarawas, and Columbiana Counties and other political subdivisions in the counties.

OMEGA's governing board consists of a total of three members from each county which appoints an executive board consisting of one person from each member county to supervise the administrative functions of OMEGA. The executive board elects officers, appoints an Executive Director and its own fiscal officer. The Board exercises total control, including budgeting, appropriating, contracting, and designating management.

The continued existence of OMEGA is not dependent on the County's continued participation and no equity interest exists. OMEGA has no outstanding debt.

#### *RELATED ORGANIZATIONS*

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

Coshocton City and County Park District (the "District") - The District is a legally separate organization created pursuant to Ohio Revised Code Section 1545.01. The County cannot impose its will on the District and a financial benefit/burden relationship does not exist. State Statute provides that the County Auditor and Treasurer are ex-officio members of the Park District Board of Commissioners and designates the County Auditor as fiscal officer of the commission. Neither do the County Commissioners have the ability to significantly influence operations, designate management, approve budgets, nor does the County have responsibility for funding deficits. The County maintains an agency fund for the District's operation since the County Auditor serves as fiscal agent for the District.

## COSHOCTON COUNTY, OHIO

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

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

##### **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. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. These statements include the financial activities of the primary government except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues 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 a 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.

##### **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.

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

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

***Human Services Fund*** - This fund accounts for various Federal and State grants as well as transfers from the General Fund used to provide public assistance to general relief recipients, medical assistance, and certain public social services.

***Motor Vehicle License and Gasoline Tax Fund*** - This fund accounts for state gasoline tax and motor vehicle registration fees for maintenance and improvement of County roads.

## COSHOCTON COUNTY, OHIO

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

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

Hopewell MRDD Fund - This fund accounts for a county-wide property tax levy, state grants and reimbursements used for care and services for the mentally handicapped and developmentally disabled.

Emergency Ambulance Levy Fund - This fund accounts for a county-wide property tax levy used to operate the County Emergency Ambulance Service.

Other governmental funds of the County are used to account for (a) the accumulation of resources for, and payment of, long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds** - Proprietary funds focus on the determination of changes in net assets, financial position, and cash flows, and are classified as either enterprise or internal service. The County's only proprietary fund is an internal service fund.

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 only internal service fund accounts for a self-insurance program for employee health insurance benefits.

**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 only fiduciary fund is an agency fund which accounts for property taxes, special assessments, and other "pass through" monies to be disbursed to local governments other than 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.

## COSHOCTON COUNTY, OHIO

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

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

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

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.

**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 thirty 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.



## COSHOCTON COUNTY, OHIO

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

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

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.

#### **F. Budgetary Data**

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

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

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

#### **G. Cash and Investments**

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, 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 2006, investments were limited to nonnegotiable certificates of deposit, repurchase agreements, federal agency securities and State Treasury Asset Reserve of Ohio (STAR Ohio).

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

## COSHOCTON COUNTY, OHIO

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

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 \$639,634 which includes \$563,950 assigned from other County funds.

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

The County has monies being held by the Mid East Ohio Regional Council of Governments (MEORC). The funds held by MEORC at fiscal year end are reflected on the financial statements as "Cash with Fiscal Agent".

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

#### **H. Inventories of Materials and Supplies**

On government-wide and fund financial statements, inventories are presented at cost 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.

Inventory consists of expendable supplies held for consumption.

#### **I. Capital Assets**

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

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. During 2006, the County changed the capitalization threshold for general capital assets from \$2,000 to \$5,000 and maintained a threshold of \$100,000 for infrastructure capital assets.

**COSHOCTON COUNTY, OHIO**

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

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

In addition, the County has elected to retroactively report infrastructure that was acquired reconstructed, improved, etc. between 1980 and 2004 (see Note 13). Infrastructure acquired or constructed in 2005 was previously reported. The County's governmental infrastructure assets consist 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.

All reported capital assets are depreciated except for land. 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>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 40 years
Machinery and Equipment	5 - 10 years
Vehicles	3 - 5 years
Infrastructure	15 - 50 years

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments.

**K. 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.

**L. Accrued Liabilities and Long-term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences 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 and long-term loans are recognized as a liability in the fund financial statements when due.

## COSHOCTON COUNTY, OHIO

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

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

##### **M. 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 between funds are reported as "due to/from other funds." These amounts are eliminated on the statement of net assets.

##### **N. Fund Balance Reserves**

The County records reservations for those portions of fund balance which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, prepaid items and materials and supplies inventory.

##### **O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the County, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

##### **P. Net Assets**

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

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

**COSHOCTON COUNTY, OHIO**

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

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

**Q. 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.

**R. Interfund Activity**

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

**S. Extraordinary and Special Items**

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

**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.

**B. Deficit Fund Balances/Net Assets**

Fund balances/net assets at December 31, 2006 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Governmental Fund</u>	
Workforce Development	\$ 70,583
<u>Internal Service Fund</u>	
Self-Insurance Fund	118,029

**COSHOCTON COUNTY, OHIO**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

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

**C. Restatement of Fund Balance/Net Assets**

The County has reported a prior period adjustment to the fund balance of the Hopewell MRDD fund to properly record monies held on behalf of the County by MEORC at December 31, 2005. In addition, net assets of the governmental activities have been restated to retroactively report infrastructure in the capital asset balances (see note 2.I), to report the effect of changing the County’s capitalization threshold from \$2,000 to \$5,000 for general capital assets and to correct for errors and omissions in the amounts reported in the prior year. The prior period adjustments had the following effect on fund balances/net assets as previously reported:

	<u>Governmental Activities</u>	<u>Governmental Fund Hopewell MRDD</u>
Fund balance/net assets, December 31, 2005	\$ 16,497,585	\$ 1,655,434
Retroactive reporting of infrastructure	15,277,315	-
Cash with fiscal agent	1,084,962	1,084,962
Change in capitalization threshold	(180,363)	-
Capital asset adjustments	<u>38,203</u>	<u>-</u>
Restated fund balance/net assets, December 31, 2005	<u>\$ 32,717,702</u>	<u>\$ 2,740,396</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the County into three categories: active deposits, inactive deposits and interim deposits.

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 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.

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.

## COSHOCTON COUNTY, OHIO

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

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim monies are 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 and 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.

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.

## COSHOCTON COUNTY, OHIO

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

#### **NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of, or guaranteed by, the United States and mature, or be redeemable, within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the County's name. During 2006, the County and public depositories complied with the provisions of these statutes.

#### **A. Cash with Fiscal Agent**

At December 31, 2006, the County had \$1,084,037 in monies held by MEORC as fiscal agent. These funds are held outside of the County Treasury and are not included in "Deposits with Financial Institutions" below.

#### **B. Cash in Segregated Accounts**

At December 31, 2006, the County had \$482,957 in cash held in separate depository accounts from the County Treasury. These amounts are included in the "Deposits with Financial Institutions" below.

#### **C. Deposits with Financial Institutions**

At December 31, 2006, the carrying amount of all County deposits was \$5,833,243, exclusive of the \$816,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, \$5,806,862 of the County's bank balance of \$6,627,747 was exposed to custodial risk as discussed below, while \$820,885 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 percent 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.



**COSHOCTON COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 1,745,820	\$ 1,745,820	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	816,000	816,000	-	-	-	-
FHLMC	1,493,650	494,690	-	998,960	-	-
FNMA	1,498,235	-	998,185	-	-	500,050
FHLB	<u>1,574,885</u>	<u>1,092,080</u>	<u>-</u>	<u>-</u>	<u>482,805</u>	<u>-</u>
Total Investments	<u>\$ 7,128,590</u>	<u>\$ 4,148,590</u>	<u>\$ 998,185</u>	<u>\$ 998,960</u>	<u>\$ 482,805</u>	<u>\$ 500,050</u>

The weighted average length to maturity is .53 years.

*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.

*Credit Risk* - STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The County’s investments in federal agency securities carry a rating of AAA by Standard & Poor’s and Aaa by Moody’s.

*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 investments or collateral securities that are in the possession of an outside party. The County investments in repurchase agreements and 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 County has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAR Ohio	\$ 1,745,820	24.49%
Repurchase Agreements	816,000	11.45%
FHLMC	1,493,650	20.95%
FNMA	1,498,235	21.02%
FHLB	<u>1,574,885</u>	<u>22.09%</u>
Total Investments	<u>\$ 7,128,590</u>	<u>100.00%</u>

**COSHOCTON COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. 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	\$ 5,833,243
Investments	<u>7,128,590</u>
Total	<u>\$ 12,961,833</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 9,784,488
Agency funds	<u>3,177,345</u>
Total	<u>\$ 12,961,833</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Interfund Transfers**

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

Transfers to Human Services Fund from:	
General Fund	\$ 163,157
Transfers to Nonmajor Governmental Funds from:	
General Fund	45,000
Transfers to Nonmajor Governmental Funds from:	
Hopewell School Levy Fund	225,000
Transfers to General Fund from:	
Nonmajor Governmental Fund	2,824
Transfers to Nonmajor Governmental Funds from:	
Nonmajor Governmental Funds	16,004

Transfers are used to (1) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (2) move funds per judgment entries from Coshocton County Court of Common Pleas, and (3) pursuant to HB 94 and HB 405 for the Coshocton County MR/DD Board to establish required funds.

Transfers between governmental funds are eliminated for reporting on the statement of activities.

**COSHOCTON COUNTY, OHIO**

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

**NOTE 5 - INTERFUND TRANSACTIONS – (Continued)**

**B. Due To/From Other Funds**

The County had the following amounts due to/from other funds at December 31, 2006:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 49,044	\$ 2,390
Human Services	2,600	12,431
Nonmajor Governmental	<u>424</u>	<u>37,247</u>
Total	<u>\$ 52,068</u>	<u>\$ 52,068</u>

Amounts due to/from other funds represent amounts owed between funds for goods or services provided. The balances resulted from the time lag between the dates that payments between the funds are made. Due to/from other fund balances between governmental funds are eliminated for reporting on the government-wide statement of net assets.

**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 after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35 percent of appraised market value. Public utility property taxes are assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value.

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2004. 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.

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 County due to the phasing out of the tax. In calendar years 2006-2010, the County will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The assessed value upon which the 2006 taxes were collected was \$665,779,165. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2006, was \$12.95 per \$1,000 of assessed valuation.

**COSHOCTON COUNTY, OHIO**

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

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$ 539,443,190
Public Utility Personal Property	86,710,000
Tangible Personal Property	<u>39,625,975</u>
Total	<u>\$ 665,779,165</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31 and the remainder payable 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 taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The first \$10,000 of taxable value is exempt from taxation for each business by state law.

The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business must file a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

"Real estate and other taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of December 31 (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 not intended to finance 2006 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 thirty 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 1971, the County Commissioners, by resolution, imposed a one-half percent tax on all retail sales made in the County. In 1984, the County Commissioners, by resolution, imposed an additional one-half percent tax on all retail sales made in the County. At the end of 2005, the County Commissioners by resolution imposed a one-half percent tax on all retail sales made in the County for specific use in the Justice System to begin January 1, 2006. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of the month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited to the General Fund. Sales tax revenue in 2006 amounted to \$4,061,923 with the entire amount credited to the General Fund.

**COSHOCTON COUNTY, OHIO**

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

**NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the County entered into a lease for the acquisition of an energy management system. This lease obligation met the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases" and has been recorded in the statement of net assets. The asset has been capitalized in governmental capital assets in the amount of \$575,857, the present value of the minimum lease payments at the inception of the lease.

<u>Year</u>	<u>Amount</u>
2007	\$ 64,811
2008	64,810
2009	<u>64,810</u>
Total minimum lease payments	194,431
Less: amount representing interest	<u>(11,973)</u>
Present value of minimum lease payments	<u>\$ 182,458</u>

**NOTE 9 - COMPENSATED ABSENCES**

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County. No vacation time shall be carried over for more than three years. Accumulated, unused sick leave is paid at varying rates depending on length of service to employees who retire.

**NOTE 10 – NOTE PAYABLE**

The County issued a \$750,000 promissory note payable on October 2, 2006. The note bears an interest rate of 4.30% and matures on October 2, 2007. Since the note was not financed on a long-term basis prior to the issuance of the financial statements, it is recorded as a fund liability of the Motor Vehicle License and Gas Tax fund, the fund which received the proceeds. The following is a summary of the note payable activity for 2006:

	<u>Balance</u>		<u>Issued</u>		<u>Retired</u>		<u>Balance</u>
	12/31/05						12/31/06
Engineer Promissory Note	<u>\$ -</u>		<u>\$ 750,000</u>		<u>\$ -</u>		<u>\$ 750,000</u>

**NOTE 11 – CONTINGENT LIABILITIES**

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

The County is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The County's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material, if any, effect on the financial condition of the County.

**COSHOCTON COUNTY, OHIO**

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

**NOTE 12 - RECEIVABLES**

Receivables at December 31, 2006, consisted of taxes, accounts, accrued interest and intergovernmental receivables arising from grants, entitlements and shared revenue. 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 principal items due from other governments:

<u>Fund / Type</u>	<u>Amount</u>
Major Funds:	
General Fund:	
Local Government and	
Local Government Revenue Assistance	\$ 433,321
State Public Defender Reimbursement	6,320
Child Victim Reimbursement	12,286
Municipal Court Fines	7,908
Homestead Rollback	<u>62,383</u>
	<u>522,218</u>
Human Services Fund:	
Grants and Entitlements	<u>78,271</u>
Motor Vehicle License and Gasoline Tax Fund:	
License, Gasoline and Permissive Taxes	2,840,834
ODOT reimbursement	132
Municipal Court Fines	<u>3,265</u>
	<u>2,844,231</u>
Hopewell MRDD Fund:	
Grants and Entitlements	19,783
Homestead Rollback	<u>111,885</u>
	<u>131,668</u>
Emergency Ambulance Levy Fund.	
Homestead Rollback	<u>33,105</u>
Other Governmental Funds:	
Grants and Entitlements	225,529
Homestead Rollback	<u>44,153</u>
	<u>269,682</u>
Total Due from Other Governments	<u>\$ 3,879,175</u>

**COSHOCTON COUNTY, OHIO**

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

**NOTE 13 - CAPITAL ASSETS**

The capital asset balances of the governmental activities have been restated due to the retroactive reporting of infrastructure. Prior to 2006, the County only reported governmental infrastructure to the extent that it was acquired or constructed 2005. The County has elected to “phase in” the retroactive reporting of infrastructure assets. The County has also changed the capitalization threshold from \$2,000 to \$5,000 for general capital assets resulting in adjustments to the balances of capital assets previously reported at December 31, 2005. In addition, certain amounts have been corrected for errors and omission in the amounts previously reported. The retroactive reporting of infrastructure assets, the change in the County’s capitalization threshold, and the correction of errors and omissions in the amounts previously reported had the following effect on governmental activities capital assets as previously reported.

	Balance 12/31/05	Adjustments	Restated Balance 12/31/05
<b><u>Governmental activities:</u></b>			
Land	\$ 621,513	\$ (23,426)	\$ 598,087
Buildings and improvements	13,328,668	(17,363)	13,311,305
Machinery and equipment	4,681,752	(570,828)	4,110,924
Vehicles	2,789,241	(13,684)	2,775,557
Infrastructure	267,000	22,244,846	22,511,846
Less: accumulated depreciation	<u>(12,569,055)</u>	<u>(6,484,390)</u>	<u>(19,053,445)</u>
Total governmental activities capital assets, net	<u>\$ 9,119,119</u>	<u>\$15,135,155</u>	<u>\$ 24,254,274</u>

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

	Restated Balance 12/31/05	Additions	Deductions	Balance 12/31/06
<b><u>Governmental Activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 598,087	\$ -	\$ -	\$ 598,087
Total capital assets, not being depreciated	<u>598,087</u>	<u>-</u>	<u>-</u>	<u>598,087</u>
<i>Capital assets, being depreciated:</i>				
Building improvements	13,311,305	218,969	-	13,530,274
Machinery and equipment	4,110,924	153,430	-	4,264,354
Vehicles	2,775,557	404,570	-	3,180,127
Infrastructure	22,511,846	4,078,735	-	26,590,581
Total capital assets, being depreciated	<u>42,709,632</u>	<u>4,855,704</u>	<u>-</u>	<u>47,565,336</u>
<i>Less: accumulated depreciation:</i>				
Building and improvements	(7,087,170)	(348,555)	-	(7,435,725)
Machinery and equipment	(2,781,903)	(387,863)	-	(3,169,766)
Vehicles	(2,214,024)	(240,839)	-	(2,454,863)
Infrastructure	<u>(6,970,348)</u>	<u>(1,189,060)</u>	<u>-</u>	<u>(8,159,408)</u>
Total accumulated depreciation	<u>(19,053,445)</u>	<u>(2,166,317)</u>	<u>-</u>	<u>(21,219,762)</u>
Total capital assets, being depreciated net	<u>23,656,187</u>	<u>2,689,387</u>	<u>-</u>	<u>26,345,574</u>
Governmental activities capital assets, net	<u>\$ 24,254,274</u>	<u>\$ 2,689,387</u>	<u>\$ -</u>	<u>\$ 26,943,661</u>

**COSHOCTON COUNTY, OHIO**

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

**NOTE 13 - CAPITAL ASSETS – (Continued)**

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

Governmental activities:

Legislative and executive	\$ 173,790
Judicial	48,398
Public safety	262,058
Public works	1,470,094
Health	126,347
Human services	79,946
Conservation and recreation	<u>5,684</u>

Total depreciation expense - governmental activities \$2,166,317

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**COSHOCTON COUNTY, OHIO**

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

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the County's governmental long-term obligations during 2006 consisted of the following:

<b>Governmental Activities:</b>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>								
Human Services Building	1990	12/1/2016	5.9-7.3%	\$ 415,000	\$ -	\$ (40,000)	\$ 375,000	\$ 40,000
Water Lines	1996	12/1/2013	6.40%	135,000	-	(15,000)	120,000	15,000
County Garage Building	1999	12/1/2019	5.875-6.5%	805,000	-	(40,000)	765,000	40,000
Juvenile/Probate Court Phones	2002	12/1/2022	1.6-4.5%	955,000	-	(140,000)	815,000	150,000
N. Corridor/Various Purpose	2004	12/1/2029	4.5-4.99%	2,095,000	-	(55,000)	2,040,000	55,000
Bridge	2005	2/11/2009	3.10%	120,000	-	(28,640)	91,360	29,530
Hopewell Heating/Cooling	1996	5/2/2007	5.25%	11,100	-	(11,100)	-	-
Total general obligation bonds				<u>4,536,100</u>	<u>-</u>	<u>(329,740)</u>	<u>4,206,360</u>	<u>329,530</u>
<u>Notes</u>								
Hopewell Roof Note	2003	3/20/2013	5.50%	120,000	-	(15,000)	105,000	15,000
Total notes				<u>120,000</u>	<u>-</u>	<u>(15,000)</u>	<u>105,000</u>	<u>15,000</u>
<u>Loans:</u>								
OPWC - Bridge Program	2005	12/1/2015	0.00%	91,950	10,000	(5,098)	96,852	10,195
OPWC - N. Corridor Sewer	2001	7/1/2021	0.00%	57,888	-	(3,735)	54,153	3,735
OPWC - Bridge Program	2002	7/1/2021	0.00%	54,600	-	(8,400)	46,200	8,400
OPWC - Sewer Replacement	2004	1/1/2024	0.00%	15,435	-	(858)	14,577	858
OWDA - Fresno Water & Sewer	2004	N/A	N/A	171,476	118,586	-	290,062	-
Total loans				<u>391,349</u>	<u>128,586</u>	<u>(18,091)</u>	<u>501,844</u>	<u>23,188</u>
<u>Other Long-Term Obligations:</u>								
Capital leases				238,960	-	(56,502)	182,458	58,608
Compensated absences				1,023,047	339,616	(437,256)	925,407	510,109
Total other long-term obligations				<u>1,262,007</u>	<u>339,616</u>	<u>(493,758)</u>	<u>1,107,865</u>	<u>568,717</u>
Total general long-term obligations				<u>\$ 6,309,456</u>	<u>\$ 468,202</u>	<u>\$ (856,589)</u>	<u>\$ 5,921,069</u>	<u>\$ 936,435</u>

General Obligation Bonds are direct obligations of the County and will be paid from the debt service funds, the general fund, and the motor vehicle license and gasoline tax fund using property tax revenues and gasoline tax revenues.

The Ohio Public Works Commission (OPWC) loans and the Ohio Water Development Authority (OWDA) loans will be paid from the debt service funds and the motor vehicle license and gasoline tax fund using property tax revenues and gasoline tax revenues.

The Hopewell roof note will be paid from a debt service fund using property tax revenues.

Compensated absences will be paid from the fund from which the employees' salaries are paid, which, for the County, is primarily the general fund, the Human Services fund, the Motor Vehicle License and Gasoline Tax fund and the Hopewell MRDD fund.

**COSHOCTON COUNTY, OHIO**

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

**NOTE 14 - LONG TERM OBLIGATIONS - (Continued)**

The annual requirements to retire governmental activities debt are as follows:

Year	General Obligation Bonds		OPWC Loans	Note Payable		Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2007	\$ 329,530	\$ 211,467	\$ 23,188	\$ 15,000	\$ 4,137	\$ 367,718	\$ 215,604
2008	215,443	199,196	23,188	15,000	3,546	253,631	202,742
2009	226,387	189,442	23,188	15,000	2,955	264,575	192,397
2010	195,000	178,891	23,188	15,000	2,364	233,188	181,255
2011	205,000	168,879	23,188	15,000	1,773	243,188	170,652
2012 - 2016	1,075,000	677,561	73,043	30,000	1,773	1,178,043	679,334
2017 - 2021	935,000	385,488	21,097	-	-	956,097	385,488
2022 - 2026	620,000	181,843	1,702	-	-	621,702	181,843
2027 - 2029	405,000	38,129	-	-	-	405,000	38,129
Total	<u>\$ 4,206,360</u>	<u>\$ 2,230,896</u>	<u>\$ 211,782</u>	<u>\$ 105,000</u>	<u>\$ 16,548</u>	<u>\$ 4,523,142</u>	<u>\$ 2,247,444</u>

The County has entered into a contractual agreement for construction loans from the Ohio Water Development Authority (OWDA). Under the terms of this agreement, OWDA will reimburse, advance, or directly pay the construction costs of the approved projects. OWDA will capitalize administration costs and construction interest and then add them to the total amounts of the final loan. This loan will not have an accurate repayment schedule until the loan is finalized and, therefore, is not included in the schedule of future annual debt service requirements. The balance of the County's OWDA loan is \$290,062 at December 31, 2006.

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 percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to 3 percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

The effects of the debt limitations described above at December 31, 2006, are an overall debt margin of \$10,659,160 and an unvoted debt margin of \$2,172,473.

**NOTE 15 - 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. (CORSA) which is a shared risk pool of forty-one 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 of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include liability, property and crime insurance.

## COSHOCTON COUNTY, OHIO

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

#### NOTE 15 - RISK MANAGEMENT – (Continued)

By contracting with the CORSA for liability, property, and crime insurance, the County has addressed these various types of risk. CORSA, a nonprofit corporation sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property, casualty and crime coverage for its members. CORSA was established May 12, 1987, and has grown to sixty-two members.

The CORSA program has a \$2,500 deductible per claim. Coverage provided by CORSA is as follows:

General Liability	\$ 1,000,000
Employee Benefit Liability	1,000,000
Law Enforcement Professional Liability	1,000,000
Public Official Errors and Omissions Liability	1,000,000
Automobile Liability	1,000,000
Uninsured Motorists Liability	250,000
Ohio Stop Gap (Additional Workers' Compensation Coverage)	1,000,000
Building and Contents - Replacement Cost	98,825,719
Other Property Insurance:	
Extra Expense	1,000,000
Data Processing Equipment	1,449,475
Contractors Equipment	2,506,133
Valuable Papers and Records	1,000,000
Automobile Physical Damage	1,000,000
Flood and Earthquake	100,000,000
Comprehensive Boiler and Machinery	100,000,000
Crime Insurance	1,000,000

With the exception of workers' compensation, health insurance and all elected officials' bonds, all coverage is held with CORSA. Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

#### B. Workers' Compensation

The County participated in the County Commissioners Association of Ohio Workers= Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower workers= compensation rates while establishing safer working conditions and environments for the participants. The workers= compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers= compensation premium to the State based on the rate for the Plan rater than its individual rate. Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

**COSHOCTON COUNTY, OHIO**

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

**NOTE 15 - RISK MANAGEMENT – (Continued)**

**C. Health Care Self-Insurance**

The County has elected to provide employees’ major medical and hospitalization through a self-insured program. The County maintains a Self-Insurance Internal Service Fund to account for, and finance, its uninsured risks of loss in this program. This plan provides a major medical plan with a \$1,000 individual and \$2,000 family deductible and a Preferred Provider Network (PPO) with a \$200 individual and a \$400 family deductible. A third party administrator, Aulta Administrative Services, located in Canton, Ohio, reviews all claims which are then paid by the County. The County purchases stop-loss coverage of \$80,000 per employee per year and an aggregate annual limit of \$1,000,000. The County provides \$813 family coverage, \$325 single coverage per employee per month, which represents the entire premium required. This premium is paid by the fund that pays the salary for the employee and is based on historic cost information.

The claims liability of \$202,655 reported in the fund at December 31, 2006, was estimated by a third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported, claims, be reported. The estimate was not affected by incremental claim adjustment expense and does not include allocated or unallocated claims adjustment expenses.

Changes in the fund’s claims liability amount for 2006 and 2005 were:

		<u>Balance at</u>		<u>Current</u>		<u>Claim</u>		<u>Balance at</u>
		<u>Beginning of Year</u>		<u>Year Claims</u>		<u>Payments</u>		<u>End of Year</u>
2006	\$	379,849	\$	1,972,131	\$	(2,149,325)	\$	202,655
2005		370,273		1,907,557		(1,897,981)		379,849

**NOTE 16 - 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 established 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.

## COSHOCTON COUNTY, OHIO

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

#### **NOTE 16 - PENSION PLANS – (Continued)**

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 contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$1,167,500, \$1,086,502, and \$1,100,086, respectively; 92.22% has been contributed for 2006 and 100% for 2005 and 2004. The unpaid contribution to fund pension obligations for 2006, in the amount of \$90,799, is recorded as a liability.

#### **B. State Teachers Retirement System of Ohio**

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.

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.

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

## COSHOCTON COUNTY, OHIO

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

#### **NOTE 16 - PENSION PLANS – (Continued)**

For the year ended December 31, 2006, plan members were required to contribute 10% of their annual covered salary and the County was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's required contribution for pension obligations for the DBP for the years ended December 31, 2006, 2005, and 2004 was \$68,819, \$66,599, and \$71,546, respectively; 100% has been contributed for fiscal years 2006, 2005 and 2004. There were no contributions for the DCP and CP for the fiscal year ended December 31, 2006.

#### **NOTE 17 - 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.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS' 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 \$540,382. The actual contribution and the actuarially required contribution amounts are the same. OPERS' 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.

## COSHOCTON COUNTY, OHIO

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

#### **NOTE 17 - POSTEMPLOYMENT BENEFITS – (Continued)**

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 of Ohio**

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 \$5,294.

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.

#### **NOTE 18- RELATED PARTY TRANSACTIONS**

Hopewell Industries, Inc., a component unit of Coshocton County, received contributions in the amount of \$81,969 during 2006 from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its programs. The Coshocton County Board of Mental Retardation and Developmental Disabilities expended \$68,262 in the operation of Hopewell Industries, Inc. during 2006.

Coshocton County Airport authority is a component unit of Coshocton County. During 2006, the County Airport Authority received an operating transfer from the County in the amount of \$56,490.

#### **NOTE 19 - BUDGETARY BASIS OF ACCOUNTING**

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

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.

**COSHOCTON COUNTY, OHIO**

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

**NOTE 19 - BUDGETARY BASIS OF ACCOUNTING**

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses 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**

	<u>General</u>	<u>Human Services</u>	<u>Motor Vehicle License and Gasoline Tax</u>	<u>Hopewell MRDD</u>	<u>Emergency Ambulance Levy</u>
Budget Basis	\$ (50,399)	\$ (1,751,833)	\$ (868,001)	\$ 396,336	\$ (640,008)
Net adjustments for revenues	258,501	2,600	1,240,874	31,921	13,672
Net adjustments for expenditures	(45,288)	(303,799)	(1,920,691)	(42,185)	(261,729)
Net adjustments for other financing financing sources/uses	-	-	(750,000)	-	-
Encumbrances	<u>400,988</u>	<u>643,612</u>	<u>783,723</u>	<u>291,810</u>	<u>295,676</u>
GAAP Basis	<u>\$ 563,802</u>	<u>\$ (1,409,420)</u>	<u>\$ (1,514,095)</u>	<u>\$ 677,882</u>	<u>\$ (592,389)</u>

**NOTE 20 – COSHOCTON COUNTY REGIONAL AIRPORT AUTHORITY – COMPONENT UNIT**

**A. Reporting Entity**

The Coshocton County Regional Airport Authority, Coshocton County, (the Airport) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a seven member Board, with a majority of the Board appointed by the Coshocton County Commissioners. The Board has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its' corporate name; the power to establish and collect rates, rentals, and other charges; the authority to acquire, construct, operate, manage and maintain airport facilities; the authority to buy and sell real and personal property; and the authority to issue debt for acquiring or constructing any facility or permanent improvement. Since the Airport imposes a financial burden on the County, the Airport is reflected as a component unit of Coshocton County. The Airport has a December 31 year end.



**COSHOCTON COUNTY, OHIO**

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

**NOTE 20 – COSHOCTON COUNTY REGIONAL AIRPORT AUTHORITY – COMPONENT UNIT –  
(Continued)**

**B. Summary of Significant Accounting Policies**

The Airport reports its operations as a single enterprise fund. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

1. *Measurement Focus and Basis of Accounting*

The Airport's fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The Airport used the full accrual basis of accounting in which revenue is recognized when earned and expenses when incurred.

2. *Cash*

To improve cash management, cash received by the Airport is pooled in a central bank account. The Airport has no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code.

3. *Capital Assets*

Capital assets at the Airport are capitalized. All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year.

Donated capital assets are recorded at their fair market values as of the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fund capital assets.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	40 - 50 years
Machinery and Equipment	25 years
Vehicles	10 years
Infrastructure	5 - 40 years

**COSHOCTON COUNTY, OHIO**

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

**NOTE 20 – COSHOCTON COUNTY REGIONAL AIRPORT AUTHORITY – COMPONENT UNIT –  
(Continued)**

4. *Estimates*

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

**C. Deposits and Investments**

At year end, the carrying amount of the Airport's deposits was \$49,469 and the bank balance was \$49,469. The entire balance was covered by Federal Deposit Insurance Corporation. The Airport has no investments.

**D. Capital Assets**

	Balance			Balance
	<u>12/31/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/06</u>
<b><u>Governmental Activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 11,339	\$ -	\$ -	\$ 11,339
Construction in progress	<u>292,540</u>	<u>79,385</u>	<u>-</u>	<u>371,925</u>
Total capital assets, not being depreciated	<u>303,879</u>	<u>79,385</u>	<u>-</u>	<u>383,264</u>
<i>Capital assets, being depreciated:</i>				
Building and improvements	675,000	-	-	675,000
Infrastructure	3,460,000	146,535	-	3,606,535
Vehicles	14,394	-	-	14,394
Furniture and equipment	<u>298,827</u>	<u>15,000</u>	<u>-</u>	<u>313,827</u>
Total cost	<u>4,448,221</u>	<u>161,535</u>	<u>-</u>	<u>4,609,756</u>
<i>Less: accumulated depreciation:</i>				
Building and improvements	(148,750)	(11,250)	-	(160,000)
Infrastructure	(138,400)	(144,261)	-	(282,661)
Vehicles	(14,394)	-	-	(14,394)
Furniture and equipment	<u>(141,114)</u>	<u>(20,922)</u>	<u>-</u>	<u>(162,036)</u>
Total accumulated depreciation	<u>(442,658)</u>	<u>(176,433)</u>	<u>-</u>	<u>(619,091)</u>
Total capital assets, being depreciated net	<u>4,005,563</u>	<u>(14,898)</u>	<u>-</u>	<u>3,990,665</u>
Business-type capital assets, net	<u>\$ 4,309,442</u>	<u>\$ 64,487</u>	<u>\$ -</u>	<u>\$ 4,373,929</u>

**D. Notes Payable**

The Airport received a loan from the Coshocton County Port Authority in June, 2004, for \$60,000 to cover the costs of the initial stages of the reclamation project at the Airport. During 2005 and 2006, no principal payments were made on the note. The Airport has only made required interest payments on the obligation. The balance of the note payable at December 31, 2006 is \$60,000.

**COSHOCTON COUNTY, OHIO**

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

**NOTE 20 – COSHOCTON COUNTY REGIONAL AIRPORT AUTHORITY – COMPONENT UNIT –  
(Continued)**

**E. Loan Payable**

The Airport has a loan payable at December 31, 2006 as follows:

	Outstanding <u>12/31/2005</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding <u>12/31/2006</u>
Chase Bank loan	\$ 26,024	\$ -	\$ (5,436)	\$ 20,588

In 2000, the Airport was issued a loan for upgrading the fuel farm with new above-ground fuel tanks. The loan is expected to be repaid with a balloon payment due in 2007.

**NOTE 21 – HOPEWELL INDUSTRIES, INC – COMPONENT UNIT**

**A. Reporting Entity**

Hopewell Industries, Inc. (the “Workshop”) is a legally separate, not-for-profit corporation, served by a self-supporting Board of Trustees. The Workshop, under a contractual agreement with the Coshocton County Board of Mental Retardation and Developmental Disabilities (Board of MRDD), provides sheltered employment for mentally retarded or disabled adults in Coshocton County. The Coshocton County Board of MRDD provides the Workshop with staff salaries, transportation, equipment, 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 Workshop’s sole purpose of providing assistance to the mentally retarded and disabled adults of Coshocton County, the Workshop is considered a component unit of Coshocton County. Hopewell Industries, Inc. has a December 31 year end.

**B. Basis of Accounting**

The financial statements of Hopewell Industries, Inc. have been prepared in conformity with GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Since Hopewell Industries, Inc. is a component unit of Coshocton County, the same basis of accounting has been chosen to be used for presentation purposes.

Current Funds – Unrestricted Funds represent resources over which the Board of Directors has discretionary control and are used to carry out the operations of the Workshop in accordance with its bylaws. Restricted funds represent resources currently available for use, but expendable only for those operating purposes specified by the donor. Resources of this fund originate from gifts, grants, bequests, contracts, and emergency appeals.

Land, Building, and Equipment Funds are designed to account for funds restricted for land, building, and equipment acquisitions and funds expended. Land, building and equipment acquisitions are financed through current operations.

Inventories are stated at the lower of cost or market. Cost is determined substantially by the first-in, first-out method. Market value is based on replacement cost. Substantially, the entire inventory consists of raw materials and supplies used in the various production activities.

**COSHOCTON COUNTY, OHIO**

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

**NOTE 21 – HOPEWELL INDUSTRIES, INC – COMPONENT UNIT - (Continued)**

Property, Plant, and Equipment are carried at cost and include expenditures for major renewals and betterments. Donated equipment is recorded at the fair market value. Maintenance, repairs, and minor renewals are charged to expenses as incurred. When assets are sold, or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any profit or loss arising from such disposition is included as income or expense in the year in which sold.

Depreciation is based on the estimated useful lives computed on the straight-line method.

**C. Deposits and Investments**

At year end, the carrying amount of the Workshop's deposits were \$132,311 and the bank balance was \$137,186. Of this bank balance, \$100,000 was covered by Federal Deposit Insurance Corporation and \$37,186 was uncollateralized. In addition, the Workshop had other investments with a carrying value of \$139,853 and market value of \$147,310.

**D. Equipment and Buildings**

The following is a summary of equipment and capital improvements at December 31, 2006.

Furniture, Fixtures & Vehicles	\$	136,132
Buildings		27,549
Equipment		<u>106,495</u>
		270,176
Less: Accumulated depreciation		<u>(226,334)</u>
Net equipment and capital improvements	\$	<u>43,842</u>



August 24, 2007

Board of County Commissioners  
Coshocton County  
349 Main Street  
Coshocton, OH 43812

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, discretely presented component units, each major fund, and the aggregate remaining fund information of Coshocton County (the "County") as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion 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 to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses, 2006-001 and 2006-002, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

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 considered to be material weaknesses. We believe the significant deficiencies described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of the County in a separate letter dated August 24, 2007.

Board of County Commissioners  
Coshocton County  
August 24, 2007  
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated August 24, 2007.

This report is intended solely for the information and use of management, federal awarding agencies, pass-through entities, and the Board of County Commissioners and is not intended to be and should not be used by anyone other than those specified parties.

*Hea & Associates, Inc.*



August 24, 2007

Board of County Commissioners  
Coshocton County  
349 Main Street  
Coshocton, OH 43812

Independent Auditor's Report on Compliance with  
Requirements Applicable to Each Major Program and Internal  
Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of Coshocton County (the "County") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the County's management. 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 of America; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in item 2006-003 in the accompanying Schedule of Findings and Questioned Costs, Coshocton County did not comply with requirements regarding wage certifications that are applicable to its Highway Planning and Construction program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

### Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on 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 County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program 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 noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2006-004 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2006-004 to be a material weakness. We also noted other matters involving internal control over federal program administration that we have reported to management of the County in a separate letter dated August 24, 2007.

The County's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.



Board of County Commissioners  
Coshocton County  
Independent Auditor's Report on Compliance with  
Requirements Applicable to Each Major Program and Internal  
Control Over Compliance in Accordance with OMB Circular A-133  
August 24, 2007  
Page 3

This report is intended for the information and use of the Board of County Commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hea & Associates, Inc.*

**COSHOCTON COUNTY**

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

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant/ Pass-Through Entity Number	Disbursements
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>(Passed through State Department of Development)</i>			
Community Development Block Grant	14.228	B-F-03-016-1	\$ 50,997
		B-F-04-016-1	54,800
		B-F-05-016-1	<u>113,527</u>
<b>Total U.S. Department of Housing and Urban Development</b>			219,324
<b>U.S. DEPARTMENT OF LABOR:</b>			
<i>(Passed through Area 7 Montgomery County)</i>			
Workforce Services Month	17.207		1,829
Workforce Investment Act Cluster: Adult	17.258		93,481
Workforce Investment Act Cluster: Adult Administration			<u>2,930</u>
Total Workforce Investment Act - Adult			96,411
Workforce Improvement Act Cluster: Youth	17.259		66,065
Workforce Investment Act Cluster: Youth Administration			<u>2,071</u>
Total Workforce Investment Act - Youth			68,136
Workforce Improvement Act Cluster: Dislocated Worker	17.260		81,665
Workforce Investment Act Cluster: Dislocated Worker Administration			<u>2,561</u>
Total Workforce Investment Act - Dislocated Worker			84,226
Workforce Improvement Act Cluster: Rapid Response	17.260		3,750
Workforce Improvement Act Cluster: National Emergency Grant (passed through to Hocking, Athens, Perry Community Action Program)	17.260		460,363
Total Workforce Investment Act - CFDA #17.260			<u>548,339</u>
<b>Total U.S. Department of Labor</b>			714,715
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>			
<i>Direct Award</i>			
Airport Improvement Program	20.106	3-39-0028-0802	131,881
		3-39-0028-1105	8,769
		3-39-0028-1206	<u>18,050</u>
Total Airport Improvement Grant			158,700
<i>(Passed through Ohio Department of Transportation)</i>			
Highway Planning and Construction	20.205	PID 21422	319,616
<i>(Passed through Ohio Department of Public Safety)</i>			
Highway Planning and Construction -Traffic Engineering	20.205	TE-2006-16-00-00-00465-00	49,922
Total Highway Planning and Construction - CFDA #20.205			<u>369,538</u>
<b>Total U.S. Department of Transportation</b>			528,238
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>(Passed through Ohio Department of Youth Services)</i>			
Juvenile Justice - Intensive Probation	16.540	FY06	11,799
		FY07	<u>11,752</u>
Total Juvenile Justice			23,551
<i>(Passed through Ohio Department of Justice)</i>			
VOCA	16.575	2006VAGENE001	14,082
		2007VAGENE001	<u>4,647</u>
Total VOCA			18,729
<b>Total U.S. Department of Justice</b>			42,280

**COSHOCTON COUNTY**

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

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant/ Pass-Through Entity Number	Disbursements
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<i>(Passed through State Department of Mental Retardation and Development Disabilities)</i>			
Title XIX Medical Assistance Program - CAFS Targeted Case Management	93.778		558,980 <u>214,073</u> 773,053
State Children's Insurance Program	93.767		<u>705</u>
Title XX - Social Services Block Grant	93.667		<u>41,560</u>
<b>Total U.S. Department of Health and Human Service</b>			<b>815,318</b>
<b>U.S. DEPARTMENT OF EDUCATION:</b>			
<i>(Passed through Ohio Department of Education)</i>			
Special Education Cluster			
Title VI-B	84.027	065938-6BSF-2006 065938-6BSF-2007	34,130 <u>11,146</u> 45,276
Early Childhood Special Education	84.173	065938-PSG1-2006 065938-PSG1-2007	12,011 <u>3,594</u> <u>15,605</u>
Total Special Education Cluster			60,881
Title V	84.298	065938-C2S1-2006 065938-C2S1-2007	254 <u>12</u> 266
Adult Education State Grant Program	84.002	139774-ABS1-2006 139774-ABS1-2007	72,008 <u>8,697</u> <u>80,705</u>
<b>Total U.S. Department of Education</b>			<b>141,852</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>			
<i>(Passed through Ohio Emergency Management Agency)</i>			
Emergency Management Performance Grant	97.042	2006-EME60042	29,424
Citizen Corp Program Grant	97.053	2004-GC-T4-0025 2005-GC-T5-0001	8,132 <u>1,500</u> 9,632
State Homeland Security Program (SHSP)	97.073	2005-GE-T5-0001 2006-GE-T6-0051	32,852 <u>30,204</u> <u>63,056</u>
<b>Total U.S. Department of Homeland Security</b>			<b>102,112</b>
<b>CORPORATION FOR COMMUNITY &amp; NATIONAL SERVICE</b>			
<i>(Passed through Ohio Department of Youth Services)</i>			
Ameri-Corps	94.006	JJWC-021-05	<u>4,971</u>
<b>Total Corporation for Community &amp; National Service</b>			<b>4,971</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u><u>\$ 2,568,810</u></u></b>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**COSHOCTON COUNTY**

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

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**NOTE A: SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is a summary of the activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE B: MEDICAL ASSISTANCE PROGRAM**

The amount received from Medicaid in 2006 represents only a portion of the total amount billed by the County. The federal expenditures amount reported represents the actual receipts at the Federal Financial Participation reimbursement rate.

**NOTE C: HIGHWAY PLANNING AND CONSTRUCTION GRANT**

In 2006 the County received a total of \$319,616 for the Coshocton/Guernsey County guardrail project. The amount applicable to Coshocton County was \$183,711. The remaining amount of \$207,905 was passed through to Guernsey County.

**COSHOCTON COUNTY**  
**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 2006**

<b>SUMMARY OF AUDITOR'S RESULTS</b>
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A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other internal control deficiencies reported for major programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Qualified for Highway Planning and Construction  Unqualified for Medical Assistance Program and Community Development Block Grant
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	Yes
(d) (1) (vii)	Major Programs (list):	Medical Assistance Program (Medicaid; Title Xix) CFDA # 93.778 Highway Planning and Construction CFDA #20.205 Community Development Block Grant CFDA #14.228
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

**COSHOCTON COUNTY**  
**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 2006**  
(Continued)

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS  REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Material Weaknesses**

FINDING NUMBER	2006-001
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Recording Transactions for Direct Pay Grant Activity

The County does not have a process in place that will ensure the recording of all grant revenues and expenses when the granting agency pays the contractor directly. This has caused the financial records of the County to be understated. In 2006 only a portion of the grant activities, the OPWC grants, were picked up during the GAAP conversion process. The majority of this grant activity runs through the Engineer’s Department (OPWC and ODOT grants). Auditor of State Technical Bulletin 2000-008 addresses the types of activity that should be recorded on the books of the County.

We recommend the County establish a procedure that will enable the Auditor’s Office to be notified of all transactions made directly by a granting agency to a contractor involved in construction or other grant activities. This procedure could include a notification that the responsible department has requested the payment. When notification is received from the granting agency that the payment has been made, it should be forwarded to the Auditor’s Office so the amounts can be recorded properly. We also recommend these projects be separately identified by line item and a report be sent quarterly to the department responsible for reconciliation. This will help to insure all grant activity is recorded on a timely basis and the financial records of the County are properly stated.

**City’s Response:** See Corrective Action Plan.

FINDING NUMBER	2006-002
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Recording of Infrastructure

The County does not have a process in place that will inform the County Auditor’s Office of the actual costs for infrastructure additions. This has caused the amounts recorded for 2006 infrastructure to be understated by a net amount of \$426,431. This amount is arrived at by inclusion of projects under the threshold of \$100,000 in the amount of \$446,751 and amounts that should have been capitalized in the amount of \$873,182.

We recommend the County Engineer’s Office provide the County Auditor with a spreadsheet of the actual costs for all bridge, road, culvert, guardrail or any other capital projects that are in process and/or completed in the year. This will allow the Auditor to make sure the capital assets are added for the proper amount and that depreciation is properly calculated based on the type of project and asset life set by policy. We also recommend a Detail Audit Trail report be provided to the Engineer’s Office quarterly so that a reconciliation of costs can be performed.

**City’s Response:** See Corrective Action Plan.

**COSHOCTON COUNTY**  
**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 2006**  
**(Continued)**

<b>FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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FINDING NUMBER	2006-003
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**Non-compliance**

**Program Information:**  
**CFDA# 20.205 - Highway Planning and Construction**  
**U.S. Department of Transportation**  
**Passed through Ohio Department of Transportation**

**Criteria:** Non-federal entities shall include in their construction contracts subjects to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, “labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction”). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statements of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

**Condition:** The County did not obtain, and/or maintain, the required weekly payroll certifications from the contractor in the project files.

**Context:** Lake Erie Construction worked on the project from April 4, 2006 to May 18, 2006 for a total of 7 weeks. The total construction costs were \$386,143.

**Questioned Costs:** We are unable to determine questioned costs as no labor information is available.

**Effect:** Proper wages may not have been paid, thereby rendering the costs as unallowed. This could have a significant effect on the County as they may be required to repay labor costs associated with these Federal funds.

**Recommendations:** Our recommendations are that the County Engineer establish policies, procedures or guidelines to ensure that all required documentation is maintained in the contract files. These guidelines could include a checklist of required documentation including the weekly payroll certifications. These payroll certifications should contain some evidence of review such as the reviewer's initials and date to ensure that the Davis-Bacon minimum wage is being paid.

**City’s Response:** See Corrective Action Plan.

**COSHOCTON COUNTY**  
**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 2006**  
**(Continued)**

FINDING NUMBER	2006-004
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**Material Weakness**

**Highway Planning and Construction CFDA #20.205**  
**US Department of Transportation**  
**Passed through Ohio Department of Transportation**

**Criteria:** The Ohio Department of Transportation *LPA Local-Let Policy and Procedures* handbook indicates in the LPA Requirements Chapter concerning finance, accounting and record keeping, "the LPA must have established practices and processes that ensure all financial transactions associated with the project are properly accounted and that accurate records are maintained in this regard for subsequent audit purposes". Although the Engineering Department is advised of the status of the payments for the project, the County, in its Auditor's Office, is not.

**Condition:** The County does not have a process in place that will reconcile federal revenues and expenses recorded on the County's financial records to the information maintained in the Engineering Department. This caused an understatement of revenue and expense in the amount of \$183,711 for the County's portion of the grant.

**Context:** We reviewed the expenses for the project in progress during 2006 and compared the revenues received per the Ohio Department of Transportation confirmation to the revenues and expenses recorded in the County's general ledger. We noted 100% of the payments made directly to the contractors by ODOT were not recorded as a revenue or expense in the County's general ledger. This understatement amounted to \$183,711 for Coshocton County's portion of the grant.

**Effect:** Because of the lack of reconciliation procedures between the two departments errors in recording the proper costs of the project and the total federal assistance in the project are occurring. This will have a direct effect on the Schedule of Expenditures of Federal Awards and may also cause projects to be recorded on the fixed asset schedule at the wrong amount. Errors may be occurring because at the current time only those transactions that require the County to make payment are being communicated to the Auditor's Office through the normal check writing process. Communications of all transactions, including those that are directly paid to the contractor by the Ohio Department of Transportation, should be made to the Auditor's Office.

**Recommendation:** We recommend the County include a purchase order for the direct pay contractor's contract amount at the beginning of the project (or for the amount anticipated to be spent in the fiscal year). When the notification of payment is received from ODOT, the Engineering Department should forward a copy of the approved request for payment to the Auditor's Office, clearly marked "Direct Pay by ODOT", so the Auditor can record the payment as a memo check. The amount should also be recorded as revenue at this time. We further recommend the County provide printouts of the Revenue and Expense Audit Trail Reports to the Engineering Department on a quarterly basis so that a reconciliation of the financial records can be done. Any discrepancies in the reconciliation should be investigated and resolved in a timely manner.

**City's Response:** See Corrective Action Plan.





**SANDRA CORDER**  
**COSHOCTON COUNTY AUDITOR**

349 Main Street, Coshocton, Ohio 43812 740-622-1243

September 4, 2007

Rea & Associates, Inc.  
P.O. Box 1020  
New Philadelphia, OH 44663

Re: Coshocton County  
Schedule of Findings  
December 31, 2006 Audit

**RESPONSE TO AUDIT FINDINGS: CORRECTIVE ACTION PLAN**

**FINDING NUMBER 2006-001-Recording Transactions for Direct Pay Grant Activity**

(1) Revenue and Expense lines have been added to MVG (050) and Water & Sewer maintenance & Repair (350) funds to record these as memorandum entries. All direct pays received during 2007 will be posted as recommended. By identifying these projects with separate line items, reports can be sent quarterly to the responsible department for reconciliation.

**FINDING NUMBER 2006-002-Recording of Infrastructure**

(1) The County Auditor's office e-mailed a spreadsheet to the County Engineer on August 8, 2007 and requested the engineer's office track all monies by project (grant dollars and county dollars, reimbursed and direct pay). The County Engineer's Office Administrator confirmed that she would record 2007 projects on this report, and balance it quarterly to the expense reports provided by the county auditor's office. The spreadsheet will be made available for the 2007 GAAP reporting.

**FINDING NUMBER 2006-003-Program Information: CFDA #20.205-Highway Planning and Construction U.S. Department of Transportation, Passed through Ohio Department of Transportation**

(1) Recommendations made by Rea & Associates, were forwarded to the County Engineer. This recommendation suggested the County Engineer establish policies, procedures or guidelines to ensure that all required documentation is maintained in their contract files. The Auditor's office will continue to work with the County Engineer to incorporate these recommendations.

**FINDING NUMBER 2006-004-Highway Planning and Construction CFDA #20.205, U.S. Department of Transportation, Passed through Ohio Department of Transportation**

(1) Auditors' recommended the County include a purchase order for the direct pay contractor's contract amount at the beginning of the project (or for the amount anticipated to be spent in the fiscal year). When the notification of payment is received from ODOT, the Engineering Department should forward a copy of the approved request for payment to the Auditor's office, clearly marked "Direct Pay by ODOT", so the Auditor can record the payment as a memo check. The amount should also be recorded as revenue at this time. Further recommendation stated the County should provide printouts of the Revenue and Expense Audit Trail Reports to the Engineering Department on a quarterly basis so that a reconciliation of the financial records can be done. Discrepancies in the reconciliation should be investigated and resolved in a timely manner. The Auditor's office will continue to work with the County Engineer to facilitate these recommendations.

  
Sandra Corder  
Coshocton County Auditor



**Mary Taylor, CPA**  
Auditor of State

**FINANCIAL CONDITION**

**COSHOCTON 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  
OCTOBER 9, 2007**