



Mary Taylor, CPA
Auditor of State

CLINTON COUNTY
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CLINTON COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clinton Memorial Hospital. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinions on the accompanying financial statements, insofar as it relates to the amounts included for the Clinton Memorial Hospital, are based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, the component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Children Services Board Fund, County Board of MRDD Fund, Motor Vehicle and Gas Tax Fund and the Public Assistance Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 24, 2008

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 UNAUDITED

The management's discussion and analysis of Clinton County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2007. 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 2007 are as follows:

- The total net assets of the County increased \$66,524. Net assets of governmental activities increased \$6,764,302 which represents a 14.57% increase from fiscal year 2006 and net assets of business-type activities decreased \$6,697,778 which represents a 9.90% decrease from fiscal year 2006.
- General revenues accounted for \$19,681,501 or 49.46% of total governmental activities revenue. Program specific revenues accounted for \$20,109,988 or 50.54% of total governmental activities revenue.
- The County had \$33,027,187 in expenses related to governmental activities; \$20,109,988 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$19,681,501 were adequate to provide for these programs.
- The County has five major governmental funds. The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$14,513,957 in 2007. The general fund had expenditures and other financing uses of \$14,621,969 in 2007. The general fund's fund balance decreased \$108,012 from 2006 to 2007.
- The Children Services Board, a County major fund, had revenues of \$2,950,758 in 2007. The Children Services Board had expenditures of \$2,686,319 in 2007. The Children Services Board fund balance increased \$264,439 from 2006 to 2007.
- The County board of MRDD fund, a County major fund, had revenues of \$3,641,094 in 2007. The County board of MRDD fund had expenditures of \$3,848,496 in 2007. The County board of MRDD fund balance decreased \$207,402 from 2006 to 2007.
- The Motor Vehicle and Gas Tax fund, a County major fund, had revenues and other financing sources of \$6,914,089 in 2007. The Motor Vehicle and Gas tax fund had expenditures of \$6,262,329 in 2007. The Motor Vehicle and Gas Tax fund balance increased \$651,760 from 2006 to 2007.
- The Public Assistance fund, a County major fund, had revenues and other financing sources of \$5,879,156 and expenditures and other financing uses of \$5,698,233 in 2007. The Public Assistance fund balance increased \$180,923 from 2006 to 2007.
- Net assets for business-type activities, which are made of the Clinton Memorial Hospital Fund and the Martinsville/Midland Sewer Fund, had operating revenues of \$90,107,042 and total operating expenses of \$96,731,449.
- In the general fund, the actual revenues and other financing sources came in \$2,809,823 higher than they were originally budgeted and actual expenditures and other financing uses were \$1,736,850 more than the amount in the original budget. The County uses a conservative budgeting process.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 UNAUDITED

Using the Basic Financial Statements (BFS)

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

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

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2007?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 UNAUDITED

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

Governmental Funds

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

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

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

Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for operations of the Clinton Memorial Hospital and the Martinsville/Midland Sewer. 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 rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 32-35 of this report.

Fiduciary Funds

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

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

Notes to the Financial Statements

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

Government-Wide Financial Analysis

The Statement of Net Assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets for 2007 and 2006.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<u>Assets</u>						
Current and other assets	\$ 25,270,709	\$ 22,163,700	\$ 33,513,448	\$ 38,004,231	\$ 58,784,157	\$ 60,167,931
Capital assets, net	50,372,600	46,784,388	87,193,007	93,462,014	137,565,607	140,246,402
Total assets	75,643,309	68,948,088	120,706,455	131,466,245	196,349,764	200,414,333
<u>Liabilities</u>						
Long-term liabilities	14,301,696	14,501,219	45,920,155	48,293,121	60,221,851	62,794,340
Other liabilities	8,147,714	8,017,272	13,828,630	15,517,676	21,976,344	23,534,948
Total liabilities	22,449,410	22,518,491	59,748,785	63,810,797	82,198,195	86,329,288
<u>Net Assets</u>						
Invested in capital assets, net of related debt	37,293,205	33,410,025	41,272,852	45,168,893	78,566,057	78,578,918
Restricted	12,887,540	10,538,391	7,119,529	9,966,481	20,007,069	20,504,872
Unrestricted	3,013,154	2,481,181	12,565,289	12,520,074	15,578,443	15,001,255
Total net assets	\$ 53,193,899	\$ 46,429,597	\$ 60,957,670	\$ 67,655,448	\$ 114,151,569	\$ 114,085,045

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2007, the County's assets exceeded liabilities by \$114,151,569. The County's finances remained stable during 2007.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At December 31, 2007, capital assets represented 70.06% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2007, were \$78,566,057. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. Net assets invested in capital assets, net of related debt for the County as a whole decreased \$12,861.

A portion of the County's net assets, \$20,007,069 or 17.53%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets is \$15,578,443. Unrestricted net assets increased \$577,188, or 3.85% during 2007.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

The table below shows the changes in net assets for fiscal years 2007 and 2006.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 4,092,221	\$ 4,263,397	\$89,405,546	\$89,567,065	\$ 93,497,767	\$ 93,830,462
Operating grants and contributions	13,010,543	15,784,448	-	-	13,010,543	15,784,448
Capital grants and contributions	3,007,224	764,195	-	-	3,007,224	764,195
General revenues:						
Property taxes	6,532,548	5,875,049	-	-	6,532,548	5,875,049
Sales tax	7,886,266	7,701,525	-	-	7,886,266	7,701,525
Unrestricted grants	1,678,968	1,548,977	-	-	1,678,968	1,548,977
Investment earnings	977,428	823,298	145,358	141,843	1,122,786	965,141
Other	2,606,291	1,743,551	701,496	2,559,080	3,307,787	4,302,631
Total revenues	39,791,489	38,504,440	90,252,400	92,267,988	130,043,889	130,772,428
Expenses						
Program expenses:						
General government	8,622,902	8,125,953	-	-	8,622,902	8,125,953
Public safety	4,283,934	4,264,051	-	-	4,283,934	4,264,051
Public works	6,026,103	5,752,603	-	-	6,026,103	5,752,603
Health	3,920,640	3,760,936	-	-	3,920,640	3,760,936
Human services	8,493,286	8,151,335	-	-	8,493,286	8,151,335
Conservation and recreation	34,082	-	-	-	34,082	-
Economic development and assistance	349,811	500,198	-	-	349,811	500,198
Other	682,318	790,228	-	-	682,318	790,228
Interest and fiscal charges	614,111	547,128	-	-	614,111	547,128
Clinton Memorial Hospital	-	-	96,950,178	91,987,731	96,950,178	91,987,731
Total expenses	33,027,187	31,892,432	96,950,178	91,987,731	129,977,365	123,880,163
Change in net assets	6,764,302	6,612,008	(6,697,778)	280,257	66,524	6,892,265
Net assets at beginning of year	46,429,597	39,817,589	67,655,448	67,375,191	114,085,045	107,192,780
Net assets at end of year	<u>\$53,193,899</u>	<u>\$46,429,597</u>	<u>\$60,957,670</u>	<u>\$67,655,448</u>	<u>\$114,151,569</u>	<u>\$114,085,045</u>

Governmental Activities

Governmental activities increased \$6,764,302 or 14.57% during 2007.

Governmental activities charges for services revenue decreased 4.01% from \$4,263,297 to \$4,092,221 in 2007. The decrease is due to receiving a less amount of charges for services revenue in the areas of auditor's fees, treasurer's fees, recorder's fees, and geographic information fees.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 UNAUDITED

The state and federal government contributed to the County revenues of \$13,010,543 in operating grants and contributions and \$3,007,224 in capital grants and contributions during 2007. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$4,794,599, or 36.85% subsidized public works programs and decreased by 17.57% from 2006. This decrease is due to less intergovernmental revenues received motor vehicle and gas tax fund for 2007 and \$1,213,063 less in grants received for the funding of CHIP and CDBG programs. Capital grants and contributions increased 293.52% due to significantly more grant funding received for public works programs, in particular the Martinsville/Midland sewer project.

General revenues totaled \$19,681,501, and amounted to 49.46% of total revenues. These revenues primarily consist of property and sales tax revenue of \$14,418,814, or 73.26% of total general revenues in 2007. Property tax revenue increased by \$657,499 or 11.19% as a result of the County's tax rate increase from \$8.9 per \$1,000 assessed valuation in 2006 to \$11.40 per \$1,000 of assessed valuation in 2007. Sales tax revenue increased \$184,741 or 2.40% during 2007. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$1,678,968, or 8.51% of the total. Miscellaneous revenues increased \$862,740 as a result of additional miscellaneous refunds and reimbursements received in 2007.

General government expenses include legislative and executive and judicial programs, and totaled \$8,622,902 or 26.11% of total governmental expenses. General government expenses were covered by \$1,457,330 of direct charges to users in 2007.

Public works expense increased \$273,500 during 2007 from 2006 due to maintenance and repair expenses during 2007. These expenses totaled \$6,026,103 in 2007 and were funded primarily by operating grants and contributions and capital grants and contributions of \$4,794,599 and \$3,007,224, respectively.

Human services expense supports the operations of Public Assistance and the Children Services Board, and accounts for \$8,493,286 of expenses, or 25.72% of total governmental expenses of the County. These expenses were funded by \$262,296 in charges to users of services and \$6,651,130 in operating grants and contributions in 2007.

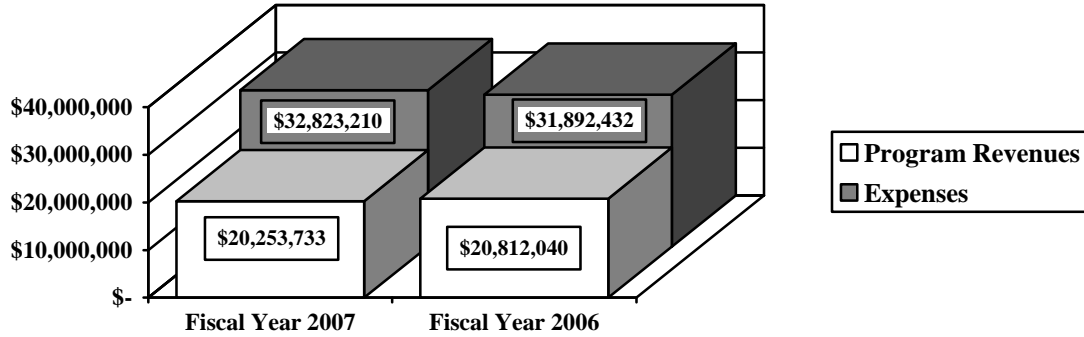
Economic development and assistance expense supports the County's Community Development Block Grant program, and was funded by \$355,151 in operating grants and contributions during 2007.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2007 and 2006. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

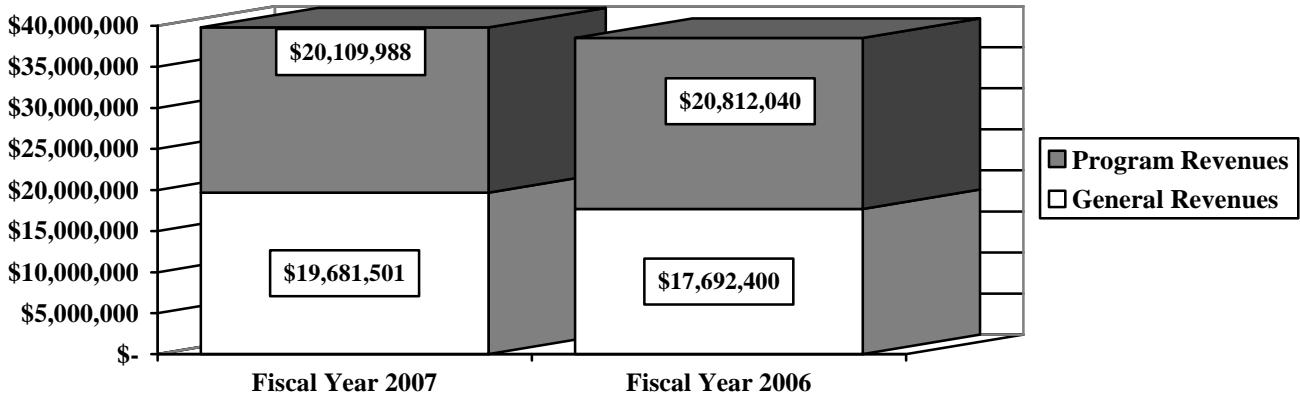
	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Expenses:				
General government	\$ 8,622,902	\$ 7,086,854	\$ 8,125,953	\$ 5,968,090
Public safety	4,283,934	3,217,942	4,264,051	3,281,697
Public works	6,026,103	(2,386,695)	5,752,603	(1,884,602)
Health	3,920,640	2,391,203	3,760,936	2,240,054
Human services	8,493,286	1,579,860	8,151,335	1,567,050
Conservation and recreation	34,082	25,928	-	-
Economic development and assistance	349,811	(5,340)	500,198	(1,068,016)
Other	682,318	393,336	790,228	428,991
Interest and fiscal charges	<u>614,111</u>	<u>614,111</u>	<u>547,128</u>	<u>547,128</u>
Total expenses	<u>\$ 33,027,187</u>	<u>\$ 12,917,199</u>	<u>\$ 31,892,432</u>	<u>\$ 11,080,392</u>

The dependence upon general revenues for governmental activities is apparent, with 39.11% and 34.74% of expenses supported through taxes and other general revenues during 2007 and 2006, respectively.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

Governmental Activities - General and Program Revenues

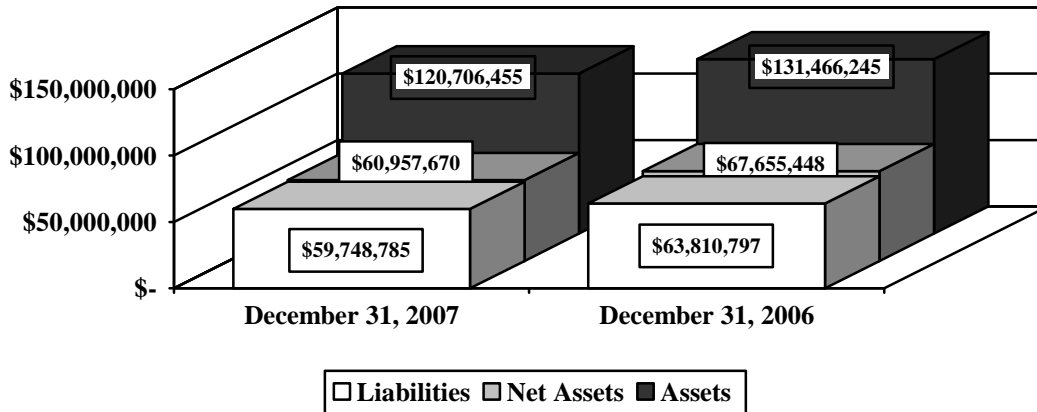


Business-Type Activities

The Clinton Memorial Hospital fund is the County's major enterprise fund. The Clinton Memorial Hospital reported operating income of \$90,068,536 and a decrease in net assets from 2006 to 2007 of \$6,736,284 or 9.96%. The primary reasons for the decrease in net assets is due to a decline in patient revenues of approximately \$200,000 in 2007 compared with \$1.89 million in 2006 and a growth of operating expenses of 6.2%. Operating expenses during 2007 increased as a result of significant changes in the areas of salaries and wages, depreciation and rent, and purchased services. Salaries increased due to additional resource needs associated with Operation Integration. Depreciation and rent increased due to additions of property, plant, and equipment.

During 2007, the County established a fund to account for the Martinsville/Midland Sewer operations and is reported as a nonmajor enterprise fund. The sewer district began collections in late 2007, with \$38,506 in charges for services. There was no other activity for this fund in 2007.

Net Assets in Business - Type Activities



CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

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.

Governmental Funds

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

The County's governmental funds (as presented on the balance sheet on pages 21-22). The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2007 for all major and nonmajor governmental funds.

	<u>Fund Balance</u> <u>December 31, 2007</u>	<u>Fund Balance</u> <u>December 31, 2006</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 2,852,332	\$ 2,960,344	\$ (108,012)
Children Services Board	895,064	630,625	264,439
County Board of MRDD	2,406,114	2,613,516	(207,402)
Motor Vehicle and Gas Tax	2,522,183	1,870,423	651,760
Public Assistance	210,868	29,945	180,923
Other Nonmajor Governmental Funds	<u>4,134,839</u>	<u>2,457,466</u>	<u>1,677,373</u>
Total	<u>\$ 13,021,400</u>	<u>\$ 10,562,319</u>	<u>\$ 2,459,081</u>

General Fund

The general fund is the operating fund of the County. At the end of the fiscal year, the fund balance of the general fund was \$2,852,332, a 3.65% decrease from 2006. The decrease of the general fund balance in 2007 was primarily due to an increase in transfers out to other funds for the payment of principal and interest on long-term notes.

Children Services Board Fund

The children services board, a County major fund, had revenues of \$2,950,758 in 2007. The children services board had expenditures of \$2,686,319 in 2007. The children services board fund balance increased \$264,439 from 2006 to 2007.

County Board of MRDD

The County board of MRDD fund, a County major fund, had revenues of \$3,641,094 in 2007. The County board of MRDD fund had expenditures of \$3,848,496 in 2007. The County board of MRDD fund balance decreased \$207,402 from 2006 to 2007.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$6,914,089 in 2007. The motor vehicle and gas tax fund had expenditures of \$6,262,329 in 2007. The motor vehicle and gas tax fund balance increased \$651,760 from 2006 to 2007.

Public Assistance Fund

The public assistance fund, a County major fund, had revenues and other financing sources of \$5,879,156 in 2007. The public assistance fund had expenditures and other financing uses of \$5,698,233 in 2007 and fund balance increased \$180,923 from 2006 to 2007.

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 and other financing sources increased \$2,665,819 over original budgeted revenues. Actual revenues of \$14,529,797 were \$278,209 less than final budgeted revenues. Actual expenditures and other financing uses were \$10,441 less than the final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of 2007, the County had \$137,565,607 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, infrastructure and construction in progress (CIP).

The following table shows fiscal 2007 balances compared to 2006:

**Capital Assets at December 31
(Net of Depreciation)**

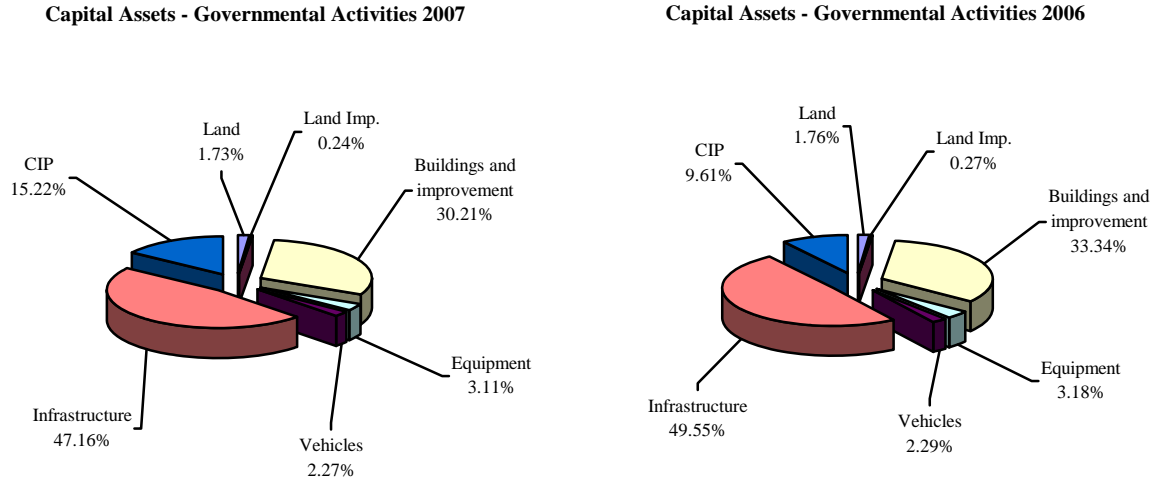
	<u>Governmental Activities</u> <u>2007</u>	<u>Governmental Activities</u> <u>2006</u>	<u>Business-Type Activities</u> <u>2007</u>	<u>Business-Type Activities</u> <u>2006</u>	<u>Total</u> <u>2007</u>	<u>Total</u> <u>2006</u>
Land	\$ 871,880	\$ 821,880	\$ -	\$ -	\$ 871,880	\$ 821,880
Land improvements	120,442	128,163	2,251,387	2,029,496	2,371,829	2,157,659
Building and improvements	15,219,691	15,597,702	60,943,128	59,851,542	76,162,819	75,449,244
Equipment	1,564,706	1,485,918	23,459,301	24,743,765	25,024,007	26,229,683
Vehicles	1,145,463	1,070,091	-	-	1,145,463	1,070,091
Infrastructure	23,757,596	23,183,236	-	-	23,757,596	23,183,236
Construction in progress	<u>7,692,822</u>	<u>4,497,398</u>	<u>539,191</u>	<u>6,837,211</u>	<u>8,232,013</u>	<u>11,334,609</u>
Total	<u>\$ 50,372,600</u>	<u>\$ 46,784,388</u>	<u>\$ 87,193,007</u>	<u>\$ 93,462,014</u>	<u>\$ 137,565,607</u>	<u>\$ 140,246,402</u>

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

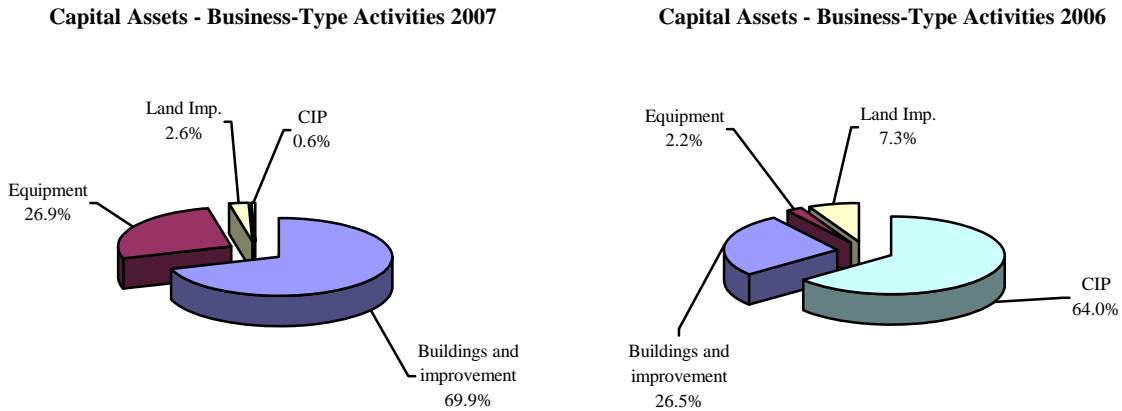
Governmental activities experienced an increase in construction in progress related to the Martinsville-Midland Sanitary Sewer project. See Note 9 to the basic financial statements for detail on governmental and business-type activities capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2007 and 2006.



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 46.97% of the County's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2007 and 2006.



During 2005, the Clinton County Hospital embarked on construction of a regional cancer center, "The Foster J. Boyd M.D Regional Cancer Center." The Center opened in 2007.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

Debt Administration

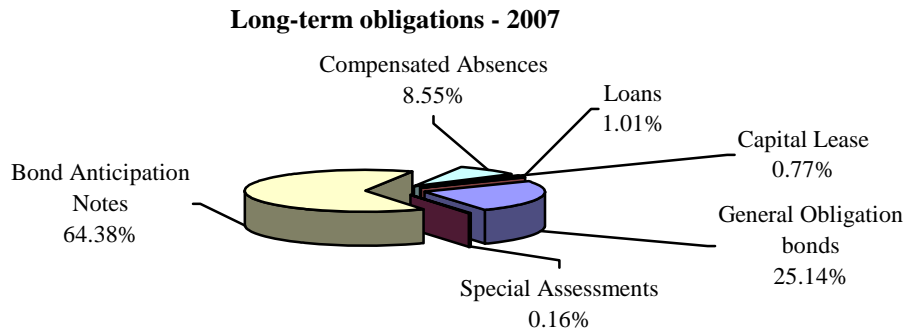
At December 31, 2007, governmental activities had \$3,595,000 in general obligation bonds, bond anticipation notes of \$9,208,128, special assessment bonds of \$22,553, loans payable of \$143,745, compensated absences of \$1,222,301, and a capital lease of \$109,969 outstanding. Of this total, \$2,300,896 is due within one year and \$11,857,055 is due within greater than one year. At December 31, 2007, business-type activities had \$42,860,000 in hospital facilities revenue refunding and improvement bonds, \$2,641,383 in notes payable and \$418,772 in capital leases outstanding. The following table summarizes the debt obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>	Business-Type Activities <u>2007</u>	Business-Type Activities <u>2006</u>
Long-Term Obligations				
General obligation bonds	\$ 3,595,000	\$ 3,965,000	\$ -	\$ -
Revenue refunding bonds	-	-	42,860,000	44,435,000
Special Assessments	22,553	32,852	-	-
Note Payable	9,208,128	9,191,518	2,641,383	3,099,960
Loans Payable	143,745	-	-	-
Compensated Absences	1,222,301	1,185,856	-	-
Capital Leases	<u>109,969</u>	<u>125,993</u>	<u>418,772</u>	<u>758,161</u>
Total	<u>\$ 14,301,696</u>	<u>\$ 14,501,219</u>	<u>\$ 45,920,155</u>	<u>\$ 48,293,121</u>

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

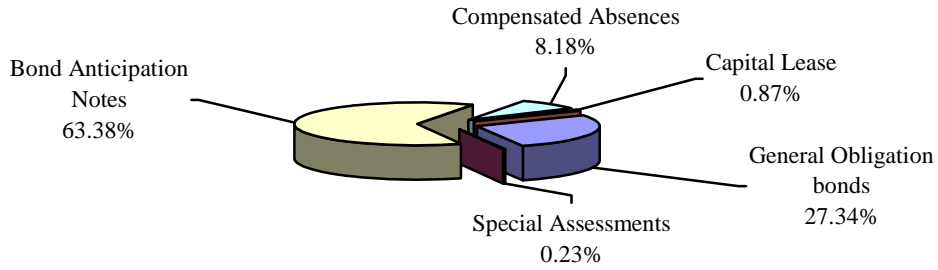
A comparison of the governmental long-term obligations by category is depicted in the chart below.



CLINTON COUNTY, OHIO

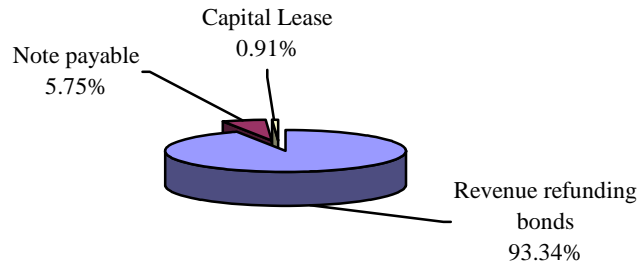
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED**

Long-term obligations - 2006

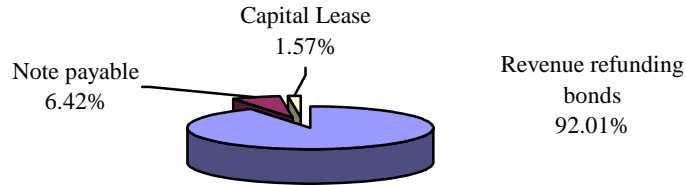


A comparison of the business-type long-term obligations by category is depicted in the chart below.

Business-type long-term obligations - 2007



Business-type long-term obligations - 2006



CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007 UNAUDITED

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%, compared to the 5.8% state average and the 5% national average.

In May 2008, DHL announced they would be pulling their operations from the Wilmington Air Park permanently, within the next year. This will approximately affect over 8,000 employees losing their jobs. We have also had other businesses that have either closed or made layoffs within the last year. Currently, the county does not have another employer able to absorb the job loss. With this announcement, the County is expecting a reduction in the local sales tax and the possibility of increased delinquent taxes. Given the news concerning the state's general fund projections, we are also expecting to receive less local government funds next year. Thus, the County is preparing for a reduction in expenses in the upcoming years as the revenue is expected to decrease an unknown amount.

These economic factors were considered in preparing the County's budget for fiscal year 2008. Budgeted revenues and other financing sources in the general fund for fiscal year 2008 budget are approximately \$12,800,000. With the continuation of conservative budgeting practices, the County's financial position should remain stable in future years.

Contacting the County's Financial Management

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

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CLINTON COUNTY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
Assets:					
Equity in pooled cash and cash equivalents	\$ 12,797,486	\$ 5,950,084	\$ 18,747,570	\$ 235,887	\$ 9,886
Short-term investments.	-	2,210,121	2,210,121	-	-
Receivables (net of allowances for uncollectibles)					
Sales taxes.	1,114,913	-	1,114,913	-	-
Real and other taxes	6,977,117	-	6,977,117	-	-
Accounts.	149,869	11,575,040	11,724,909	26,438	-
Special assessments	98,121	-	98,121	-	-
Accrued interest	184,565	-	184,565	-	-
Notes and other receivables	-	706,442	706,442	-	-
Due from other governments	3,845,275	-	3,845,275	-	-
Prepayments	77,683	2,578,721	2,656,404	-	-
Materials and supplies inventory	25,680	1,556,829	1,582,509	-	-
Assets whose use is limited - held by trustee	-	1,573,111	1,573,111	-	-
Other assets:					
Investments	-	6,239,732	6,239,732	-	-
Notes and other receivables	-	1,123,368	1,123,368	-	-
Capital assets:					
Land and construction in progress	8,564,702	-	8,564,702	-	-
Depreciable capital assets, net.	41,807,898	87,193,007	129,000,905	23,287	-
Total capital assets.	<u>50,372,600</u>	<u>87,193,007</u>	<u>137,565,607</u>	<u>23,287</u>	<u>-</u>
Total assets.	<u>\$ 75,643,309</u>	<u>\$ 120,706,455</u>	<u>\$ 196,349,764</u>	<u>\$ 285,612</u>	<u>\$ 9,886</u>

- Continued

CLINTON COUNTY, OHIO

STATEMENT OF NET ASSETS (CONTINUED)
DECEMBER 31, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
Liabilities:					
Accounts payable	\$ 709,304	\$ 6,109,584	\$ 6,818,888	\$ 1,479	\$ 254,391
Accrued wages and benefits	352,138	856,809	1,208,947	5,171	-
Due to other governments	755,538	-	755,538	-	-
Accrued vacation	-	2,551,325	2,551,325	-	-
Unearned revenue.	6,015,704	-	6,015,704	-	-
Accrued interest payable.	263,409	-	263,409	-	-
Amount to be repaid to claimants	51,621	-	51,621	-	-
Other accrued expenses	-	3,842,860	3,842,860	-	-
Estimated third-party settlements	-	468,052	468,052	-	-
Long-term liabilities:					
Due within one year.	2,300,896	3,063,748	5,364,644	-	-
Due in more than one year	12,000,800	42,856,407	54,857,207	-	-
Total liabilities.	22,449,410	59,748,785	82,198,195	6,650	254,391
Net assets:					
Invested in capital assets, net of related debt.	37,293,205	41,272,852	78,566,057	-	-
Restricted for:					
Capital projects	278,917	-	278,917	-	-
Debt service.	1,583,792	-	1,583,792	-	-
Debt service - held by trustee	-	1,573,111	1,573,111	-	-
Human services programs.	1,407,685	-	1,407,685	-	-
Public works	5,328,725	-	5,328,725	-	-
Health programs.	2,807,867	-	2,807,867	-	-
Capital campaign	-	3,098,493	3,098,493	-	-
Funds to be held to perpetuity	-	2,447,925	2,447,925	-	-
Other purposes	1,480,554	-	1,480,554	-	-
Unrestricted	3,013,154	12,565,289	15,578,443	278,962	(244,505)
Total net assets.	\$ 53,193,899	\$ 60,957,670	\$ 114,151,569	\$ 278,962	\$ (244,505)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government:				
Legislative and executive	\$ 6,001,065	\$ 1,078,343	\$ -	\$ -
Judicial	2,621,837	378,987	78,718	-
Public safety	4,283,934	875,316	190,676	-
Public works	6,026,103	610,975	4,794,599	3,007,224
Health	3,920,640	600,183	929,254	-
Human services	8,493,286	262,296	6,651,130	-
Conservation and recreation	34,082	-	8,154	-
Economic development and assistance	349,811	-	355,151	-
Other	682,318	286,121	2,861	-
Interest and fiscal charges	614,111	-	-	-
Total governmental activities	<u>33,027,187</u>	<u>4,092,221</u>	<u>13,010,543</u>	<u>3,007,224</u>
Business-Type Activities:				
Clinton Memorial Hospital	96,950,178	89,367,040	-	-
Nonmajor:				
Martinsville/Midland Sewer	-	38,506	-	-
Total business-type activities	<u>96,950,178</u>	<u>89,405,546</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 129,977,365</u>	<u>\$ 93,497,767</u>	<u>\$ 13,010,543</u>	<u>\$ 3,007,224</u>
Component Units:				
ORION Rehabilitation Center	\$ 214,494	\$ 227,269	\$ 1,891	\$ -
Port Authority	1,114	-	-	-
Total component units	<u>\$ 215,608</u>	<u>\$ 227,269</u>	<u>\$ 1,891</u>	<u>\$ -</u>

General Revenues:

Property taxes levied for:

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

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
\$ (4,922,722)	\$ -	\$ (4,922,722)	\$ -	\$ -
(2,164,132)	-	(2,164,132)	-	-
(3,217,942)	-	(3,217,942)	-	-
2,386,695	-	2,386,695	-	-
(2,391,203)	-	(2,391,203)	-	-
(1,579,860)	-	(1,579,860)	-	-
(25,928)	-	(25,928)	-	-
5,340	-	5,340	-	-
(393,336)	-	(393,336)	-	-
(614,111)	-	(614,111)	-	-
<u>(12,917,199)</u>	<u>-</u>	<u>(12,917,199)</u>	<u>-</u>	<u>-</u>
-	(7,583,138)	(7,583,138)	-	-
<u>-</u>	<u>38,506</u>	<u>38,506</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(7,544,632)</u>	<u>(7,544,632)</u>	<u>-</u>	<u>-</u>
<u>(12,917,199)</u>	<u>(7,544,632)</u>	<u>(20,461,831)</u>	<u>-</u>	<u>-</u>
			14,666	-
			<u>-</u>	<u>(1,114)</u>
			<u>14,666</u>	<u>(1,114)</u>
1,831,967	-	1,831,967	-	-
398,052	-	398,052	-	-
78,719	-	78,719	-	-
2,224,718	-	2,224,718	-	-
1,250,673	-	1,250,673	-	-
90,765	-	90,765	-	-
152,893	-	152,893	-	-
502,673	-	502,673	-	-
2,088	-	2,088	-	-
7,886,266	-	7,886,266	-	-
1,678,968	-	1,678,968	-	-
977,428	145,358	1,122,786	7,295	-
<u>2,606,291</u>	<u>701,496</u>	<u>3,307,787</u>	<u>5,795</u>	<u>101,000</u>
<u>19,681,501</u>	<u>846,854</u>	<u>20,528,355</u>	<u>13,090</u>	<u>101,000</u>
6,764,302	(6,697,778)	66,524	27,756	99,886
<u>46,429,597</u>	<u>67,655,448</u>	<u>114,085,045</u>	<u>251,206</u>	<u>(344,391)</u>
<u>\$ 53,193,899</u>	<u>\$ 60,957,670</u>	<u>\$ 114,151,569</u>	<u>\$ 278,962</u>	<u>\$ (244,505)</u>

CLINTON COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle & Gas Tax</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,970,966	\$ 978,189	\$ 2,588,667	\$ 2,036,720
Receivables (net of allowance for uncollectibles):				
Sales taxes	1,110,143	-	-	4,770
Real and other taxes	1,588,655	1,410,790	3,339,006	-
Accounts	39,863	9,196	-	30,989
Special assessments	-	-	-	-
Interfund receivable	76,428	-	-	-
Due from other governments	533,706	62,314	113,990	3,015,461
Accrued interest	182,410	-	843	-
Due from other funds	24,036	2,005	-	12,372
Advances to other funds	108,808	-	-	-
Prepayments	70,640	-	-	-
Materials and supplies inventory	13,131	-	-	-
	<u>\$ 5,718,786</u>	<u>\$ 2,462,494</u>	<u>\$ 6,042,506</u>	<u>\$ 5,100,312</u>
Total assets				
Liabilities:				
Accounts payable	\$ 176,860	\$ 94,425	\$ 75,557	\$ 61,575
Accrued wages and benefits	178,049	-	40,393	37,201
Compensated absences payable	27,842	-	-	-
Interfund loans payable	-	-	-	-
Due to other funds	11,799	9,300	-	-
Due to other governments	382,084	-	88,982	80,552
Advances from other funds	-	-	-	-
Deferred revenue	668,452	247,314	552,551	2,398,801
Unearned revenue	1,369,747	1,216,391	2,878,909	-
Amount to be repaid to claimants	51,621	-	-	-
	<u>2,866,454</u>	<u>1,567,430</u>	<u>3,636,392</u>	<u>2,578,129</u>
Total liabilities				
Fund Balances:				
Reserved for encumbrances	277,397	-	26,934	165,813
Reserved for prepayments	70,640	-	-	-
Reserved for materials and supplies inventory	13,131	-	-	-
Reserved for advances	108,808	-	-	-
Unreserved, undesignated, reported in:				
General fund	2,382,356	-	-	-
Special revenue funds	-	895,064	2,379,180	2,356,370
Debt service fund	-	-	-	-
Capital projects funds	-	-	-	-
	<u>2,852,332</u>	<u>895,064</u>	<u>2,406,114</u>	<u>2,522,183</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 5,718,786</u>	<u>\$ 2,462,494</u>	<u>\$ 6,042,506</u>	<u>\$ 5,100,312</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	Other Governmental Funds	Total Governmental Funds
\$ 523,212	\$ 4,480,097	\$ 12,577,851
-	-	1,114,913
-	638,666	6,977,117
14,463	44,386	138,897
-	98,121	98,121
-	-	76,428
22,380	97,424	3,845,275
-	1,312	184,565
-	243	38,656
-	-	108,808
4,499	2,544	77,683
6,814	5,735	25,680
<u>\$ 571,368</u>	<u>\$ 5,368,528</u>	<u>\$ 25,263,994</u>
\$ 120,758	\$ 179,756	\$ 708,931
65,926	29,333	350,902
12,986	-	40,828
-	16,806	16,806
1,031	16,526	38,656
137,419	63,738	752,775
-	108,808	108,808
22,380	268,065	4,157,563
-	550,657	6,015,704
-	-	51,621
<u>360,500</u>	<u>1,233,689</u>	<u>12,242,594</u>
-	364,900	835,044
4,499	2,544	77,683
6,814	5,735	25,680
-	-	108,808
-	-	2,382,356
199,555	2,004,795	7,834,964
-	1,738,058	1,738,058
-	18,807	18,807
<u>210,868</u>	<u>4,134,839</u>	<u>13,021,400</u>
<u>\$ 571,368</u>	<u>\$ 5,368,528</u>	<u>\$ 25,263,994</u>

CLINTON COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007

Total governmental fund balances		\$ 13,021,400
<i>Amounts reported for governmental activities on 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.		50,372,600
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 916,413	
Special assessments	98,121	
Intergovernmental revenues	3,028,278	
Interest	114,751	
Total		4,157,563
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 on the statement of net assets. The net assets of the internal service fund are:		162,843
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(263,409)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	3,595,000	
Notes payable	9,208,128	
Special assessments	22,553	
Compensated absences	1,177,703	
Loans payable	143,745	
Capital lease payable	109,969	
Total		(14,257,098)
Net assets of governmental activities		\$ 53,193,899

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle & Gas Tax</u>
Revenues:				
Property taxes	\$ 1,810,775	\$ 1,184,322	\$ 1,982,480	\$ -
Sales taxes	7,821,787	-	-	64,479
Charges for services	1,907,895	102,995	467,365	-
Licenses and permits	3,113	-	-	-
Fines and forfeitures	140,308	-	-	291,261
Intergovernmental	1,199,334	1,583,896	1,048,155	4,999,962
Special assessments	-	-	-	-
Investment income	892,916	-	13,720	-
Rental income	120,170	-	-	-
Other	604,265	79,545	129,374	1,436,094
Total revenues	<u>14,500,563</u>	<u>2,950,758</u>	<u>3,641,094</u>	<u>6,791,796</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	5,395,613	-	-	-
Judicial	2,659,025	-	-	-
Public safety	3,929,764	-	-	-
Public works	100,896	-	-	6,262,329
Health	38,297	-	3,848,496	-
Human services	395,591	2,686,319	-	-
Conservation and recreation	-	-	-	-
Economic development and assistance	-	-	-	-
Other	636,525	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	1,039	-	-	-
Interest and fiscal charges	2,922	-	-	-
Total expenditures	<u>13,159,672</u>	<u>2,686,319</u>	<u>3,848,496</u>	<u>6,262,329</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,340,891</u>	<u>264,439</u>	<u>(207,402)</u>	<u>529,467</u>
Other financing sources (uses):				
Sale of assets	12,600	-	-	-
Loan issue	-	-	-	-
Note issue	-	-	-	-
Transfers in	794	-	-	122,293
Transfers out	(1,462,297)	-	-	-
Other financing sources	-	-	-	-
Other financing uses	-	-	-	-
Total other financing sources (uses)	<u>(1,448,903)</u>	<u>-</u>	<u>-</u>	<u>122,293</u>
Net change in fund balances	(108,012)	264,439	(207,402)	651,760
Fund balances at beginning of year	<u>2,960,344</u>	<u>630,625</u>	<u>2,613,516</u>	<u>1,870,423</u>
Fund balances at end of year	<u>\$ 2,852,332</u>	<u>\$ 895,064</u>	<u>\$ 2,406,114</u>	<u>\$ 2,522,183</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,201,353	\$ 6,178,930
-	-	7,886,266
-	780,526	3,258,781
-	4,790	7,903
-	30,367	461,936
3,924,839	5,372,279	18,128,465
-	98,130	98,130
-	20,614	927,250
-	113,297	233,467
<u>10,503</u>	<u>333,910</u>	<u>2,593,691</u>
<u>3,935,342</u>	<u>7,955,266</u>	<u>39,774,819</u>
-	447,813	5,843,426
-	29,979	2,689,004
-	428,927	4,358,691
-	219,711	6,582,936
-	136,755	4,023,548
3,754,419	1,723,070	8,559,399
-	34,082	34,082
-	349,811	349,811
-	23,335	659,860
-	3,376,198	3,376,198
-	9,586,802	9,587,841
-	612,493	615,415
<u>3,754,419</u>	<u>16,968,976</u>	<u>46,680,211</u>
<u>180,923</u>	<u>(9,013,710)</u>	<u>(6,905,392)</u>
-	-	12,600
-	143,745	143,745
-	9,208,128	9,208,128
-	1,340,004	1,463,091
-	(794)	(1,463,091)
1,943,814	-	1,943,814
<u>(1,943,814)</u>	<u>-</u>	<u>(1,943,814)</u>
-	<u>10,691,083</u>	<u>9,364,473</u>
180,923	1,677,373	2,459,081
29,945	2,457,466	10,562,319
<u>\$ 210,868</u>	<u>\$ 4,134,839</u>	<u>\$ 13,021,400</u>

CLINTON COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Net change in fund balances - total governmental funds \$ 2,459,081

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	\$ 5,496,518	
Current year depreciation	<u>(1,908,306)</u>	
		3,588,212

Proceeds of notes and loans are recorded as revenue in the funds, however in the statement of activities, they are not reported as revenue as they increase the liabilities on the statement of net assets. (9,351,873)

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	353,618	
Intergovernmental	(431,730)	
Special assessments	32,004	
Accrued interest	<u>50,052</u>	
		3,944

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 9,587,841

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,304

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. (47,773)

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. 523,566

Change in net assets of governmental activities. \$ 6,764,302

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,515,327	\$ 1,847,666	\$ 1,812,952	\$ (34,714)
Sales taxes	6,584,129	8,028,149	7,877,318	(150,831)
Charges for services	1,597,598	1,947,980	1,911,382	(36,598)
Licenses and permits	2,602	3,173	3,113	(60)
Fines and forfeitures	115,890	141,307	138,652	(2,655)
Intergovernmental	1,026,765	1,251,953	1,228,432	(23,521)
Investment income	699,415	852,809	836,787	(16,022)
Rental income	100,442	122,471	120,170	(2,301)
Other	502,329	612,498	600,991	(11,507)
Total revenues	<u>12,144,497</u>	<u>14,808,006</u>	<u>14,529,797</u>	<u>(278,209)</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	5,570,701	5,662,623	5,644,411	18,212
Judicial	2,177,279	2,668,848	2,670,437	(1,589)
Public safety	4,043,836	4,013,241	3,982,712	30,529
Public works	100,012	102,278	101,370	908
Health	46,500	41,162	43,592	(2,430)
Human services	340,528	431,289	412,698	18,591
Other	1,063,265	608,917	662,697	(53,780)
Total expenditures	<u>13,342,121</u>	<u>13,528,358</u>	<u>13,517,917</u>	<u>10,441</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,197,624)</u>	<u>1,279,648</u>	<u>1,011,880</u>	<u>(267,768)</u>
Other financing sources (uses):				
Sale of assets	10,531	12,841	12,600	(241)
Transfers out	(39,000)	(1,523,626)	(1,523,626)	-
Advances in	-	-	422,454	422,454
Advances out	-	(76,428)	(76,428)	-
Total other financing sources (uses)	<u>(28,469)</u>	<u>(1,587,213)</u>	<u>(1,165,000)</u>	<u>422,213</u>
Net change in fund balance	(1,226,093)	(307,565)	(153,120)	154,445
Fund balance at beginning of year	1,375,103	1,375,103	1,375,103	-
Prior year encumbrances appropriated	<u>253,193</u>	<u>253,193</u>	<u>253,193</u>	<u>-</u>
Fund balance at end of year	<u>\$ 402,203</u>	<u>\$ 1,320,731</u>	<u>\$ 1,475,176</u>	<u>\$ 154,445</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 CHILDREN SERVICES BOARD
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 973,160	\$ 1,080,299	\$ 1,173,879	\$ 93,580
Charges for services	94,039	104,392	113,435	9,043
Intergovernmental	1,408,068	1,563,087	1,698,489	135,402
Other	66,010	73,277	79,625	6,348
Total revenues.	<u>2,541,277</u>	<u>2,821,055</u>	<u>3,065,428</u>	<u>244,373</u>
Expenditures:				
Current:				
Human services	<u>2,703,000</u>	<u>2,931,500</u>	<u>2,646,596</u>	<u>284,904</u>
Total expenditures	<u>2,703,000</u>	<u>2,931,500</u>	<u>2,646,596</u>	<u>284,904</u>
Net change in fund balance	(161,723)	(110,445)	418,832	529,277
Fund balance at beginning of year.	<u>527,038</u>	<u>527,038</u>	<u>527,038</u>	<u>-</u>
Fund balance at end of year	<u>\$ 365,315</u>	<u>\$ 416,593</u>	<u>\$ 945,870</u>	<u>\$ 529,277</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF MRDD
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 1,579,009	\$ 1,919,609	\$ 1,935,575	\$ 15,966
Charges for services	507,995	254,342	467,365	213,023
Intergovernmental	1,183,659	592,633	1,089,708	497,075
Investment income	14,644	7,332	13,473	6,141
Other	141,402	70,797	129,374	58,577
Total revenues.	<u>3,426,709</u>	<u>2,844,713</u>	<u>3,635,495</u>	<u>790,782</u>
Expenditures:				
Current:				
Health	<u>4,061,044</u>	<u>4,643,515</u>	<u>3,867,634</u>	<u>775,881</u>
Total expenditures	<u>4,061,044</u>	<u>4,643,515</u>	<u>3,867,634</u>	<u>775,881</u>
Net change in fund balance	(634,335)	(1,798,802)	(232,139)	1,566,663
Fund balance at beginning of year.	<u>2,704,978</u>	<u>2,704,978</u>	<u>2,704,978</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,070,643</u>	<u>\$ 906,176</u>	<u>\$ 2,472,839</u>	<u>\$ 1,566,663</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE AND GAS TAX
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales taxes	\$ 53,279	\$ 65,506	\$ 69,719	\$ 4,213
Fines and forfeitures.	244,719	300,881	320,229	19,348
Intergovernmental	3,816,979	4,692,955	4,994,735	301,780
Other.	1,095,567	1,346,993	1,433,611	86,618
Total revenues.	<u>5,210,544</u>	<u>6,406,335</u>	<u>6,818,294</u>	<u>411,959</u>
Expenditures:				
Current:				
Public works	6,282,851	7,056,181	6,569,170	487,011
Total expenditures	<u>6,282,851</u>	<u>7,056,181</u>	<u>6,569,170</u>	<u>487,011</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,072,307)</u>	<u>(649,846)</u>	<u>249,124</u>	<u>898,970</u>
Other financing sources:				
Transfers in	93,456	114,904	122,293	7,389
Total other financing sources.	<u>93,456</u>	<u>114,904</u>	<u>122,293</u>	<u>7,389</u>
Net change in fund balance	(978,851)	(534,942)	371,417	906,359
Fund balance at beginning of year.	1,151,774	1,151,774	1,151,774	-
Prior year encumbrances appropriated	<u>286,859</u>	<u>286,859</u>	<u>286,859</u>	<u>-</u>
Fund balance at end of year	<u>\$ 459,782</u>	<u>\$ 903,691</u>	<u>\$ 1,810,050</u>	<u>\$ 906,359</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 PUBLIC ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 4,199,077	\$ 4,155,669	\$ 3,937,102	\$ (218,567)
Other	406	402	381	(21)
Total revenues.	<u>4,199,483</u>	<u>4,156,071</u>	<u>3,937,483</u>	<u>(218,588)</u>
Expenditures:				
Current:				
Human services	4,036,998	4,129,216	3,749,776	379,440
Total expenditures	<u>4,036,998</u>	<u>4,129,216</u>	<u>3,749,776</u>	<u>379,440</u>
Excess (deficiency) of revenues over (under) expenditures	<u>162,485</u>	<u>26,855</u>	<u>187,707</u>	<u>160,852</u>
Other financing sources (uses):				
Other financing sources	1,900,402	1,943,814	1,943,814	-
Other financing uses	<u>(1,900,402)</u>	<u>(1,943,814)</u>	<u>(1,943,814)</u>	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	162,485	26,855	187,707	160,852
Fund balance at beginning of year.	<u>335,505</u>	<u>335,505</u>	<u>335,505</u>	<u>-</u>
Fund balance at end of year	<u>\$ 497,990</u>	<u>\$ 362,360</u>	<u>\$ 523,212</u>	<u>\$ 160,852</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activity - Health Depository
	Clinton Memorial Hospital	Nonmajor	Total	
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents.	\$ 5,950,084	\$ -	\$ 5,950,084	\$ 219,635
Short-term investments	2,210,121	-	2,210,121	-
Receivables (net of allowance for uncollectibles):				
Accounts	11,536,534	38,506	11,575,040	10,972
Notes and other receivables	706,442	-	706,442	-
Materials and supplies inventory	1,556,829	-	1,556,829	-
Prepayments.	2,578,721	-	2,578,721	-
Total current assets	<u>24,538,731</u>	<u>38,506</u>	<u>24,577,237</u>	<u>230,607</u>
Noncurrent assets:				
Assets whose use is limited - held by trustee	1,573,111	-	1,573,111	-
Other assets:				
Investments.	6,239,732	-	6,239,732	-
Notes and other receivables	1,123,368	-	1,123,368	-
Capital assets:				
Depreciable capital assets, net	87,193,007	-	87,193,007	-
Total noncurrent assets	<u>96,129,218</u>	<u>-</u>	<u>96,129,218</u>	<u>-</u>
Total assets	<u>120,667,949</u>	<u>38,506</u>	<u>120,706,455</u>	<u>230,607</u>
Liabilities:				
Current liabilities:				
Accounts payable.	6,109,584	-	6,109,584	373
Accrued wages and benefits	856,809	-	856,809	1,236
Due to other governments	-	-	-	2,763
Compensated absences payable.	-	-	-	3,770
Accrued vacation.	2,551,325	-	2,551,325	-
Other accrued expenses.	3,842,860	-	3,842,860	-
Estimated third-party settlements.	468,052	-	468,052	-
Interfund loans payable.	-	-	-	59,622
Current portion of revenue and refunding bonds	1,640,000	-	1,640,000	-
Current portion of notes payable	1,067,344	-	1,067,344	-
Current portion of capital lease obligations.	356,404	-	356,404	-
Total current liabilities	<u>16,892,378</u>	<u>-</u>	<u>16,892,378</u>	<u>67,764</u>
Long-term liabilities:				
Revenue and refunding bonds	41,220,000	-	41,220,000	-
Notes payable.	1,574,039	-	1,574,039	-
Capital lease obligations	62,368	-	62,368	-
Total long-term liabilities.	<u>42,856,407</u>	<u>-</u>	<u>42,856,407</u>	<u>-</u>
Total liabilities	<u>59,748,785</u>	<u>-</u>	<u>59,748,785</u>	<u>67,764</u>
Net assets:				
Unrestricted.	12,526,783	38,506	12,565,289	162,843
Invested in capital assets, net of related debt	41,272,852	-	41,272,852	-
Restricted.	7,119,529	-	7,119,529	-
Total net assets	<u>\$ 60,919,164</u>	<u>\$ 38,506</u>	<u>\$ 60,957,670</u>	<u>\$ 162,843</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activity - Health Depository</u>
	<u>Clinton Memorial Hospital</u>	<u>Nonmajor</u>	<u>Total</u>	
Operating revenues:				
Charges for services	\$ -	\$ 38,506	\$ 38,506	\$ 3,180,818
Net patient service revenue	89,367,040	-	89,367,040	-
Other	701,496	-	701,496	424,544
Total operating revenues	<u>90,068,536</u>	<u>38,506</u>	<u>90,107,042</u>	<u>3,605,362</u>
Operating expenses:				
Personal services	51,499,991	-	51,499,991	61,810
Contract services	11,669,165	-	11,669,165	-
Materials and supplies	12,939,794	-	12,939,794	1,254
Depreciation	8,645,523	-	8,645,523	-
Rent	1,194,493	-	1,194,493	-
Occupancy	3,342,579	-	3,342,579	-
Repairs and maintenance	606,811	-	606,811	-
Physician fees	3,258,402	-	3,258,402	-
Insurance	1,276,542	-	1,276,542	2,408,354
Claims	-	-	-	594,578
Administrative costs	-	-	-	14,412
Other	2,298,149	-	2,298,149	1,514
Total operating expenses	<u>96,731,449</u>	<u>-</u>	<u>96,731,449</u>	<u>3,081,922</u>
Operating income (loss)	<u>(6,662,913)</u>	<u>38,506</u>	<u>(6,624,407)</u>	<u>523,440</u>
Nonoperating revenues (expenses):				
Interest revenue	-	-	-	126
Change in unrealized gains and losses on investments	145,358	-	145,358	-
Net nonoperating losses	(218,729)	-	(218,729)	-
Total nonoperating revenues (expenses)	<u>(73,371)</u>	<u>-</u>	<u>(73,371)</u>	<u>126</u>
Changes in net assets	(6,736,284)	38,506	(6,697,778)	523,566
Net assets (deficit) at beginning of year	<u>67,655,448</u>	<u>-</u>	<u>67,655,448</u>	<u>(360,723)</u>
Net assets at end of year	<u>\$ 60,919,164</u>	<u>\$ 38,506</u>	<u>\$ 60,957,670</u>	<u>\$ 162,843</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activity - Health Insurance Depository Fund</u>
	<u>Clinton Memorial Hospital</u>	<u>Nonmajor</u>	<u>Total</u>	
Cash flows from operating activities:				
Cash received from service charges.	\$ -	\$ -	\$ -	\$ 3,183,576
Cash received from patients and third party payors.	86,808,713	-	86,808,713	-
Cash received from other receipts, net	701,496	-	701,496	413,879
Cash payments for personal services	(51,563,749)	-	(51,563,749)	(60,106)
Cash payments for goods and services	(35,497,634)	-	(35,497,634)	(1,254)
Cash payments for insurance	-	-	-	(2,408,354)
Cash payments for claims.	-	-	-	(594,578)
Cash payments for administrative costs.	-	-	-	(14,825)
Cash payments for other expenses.	-	-	-	(1,514)
Net cash provided by operating activities.	<u>448,826</u>	<u>-</u>	<u>448,826</u>	<u>516,824</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	59,622
Cash payments to other funds.	-	-	-	(422,454)
Net cash used in noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(362,832)</u>
Cash flows from capital and related financing activities:				
Repayment of long-term debt	(2,372,966)	-	(2,372,966)	-
Interest expense and other nonoperating losses	(936,826)	-	(936,826)	-
Acquisition of property and equipment.	(2,534,699)	-	(2,534,699)	-
Net cash used in capital and related financing activities	<u>(5,844,491)</u>	<u>-</u>	<u>(5,844,491)</u>	<u>-</u>
Cash flows from investing activities:				
Change in investments, net.	4,106,176	-	4,106,176	-
Notes and other receivables	1,217,910	-	1,217,910	-
Interest received	718,097	-	718,097	126
Net cash provided by investing activities	<u>6,042,183</u>	<u>-</u>	<u>6,042,183</u>	<u>126</u>
Net increase in cash and cash equivalents	646,518	-	646,518	154,118
Cash and cash equivalents at beginning of year	<u>8,378,110</u>	<u>-</u>	<u>8,378,110</u>	<u>65,517</u>
Cash and cash equivalents at end of year.	<u>\$ 9,024,628</u>	<u>\$ -</u>	<u>\$ 9,024,628</u>	<u>\$ 219,635</u>
Cash and cash equivalents include the following:				
Cash and cash equivalents	\$ 5,950,084	\$ -	\$ 5,950,084	\$ 219,635
Investments and assets whose use is limited	3,074,544	-	3,074,544	-
Total cash and cash equivalents	<u>\$ 9,024,628</u>	<u>\$ -</u>	<u>\$ 9,024,628</u>	<u>\$ 219,635</u>

- Continued

CLINTON COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activity - Health Insurance Depository Fund</u>
	<u>Clinton Memorial Hospital</u>	<u>Nonmajor</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (6,662,913)	\$ 38,506	\$ (6,624,407)	\$ 523,440
Adjustments:				
Depreciation	8,645,523	-	8,645,523	-
Change in unrealized gains and losses on investments.	145,358	-	145,358	-
Loss on sale of assets	158,183	-	158,183	-
Bad debts.	4,060,133	-	4,060,133	-
Changes in assets and liabilities:				
(Increase) in accounts receivable.	(3,115,647)	(38,506)	(3,154,153)	(10,350)
(Increase) in materials and supplies inventory	(275,698)	-	(275,698)	-
Decrease in due from other governments.	-	-	-	2,443
(Increase) in prepayments	(906,335)	-	(906,335)	-
(Decrease) in accounts payable.	(2,292,625)	-	(2,292,625)	(413)
Increase in accrued wages and benefits.	135,527	-	135,527	300
Increase in estimated third-party settlements.	557,320	-	557,320	-
Increase in due to other governments.	-	-	-	180
Increase in compensated absences payable.	-	-	-	1,224
Net cash provided by operating activities	<u>\$ 448,826</u>	<u>\$ -</u>	<u>\$ 448,826</u>	<u>\$ 516,824</u>
Supplemental disclosure of cash flow information:				
Cash paid for interest	\$ 2,032,208	\$ -	\$ 2,032,208	-

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 7,402	\$ 3,073,963
Cash in segregated accounts	-	566,902
Receivables:		
Real and other taxes.	-	33,074,751
Accounts	-	50,733
Special assessments.	-	359,148
Due from other governments	-	4,353,400
Total assets	<u>7,402</u>	<u>\$ 41,478,897</u>
Liabilities:		
Due to other governments	-	\$ 3,469,303
Deposits held and due to others	-	38,009,594
Total liabilities	<u>-</u>	<u>\$ 41,478,897</u>
Net assets:		
Held in trust for other purposes	<u>7,402</u>	
Total net assets	<u>\$ 7,402</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Private Purpose Trust
Additions:	
Interest	\$ 311
Gifts and contributions.	40,000
Total additions.	40,311
Deductions:	
Benefits.	40,039
Changes in net assets	272
Net assets at the beginning of the year.	7,130
Net assets at the end of the year	\$ 7,402

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

BLENDED COMPONENT UNITS

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

Clinton County Port Authority - The Clinton County Port Authority (the "Authority") was created by the Clinton County Board of Commissioners in September 2004 to enhance economic development in Clinton County. The Authority is created in accordance with Section 4582.22 of the Ohio Revised Code. The purpose of the Authority is to undertake projects that create or preserve jobs and employment opportunities; that improve and sustain the economic welfare of Clinton County and its residents, and that enhance, aid and promote transportation, housing, recreation, education, governmental, operations and culture within the territory served. The Authority is considered a component unit of the County as the County can impose its will on the Authority through the appointment of the members of the Board of Directors. The Authority reported deficit net assets of \$244,505 at December 31, 2007, due to start-up expenses which management expects to be eliminated in future years through operating revenue.

RELATED ORGANIZATIONS

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

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

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

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

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

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

JOINTLY GOVERNED ORGANIZATION

The County is a member of the Southern Ohio Council of Governments (the Council), which is a jointly governed organization under Ohio Revised Code Section 167.01. The governing body consists of a fourteen member board with each participating County represented by its Director of its Board of Mental Retardation and Developmental Disabilities (MRDD). Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto and Vinton Counties. The Council acts as fiscal agent for the Clinton County MRDD's supportive living program monies. During 2007, the Council received \$108,194 of supportive living monies from Clinton County and as of December 31, 2007, the County had a \$108,652 balance on hand with the Council. Financial statements can be obtained from the Council at 43 N. Paint St., Chillicothe, Ohio, 45601.

JOINT VENTURE WITHOUT EQUITY INTEREST

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

RISK POOL

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

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

B. Basis of Presentation

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

C. Fund Accounting

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

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

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

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

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

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

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

The County has one nonmajor enterprise fund to account for the Martinsville/Midland Sewer operations.

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

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

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

D. Measurement Focus

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

E. Basis of Accounting

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On a full accrual basis, revenue from sales taxes is recognized in the year in which the sales are made. 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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2007 are recorded as deferred revenue.

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

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

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

F. Budgetary Data

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

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

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

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

Appropriations - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2007 are included in the final budget amounts in the budget-to-actual comparisons.

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

G. Cash and Investments

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

During fiscal year 2007, investments were limited to federal agency securities, U.S. Treasury notes, U.S. Government money market mutual funds, U.S. obligations, and repurchase agreements.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$892,916 which includes \$777,879 assigned from other County funds.

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

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

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

H. Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at estimated net realizable amounts. Revenue from the Medicare and Medicaid programs accounted for approximately 51% of the Hospital's net patient service revenue for the year ended December 31, 2007. Payment for the majority of Medicare and Medicaid inpatient services is based on a prospectively determined fixed price, based on the discharge diagnosis per patient case. Certain other Medicare and Medicaid outpatient services are also reimbursed on a prospectively determined fixed price. The Hospital receives reimbursement for other Medicaid and Medicare outpatient services at amounts which approximate the cost of provided the services.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

Final determination of amounts earned is subject to review by the fiscal intermediary. Medicare reports have been settled through 2005, while Medicaid reports have been settled through 2002.

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

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

I. Inventories of Materials and Supplies

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

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

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

Inventory consists of expendable supplies held for consumption.

J. Capital Assets

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

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

The Hospital did not have any capitalized interest for the year ended December 31, 2007. Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset.

K. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the “Vesting” method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

L. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

M. Accrued Liabilities and Long-term Obligations

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

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

N. Interfund Transactions

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

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

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

O. Fund Balance Reserves

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

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

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

P. Charity Care

The Hospital treats patients regardless of their ability to pay. Amounts not collected under indigent care programs are considered to be charity care. Charity care measured at established rates approximated \$5,637,000 in 2007.

Q. Assets Whose Use is Limited

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

R. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. During 2007, the County did not receive capital contributions.

S. Net Assets

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

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

T. Estimates

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Dog and Kennel	\$ 56,379
Workforce Development	34,079
Clinton County Park Board	14,048
County Recorder Equipment	20,071
<u>Nonmajor Capital Projects Fund</u>	
Martinsville-Midland Sanitary Project	10,860

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

B. Change in Accounting Principles

For 2007, the County has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the County; however, additional disclosure related to revenues pledged for the repayment of Hospital revenue bonds has been provided in Note 12.B.

C. Compliance

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

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

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

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

A. Cash on Hand

At year-end, the County had \$110,556 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents"

B. Cash in Segregated Accounts

At year-end, the County had \$566,902 in cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of deposits with fiscal institutions below.

C. Deposits with Financial Institutions

At December 31, 2007, the carrying amount of all County deposits was \$17,065,171. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, \$9,488,081 of the County's bank balance of \$17,630,196 was exposed to custodial risk as discussed below, while \$8,142,115 was covered by Federal Deposit Insurance Corporation.

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

D. Investments

As of December 31, 2007, the County had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLMC	\$ 656,231	\$ 149,506	\$ -	\$ -	\$ 506,725	\$ -
FHLB	2,722,965	350,141	-	750,992	100,156	1,521,676
FFCB	250,079	-	149,860	-	-	100,219
Repurchase Agreement	3,473,670	3,473,670	-	-	-	-
U.S. Obligations	7,942,798	-	1,614,705	-	-	-
U.S. Government Money						6,328,093
Market Mutual Funds	197,331	197,331	-	-	-	-
	<u>\$ 15,243,074</u>	<u>\$ 4,170,648</u>	<u>\$ 1,764,565</u>	<u>\$ 750,992</u>	<u>\$ 606,881</u>	<u>\$ 7,949,988</u>

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	\$ 656,231	4.31
FHLB	2,722,965	17.86
FFCB	250,079	1.64
Repurchase Agreement	3,473,670	22.79
U.S. Obligations	7,942,798	52.11
U.S. Government Money Market Mutual Funds	<u>197,331</u>	<u>1.29</u>
	<u>\$ 15,243,074</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 17,065,171
Investments	15,243,074
Cash on hand	<u>110,556</u>
Total	<u>\$ 32,418,801</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 12,797,486
Business type activities	15,973,048
Fiduciary funds	<u>3,648,267</u>
Total	<u>\$ 32,418,801</u>

F. Component Units

At December 31, 2007, the carrying amount of the Workshop's demand deposits, including nonnegotiable certificates of deposit, was \$235,887 and the bank balance, including nonnegotiable certificates of deposit, was \$235,760. Of the bank balance, \$140,480 was insured by the FDIC. The Workshop had \$127 of cash on hand at December 31, 2007, which is included in "Equity in Pooled Cash and Cash Equivalents". At December 31, 2007, the Workshop had an investment in the amount of \$95,280 in a money market mutual fund. Money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

At December 31, 2007, the carrying amount and bank balance of the Authority's demand deposits was \$9,886. The entire bank balance was insured by the FDIC.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2007, consisted of the following, as reported on the fund financial statements:

Transfers to General Fund from:		
Nonmajor Governmental Funds	\$	794
Transfers to Motor Vehicle & Gas Tax Fund from:		
General Fund		122,293
Transfers to Nonmajor Governmental Funds from:		
General Fund		1,340,004

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

- B.** Short term interfund loans consisted of the following at December 31, 2007, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 16,806
	Internal service fund	59,622

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

- C.** Long-term advances to and from other funds at December 31, 2007, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 108,808

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

D. Due from/to other funds consisted of the following at December 31, 2007, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Public Assistance	\$ 810
	Children Services	9,300
	Nonmajor governmental fund	13,926
Children Services	Nonmajor governmental fund	2,005
Motor Vehicle & Gas Tax	General	11,799
	Public Assistance	221
	Nonmajor governmental fund	352
	General	
Nonmajor governmental fund	Nonmajor governmental fund	243

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2007-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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 assessed value upon which the 2007 taxes were collected was \$932,260,740. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2007, was \$11.40 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

"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 2007 operations, the receivable is offset by a credit to "unearned revenue". The delinquent real, public utility and tangible personal property taxes are recorded as "deferred revenue". The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited entirely to the general fund and special revenue funds. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue to the extent that they are intended to finance fiscal 2007 operations. Sales and use tax revenue for 2007 amounted to \$7,886,266.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 8 - RECEIVABLES

Receivables at December 31, 2007, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the balance sheet. Receivables have been recorded to the extent that they are measurable at December 31, 2007, as well as intended to finance fiscal 2007 operations.

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

Governmental Activities:

Sales taxes	\$1,114,913
Real estate and other taxes	6,977,117
Accounts	149,869
Special assessments	98,121
Accrued interest	184,565
Due from other governments	3,845,275

Business-Type Activities:

Gross accounts receivable	13,884,040
Less: allowance for doubtful accounts	(2,309,000)
Net accounts receivable	<u>11,575,040</u>
Notes and other receivables	706,442

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 9 - CAPITAL ASSETS

A. Primary Government

Capital asset activity for the fiscal year ended December 31, 2007, was as follows:

<u>Governmental Activities:</u>	Balance <u>12/31/06</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/07</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 821,880	\$ 50,000	\$ -	\$ 871,880
Construction in progress	4,497,398	3,195,424	-	7,692,822
Total capital assets, not being depreciated	<u>5,319,278</u>	<u>3,245,424</u>	-	<u>8,564,702</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	201,001	-	-	201,001
Buildings and improvements	20,196,450	-	-	20,196,450
Equipment	3,394,410	450,306	(201,315)	3,643,401
Vehicles	2,791,204	345,010	-	3,136,214
Infrastructure	31,336,294	1,455,778	-	32,792,072
Total capital assets, being depreciated	<u>57,919,359</u>	<u>2,251,094</u>	<u>(201,315)</u>	<u>59,969,138</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(72,838)	(7,721)	-	(80,559)
Buildings and improvements	(4,598,748)	(378,011)	-	(4,976,759)
Equipment	(1,908,492)	(371,518)	201,315	(2,078,695)
Vehicles	(1,721,113)	(269,638)	-	(1,990,751)
Infrastructure	(8,153,058)	(881,418)	-	(9,034,476)
Total accumulated depreciation	<u>(16,454,249)</u>	<u>(1,908,306)</u>	<u>201,315</u>	<u>(18,161,240)</u>
Total capital assets, being depreciated net	<u>41,465,110</u>	<u>342,788</u>	-	<u>41,807,898</u>
Governmental activities capital assets, net	<u>\$ 46,784,388</u>	<u>\$ 3,588,212</u>	<u>\$ -</u>	<u>\$ 50,372,600</u>

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

Governmental activities:	
Legislative and executive	\$ 293,988
Judicial	71,445
Public safety	144,527
Public works	1,212,533
Health	97,194
Human services	63,334
Other	<u>25,285</u>
Total depreciation expense - governmental activities	<u>\$1,908,306</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 9 - CAPITAL ASSETS - (Continued)

<u>Business-Type Activities</u>	<u>Balance</u> 12/31/06	<u>Additions/ Transfers</u>	<u>Retirements</u>	<u>Balance</u> 12/31/07
<i>Capital assets, being depreciated:</i>				
Land and land improvements	\$ 3,142,757	\$ 386,227	\$ -	\$ 3,528,984
Buildings and improvements	81,716,850	4,131,104	(67,149)	85,780,805
Equipment	49,558,830	4,291,014	(1,907,156)	51,942,688
Construction in progress	<u>6,837,211</u>	<u>(6,273,646)</u>	<u>(24,374)</u>	<u>539,191</u>
Total capital assets, being depreciated	<u>141,255,648</u>	<u>2,534,699</u>	<u>(1,998,679)</u>	<u>141,791,668</u>
<i>Less: accumulated depreciation:</i>				
Land and land improvements	(1,113,261)	(164,336)	-	(1,277,597)
Buildings and improvements	(21,865,308)	(3,015,712)	43,343	(24,837,677)
Equipment	<u>(24,815,065)</u>	<u>(5,465,475)</u>	<u>1,797,153</u>	<u>(28,483,387)</u>
Total accumulated depreciation	<u>(47,793,634)</u>	<u>(8,645,523)</u>	<u>1,840,496</u>	<u>(54,598,661)</u>
Business-type activities capital assets, net	<u>\$ 93,462,014</u>	<u>\$ (6,110,824)</u>	<u>\$ (158,183)</u>	<u>\$ 87,193,007</u>

B. Component Unit Capital Assets

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

<u>Component Unit:</u>	<u>Balance</u> 12/31/06	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 12/31/07
<i>Capital assets, being depreciated:</i>				
Land improvements	\$ 12,761	\$ -	\$ -	\$ 12,761
Buildings and improvements	36,993	-	-	36,993
Furniture and equipment	34,293	-	-	34,293
Vehicles	<u>23,990</u>	<u>-</u>	<u>-</u>	<u>23,990</u>
Total capital assets being depreciated	<u>108,037</u>	<u>-</u>	<u>-</u>	<u>108,037</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(5,804)	(1,137)	-	(6,941)
Buildings and improvements	(31,881)	(3,297)	-	(35,178)
Furniture and equipment	(27,297)	(3,056)	-	(30,353)
Vehicles	<u>(12,040)</u>	<u>(238)</u>	<u>-</u>	<u>(12,278)</u>
Total accumulated depreciation	<u>(77,022)</u>	<u>(7,728)</u>	<u>-</u>	<u>(84,750)</u>
Total capital assets, being depreciated, net	<u>\$ 31,015</u>	<u>\$ (7,728)</u>	<u>\$ -</u>	<u>\$ 23,287</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE

A. Governmental Activities Capital Lease

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

Governmental activities capital assets consisting of equipment have been capitalized in the amount of \$131,918. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in the amount of \$16,024 were made during fiscal year 2007.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2007:

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$ 25,524
2009	25,524
2010	24,252
2011	24,252
2012	24,252
2013	<u>12,126</u>
Total	135,930
Less: amount representing interest	<u>(25,961)</u>
Present value of net minimum lease payments	<u>\$ 109,969</u>

B. Business-Type Activities Capital Lease

Capital assets have been capitalized in the Hospital enterprise fund. The lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13 “Accounting for Leases”, which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. The present value of the minimum lease payments at the time of acquisition was capitalized at the time of acquisition and a corresponding liability was recorded in the Hospital enterprise fund. The net carrying value of the assets recorded under capital lease was \$418,772 at December 31, 2007.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2007:

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

<u>Year Ended December 31,</u>	<u>Amount</u>
2008	\$ 368,929
2009	<u>61,498</u>
Total	430,427
Less: amount representing interest	<u>(11,655)</u>
Present value of net minimum lease payments	<u>\$ 418,772</u>

NOTE 11 - COMPENSATED ABSENCES

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

Upon termination of County service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 30 days and all accumulated vacation. At December 31, 2007 vested benefits for vacation leave for governmental fund type employees totaled \$816,350 and vested benefits for sick leave totaled \$361,353. For the proprietary fund type, vested benefits for vacation leave totaled \$3,770 and there were no vested benefits for sick leave. In accordance with GASB Statement No. 16, an additional liability of \$40,828 was accrued to record termination (severance) payments expected to become eligible to retire in the future for the governmental fund type employees.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2007, the following changes occurred in the County's governmental long-term obligations:

Governmental Activities:	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 1/1/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/07</u>	<u>Amount Due in One Year</u>
General Obligation Bonds:							
County Building Improvement Bonds - 5.42%	7/14/1993	6/1/2008	\$ 235,000	\$ -	\$ (115,000)	\$ 120,000	\$ 120,000
Bypass/Jail Construction Bond 4.0-5.75%	12/1/1999	12/1/2019	3,645,000	-	(245,000)	3,400,000	260,000
Haines Ditch Project Bonds - 5.25%-6.00%	12/1/2006	12/1/2014	85,000	-	(10,000)	75,000	10,000
Total general obligation bonds			<u>3,965,000</u>	<u>-</u>	<u>(370,000)</u>	<u>3,595,000</u>	<u>390,000</u>
Bond Anticipation Notes:							
Property Acquisition & Renovation - 4.090%	5/12/2006	5/10/2007	2,563,518	-	(2,563,518)	-	-
Property Acquisition & Renovation - 4.31%	5/10/2007	4/28/2008	-	2,547,628	-	2,547,628	-
Annex Addition - 4.22%	5/11/2006	5/10/2007	794,600	-	(794,600)	-	-
Annex Addition - 4.34%	5/10/2007	1/24/2008	-	690,600	-	690,600	690,600
Various County Improvement - 4.22%	5/11/2006	5/10/2007	612,400	-	(612,400)	-	-
Various County Improvement - 4.34%	5/9/2007	1/24/2008	-	540,900	-	540,900	540,900
Capital Purchases Improvement - 4.20%	4/13/2006	4/12/2007	504,000	-	(504,000)	-	-
Capital Purchases Improvement - 4.35%	4/12/2007	4/10/2008	-	504,000	-	504,000	-
Martinsville-Midland Sanitary Project - 4.00%	4/27/2006	4/26/2007	4,717,000	-	(4,717,000)	-	-
Martinsville-Midland Sanitary Project - 3.75%	4/25/2007	4/24/2008	-	4,925,000	-	4,925,000	-
Total bond anticipation notes			<u>9,191,518</u>	<u>9,208,128</u>	<u>(9,191,518)</u>	<u>9,208,128</u>	<u>1,231,500</u>
Special Assessment Bond							
Ditch Construction Bonds - 6.20%	8/1/2001	8/1/2009	32,852	-	(10,299)	22,553	10,937
Total special assessment bond			<u>32,852</u>	<u>-</u>	<u>(10,299)</u>	<u>22,553</u>	<u>10,937</u>
Other Long-Term Obligations:							
OPWC loan			-	143,745	-	143,745	-
Compensated absences			1,185,856	751,245	(714,800)	1,222,301	651,105
Capital lease			125,993	-	(16,024)	109,969	17,354
Total other long-term obligations			<u>1,311,849</u>	<u>894,990</u>	<u>(730,824)</u>	<u>1,476,015</u>	<u>668,459</u>
Total general long-term obligations			<u>\$ 14,501,219</u>	<u>\$ 10,103,118</u>	<u>\$ (10,302,641)</u>	<u>\$ 14,301,696</u>	<u>\$ 2,300,896</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

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

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

Bond Anticipation Notes: In accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected to Be Refinanced", the bond anticipation notes were classified as long-term obligations because they have been replaced with general obligation bonds or bond anticipation notes before the financial statements have been issued (see Note 22 for detail).

OPWC Loan: The County was approved for a \$200,000 loan from Ohio Public Works Commission (OPWC) with a 0% interest rate and payable over 20 years. During 2007, the County received a partial amount of \$143,745 from this loan. The proceeds were used towards the construction of the Martinsville-Midland Sewer Project. A debt schedule for future principal payments will be available once the loan has been fully disbursed to the County.

Compensated Absences: Vested sick leave and vacation benefits will be paid from the fund from which the employee is paid.

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

Year Ending	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 390,000	\$ 191,167	\$ 581,167	\$ 10,937	\$ 1,422	\$ 12,359
2009	280,000	174,780	454,780	11,616	730	12,346
2010	260,000	160,890	420,890	-	-	-
2011	250,000	147,615	397,615	-	-	-
2012	255,000	134,610	389,610	-	-	-
2013 - 2017	1,460,000	452,355	1,912,355	-	-	-
2018 - 2019	700,000	60,489	760,489	-	-	-
Total	<u>\$ 3,595,000</u>	<u>\$ 1,321,906</u>	<u>\$ 4,916,906</u>	<u>\$ 22,553</u>	<u>\$ 2,152</u>	<u>\$ 24,705</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

B. Business-Type Activities Long-Term Obligations

During 2007, the following changes occurred in the County's business-type long-term obligations:

Business-Type Activities:	<u>Balance at</u> <u>12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>12/31/07</u>	<u>Amount Due</u> <u>in One Year</u>
Hospital Facilities Revenue Refunding and Improvement Bonds	\$ 44,435,000	\$ -	\$ (1,575,000)	\$ 42,860,000	\$ 1,640,000
Series 2006A Note Payable	2,500,000	-	(425,759)	2,074,241	500,196
Installment Note Payable	599,960	-	(32,818)	567,142	567,148
Capital Lease Obligation	<u>758,161</u>	<u>-</u>	<u>(339,389)</u>	<u>418,772</u>	<u>356,404</u>
Total business-type long-term obligations	<u>\$ 48,293,121</u>	<u>\$ -</u>	<u>\$ (2,372,966)</u>	<u>\$ 45,920,155</u>	<u>\$ 3,063,748</u>

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

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

The Hospital uses derivative financial instruments principally to manage the risk of change in interest rates. During 2005, the Hospital entered into a cash flow hedge interest rate swap agreement with Fifth Third Bank. As a result of the swap, the Hospital locked into an interest rate of 4.23% on \$12,200,000 of the Series 2005 adjustable demand hospital facilities revenue improvement bonds. The fair value of the interest rate swap at December 31, 2007 was a liability of \$678,061. This liability has been recorded in accounts payable and accrued expenses with the related loss on this arrangement deferred as a component of unrestricted net assets. This agreement expires on December 31, 2015.

As of December 31, 2007, the Hospital was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Hospital would be exposed to credit risk in the amount of the derivative's fair value.

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

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

Year Ending	Bonds and Notes		
	Principal	Interest	Total
2008	\$ 2,707,344	\$ 1,588,258	\$ 4,295,602
2009	2,213,760	1,487,624	3,701,384
2010	2,299,241	1,403,141	3,702,382
2011	2,421,038	1,314,947	3,735,985
2012	1,945,000	1,233,584	3,178,584
2013 - 2017	11,075,000	5,104,279	16,179,279
2018 - 2022	12,550,000	3,025,652	15,575,652
2023 - 2027	10,290,000	1,090,308	11,380,308
Total	<u>\$ 45,501,383</u>	<u>\$ 16,247,793</u>	<u>\$ 61,749,176</u>

C. Legal Debt Margin

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to 3% of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000 plus 2-1/2% of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$20,639,439 as of December 31, 2007.

NOTE 13 - NOTES PAYABLE

General Obligation Notes Payable

During fiscal year 2007, the County retired general obligation notes in the amount of \$59,000. These notes were related to County land purchase. The following is a summary of the general obligation note activity during fiscal 2007:

	Issue Date	Maturity Date	Balance at 12/31/06	2007		Balance at 12/31/07
				2007 Issues	Principal Retirement	
<u>Land Purchase</u>						
Fairgrounds Land Purchase - 5.35%	11/8/06	11/7/07	<u>\$ 59,000</u>	<u>\$ -</u>	<u>\$ (59,000)</u>	<u>\$ -</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 14 - RISK MANAGEMENT

A. General Insurance

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

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

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

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

B. Health Care, Vision and Dental Insurance

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

C. Professional Liability Insurance

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 15 - 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, by calling (614) 222-5601 or (800) 222-7377, or by visiting the OPERS website at www.opers.org.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement under the Traditional Pension Plan, were required to contribute 9.5% of their annual covered salaries. Members participating in the Traditional Pension Plan that were in law enforcement contributed 10.1% of their annual covered salary. The County's contribution rate for pension benefits for 2007 was 8.85% for the period January 1, 2007 through June 30, 2007 and 7.85% for the period July 1, 2007 through December 31, 2007, except for those plan members in law enforcement and public safety. For those classifications, the County's pension contributions were 12.17% of covered payroll for the period January 1, 2007 through June 30, 2007 and 11.17% of covered payroll for the period July 1, 2007 through December 31, 2007. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2007, 2006, and 2005 were \$1,880,900, \$1,610,871, and \$1,541,281, respectively; 76.55% has been contributed for 2007 and 100% has been contributed for 2006 and 2005.

The Hospital's contributions, representing 100% of employer contributions were \$5,237,195, \$5,095,750, and \$4,730,647 for fiscal years 2007, 2006, and 2005, respectively.

B. State Teachers Retirement System

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 15 - PENSION PLANS - (Continued)

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.

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.

For the year ended December 31, 2007, 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. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. 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 June 30, 2007, 2006, and 2005 was \$27,226, \$24,612, and \$28,297, respectively; 100 percent has been contributed for fiscal years 2007, 2006, and 2005. There were no contributions for the DCP and CP for the fiscal year ended June 30, 2007.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 16 - POST-EMPLOYMENT BENEFIT PLANS

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 2007 local government employer contribution rate was 13.85% of covered payroll (17.17% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care for the period January 1, 2007 through June 30, 2007 and 6.00% for the period July 1, 2007 through December 31, 2007.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 5.00% for the next eight years. In subsequent years, (9 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, 2007. The County's actual employer contributions for 2007 which were used to fund postemployment benefits were \$825,803. Hospital contributions made to fund postemployment benefits approximated \$2,080,000 for 2007. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 16 - POST-EMPLOYMENT BENEFIT PLANS

B. State Teachers Retirement System

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended December 31, 2007, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the County, this amount was \$1,945.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265.558 million, and STRS had 122,934 eligible benefit recipients.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balances

	Governmental Fund Types				
	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Public Assistance</u>
Budget basis	\$ (153,120)	\$ 418,832	\$ (232,139)	\$ 371,417	\$ 187,707
Net adjustment for revenue accruals	(29,234)	(114,670)	5,599	(26,498)	(2,141)
Net adjustment for expenditure accruals	(58,651)	(39,723)	(20,198)	80,171	(4,643)
Net adjustment for other financing sources/(uses) accruals	(283,903)	-	-	-	-
Encumbrances (budget basis)	<u>416,896</u>	<u>-</u>	<u>39,336</u>	<u>226,670</u>	<u>-</u>
GAAP basis	<u>\$ (108,012)</u>	<u>\$ 264,439</u>	<u>\$ (207,402)</u>	<u>\$ 651,760</u>	<u>\$ 180,923</u>

NOTE 18 - FUTURE MINIMUM RENTAL EXPENSE AND INCOME

Rent expense related to the Hospital amounted to approximately \$1,177,000 in 2007. The leases expire in 2047.

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

<u>Year Ended December 31,</u>	<u>Amount</u>
2008	\$ 42,111
2009	12,000
2010	12,000
2011	12,000
2012	12,000
Thereafter	<u>418,000</u>
Total	<u>\$ 508,111</u>

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 19 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

NOTE 20 - CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. This mix of receivables from self-pay patients and third-party payors as of December 31, 2007, was as follows:

	<u>Amount</u>
Medicare	35%
Medicaid	11%
Other third-party payors	35%
Self pay patients	<u>19%</u>
Total	<u>100%</u>

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

NOTE 21 - CONDUIT DEBT OBLIGATIONS

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

To provide for the financing of certain expenditures at Clinton Memorial Hospital, the Hospital has issued special facility revenue bonds. These consist of \$35,000,000 in 2002 Clinton County, Ohio, Variable Rate Demand Hospital Improvement Revenue Bonds, with final maturity in February, 2012 and \$12,200,000 in 2005 Clinton County, Ohio, Variable Rate Demand Hospital Improvement Revenue Bonds, with final maturity in December, 2015. These bonds do not constitute a debt or pledge of the faith and credit of the County. As of December 31, 2007, \$42,860,000 was outstanding.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 22 - SIGNIFICANT SUBSEQUENT EVENTS

On April 10, 2008, the County issued various purpose general obligation bonds in the amount of \$3,560,000, which were used to retire a portion of the bond anticipation notes outstanding at December 31, 2007. These bonds bear a variable annual interest rate of 2.75-4.125% and have a maturity date of December 1, 2027.

On April 23, 2008, the County issued \$4,925,000 in bond anticipation notes which were used to retire the \$4,925,000 bond anticipation note due April 24, 2008. The notes have an interest rate of 2.50% and a maturity date of October 1, 2008.

Clinton Memorial Hospital plans to accept requests for proposals to possibly affiliate with an urban health care system by August, 2009.

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CLINTON COUNTY, OHIO

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education.</i>			
Rehabilitation Services Commission	N/A	84.126	\$ 5,240
Special Education - Grants to States	6B-SF-2007	84.027	12,483
Special Education - Preschool Grants	PG-S1-2007	84.173	5,910
Total Special Education			18,393
Total U.S. Department of Education			23,633
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Title XX - Social Services Block Grant	N/A	93.667	25,550
<i>Passed Through Ohio Department of Mental Health.</i>			
Medical Assistance Program - Title XIX: Targeted Case Management (TCM)	N/A	93.778	148,777
Waiver Administration Claiming			65,528
Day Habilitation			282,038
Total Title XIX			496,343
Total U.S. Department of Health and Human Services			521,893
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction: Hales Branch Road Project	PID 77159	20.205	7,472
Speed Safety Study	PID 81975		8,100
Total U.S. Department of Transportation			15,572
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants: Community Housing Improvement Program	B-C-04-014-1	14.228	20,663
Small Cities Program Grant (Formula)	B-F-05-014-1		91,674
	B-F-06-014-1		96,385
	B-F-07-014-1		7,000
Total Small Cities Program			195,059
Water & Sanitary Sewer Competitive Grant	B-W-03-014-1		72,727
	B-W-03-014-2		1,000
Total Water & Sanitary Sewer			73,727
Home Investment Partnerships Program	B-C-04-014-2	14.239	92,200
Total U.S. Department of Housing and Urban Development			381,649

(Continued)

CLINTON COUNTY, OHIO

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Department of Public Safety</i>			
Emergency Management Performance Grant	2007-EM-EM7-0024	97.042	31,904
State Homeland Security Program	N/A	97.047	7,443
Total U.S. Department of Homeland Security			39,347
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	4,042,200
Total U.S. Department of Agriculture			4,042,200
<u>U.S. DEPARTMENT OF LABOR</u>			
<i>Passed Through the Ohio Department of Jobs and Family Services via Ohio Area 7 Workforce Investment Board</i>			
Workforce Investment Act Cluster:			
WIA - Adult	N/A	17.258	104,879
WIA - Adult Administration			4,111
WIA - Adult Total			108,990
WIA - Youth	N/A	17.259	104,611
WIA - Youth Administration			4,100
WIA - Youth Total			108,711
WIA - Dislocated Workers	N/A	17.260	150,466
WIA - DW, Rapid Response			166,600
WIA - Dislocated Workers Administration			5,898
WIA - Dislocated Workers Total:			322,964
Total Workforce Investment Act Cluster			540,665
Total U.S. Department of Labor			540,665
Total Federal Expenditures			\$ 5,564,959

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

CLINTON COUNTY, OHIO

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
YEAR ENDED DECEMBER 31, 2007**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—SUBRECIPIENTS

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

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

NOTE C—WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES GRANT

During 2006, the County expended \$4,637,187 in federal financial expenditures under the Water and Waste Disposal Systems for Rural Communities. These expenditures were not reported on the 2006 federal schedule.

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Mary Taylor, CPA

Auditor of State

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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, business type activities, the component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 24, 2008, wherein we noted the Clinton Memorial Hospital financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Hospital is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

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

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

We also noted certain internal control matters that we reported to the County's management in a separate letter dated November 24, 2008.

Noncompliance

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated November 24, 2008.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the County's responses and, accordingly, we express no opinion.

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



Mary Taylor, CPA
Auditor of State

November 24, 2008



Mary Taylor, CPA

Auditor of State

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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

Compliance

We have audited the compliance of Clinton County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Clinton County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying schedule of findings as items 2007-003 and 2007-004.

Internal Control Over Compliance

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

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as findings 2007-003 and 2007-004 to be significant deficiencies.

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

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



Mary Taylor, CPA
Auditor of State

November 24, 2008

CLINTON COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #17.258, # 17.259, #17.260 – Workforce Investment Act – DW, Rapid Response, Adult and Youth. #10.760 -Water and Waste Disposal Systems for Rural Developments.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2007-001

Noncompliance Citation/Significant Deficiency

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

- The County Treasurer did not include health care account bank balance of \$12,309.39 on the December 31, 2007 Treasurer's Daily Form 6;
- The County Treasurer did not reconcile UMR Health Claims account at December 31, 2007, resulting in an overstatement of \$4,650.18.
- The County Treasurer's Form 6 did not show actual depository balances, and the outstanding warrants issued by UMR were not presented on the Auditor/Treasurer Balance Sheet;
- The County received unidentified direct deposits during the year; however, the County Treasurer did not issue a pay-in for these receipts. The County Treasurer carried the unidentified receipts as adjustments on the Form 6.

As a result of not reconciling the accounts listed above and not including all account activity on the Treasurer's Form 6, the County's depository balance was understated by \$48,321.81 related to the self-insurance account at December 31, 2007. To help improve accountability over the reconciliation process and account balances we recommend:

- The County Treasurer should present all accounts on the monthly statement at depository values; and should reconcile the Treasurer's cash balances and the depository balances on a monthly basis.
- The County Treasurer should report actual balances on the Treasurer's Statement. Furthermore, the County Treasurer should post unidentified direct deposits to the County's Unidentified Deposits Fund until she can determine the origin and correct posting of the direct deposit. We also recommend that the County Treasurer follow up on unidentified deposits in a timely manner.
- We recommend that all accounts listed on the Form 6 are at depository values and have a monthly reconciliation attached to the bank statement to show the difference between the Treasurer's cash balance and the depository balances.

Officials' Response:

County Treasurer, Joyce Atley, responded as follows:

The United Medical Resources (UMR) account was an account that we were told we couldn't handle because of the HIPPA law, has been dissolved and no longer exists.

The Health Care account is an outside holding account as a cushion fund for our health insurance and was dissolved by March 2008. It cannot be added to our Form 6 software program, but we will start putting it by hand at the bottom so it can be seen as an outside account.

**FINDING NUMBER 2007-001
(Continued)**

The unidentified direct deposits has to do with our direct deposits and all but one do get identified within a couple days and claimed. We fax every department, even though they can get their direct deposit figures off the internet, as soon as that money is deposited in the bank and those departments identify those funds as soon as they can. The 169 board is the only department who usually take around a week to identify because they have to pass their deposit through their board of directors to see where the money goes. I have the bank statements and Journal Display entries to show how quickly these direct deposits get claimed if anyone would like to see them.

I would like to end by saying that our Form 6 and Cash Report agree to the penny every night, as well as agreeing with the Bank. We do follow your recommendations by reconciling every account we have monthly and stapling the difference between the cash balance and depository balance to that bank statement. We would be glad to invite anyone over to see how this is done and appreciate any suggestions that would make things even better.

Auditor of State's Conclusion:

Although the Treasurer can explain the purpose for the accounts that are not included on the Form 6, and the Form 6 balances to the Cash Report (an internal county report), the Form 6 did not list all depository balances as of December 31, 2007 as required by Ohio Revised Code Section 321.09.

Direct deposits received by the county should be reported as amounts in the depository as required by Ohio Revised Code Section 321.09. The County Treasurer reported these amounts as reconciling items rather than amounts in the depository.

FINDING NUMBER 2007-002

Significant Deficiency

The County is responsible for the design and implementation of an internal control process that provides reasonable assurance as to the integrity of its financial reporting, the efficiency, and its effectiveness of its operations. The County does not have a written policy related to the tagging of capital assets for new items or those already in their inventory listings, nor does the County have a system to trace the items that are tagged. Furthermore, the County does not have any policies related to accounting for the disposal of capital assets.

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

We recommend the County develop policies and procedures to ensure the accuracy and completeness of their capital asset inventory records continuously throughout the year. The County should make each department record all capital assets purchased or disposed of during the year. The County should track their capital assets by assigning each qualifying item a specific tag number. Additionally, the County should maintain an up-to-date vehicle listing, which should be reconciled to the vehicle's title. The County should provide all updates and capital asset listings to the IPA firm for the GAAP conversion. We also recommend the County have an updated appraisal performed by an independent appraisal company. This will help ensure that the capital asset listing is complete and accurately presented for insurance coverage purposes.

**FINDING NUMBER 2007-002
 (Continued)**

Employees from each department may request the disposal of an item by calling the maintenance department and verbally making a request. We recommend the County require a disposition form that includes supervisory approval for any capital asset disposals. Any transfers made between departments, within the county, should also require a transfer form including a supervisor signature. Recording all disposals and transfers helps assure the County that their capital asset records are current and accurate, and that all disposals were of supervisory specific items.

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

Officials' Response:

We received no response from County Officials to this finding.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2007-003
CFDA Title and Number	Water and Waste Disposal Systems, # 10.760
Federal Award Number / Year	2006
Federal Agency	United States Department of Agriculture
Pass-Through Agency	N/A

Noncompliance Citation/Significant Deficiency

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

The County does not have a system in place to identify and monitor the federal award expenditures. The County relies on the various departments that manage each award to provide expenditure data and grant agreements to the accounting firm which compile the information for the schedule. The procedures utilized to prepare the County's *Schedule of Expenditures of Federal Awards* were inadequate, as such, the County's *Schedule of Federal Awards Expenditures* presented for audit did not list all federal expenditures expended by the County. The schedule did not include the grants or loans received from the United States Department of Agriculture for the Water and Waste Disposal Systems for Rural Communities in the amount of \$4,042,200. An incomplete and inaccurate schedule could result in the loss of federal funds or jeopardize future federal funding. We recommend that the County develop a system to identify federal award expenditures and monitor its agreements for federal programs periodically during the year to ensure that all federal funds are being properly reported on the schedule.

Officials' Response:

We received no response from County Officials to this finding.

Finding Number	2007-004
CFDA Title and Number	Water and Waste Disposal Systems, # 10.760
Federal Award Number / Year	N/A
Federal Agency	United States Department of Agriculture
Pass-Through Agency	N/A

Noncompliance Citation/Significant Deficiency

OMB Circular A-133 § .300, states that an auditee shall: (b) maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs; (c) comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

The County received funding through the United States Department of Agriculture, Rural Development (USDA/RD) for construction of the Martinsville/Midland Sewer facility. Per grant and loan agreements, the County has the responsibility to retain documents “which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.” They are also required to maintain accounting records that are supported by source documentation. The County did not maintain accounting records to support these grant and loan transactions. We were able to obtain complete copies of loan and grant transactions from the USDA/RD representative. The grant and loan agreements also contain provisions that the County must have “effective control over and accountability for all funds, property and other assets.” No evidence was found to determine that the Martinsville/Midland project account was being reconciled and properly monitored by management at the County level. All reviews and monitoring of the project were performed by personnel from the USDA/RD office.

The County did not maintain complete records for the Martinsville/Midland sewer project and did not properly document any monitoring activities completed at the County level for the federal funds expended. The County relied on representatives from the USDA/RD to maintain supporting documentation for the project and to review and monitor all federal funds expended. The County’s involvement in the compliance of the loan and grant requirements is a significant control; without their involvement, the County could be in noncompliance with the terms of the loan or grant agreements or specific auditee responsibilities outlined above. Noncompliance with the terms of the agreements or auditee responsibilities could result in termination of federal funding for the sewer project.

We recommend that the County establish and maintain their own internal control procedures over compliance to specific loan and grant requirements. To help ensure proper monitoring of all aspects of the sewer project, we recommend that the County assign a project manager to oversee the project as a whole. The project manager would also be responsible for maintaining appropriate supporting documentation for the Martinsville/Midland Sewer Project which would allow the County to be in compliance with all the terms of the grant or loan agreements and federally mandated auditee responsibilities.

Officials’ Response:

We received no response from County Officials to this finding.

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CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Ohio Rev. Code Section 321.09, requires the Treasurer to reconcile with the Auditor on a daily basis.	No	Reissued as Finding 2007-001
2006-002	The County did not properly maintain their capital asset listing.	No	Reissued as Finding 2007-002
2006-003	The County did not properly monitor the Workforce Investment Act Grant.	Yes	
2006-004	The County did not prepare an accurate schedule of federal financial expenditures.	No	Reissued as Finding 2007-003.



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 31, 2008**