



Mary Taylor, CPA
Auditor of State

PICKAWAY COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Pickaway County
207 South Court Street
Circleville, Ohio 43113

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Pickaway County, Ohio (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Brooks-Yates Center for Diversified Opportunities, Inc., which is a discretely presented component unit and represents .45% of the assets, 4.51% of the net assets and fund balances, and 6.39% of the revenues, of the aggregate discretely presented component units and remaining fund information. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for the Brooks-Yates Center for Diversified Opportunities, Inc. on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Pickaway County, Ohio, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Auto, License and Gas Tax, Job and Family Services, and Board of Mental Retardation funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2007, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis 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.

Our audit was performed to form opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is 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.



Mary Taylor, CPA
Auditor of State

October 23, 2007

Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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

Financial Highlights

Key financial highlights for 2006 are as follows:

- The assets of the County exceeded its liabilities at December 31, 2006, by \$39,592,517.
- The net assets of governmental activities increased \$4,337,150 which represents an 12.4 percent increase from 2005, while the net assets of business-type activities increased \$107,633 which represents a 42.6 percent increase.
- For 2006, all revenues of the County totaled \$36,033,733. General revenues accounted for \$16,236,067 in revenue or 45.1 percent of all revenues. Program revenues in the form of charges for services and grants and contributions accounted for \$19,797,666 or 54.9 percent of all revenues.
- The County had \$31,588,950 in total expenses: only \$19,797,666 of these expenses was offset by program specific charges for services, grants and contributions. General revenues were \$16,236,067 of which \$12,729,744 was taxes with the remaining \$3,506,323 consisting of interest, grants, entitlements and miscellaneous revenues.
- As of December 31, 2006, the County's governmental funds reported combined ending fund balances of \$11,971,917 an increase of \$2,159,261 or 22.0 percent in comparison with the prior year.

Overview of the Financial Statements

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

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector businesses. The statement of net assets and the statement of activities provide information about activities of the County as a whole, presenting both an aggregate view of the County's finances and a longer-term view of those assets.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's tax base, current property tax laws in Ohio restricting revenue growth, and the condition of the County's capital assets (roads, bridges, sewer lines, etc.). These factors need to be considered when assessing the overall health of the County.

Pickaway County, Ohio
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The statement of activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, 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, economic development and assistance, conservation and recreation and general government (legislative and executive and judicial). These services are funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The countywide sewer operation and the Sheriff web check activity are reported here.

Component Units - The County's financial statements include financial data for the Pickaway County Airport Authority and Brook-Yates Center Diversified Opportunities, Inc. These component units are described in the notes to the basic financial statements. The component units are separate and may buy, sell, lease and mortgage property in their own name and can sue and be sued in their own name.

Fund Financial Statements

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, Auto, License and Gas Tax, Job and Family Services, and Board of Mental Retardation.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. 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 one of three categories: governmental funds, proprietary funds, and fiduciary funds.

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 current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal 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, readers may better understand the long-term impact of the County'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.

Pickaway County, Ohio
Management's Discussion and Analysis
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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.

Proprietary Funds - The County maintains only two proprietary funds. It uses enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise funds to account for its Countywide Sewer and Instant Web Check funds.

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 County's fiduciary funds are private-purpose trust and agency.

Notes to the Basic 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.

Government-Wide Financial Analysis

You may recall that the statement of net assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's net assets for 2006 compared to 2005:

Table 1
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
<i>Assets:</i>						
Current and Other Assets	\$24,106,421	\$20,050,976	\$288,449	\$170,519	\$24,394,870	\$20,221,495
Capital Assets, Net	26,603,527	26,484,226	2,417,476	2,406,827	29,021,003	28,891,053
Total Assets	<u>50,709,948</u>	<u>46,535,202</u>	<u>2,705,925</u>	<u>2,577,346</u>	<u>53,415,873</u>	<u>49,112,548</u>
<i>Liabilities:</i>						
Current Liabilities	8,723,131	7,650,346	39,466	29,661	8,762,597	7,680,007
Long-Term Liabilities	2,754,663	3,989,852	2,306,096	2,294,955	5,060,759	6,284,807
Total Liabilities	<u>11,477,794</u>	<u>11,640,198</u>	<u>2,345,562</u>	<u>2,324,616</u>	<u>13,823,356</u>	<u>13,964,814</u>
<i>Net Assets:</i>						
Invested in Capital Assets, Net of Related Debt	26,210,444	26,127,206	111,380	111,872	26,321,824	26,304,392
<i>Restricted For:</i>						
Roads and Bridges	3,146,716	3,132,877	0	0	3,146,716	3,132,877
Mental Retardation Services	2,533,348	1,301,617	0	0	2,533,348	1,301,617
Capital Projects	443,904	526,975	0	0	443,904	526,975
Other Purposes	3,354,623	3,928,522	0	0	3,354,623	3,928,522
Unrestricted	<u>3,543,119</u>	<u>(122,193)</u>	<u>248,983</u>	<u>140,858</u>	<u>3,792,102</u>	<u>(46,649)</u>
Total Net Assets	<u>\$39,232,154</u>	<u>\$34,895,004</u>	<u>\$360,363</u>	<u>\$252,730</u>	<u>\$39,592,517</u>	<u>\$35,147,734</u>

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Governmental current assets increased for the year ended 2006 when compared with 2005. The majority of the increase is due to an increase in property taxes receivable and intergovernmental receivables related to operating grants, gas tax and motor vehicle permissive tax monies.

The overall increase in current liabilities is due to an increase in deferred revenue, which includes property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance year 2007 operations.

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$39,592,517 (\$39,232,154 in governmental activities and \$360,363 in business-type activities) at the end of the 2006 year.

The County's net assets are reflected in three categories: invested in capital assets, net of related debt, restricted and unrestricted.

The County's largest portion of net assets relates to invested in capital assets, net of related debt. This accounts for 66.48 percent of net assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The County's smallest portion of net assets is unrestricted and it accounts for 9.57 percent.

The remaining balance of \$9,478,591 or 23.94 percent is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

Business-type current assets increased due to increases in charges for services, decreases in expenses and contributions, which increase cash and cash equivalents. Capital assets increased due to construction improvements to the Darby Township Sanitary Sewer System. Long-term liabilities increased due to an increase in loans from the Ohio Water Development Authority for the construction improvements to the Darby Township Sanitary Sewer System.

Pickaway County, Ohio
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Table 2 shows the changes in net assets for 2006 compared to 2005.

Table 2
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
<i>Program Revenues:</i>						
Charges for Services	\$3,845,218	\$3,318,728	\$310,637	\$304,436	\$4,155,855	\$3,623,164
Operating Grants & Contributions	15,641,811	14,695,003	0	0	15,641,811	14,695,003
Capital Grants & Contributions	0	621,602	0	12,411	0	634,013
<i>Total Program Revenues</i>	<u>19,487,029</u>	<u>18,635,333</u>	<u>310,637</u>	<u>316,847</u>	<u>19,797,666</u>	<u>18,952,180</u>
<i>General Revenues:</i>						
Property Taxes	7,043,602	4,446,072	0	0	7,043,602	4,446,072
Sales Taxes	5,686,142	5,545,489	0	0	5,686,142	5,545,489
Grants & Entitlements	1,523,611	1,134,908	0	0	1,523,611	1,134,908
Interest	637,424	385,756	0	0	637,424	385,756
Miscellaneous	1,344,533	1,754,539	755	6,439	1,345,288	1,760,978
<i>Total General Revenues</i>	<u>16,235,312</u>	<u>13,266,764</u>	<u>755</u>	<u>6,439</u>	<u>16,236,067</u>	<u>13,273,203</u>
<i>Total Revenues</i>	<u>35,722,341</u>	<u>31,902,097</u>	<u>311,392</u>	<u>323,286</u>	<u>36,033,733</u>	<u>32,225,383</u>
<i>Program Expenses:</i>						
<i>General Government:</i>						
Legislative & Executive	4,960,399	4,799,425	0	0	4,960,399	4,799,425
Judicial	1,688,229	1,736,180	0	0	1,688,229	1,736,180
Public Safety	6,408,287	6,453,906	0	0	6,408,287	6,453,906
Public Works	3,750,285	4,804,352	0	0	3,750,285	4,804,352
Health	3,630,087	4,058,235	0	0	3,630,087	4,058,235
Human Services	9,769,225	8,447,729	0	0	9,769,225	8,447,729
Conservation & Recreation	402,930	387,466	0	0	402,930	387,466
Economic Development & Assistance	618,018	1,315,458	0	0	618,018	1,315,458
Other	33,540	35,883	0	0	33,540	35,883
Interest & Fiscal Charges	124,191	76,830	0	0	124,191	76,830
Countywide Sewer	0	0	191,276	228,693	191,276	228,693
Instant Web Checks	0	0	12,483	2,340	12,483	2,340
<i>Total Program Expenses</i>	<u>31,385,191</u>	<u>32,115,464</u>	<u>203,759</u>	<u>231,033</u>	<u>31,588,950</u>	<u>32,346,497</u>
<i>Changes in Net Assets</i>	<u>4,337,150</u>	<u>(213,367)</u>	<u>107,633</u>	<u>92,253</u>	<u>4,444,783</u>	<u>(121,114)</u>
Net Assets at January 1	<u>34,895,004</u>	<u>35,108,371</u>	<u>252,730</u>	<u>160,477</u>	<u>35,147,734</u>	<u>35,268,848</u>
Net Assets at December 31	<u>\$39,232,154</u>	<u>\$34,895,004</u>	<u>\$360,363</u>	<u>\$252,730</u>	<u>\$39,592,517</u>	<u>\$35,147,734</u>

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Unaudited

Governmental Activities

The most significant program expenses for the County are Human Services, Public Safety, Legislative and Executive, Public Works and Health. These programs account for 90.87 percent of the total governmental activities. Human Services, which accounts for 31.13 percent of the total, represents costs associated with providing services for Workforce Investment Act, child support and enforcement assistance programs, welfare programs, and Byrne program for families and individuals. These expenses reflect programs administered by Job and Family Services, Child Support Enforcement Agency and Children Services. Public Safety, which represents 20.42 percent of the total, represents costs mainly associated with the operation of the Sheriff's Department and County Jail. Legislative and Executive expenses, which is 15.80 percent of the total represents costs associated with the general administration of county government including the County Commissioners, Auditor, Treasurer, Prosecutor and Recorder. Public Works, which accounts for 11.95 percent of the total, represents costs associated with the operation of the County Engineer in maintaining the County's roads and bridges. Health, which accounts for 11.57 percent of the total, primarily represents costs associated with the services provided by the Board of Mental Retardation. Funding for the most significant programs indicated above is from charges for services, operating grants, and in some instances property and sales taxes. The Job and Family Services, Child Support Enforcement Agency, Children Services and Clerk of Courts are basically funded with federal and state monies. The operation of the Sheriff's Department and County Jail is funded through General Fund general revenues and per diem charges to house prisoners from other jurisdictions. The Board of Mental Retardation is partially funded by a voted property tax levy. The most significant funding sources for the County Engineer are motor vehicle license fees and gasoline taxes.

As noted previously, the net assets for the governmental activities increased \$4,337,150 or 12.4 percent. This change is unlike last year when net assets decreased \$213,367 or 0.6 percent. Total revenues increased \$3,820,244 or 11.97 percent over last year and expenses decreased \$730,273 or 2.27 percent over last year.

The major factors in the change in revenues are significant increases in program revenues for operating grants and contributions, an increase in general revenues for property taxes, and an increase in grants and entitlements. Operating Grants & Contributions increased \$946,808 or 6.44 percent, which is the result of increased grant funding in Job and Family Services, Special Children's Services, and Workforce Development. Property taxes increased \$2,597,530 or 58.42 percent. This is due to the increase of the Board of Mental Retardation voted property tax rate.

Expenses decreased 2.27 percent during 2006. Several factors led to this decrease. Public Works decreased \$1,054,067 or 21.94 percent which is due to decreases in Issue II funding from Ohio Public Works thereby resulting in less expenditures on public works projects. Human Services increased \$1,321,496 or 15.64 percent which is the result of the increases in salaries and benefits in providing social services to the public and providing services under the Workforce Investment Act and other grant programs. Economic Development and Assistance expenditures decreased \$697,440 or 53.02 percent. This decrease is due to decreases in providing services for persons eligible for community development block grants and finalizing contract expenses associated with the reconstruction of Crites Road and U.S. 23.

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

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
<i>General Government:</i>				
Legislative and Executive	4,960,399	3,423,920	\$4,799,425	\$2,981,625
Judicial	1,688,229	1,089,601	1,736,180	990,219
Public Safety	6,408,287	4,585,579	6,453,906	5,144,966
Public Works	3,750,285	(674,716)	4,804,352	(154,146)
Health	3,630,087	1,872,602	4,058,235	1,830,751
Human Services	9,769,225	1,062,000	8,447,729	1,378,057
Conservation and Recreation	402,930	402,930	387,466	387,466
Economic Development and Assistance	618,018	(21,485)	1,315,458	808,480
Other	33,540	33,540	35,883	35,883
Interest and Fiscal Charges	124,191	124,191	76,830	76,830
Total Expenses	\$31,385,191	\$11,898,162	\$32,115,464	\$13,480,131

Of the \$31,385,191 total governmental activities expenses, \$19,487,029 or 62.09 percent was covered by direct charges to users of the services and intergovernmental grants. The majority of program revenues are grants, with the remaining portion consisting of fees and charges for services. These charges are for fees charged for real estate transfers, for the collection of property taxes throughout the County, for title fees and for court fees. Public Safety charges for services include items such as fees for boarding prisoners, patrolling subdivisions, and for special details. Health includes charges for services provided to clients of the Mental Retardation Board. For Public Works, the County Engineer has fully funded their operations.

Business-Type Activities

In the past, program revenues had been adequate to cover the costs of operation for the County's business-type activities. This year, net assets increased by \$107,633 or 42.6 percent. For 2006, there was only a slight decrease in revenues and a slight decrease in expenses. The activity for 2006 remained stable and was similar to the prior year.

Financial Analysis of the County's Funds

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

Pickaway County, Ohio
Management's Discussion and Analysis
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As of the end of the current year, the County's governmental funds reported combined ending fund balances of \$11,971,917. Of this total, \$11,502,211 represents unreserved fund balance, which is available for appropriation at the County's discretion within certain legal constraints and purposes restrictions. The remainder of fund balance is reserved to indicate that it is not available for new spending. While a large amount of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the statement of net assets due to their being restricted for use for a particular purpose mandated by the source of the resources such as the state or federal government or the local tax levy.

The General Fund is the primary operating fund of the County. At the end of the 2006, unreserved fund balance of the General Fund was \$3,591,504. Unreserved fund balance represents 29.03 percent of expenditures. This is one measurement of the General Fund's liquidity. The fund balance of the General Fund increased by \$1,059,956. With revenues exceeding expenditures by \$1,428,091, the majority of the reason for the increase is increased property tax, sales tax and interest revenue.

The Auto, License and Gas Tax Fund balance increased by \$65,446, which is due to increased gasoline, license tax and grant funding. The Job and Family Services Fund balance increased by \$114,394, which is the result of increased intergovernmental revenue and expanded services to the public. The Board of Mental Retardation Fund balance increased by \$1,106,592, which is the result of increased tax revenues.

Proprietary Fund - The County's significant proprietary fund is the Countywide Sewer Fund, which accounts for the providing of sewer services to several subdivisions. Net assets of this proprietary fund at year end was \$358,396 of which \$247,016 was unrestricted.

Budgetary Highlights - General Fund

By state statute, the Board of County Commissioners adopts the annual operating budget for the County. 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 Ohio Revised Code.

The County had several revisions to the original appropriations approved by the County Commissioners. Overall these changes resulted in an increase from the original appropriations of 0.47 percent or \$59,055 in the General Fund. The majority of the increase occurred in the principal retirement expenditure function. The County spent 97.2 percent of the amount appropriated in the General Fund during 2006.

The General Fund's budgeted revenue only decreased \$219,564 over the original amount during 2006. This is a result of Pickaway County's steady economic conditions. Fluctuations in growth and diversity have typically not occurred in Pickaway County, allowing departmental managers the ability to consistently predict revenues. The County does not increase its estimated revenues unless there are insufficient revenues to cover the total appropriations of the General Fund.

Pickaway County, Ohio
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Unaudited

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2006 amounts to \$29,021,003 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, improvements other than buildings, machinery and equipment, furniture and fixtures, vehicles, infrastructure, construction in progress and plant and facilities.

The most significant capital asset events during 2006 were improvements to the County's infrastructure, which included \$588,913 for the resurfacing of 4 miles of County roads, \$902,386 for the replacement of five bridges, and \$121,514 for replacing seven culverts throughout the County.

Business-type capital assets increased \$15,935 due to construction in progress to the Darby Township Sanitary Sewer System.

For more information regarding the County's capital assets, see Note 8 of the notes to the basic financial statements.

Debt

Outstanding special assessment bonds at December 31, 2006, totaled \$121,000 with \$6,000 being retired during the year. Special assessment bonds are backed by the full faith and credit of the County. In the event of payment default by the property owner, the County would be responsible for the debt service payments.

General obligation notes outstanding at December 31, 2006 were \$1,146,019 with \$1,134,667 being retired during the year. These notes relate to proceeds used for improvements to County's facilities, finance voting machine equipment, purchase of a building, and reconstruction of roads. Loans outstanding at December 31, 2006 were \$360,000 from the Ohio Public Works Commission and \$1,946,096 from the Ohio Water Development Authority. This relates to proceeds used to complete renovations of the Darby Township Sanitary Sewer System. The Ohio Water Development Authority has approved this loan up to and not to exceed \$2,032,515 for this sewer project. The Ohio Public Works Commission approved its sewer project loan for \$380,000. The County continues to monitor its outstanding debt. Information relative to the County's debt is identified in Note 9 and 10 of the notes to the basic financial statements.

Economic Factors

The County's budget for the General Fund in 2006 is conservative. Revenues were projected to come in just slightly above what was actually received in 2005. Appropriations for 2006 are expected to remain the same as the actual expenditures for 2005. The ending fund balance for 2006 is expected to remain at the same level as the ending balance for 2006.

Much of the reason for the conservative budget centers on the slow down in economic growth and uncertainty of the future economic climate. The County continues to have an unemployment rate that is slightly higher than the state and federal rates. The state legislature has continued to reduce the amounts for state based programs including local government, local government revenue assistance and state funded grant programs, which may require more local support in order to maintain the current level of service. The phase out of the personal property tax on business inventory continues and also the elimination of the personal property tax exemption reimbursement from the state.

Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

An increase in the amount of interest income earned by the County is projected based on a slight upward turn of the interest rates by the Federal Reserve. The County also saw a slight incline in sales tax revenue in 2006. Additional construction and retail stores in the Walmart Plaza was near completion at the end of 2006. Construction began for the Intermodal facility in the northern end of the County that was purchased by Norfolk-Southern Railroad from private landowners. The County still remains in constant discussion with the City of Columbus in trying to form a Joint Economic Development District. The District would include Pickaway County's portion of Rickenbacker Airport Authority. The County is also still in discussion with the Solid Waste District of Central Ohio. They are looking at the possibility of bringing Agricultural Business to Pickaway County. Our Economic Development Director and the Pickaway Progress Partnership (formerly CIC) is working hard at marketing Pickaway County with the goal of bringing new business to the County, which would enhance our Sales Tax and Real Estate revenues.

The County's business-type activity is projected to operate at a similar level as in 2006. The rates charged remain unchanged and expenses for sewer operations are anticipated to remain stable.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, request for additional financial information or about obtaining the separately issued financial statements of the County's component units should be addressed to Melissa A. Betz, Pickaway County Auditor, 207 S. Court Street, Circleville, Ohio 43113.

Pickaway County, Ohio

Statement of Net Assets

December 31, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Pickaway County Airport Authority	Brooks-Yates Center Diversified Opportunities, Inc.
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$11,400,420	\$198,079	\$11,598,499	\$0	\$0
Cash and Cash Equivalents in					
Segregated Accounts	73,121	0	73,121	95,943	96,410
Materials and Supplies Inventory	70,529	0	70,529	0	35,839
Accrued Interest Receivable	87,101	0	87,101	0	0
Accounts Receivable	8,552	90,370	98,922	0	26,938
Intergovernmental Receivable	4,765,472	0	4,765,472	0	0
Sales Taxes Receivable	851,650	0	851,650	0	0
Property Taxes Receivable	6,636,646	0	6,636,646	0	0
Special Assessments Receivable	122,854	0	122,854	0	0
Prepaid Items	90,076	0	90,076	0	0
Due From Primary Government	0	0	0	0	13,227
Workers Compensation Deposit	0	0	0	0	642
Nondepreciable Capital Assets	818,339	2,381,166	3,199,505	218,036	0
Depreciable Capital Assets, Net	25,785,188	36,310	25,821,498	1,114,650	83,744
<i>Total Assets</i>	<u>50,709,948</u>	<u>2,705,925</u>	<u>53,415,873</u>	<u>1,428,629</u>	<u>256,800</u>
Liabilities:					
Accounts Payable	1,050,976	0	1,050,976	0	1,864
Accrued Wages and Benefits	992,982	1,582	994,564	0	19,388
Contracts Payable	139,113	6,425	145,538	0	0
Intergovernmental Payable	161,373	2,373	163,746	0	0
Accrued Interest Payable	5,152	0	5,152	0	0
Deferred Revenue	6,226,305	29,086	6,255,391	0	0
Deposits Held and Due To Others	134,003	0	134,003	0	0
Due To Component Unit	13,227	0	13,227	0	0
<i>Long-Term Liabilities:</i>					
Due Within One Year	1,050,373	121,626	1,171,999	0	0
Due In More Than One Year	1,704,290	2,184,470	3,888,760	0	0
<i>Total Liabilities</i>	<u>11,477,794</u>	<u>2,345,562</u>	<u>13,823,356</u>	<u>0</u>	<u>21,252</u>
Net Assets:					
Invested in Capital Assets, Net of Related Debt	26,210,444	111,380	26,321,824	1,332,686	83,744
<i>Restricted for:</i>					
Road and Bridge Maintenance and Repair	3,146,716	0	3,146,716	0	0
Mental Retardation Services	2,533,348	0	2,533,348	0	0
Capital Projects	443,904	0	443,904	24,010	0
Other Purposes	3,354,623	0	3,354,623	0	0
Unrestricted	3,543,119	248,983	3,792,102	71,933	151,804
<i>Total Net Assets</i>	<u>\$39,232,154</u>	<u>\$360,363</u>	<u>\$39,592,517</u>	<u>\$1,428,629</u>	<u>\$235,548</u>

See accompanying notes to the basic financial statements

Pickaway County, Ohio
Statement of Activities
December 31, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	\$4,960,399	\$1,516,283	\$20,196	\$0
Judicial	1,688,229	541,298	57,330	0
Public Safety	6,408,287	1,282,267	540,441	0
Public Works	3,750,285	100,886	4,324,115	0
Health	3,630,087	130,872	1,626,613	0
Human Services	9,769,225	273,612	8,433,613	0
Conservation and Recreation	402,930	0	0	0
Community and Economic Development	618,018	0	639,503	0
Other	33,540	0	0	0
Interest and Fiscal Charges	124,191	0	0	0
<i>Total Governmental Activities</i>	<u>31,385,191</u>	<u>3,845,218</u>	<u>15,641,811</u>	<u>0</u>
Business-Type Activities:				
Countywide Sewer	191,276	297,324	0	0
Instant Web Checks	12,483	13,313	0	0
<i>Total Business-Type Activities</i>	<u>203,759</u>	<u>310,637</u>	<u>0</u>	<u>0</u>
<i>Total Primary Government</i>	<u>\$31,588,950</u>	<u>\$4,155,855</u>	<u>\$15,641,811</u>	<u>\$0</u>
Component Units:				
Pickaway County Airport Authority	\$104,470	\$103,298	\$30,000	\$695,141
Brooks-Yates Center Diversified Opportunities, Inc.	464,451	472,884	22,246	0
<i>Total Component Units</i>	<u>\$568,921</u>	<u>\$576,182</u>	<u>\$52,246</u>	<u>\$695,141</u>
General Revenues:				
<i>Property Taxes Levied for:</i>				
General Purposes				
Board of Mental Retardation				
Capital Projects				
Debt Service				
<i>Sales Tax for:</i>				
General Purposes				
Capital Projects				
Grants and Entitlements not Restricted to Specific Programs				
Investment Earnings				
Miscellaneous				
<i>Total General Revenues</i>				
Changes in Net Assets				
<i>Net Assets at Beginning of Year, As Restated</i>				
<i>Net Assets at End of Year</i>				

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	Pickaway County Airport Authority	Brooks-Yates Center Diversified Opportunities, Inc.
(\$3,423,920)	\$0	(\$3,423,920)	\$0	\$0
(1,089,601)	0	(1,089,601)	0	0
(4,585,579)	0	(4,585,579)	0	0
674,716	0	674,716	0	0
(1,872,602)	0	(1,872,602)	0	0
(1,062,000)	0	(1,062,000)	0	0
(402,930)	0	(402,930)	0	0
21,485	0	21,485	0	0
(33,540)	0	(33,540)	0	0
(124,191)	0	(124,191)	0	0
<u>(11,898,162)</u>	<u>0</u>	<u>(11,898,162)</u>	<u>0</u>	<u>0</u>
0	106,048	106,048	0	0
0	830	830	0	0
<u>0</u>	<u>106,878</u>	<u>106,878</u>	<u>0</u>	<u>0</u>
<u>(11,898,162)</u>	<u>106,878</u>	<u>(11,791,284)</u>	<u>0</u>	<u>0</u>
0	0	0	723,969	0
0	0	0	0	30,679
<u>0</u>	<u>0</u>	<u>0</u>	<u>723,969</u>	<u>30,679</u>
2,897,840	0	2,897,840	0	0
3,978,595	0	3,978,595	0	0
157,696	0	157,696	0	0
9,471	0	9,471	0	0
5,400,226	0	5,400,226	0	0
285,916	0	285,916	0	0
1,523,611	0	1,523,611	0	0
637,424	0	637,424	539	409
1,344,533	755	1,345,288	1,550	1,982
<u>16,235,312</u>	<u>755</u>	<u>16,236,067</u>	<u>2,089</u>	<u>2,391</u>
4,337,150	107,633	4,444,783	726,058	33,070
<u>34,895,004</u>	<u>252,730</u>	<u>35,147,734</u>	<u>702,571</u>	<u>202,478</u>
<u>\$39,232,154</u>	<u>\$360,363</u>	<u>\$39,592,517</u>	<u>\$1,428,629</u>	<u>\$235,548</u>

Pickaway County, Ohio

Balance Sheet

Governmental Funds

December 31, 2006

	General	Auto, License and Gas Tax	Job and Family Services	Board of Mental Retardation
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,327,194	\$1,733,366	\$171,689	\$2,507,496
Cash and Cash Equivalents In Segregated Accounts	34,928	25	0	0
Materials and Supplies Inventory	53,332	12,493	3,539	0
Accrued Interest Receivable	87,101	0	0	0
Accounts Receivable	8,552	0	0	0
Interfund Receivable	47,714	0	0	0
Intergovernmental Receivable	1,262,355	1,884,503	664,523	123,533
Prepaid Items	77,664	0	3,413	7,000
Sales Taxes Receivable	828,950	0	0	0
Property Taxes Receivable	2,766,344	0	0	3,870,302
Special Assessments Receivable	0	0	0	0
<i>Total Assets</i>	<u>\$8,494,134</u>	<u>\$3,630,387</u>	<u>\$843,164</u>	<u>\$6,508,331</u>
Liabilities:				
Accounts Payable	\$483,989	\$80,137	\$226,578	\$53,943
Accrued Wages and Benefits	439,289	96,650	218,488	138,408
Contracts Payable	431	138,682	0	0
Intergovernmental Payable	27,035	0	41,275	664
Interfund Payable	0	0	0	0
Due to Component Unit	0	0	0	13,227
Deferred Revenue	3,740,219	1,253,430	0	3,977,797
Deposits Held and Due To Others	134,003	0	0	0
<i>Total Liabilities</i>	<u>4,824,966</u>	<u>1,568,899</u>	<u>486,341</u>	<u>4,184,039</u>
Fund Balances:				
Reserved:				
Reserved for Encumbrances	0	186,869	0	0
Reserved for Debt Service	0	0	0	0
Reserved for Prepays	77,664	0	3,413	7,000
<i>Unreserved, Undesignated, Reported in:</i>				
General Fund	3,591,504	0	0	0
Special Revenue Funds	0	1,874,619	353,410	2,317,292
Capital Projects Funds	0	0	0	0
<i>Total Fund Balances (Deficit)</i>	<u>3,669,168</u>	<u>2,061,488</u>	<u>356,823</u>	<u>2,324,292</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,494,134</u>	<u>\$3,630,387</u>	<u>\$843,164</u>	<u>\$6,508,331</u>

See accompanying notes to the basic financial statements .

Pickaway County, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2006*

Other Governmental Funds	Total Governmental Funds
\$3,660,675	\$11,400,420
38,168	73,121
1,165	70,529
0	87,101
0	8,552
0	47,714
830,558	4,765,472
1,999	90,076
22,700	851,650
0	6,636,646
122,854	122,854
<u>\$4,678,119</u>	<u>\$24,154,135</u>
206,329	\$1,050,976
100,147	992,982
0	139,113
92,399	161,373
47,714	47,714
0	13,227
671,384	9,642,830
0	134,003
<u>1,117,973</u>	<u>12,182,218</u>
94,597	281,466
98,164	98,164
1,999	90,076
0	3,591,504
2,921,482	7,466,803
443,904	443,904
<u>3,560,146</u>	<u>11,971,917</u>
<u>\$4,678,119</u>	<u>\$24,154,135</u>

Total Governmental Funds Balances	\$11,971,917
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	26,603,527
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	482,369
Intergovernmental Revenue	2,811,302
Special Assessments	<u>122,854</u>
Total	3,416,525
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds an interest expenditure is reported when due.	(5,152)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Notes	(1,146,019)
Special Assessment Bonds	(121,000)
Capital Leases Payable	(161,939)
Compensated Absences Payable	<u>(1,325,705)</u>
Total	<u>(2,754,663)</u>
<i>Net Assets of Governmental Activities</i>	<u>\$39,232,154</u>

Pickaway County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
December 31, 2006

	General	Auto, License and Gas Tax	Job and Family Services	Board of Mental Retardation
Revenues:				
Property Taxes	\$2,753,808	\$0	\$0	\$3,828,583
Sales Tax	5,400,226	0	0	0
Charges for Services	2,226,529	32,180	0	31,936
Licenses and Permits	4,535	313	0	0
Fines and Forfeitures	114,563	0	0	0
Intergovernmental	1,271,029	3,858,517	5,920,357	1,597,704
Interest	634,947	0	0	0
Rent	74,747	0	0	0
Other	825,345	9,054	243,799	22,743
<i>Total Revenues</i>	<u>13,305,729</u>	<u>3,900,064</u>	<u>6,164,156</u>	<u>5,480,966</u>
Expenditures:				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	4,156,091	0	0	0
Judicial	1,398,076	0	0	0
Public Safety	5,135,699	0	0	0
Public Works	90,024	3,809,046	0	0
Health	95,360	0	0	3,330,321
Human Services	513,011	0	6,288,784	0
Conservation and Recreation	372,980	0	0	0
Community and Economic Development	0	0	0	0
Other	33,540	0	0	0
Capital Outlay	0	0	0	0
<i>Debt Service:</i>				
Principal Retirement	67,391	23,387	11,277	995,542
Interest and Fiscal Charges	15,466	2,185	1,454	38,511
<i>Total Expenditures</i>	<u>11,877,638</u>	<u>3,834,618</u>	<u>6,301,515</u>	<u>4,364,374</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,428,091</u>	<u>65,446</u>	<u>(137,359)</u>	<u>1,116,592</u>
Other Financing Sources (Uses):				
Proceeds from the Sale of Notes	0	0	0	0
Inception of Capital Lease	15,944	0	0	0
Transfers In	109,000	0	251,753	0
Transfers Out	(493,079)	0	0	(10,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(368,135)</u>	<u>0</u>	<u>251,753</u>	<u>(10,000)</u>
<i>Net Change in Fund Balances</i>	1,059,956	65,446	114,394	1,106,592
<i>Fund Balances (Deficit) at Beginning of Year</i>	2,609,212	1,996,042	242,429	1,217,700
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$3,669,168</u>	<u>\$2,061,488</u>	<u>\$356,823</u>	<u>\$2,324,292</u>

See accompanying notes to the basic financial statements

Pickaway County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
December 31, 2006*

All Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	\$2,159,261
		<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$273,659	\$6,856,050	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:	
285,916	5,686,142	Capital Asset Additions	2,834,655
1,372,263	3,662,908	Depreciation	<u>(2,340,391)</u>
0	4,848		
62,899	177,462	Total	494,264
3,882,024	16,529,631	Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(374,963)
2,477	637,424	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
0	74,747	Property Taxes	193,552
168,845	1,269,786	Intergovernmental Revenue	607,131
		Special Assessments	<u>22,660</u>
6,048,083	34,898,998	Total	823,343
		Repayment of principal of long-term liabilities (e.g. bonds, notes, leases) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,246,391
497,315	4,653,406	Other financing sources in the governmental funds that increase long- term liabilities in the statement of net assets are not reported as revenues in the statement of activities:	
313,286	1,711,362	Proceeds from Sale of Notes	(111,000)
1,147,179	6,282,878	Inception of Capital Leases	<u>(45,102)</u>
275,053	4,174,123		
120,743	3,546,424	Total	(156,102)
2,815,015	9,616,810	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	56
23,122	396,102	Compensated absences expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.	<u>144,900</u>
618,018	618,018	<i>Changes in Net Assets of Governmental Activities</i>	<u><u>\$4,337,150</u></u>
0	33,540		
492,538	492,538		
148,794	1,246,391		
66,631	124,247		
6,517,694	32,895,839		
(469,611)	2,003,159		
111,000	111,000		
29,158	45,102		
251,326	612,079		
(109,000)	(612,079)		
282,484	156,102		
(187,127)	2,159,261		
3,747,273	9,812,656		
\$3,560,146	\$11,971,917		

Pickaway County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$2,732,000	\$2,787,000	\$2,753,808	(\$33,192)
Sales Tax	5,400,000	5,400,000	5,341,019	(58,981)
Charges for Services	2,064,572	1,736,165	2,184,737	448,572
Licenses and Permits	4,400	4,375	4,535	160
Fines and Forfeitures	65,094	146,030	129,845	(16,185)
Intergovernmental	1,171,123	1,240,450	1,214,724	(25,726)
Investment Earnings	385,000	252,500	670,718	418,218
Rent	65,000	63,000	74,747	11,747
Other	741,795	665,900	823,468	157,568
<i>Total Revenues</i>	<u>12,628,984</u>	<u>12,295,420</u>	<u>13,197,601</u>	<u>902,181</u>
Expenditures:				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	3,950,421	4,019,585	4,012,516	7,069
Judicial	1,602,771	1,520,234	1,483,482	36,752
Public Safety	5,563,452	5,445,759	5,235,145	210,614
Public Works	0	87,749	87,735	14
Health	97,065	100,574	100,574	0
Human Services	515,363	520,574	512,200	8,374
Conservation and Recreation	378,200	372,980	372,980	0
Other	5,000	55,694	44,069	11,625
<i>Debt Service:</i>				
Principal Retirement	0	107,560	41,326	66,234
<i>Total Expenditures</i>	<u>12,112,272</u>	<u>12,230,709</u>	<u>11,890,027</u>	<u>340,682</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>516,712</u>	<u>64,711</u>	<u>1,307,574</u>	<u>1,242,863</u>
Other Financing Sources (Uses):				
Advances In	0	20,000	29,330	9,330
Advances Out	0	0	(39,238)	(39,238)
Transfers In	0	114,000	109,000	(5,000)
Transfers Out	(556,248)	(496,866)	(493,079)	3,787
<i>Total Other Financing Sources (Uses)</i>	<u>(556,248)</u>	<u>(362,866)</u>	<u>(393,987)</u>	<u>(31,121)</u>
<i>Net Change in Fund Balance</i>	(39,536)	(298,155)	913,587	1,211,742
<i>Fund Balance at Beginning of Year</i>	<u>2,413,606</u>	<u>2,413,606</u>	<u>2,413,606</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$2,374,070</u>	<u>\$2,115,451</u>	<u>\$3,327,193</u>	<u>\$1,211,742</u>

See accompanying notes to the basic financial statements .

Pickaway County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Auto, License and Gas Tax Fund
December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$95,000	\$103,000	\$52,427	(\$50,573)
Licenses and Permits	250	190	313	123
Intergovernmental	3,846,000	3,615,000	3,888,481	273,481
Other	20,000	20,000	17,183	(2,817)
<i>Total Revenues</i>	<u>3,961,250</u>	<u>3,738,190</u>	<u>3,958,404</u>	<u>220,214</u>
Expenditures:				
<i>Current:</i>				
Public Works	3,757,456	4,057,619	3,624,014	433,605
<i>Total Expenditures</i>	<u>3,757,456</u>	<u>4,057,619</u>	<u>3,624,014</u>	<u>433,605</u>
<i>Net Change in Fund Balance</i>	203,794	(319,429)	334,390	653,819
<i>Fund Balance at Beginning of Year</i>	<u>1,107,146</u>	<u>1,107,146</u>	<u>1,107,146</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,310,940</u>	<u>\$787,717</u>	<u>\$1,441,536</u>	<u>\$653,819</u>

See accompanying notes to the basic financial statements .

Pickaway County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Job and Family Services Fund
December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$6,904,196	\$6,752,529	\$5,743,964	(\$1,008,565)
Other	612,086	512,000	243,799	(268,201)
<i>Total Revenues</i>	<u>7,516,282</u>	<u>7,264,529</u>	<u>5,987,763</u>	<u>(1,276,766)</u>
Expenditures:				
<i>Current:</i>				
Human Services	7,519,495	7,704,495	6,405,443	1,299,052
<i>Total Expenditures</i>	<u>7,519,495</u>	<u>7,704,495</u>	<u>6,405,443</u>	<u>1,299,052</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,213)</u>	<u>(439,966)</u>	<u>(417,680)</u>	<u>22,286</u>
Other Financing Sources:				
Transfers In	0	251,753	251,753	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>251,753</u>	<u>251,753</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(3,213)	(188,213)	(165,927)	22,286
<i>Fund Balance at Beginning of Year</i>	<u>337,618</u>	<u>337,618</u>	<u>337,618</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$334,405</u></u>	<u><u>\$149,405</u></u>	<u><u>\$171,691</u></u>	<u><u>\$22,286</u></u>

See accompanying notes to the basic financial statements .

Pickaway County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Board of Mental Retardation Fund
December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$3,660,000	\$3,560,000	\$3,828,583	\$268,583
Charges for Services	100,000	100,000	31,936	(68,064)
Intergovernmental	1,267,900	1,084,000	1,598,110	514,110
Other	280,600	314,500	22,743	(291,757)
<i>Total Revenues</i>	<u>5,308,500</u>	<u>5,058,500</u>	<u>5,481,372</u>	<u>422,872</u>
Expenditures:				
<i>Current:</i>				
Health	4,446,000	4,235,947	3,353,441	882,506
<i>Debt Service:</i>				
Principal Retirement	0	995,542	995,542	0
Interest and Fiscal Charges	0	38,511	38,511	0
<i>Total Expenditures</i>	<u>4,446,000</u>	<u>5,270,000</u>	<u>4,387,494</u>	<u>882,506</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>862,500</u>	<u>(211,500)</u>	<u>1,093,878</u>	<u>1,305,378</u>
Other Financing Uses:				
Transfers Out	(613,000)	(10,000)	(10,000)	0
<i>Total Other Financing Uses</i>	<u>(613,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	249,500	(221,500)	1,083,878	1,305,378
<i>Fund Balance Beginning of Year</i>	<u>1,423,620</u>	<u>1,423,620</u>	<u>1,423,620</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,673,120</u>	<u>\$1,202,120</u>	<u>\$2,507,498</u>	<u>\$1,305,378</u>

See accompanying notes to the basic financial statements .

Pickaway County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2006

	Business-Type Activities		
	Countywide Sewer District	Other Enterprise Fund	Total
Assets:			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$193,739	\$4,340	\$198,079
Accounts Receivable	90,370	0	90,370
<i>Total Current Assets</i>	<u>284,109</u>	<u>4,340</u>	<u>288,449</u>
<i>Noncurrent Assets:</i>			
Nondepreciable Capital Assets	2,381,166	0	2,381,166
Depreciable Capital Assets, Net	36,310	0	36,310
<i>Total Noncurrent Assets</i>	<u>2,417,476</u>	<u>0</u>	<u>2,417,476</u>
<i>Total Assets</i>	<u>2,701,585</u>	<u>4,340</u>	<u>2,705,925</u>
Liabilities:			
<i>Current Liabilities:</i>			
Accrued Wages and Benefits	1,582	0	1,582
Contracts Payable	6,425	0	6,425
Deferred Revenue	29,086	0	29,086
Intergovernmental Payable	0	2,373	2,373
OPWC Loans Payable	20,000	0	20,000
OWDA Loans Payable	101,626	0	101,626
<i>Total Current Liabilities</i>	<u>158,719</u>	<u>2,373</u>	<u>161,092</u>
<i>Long-Term Liabilities:</i>			
OPWC Loans Payable	340,000	0	340,000
OWDA Loans Payable	1,844,470	0	1,844,470
<i>Total Long-Term Liabilities</i>	<u>2,184,470</u>	<u>0</u>	<u>2,184,470</u>
<i>Total Liabilities</i>	<u>2,343,189</u>	<u>2,373</u>	<u>2,345,562</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	111,380	0	111,380
Unrestricted	247,016	1,967	248,983
<i>Total Net Assets</i>	<u>\$358,396</u>	<u>\$1,967</u>	<u>\$360,363</u>

See accompanying notes to the basic financial statements .

Pickaway County, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
December 31, 2006*

	Business - Type Activities		
	Countywide Sewer	Other Enterprise Fund	Total
Operating Revenues:			
Charges for Services	\$297,324	\$13,313	\$310,637
Other	755	0	755
<i>Total Operating Revenues</i>	<u>298,079</u>	<u>13,313</u>	<u>311,392</u>
Operating Expenses:			
Personal Services	20,231	0	20,231
Fringe Benefits	3,255	0	3,255
Contractual Services	159,662	11,898	171,560
Materials and Supplies	2,842	585	3,427
Depreciation	5,286	0	5,286
<i>Total Operating Expenses</i>	<u>191,276</u>	<u>12,483</u>	<u>203,759</u>
<i>Change in Net Assets</i>	106,803	830	107,633
<i>Net Assets at Beginning of Year, As Restated</i>	<u>251,593</u>	<u>1,137</u>	<u>252,730</u>
<i>Net Assets at End of Year</i>	<u><u>\$358,396</u></u>	<u><u>\$1,967</u></u>	<u><u>\$360,363</u></u>

See accompanying notes to the basic financial statements .

Pickaway County, Ohio

Statement of Cash Flows

Proprietary Funds

December 31, 2006

	Business - Type Activities		
	Countywide Sewer	Other Enterprise Fund	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$305,583	\$13,313	\$318,896
Cash Received from Other Revenues	755	0	755
Cash Payments to Employees for Services and Benefits	(23,666)	(9,996)	(33,662)
Cash Payments for Goods and Services	(180,665)	(585)	(181,250)
Cash Payments for Programmatic Expenses	(2,842)	0	(2,842)
<i>Net Cash from Operating Activities</i>	<u>99,165</u>	<u>2,732</u>	<u>101,897</u>
Cash Flows from Capital and Related Financing Activities:			
Cash Proceeds Received from OWDA Loans	31,141	0	31,141
Principal Paid on OPWC Loan	(20,000)	0	(20,000)
Payments for Acquisitions of Capital Assets	(15,935)	0	(15,935)
<i>Net Cash from Capital and Related Financing Activities</i>	<u>(4,794)</u>	<u>0</u>	<u>(4,794)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	94,371	2,732	97,103
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>99,368</u>	<u>1,608</u>	<u>100,976</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$193,739</u></u>	<u><u>\$4,340</u></u>	<u><u>\$198,079</u></u>

See accompanying notes to the basic financial statements .

(Continued)

Pickaway County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006
(continued)

	Business - Type Activities		
	Enterprise	Other Enterprise Fund	Total
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating Income	\$106,803	\$830	\$107,633
<i>Adjustments:</i>			
Depreciation	5,286	0	5,286
<i>(Increase) Decrease in Assets:</i>			
Accounts Receivable	(20,827)	0	(20,827)
<i>Increase (Decrease) in Liabilities:</i>			
Accounts Payable	(133)	0	(133)
Contracts Payable	(20,870)	(471)	(21,341)
Accrued Wages and Benefits	(180)	0	(180)
Deferred Revenue	29,086	2,373	31,459
<i>Net Cash from Operating Activities</i>	<u>\$99,165</u>	<u>\$2,732</u>	<u>\$101,897</u>

See accompanying notes to the basic financial statements .

Pickaway County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2006

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$1,863	\$3,868,359
Cash and Cash Equivalents in Segregated Accounts	0	576,224
Property Taxes Receivable	0	44,366,292
	1,863	44,366,292
<i>Total Assets</i>	1,863	\$48,810,875
Liabilities:		
Accounts Payable	0	32,840
Accrued Wages and Benefits	0	58,724
Intergovernmental Payable	0	48,100,052
Deposits Held and Due To Others	0	289,786
Undistributed Monies	0	329,473
	0	329,473
<i>Total Liabilities</i>	0	\$48,810,875
Net Assets:		
Held in Trust for Other Individuals and Organizations	1,863	
<i>Total Net Assets</i>	1,863	

See accompanying notes to the basic financial statements .

Pickaway County, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
December 31, 2006

	<u>Private Purpose Trust</u>
Additions	\$0
Deductions	
Payments in Accordance with Trust Agreements	<u>500</u>
<i>Change in Net Assets</i>	(500)
<i>Net Assets at Beginning of Year</i>	<u>2,363</u>
<i>Net Assets at End of Year</i>	<u><u>\$1,863</u></u>

See accompanying notes to the basic financial statements .

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Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 1 - DESCRIPTION OF PICKAWAY COUNTY AND REPORTING ENTITY

Pickaway County, Ohio (the County), was created in 1810. The County is governed by a board of three Commissioners elected by the voters of 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, Probate Court Judge and a Common Pleas Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Pickaway County, this includes the Pickaway County Board of Mental Retardation and Development Disabilities, Pickaway County Child Support Enforcement Agency, Pickaway County Job and Family Services and departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt or levying of taxes.

Discretely Presented Components Units

The component unit columns in the basic financial statements identify the financial data of the County's component units, Brooks-Yates Center Diversified Opportunities, Inc. and Pickaway County Airport Authority. They are reported separately to emphasize that they are legally separate from the County.

Brooks-Yates Center Diversified Opportunities, Inc. - Brooks-Yates Center Diversified Opportunities, Inc. provides resources, support and opportunities to individuals with mental retardation and developmental disabilities of Pickaway County through the provision of services, ownership and management of properties, purchase of supplies or equipment, receipt and disbursement of funds by fees, reimbursement or donations and any other method as deemed appropriate. An eleven-member board of trustees governs the organization with the existing board making any new appointments. The only restriction on board appointments is that there can never be a majority of board members being from Brooks-Yates Center MRDD Board. The superintendent of the Brooks-Yates Center MRDD Board serves as a non-voting ex-officio member and two members of the MRDD Board also serve as non-voting ex-officio members. All of Brooks-Yates Center Diversified Opportunities, Inc.'s activities are included in the financial statements which are presented as a component unit of Pickaway County. Brooks-Yates Center Diversified Opportunities, Inc. is included as a component unit as it would be misleading to omit it from the County's statements. Brooks-Yates Center Diversified Opportunities, Inc. operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from Brooks-Yates Center Diversified Opportunities, Inc., located at 548 State Route 22 East, Circleville, Ohio 43113.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 1 - DESCRIPTION OF PICKAWAY COUNTY AND REPORTING ENTITY *(Continued)*

Pickaway County Airport Authority - Pickaway County Airport Authority (the Authority) operates on a fiscal year ending December 31. The five member Board for the Authority is appointed by the County Commissioners. The Commissioners also review the budget and have the ability to impose its will on the Authority. Pickaway County provides utilities and insurance for the Authority. During 2006, the County made \$30,000 in financial contributions either to or on behalf of the Authority. Financial information is included in the accompanying financial statements.

The County is associated with certain organizations that are defined as jointly governed organizations or related organizations. These organizations are presented in Notes 19 and 20 to the basic financial statements. These organizations are:

- Berger Hospital
- Paint Valley Mental Health Alcohol and Drug Addiction Board
- Ross, Pickaway, Highland, Fayette Joint Solid Waste Management District
- County Risk Sharing Authority (CORSA)
- Southern Ohio Council of Governments
- Pickaway County Library

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the districts listed below, the County serves as fiscal agent, but the districts are not fiscally dependent on the County. Accordingly, the activity of the following districts is presented as agency funds within the County's financial statements.

- Soil and Water Conservation District
- Pickaway County Health District

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the County's accounting policies are described below.

A. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government and component units, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

The statement of net assets presents the financial condition of the governmental and business-type activities and the component units of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for business-type activities and component units of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and 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 business segment or governmental function is self-financing or draws from the general revenues of the County.

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

B. Fund Accounting

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

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

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

Auto, License and Gas Tax Fund - This fund accounts for the County road and bridge maintenance, repair and improvement programs. Revenue sources include State grants, charges for services and license fees.

Job and Family Services Fund - This fund accounts for various Federal and State grants, as well as transfers from the General Fund that are used to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.

Board of Mental Retardation Fund - This fund accounts for the operation of a school, workshop and resident homes for the mentally retarded and developmentally disabled. Revenue sources include a County-wide property tax levy and Federal and State grants.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

Other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose, and funding sources used for debt service and capital projects.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The County has no internal service fund.

Countywide Sewer 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 Countywide Sewer Fund accounts for sewer services provided to individual users in several subdivisions of the County.

The Sheriff web check fund accounts for criminal background check services completed by the Sheriff's office for area businesses and governments.

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 a private-purpose trust fund and agency funds. The County's private-purpose trust fund is established to account for assets that are used by the Juvenile Court for the benefit of the children of the County. The County's agency funds account for assets held for political subdivisions in which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures that have been collected and which will be distributed to other political subdivisions.

C. Measurement Focus

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

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

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

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

The private-purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the 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.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 12). 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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, revenue sources considered to be both measurable and available at year-end include delinquent property taxes, sales taxes, charges for services and fees, fines and forfeitures, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), and grants.

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

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

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

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

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

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

E. Budgetary Process

All funds, except Jail Commissary (non-major special revenue), Law Enforcement - Prosecutor (non-major special revenue) and fiduciary funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The level of control has been established by County Commissioners at the object level within each department. Advances between funds are not required to be budgeted.

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

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

F. Cash, Cash Equivalents, and Investments

To improve cash management, cash and investments received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents".

Cash and cash equivalents that are held separately with the departments of the County, and not included in the County Treasury, are recorded as "cash and cash equivalents in segregated accounts".

During 2006, investments were limited to STAR Ohio, U.S. Government Securities, certificates of deposits, and other interest bearing accounts with local commercial banks.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

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

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2006 amounted to \$634,947, which includes \$509,022 assigned from other County funds.

G. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental funds when used.

H. Prepaid Items

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand dollars. The County's infrastructure consists of roads, bridges, culverts and sanitary sewer lines. 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 enterprise fund capital assets is also capitalized.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	30-40 years	N/A
Improvements Other Than Buildings	10-40 years	N/A
Machinery and Equipment	5-15 years	N/A
Furniture and Fixtures	10-20 years	N/A
Vehicles	5-10 years	N/A
Plant and Facilities	N/A	40 years
Infrastructure	10-60 years	70 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balance. As of December 31, 2006, there were no internal balances reported on the statement of net assets.

K. Compensated Absences

The County reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences" as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable will become eligible to receive payment in the future. The County has determined that employees with the County for ten or more years are probable to receive payment in the future. The liability is based on accumulated sick leave and employees' wage rates at year end.

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

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "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. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance Reserves

The County reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, prepaids and debt service.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for sewer services and charges for background checks. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

P. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

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

Q. Extraordinary and Special Items

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

R. Estimates

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the County is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budget basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget and actual (budget basis) is presented for the General Fund and major special revenue funds on the budget basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified accrual GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance.
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budget basis statements for the General Fund and major special revenue funds:

Net Change in Fund Balances (Deficits) / Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses				
	General	Auto, License and Gas Tax	Job and Family Services	Board of Mental Retardation
GAAP Basis	\$1,059,956	\$65,446	\$114,394	\$1,106,592
<i>Adjustments:</i>	(108,128)	58,340	(176,393)	406
Net Adjustment for Revenue Accruals				
Net Adjustment for Expenditure Accruals	(12,389)	210,604	(103,928)	(23,120)
Net Adjustment for Other Sources (Uses)	(25,852)	0	0	0
Budget Basis	\$913,587	\$334,390	(\$165,927)	\$1,083,878

NOTE 4 - PRIOR PERIOD ADJUSTMENT AND NEW ACCOUNTING PRONOUNCEMENT

Prior Period Adjustment

The County increased their threshold for capitalizing capital assets from \$1,000 to \$5,000 during fiscal year 2006 which resulted in December 31, 2005 capital asset balances being restated. Capital Assets were also overstated in the prior period because component unit assets were included in governmental activities. The County had omitted accounts receivable in the Countywide Sewer Fund in the previous year. Also, the OPWC loan and capital assets associated with loans was omitted from the Countywide Sewer Fund.

	Governmental Activities	
Net Assets at December 31, 2005	\$36,178,238	
Changes in Capital Assets	(1,283,234)	
Adjusted Net Assets at December 31, 2005	\$34,895,004	
	Countywide Sewer	Business-Type Activities
Net Assets at December 31, 2005	\$190,120	\$191,257
Changes in Capital Assets	392,346	392,346
Understatement of Accounts Receivables	49,127	49,127
Omitted OPWC Loan	(380,000)	(380,000)
Adjusted Net Assets at December 31, 2005	\$251,593	\$252,730

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 4 - PRIOR PERIOD ADJUSTMENT AND NEW ACCOUNTING PRONOUNCEMENT *(Continued)*

New Accounting Pronouncement

For fiscal year 2006, the County has implemented Governmental Accounting Standards Board (GASB) Statement 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement 47, "Accounting for Termination Benefits". GASB Statement 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement 47 establishes accounting standards for termination benefits. The application of these new standards did not have a material effect on the County's financial statements, nor did their implementation require a restatement of prior year balances.

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS

Moneys held in the County Treasury are pooled for the purpose of investment management. The County is authorized to invest in those instruments identified in section 135.35 of the Ohio Revised Code. Specifically, these authorized instruments consist of:

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, or any book entry, zero-coupon security that is a direct obligation of the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, 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 provide that the fair 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 fair value daily, and that the term of the agreement must not exceed thirty days.
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County.
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investment in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAROhio).

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS - (Continued)

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value.
9. Up to 25 percent of the County's total average portfolio in either (a) high grade commercial paper when the aggregate value of the notes does not exceed 10 percent of the aggregate value of the outstanding commercial paper of the issuing corporation, and the notes mature no later than 270 days after purchase or (b) bankers acceptances of banks insured by the FDIC when the obligations are eligible for purchase by the Federal Reserve System and mature no later than 180 days after purchase.
10. Up to 15 percent of the County's total average portfolio in high grade notes issued by the U.S. corporations, and the notes mature no later than two years after purchase.
11. High grade debt interests issued by foreign nations diplomatically recognized by the U.S. government. All interest and principal shall be denominated and payable in U.S. Funds. In the aggregate, this investment shall not exceed 1 percent of the County's total average portfolio and shall mature no later than five years after purchase.

Investments in stripped principal or interest obligations, except for federally issued or federally guaranteed 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 will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

The amounts available for deposit and investment are as follows:

Cash and Cash Equivalents: (carrying amounts)	
- Pooled	\$15,468,721
- Segregated	649,345
- Component Units	192,353
Reconciling items (net*) to arrive at bank balances	1,043,855
	<hr/>
Total available for deposits and investments (Bank balance of deposit/carrying amount of investments)	<u>\$17,354,274</u>

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS - (Continued)

The following information is presented in accordance with GASB Statement No. 40, "Deposit and Investment Risk Disclosures." Additional disclosures for the component units are presented in Note 18.

Deposits

Custodial credit risk is the risk that, in the event of a 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.

As of December 31, 2006, the carrying amount of all County deposits was \$1,930,836. Based on the criteria described in GASB Statement No. 40, \$2,472,828 of the County's bank balance of \$2,972,828 was exposed to custodial risk as discussed above while \$500,000 was covered by FDIC. The \$2,472,828 exposed to custodial risk was uninsured, and collateral was held by pledging banks trust department but not in the County's name.

Custodial Credit Risk - The County's policy requires that deposits follow the Ohio Revised Code.

Investments

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

Investment Type	Fair Value	Investment In Maturities in Years		
		Less Than One Year	1-2 Years	3-4 Years
U.S. Government Securities	\$8,629,431	\$489,600	\$4,923,147	\$3,216,684
STAROhio	5,557,799	5,557,799	0	0
Total Investments	\$14,187,230	\$6,047,399	\$4,923,147	\$3,216,684

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County limits investment portfolio matures to five years or less.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County limits its investments to those authorized by State statute. Standard and Poor's has assigned a rating of "AAAm" to STAROhio and "AAA" to U.S. Government Securities.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk - For investments, custodial credit risk is the risk that, in event of the failure of the counter party, the County will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The County's policy provides that investments be held in the County's name. All of the County's investments are held in the County's name.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's policy minimizes concentration of credit risk by diversifying assets by issuer as necessary. The County's investments in U.S. Government Securities and the STAROhio account were 61% and 39%, respectively, of the County's total investments.

B. Component Units

Deposits and Investments

Cash and cash equivalents held by Brooks-Yates Center Diversified Opportunities, Inc. and the Pickaway County Airport Authority are classified as "cash and cash equivalents in segregated accounts."

(1) Brooks-Yates Center Diversified Opportunities, Inc.

At year end, the carrying amount of Brooks-Yates Center Diversified Opportunities, Inc. deposits was \$96,410 and the bank balance was \$96,410. All of the bank balance was covered by federal depository insurance. There are no statutory guidelines regarding the deposit and investment of funds by the non-profit corporation.

(2) Pickaway County Airport Authority

At year end, the carrying amount of the Pickaway County Airport Authority deposits was \$95,943 and the bank balance was \$95,943. The entire bank balance was covered by federal depository insurance.

NOTE 6 - INTERFUND TRANSACTIONS

Interfund balances at December 31, 2006, consist of the following receivables and payables:

	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General	\$47,714	\$0
Nonmajor Special Revenue Funds	0	47,714
Totals	<u>\$47,714</u>	<u>\$47,714</u>

All balances are scheduled to be collected in the subsequent year. All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 6 - INTERFUND TRANSACTIONS - (Continued)

A summary of interfund transfers for 2006 were as follows:

Transfers Out	Transfers In			Totals
	General	Job and Family Services	Nonmajor Special Revenue Funds	
General	\$0	\$251,753	\$241,326	\$493,079
Board of Mental Retardation	0	0	10,000	10,000
Non-major Special Revenue Funds	109,000	0	0	109,000
Totals	\$109,000	\$251,753	\$251,326	\$612,079

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended December 31, 2006, the County made transfers of \$241,326 from the General Fund to various Non-major Special Revenue Funds to subsidize the programs of those funds.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 7 - RECEIVABLES

Receivables at December 31, 2006 consisted of property taxes, sales taxes, accounts (billings for user charged services), interest, special assessments and intergovernmental grants. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	
<i>General Fund:</i>	
Local Government Distributions	\$908,578
State Property Tax Reimbursements	128,777
Other Grants and Reimbursements	225,000
	<hr/>
Total General Fund	1,262,355
<i>Auto, License and Gas Tax Fund:</i>	
Motor Vehicle License Tax	492,999
Gasoline Tax	784,503
Grants	607,001
	<hr/>
Total Auto, License and Gas Tax Fund	1,884,503
<i>Job and Family Services Fund:</i>	
State and Federal Funding	664,523
<i>Board of Mental Retardation Fund:</i>	
State Property Tax Reimbursements	107,495
Federal Grants	16,038
	<hr/>
Total Board of Mental Retardation Fund	123,533

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 7 - RECEIVABLES *(Continued)*

<i>Non Major Special Revenue Funds:</i>	
Motor Vehicle Permissive Tax	211,734
Road and Bridge	3,124
Child Support Enforcement Agency	185,893
VOCA Grant	1,658
Crime Victims Assistance	69,432
Law Enforcement	145
Drug Enforcement	125
Emergency Management	56,510
COPS Grant	4,778
Workforce Development	40,808
Housing and Urban Development Grants	256,351
Nonmajor Special Revenue Funds	<u>830,558</u>
Total Intergovernmental Receivable	<u><u>\$4,765,472</u></u>

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 8- CAPITAL ASSETS

A summary of changes in general capital assets during 2006 were as follows:

	Restated Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$738,028	\$0	\$0	\$738,028
Construction in Progress	374,963	80,311	(374,963)	80,311
Total Nondepreciable Capital Assets	1,112,991	80,311	(374,963)	818,339
<i>Depreciable Capital Assets:</i>				
Buildings	17,123,049	0	0	17,123,049
Improvements Other Than Buildings	1,273,148	6,391	0	1,279,539
Machinery and Equipment	5,837,353	782,820	(104,983)	6,515,190
Furniture and Fixtures	1,115,295	0	0	1,115,295
Vehicles	3,065,833	352,320	0	3,418,153
Infrastructure	22,054,833	1,612,813	(139,964)	23,527,682
Total Depreciable Capital Assets	50,469,511	2,754,344	(244,947)	52,978,908
<i>Accumulated Depreciation:</i>				
Buildings	(7,353,819)	(592,774)	0	(7,946,593)
Improvements Other Than Buildings	(253,467)	(54,331)	0	(307,798)
Machinery and Equipment	(4,575,912)	(262,265)	104,983	(4,733,194)
Furniture and Fixtures	(766,632)	(55,688)	0	(822,320)
Vehicles	(2,130,386)	(190,856)	0	(2,321,242)
Infrastructure	(10,018,060)	(1,184,477)	139,964	(11,062,573)
Total Accumulated Depreciation	(25,098,276)	(2,340,391)	244,947	(27,193,720)
Depreciable Capital Assets, Net	25,371,235	413,953	0	25,785,188
Governmental Activities Capital Assets, Net	\$26,484,226	\$494,264	(\$374,963)	\$26,603,527

At December 31, 2006, capital assets include \$116,080 of machinery and equipment, \$213,470 of furniture and fixtures, and \$161,588 of vehicles under capitalized leases.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 8- CAPITAL ASSETS (Continued)

For governmental activities, depreciation expense was charged to functions as follows:

Governmental Activities	
<i>General Government:</i>	
Legislative and Executive	\$332,037
Judicial	13,838
Public Safety	430,521
Public Works	1,376,546
Health	64,339
Human Services	116,282
Conservation and Recreation	6,828
Governmental Activities Depreciation Expense	\$2,340,391

	Restated Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
Business-Type Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$13,964	\$0	\$0	\$13,964
Construction in Progress	2,351,267	15,935	0	2,367,202
Total Nondepreciable Capital Assets	2,365,231	15,935	0	2,381,166
<i>Depreciable Capital Assets:</i>				
Plant and Facilities	376,966	0	0	376,966
Infrastructure	33,215	0	0	33,215
Total Depreciable Capital Assets	410,181	0	0	410,181
<i>Accumulated Depreciation:</i>				
Plant and Facilities	(348,186)	(4,811)	0	(352,997)
Infrastructure	(20,399)	(475)	0	(20,874)
Total Accumulated Depreciation	(368,585)	(5,286)	0	(373,871)
Depreciable Capital Assets, Net	41,596	(5,286)	0	36,310
Business-Type Activities Capital Assets, Net	\$2,406,827	\$10,649	\$0	\$2,417,476

The business-type activities of the County are the sewer operations at various subdivisions throughout the County.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 9 - LONG-TERM OBLIGATIONS

The County's long-term obligations activity for the year ended December 31, 2006, was as follows:

Purpose	Outstanding January 1, 2006	Additions	Deletions	Outstanding December 31, 2006	Amounts Due Within One Year
Governmental Activities:					
<i>General Obligation Notes Payable:</i>					
Voting Equipment Acquisition 1995-2006 6.75%	\$39,125	\$0	\$39,125	\$0	\$0
MRDD Capital Improvement 2000-2030 3.32%	469,462	0	469,462	0	0
Jail Window/Downtown Annex Consolidation 2002-2007 4.50%	65,019	0	0	65,019	65,019
MRDD Capital Improvement 2002 - 2033 Variable Rate	526,080	0	526,080	0	0
TIF Note 2004-2010 4.25%	970,000	0	0	970,000	255,000
TIF Note 2005-2006 5.5%	100,000	0	100,000	0	0
Capital Improvement 2006-2008 4.49%	0	111,000	0	111,000	55,500
<i>Special Assessment Bonds with Governmental Commitment:</i>					
Northwood Park Sanitary Sewer Improvement 1999-2019 6.00%	127,000	0	6,000	121,000	6,000
<i>Other Long-Term Obligations:</i>					
Compensated Absences	1,470,605	0	144,900	1,325,705	559,735
Capital Leases	222,561	45,102	105,724	161,939	109,119
Governmental Activities Long-Term Obligations	\$3,989,852	\$156,102	\$1,391,291	\$2,754,663	\$1,050,373

The Northwood Park Sanitary Sewer Improvement Bonds were issued in 1999 for \$157,160 with a 6.00% interest rate. The Northwood Park Sanitary Sewer Improvement Bonds were issued to finance improvements to the sewer system for the Northwood Park subdivision. These bonds will be repaid through the collection of special assessments on the benefitting property owners in the debt service funds. The County is obligated to the extent of the remaining balance, if the property owners were to default. The Voting Equipment Acquisition Notes were issued in 1996 for \$391,250 with a 6.75 interest rate. The Voting Equipment Acquisition Notes were issued to finance the acquisition of MicroVote System voting equipment. These notes will be repaid through the debt service fund.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 9 - LONG-TERM OBLIGATIONS *(Continued)*

The Jail Window/Downtown Annex Consolidation Notes were issued in 2002 for \$286,359 with a 4.5% interest rate. These notes were issued to consolidate an issuance for replacement of windows within the Jail complex and purchase of the County's Downtown Annex. These notes will be repaid through the debt service fund. Principal payment for the subsequent year are due January 7 of that year. The 2004 Tax Increment Financing Note was issued for \$970,000 with a 5.50% interest rate. This note was restructured in 2006 with an interest rate of 4.25% and a maturity in 2010. The 2005 Tax Increment Financing Note was issued for \$100,000 with a 5.50% interest rate. This note was paid off during the year. These notes are issued in anticipation of bonds for financing of construction related to the reconstruction of Crites Road and U.S. 23. These notes will be repaid through Tax Increment Financing.

The MRDD Capital Improvement Notes were issued in 2000 and 2002 for \$650,000 each. These issuances have a variable interest rate of 70% of the prime rate, during 2006 the interest rate was 3.32%. These Capital Improvements Notes were issued to finance improvement to facilities utilized by the Pickaway County Mental Retardation and Developmental Disabilities Board for providing services to their clients. These notes were repaid through the Board of Mental Retardation Fund.

The Capital Improvement Note were issued in 2006 for \$111,000 with a 4.49% interest rate. This note was issued for the purchase of six Sheriff cruisers. This note will be paid through the General Fund.

The compensated absences liability will be paid from the fund from which the employees are paid. The capital leases will be repaid through the General Fund, Auto, License and Gas Tax Fund, Job and Family Service Fund and other nonmajor special revenue funds. The amount of principal payments on the capital leases paid in 2006 amounted to \$105,724.

The following is a summary of the County's future principal and interest requirements for long-term obligations, including \$148,431 of interest:

For the Year Ended December 31,	Jail Window/ Downtown Annex Notes	TIF Crites Road Note	Northwood Park Sanitary Sewer Improvement Bonds	Capital Improvement	Totals
2007	\$65,235	\$293,569	\$13,260	\$59,265	\$431,329
2008	0	312,413	13,900	59,265	385,578
2009	0	310,194	13,480	0	323,674
2010	0	137,869	14,060	0	151,929
2011	0	0	13,580	0	13,580
2012 - 2016	0	0	68,920	0	68,920
2017 - 2021	0	0	40,440	0	40,440
Totals	<u>\$65,235</u>	<u>\$1,054,045</u>	<u>\$177,640</u>	<u>\$118,530</u>	<u>\$1,415,450</u>

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 10 - LOANS PAYABLE

The County's loan transactions for the year ending December 31, 2006, were as follows:

Purpose	Restated Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006	Amount Due Within One Year
Business - Type Activities:					
<i>OPWC Loans</i>					
Darby Township Sewer Improvements, 0%	\$380,000	\$0	\$20,000	\$360,000	\$20,000
<i>OWDA Loans Payable</i>					
Darby Township Sewer Improvements, 0%	1,914,955	31,141	0	1,946,096	101,626
Business - Type Activities Loan Payable	\$2,294,955	\$31,141	\$20,000	\$2,306,096	\$121,626

The Ohio Public Works Commission (OPWC) Loan is related to improvements to the Darby Township Sanitary Sewer System. The loan will be paid in annual installments of \$20,000, over 20 years. The debt is to be repaid by user charges to consumers that use the system. This loan is to be a zero percentage interest rate for the life of the loan.

The Ohio Water Development Authority (OWDA) Loan is related to improvements to the Darby Township Sanitary Sewer System. The OWDA has granted an original loan amount of \$1,624,478 and a supplementary loan amount of \$408,037, for a maximum loan amount of \$2,032,515 for this project. The loan will be repaid in semiannual installments of \$50,813 effective July 1, 2007, over 20 years for the original loan amount with the final installment payable in July 1, 2026. The debt is to be repaid by user charges to consumers that use the system. The County must set rates in an amount that guarantees repayment of the debt construction. As of the date of this report this project has not been completed and once completed the final repayment schedule will be issued. This loan is to be a zero percentage interest rate for the life of the loan. The above amounts include expenditures of the amount of construction as of December 31, 2006.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The County has entered into agreements to lease equipment and other assets. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations in the basic financial statements. Capital lease payments are reflected as debt service in the basic financial statements for the governmental funds. New leases are, in substance, capital purchases and are reflected as current expenditures and proceeds from capital leases in the fund financial statements. The capital lease obligations reflected above as part of the long-term obligations represent the present value of the net future minimum lease payments on all capital leases.

The following is a schedule of the future minimum lease payments under lease obligations which have been capitalized as of December 31, 2006.

For the Year Ended December 31,	Capital Lease Obligations
2007	\$124,070
2008	29,681
2009	17,010
2010	14,293
2011	4,194
Total Minimum Lease Payments	189,248
Less: Amount Representing Interest	27,309
Present Value of Minimum Lease Payments	\$161,939

NOTE 12 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values 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 revalued every six years. The last revaluation was completed in 2005. Real property taxes are payable annually or semiannually. The first payment is due March 12, with the remainder payable by July 23.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due October 13. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by October 13.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 12 - PROPERTY TAXES *(Continued)*

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. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to itself its share of the taxes collected. The County records receipt of these taxes in various funds.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes that were measurable and unpaid as of December 31, 2006. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2006 operations. The receivable is therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2006, was \$3.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
<i>Real Estate:</i>	
Agriculture	\$112,200,000
Residential	665,818,540
Commercial	100,934,290
Industrial	25,455,360
Minerals	321,730
Public Utilities	619,860
<i>Personal Property:</i>	
General	58,942,848
Public Utilities	66,427,930
Total Assessed Values	<u><u>\$1,030,720,558</u></u>

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 13 - PERMISSIVE SALES TAX

In 1988, in accordance with Sections 5739.02 and 5741.02 of the Revised Code, the County Commissioners, by resolution, imposed a one percent 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. In December 2001, the County Commissioners, by resolution, imposed an additional one-half percent 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. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax were credited to the General Fund and the Capital Improvement, a Non-Major Capital Projects Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2006 amounted to \$5,686,142.

NOTE 14 - ACCOUNTABILITY

The following funds had deficit fund balances as of December 31, 2006:

Non-major Special Revenue Funds:

COPS Grants	\$6,623
Diversion Program	30
Dog & Kennel	8,905
Law Enforcement Block Grant	1,998
Emergency Management	13,236
Workforce Development	6,025

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

NOTE 15 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2006, the County contracted with County Risk Sharing Authority (CORSA), a jointly governed organization, for liability, property, and crime insurance. The CORSA program has a \$2,500 deductible.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 15 - RISK MANAGEMENT - (Continued)

Coverages provided by the program are as follows:

Property:

Buildings & Contents (\$100,000 annual aggregate pool limit for flood and earthquake)	\$70,029,151
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Liability:

General Liability	\$1,000,000
Excess Liability	5,000,000
Law Enforcement	1,000,000
Automobile	1,000,000
Uninsured/Underinsured Motorist	250,000
Faithful Performance and Employee Bond	1,000,000
Boiler and Machinery (each accident)	100,000,000

Settlement amounts on claims have not exceeded insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

The County purchases health, dental and vision insurances through the Franklin County Cooperative Health Benefits Program (FCCHBP). Insurance purchased through the FCCHBP is not considered limited risk health insurance. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The County pays all elected officials' bonds by statute.

NOTE 16 - DEFINED BENEFIT RETIREMENT PLANS

A. Ohio Public Employees Retirement System

All Pickaway County employees, who are not certified teachers with the Board of Mental Retardation and Developmental Disabilities (MRDD), participate 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 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.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 16 - DEFINED BENEFIT RETIREMENT PLANS *(Continued)*

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement, were required to contribute 9.0% of their annual covered salaries. Members participating in the Traditional Plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The employer contribution rate for pension benefits for 2006 was 9.2%, except for those plan members in law enforcement or public safety. For those classifications, the employer pension contributions were 13.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to OPERS for the years ended December 31, 2006, 2005, and 2004 were \$1,301,933, \$1,324,776 and \$1,273,017 respectively; 96.3% has been contributed for 2006, and 100% has been contributed for 2005 and 2004. Of the 2006 amount, \$47,381 was unpaid at December 31, 2006 and is recorded as a liability in the basic financial statements.

B. State Teachers Retirement System of Ohio

The Pickaway County Board of Mental Retardation and Developmental Disabilities contributes for all certified teachers to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS 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, OH 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2002, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2002.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 16 - DEFINED BENEFIT RETIREMENT PLANS *(Continued)*

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

Plan members are required to contribute 10% of their annual covered salary and the County is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions for pension obligations to STRS for the fiscal years ended December 31, 2006, 2005, and 2004 were \$21,849, \$21,082, and \$18,944, respectively. These contributions were equal to the required contributions for each of these years.

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System or the State Teachers Retirement System have an option to choose social security or the Public Employees Retirement System/State Teachers Retirement System. As of December 31, 2006, none of the elected officials had elected social security.

NOTE 17 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care benefits 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. Health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate 2006 was 13.7% of covered payroll for all employees, except those in law enforcement and public safety. The employer contribution rate for law enforcement and public safety was 16.93%. The portion of each contribution rate that was used to fund health care was 4.5%.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase .50% and 6% annually for the next nine years and 4% annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 17 - POSTEMPLOYMENT BENEFITS *(Continued)*

At year-end, the number of active contributing participants in the Traditional and Combined Plans was 369,214. Actual employer contributions for 2006 that were used to fund postemployment benefits were \$358,804. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCCP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. State Teachers Retirement System

Comprehensive health care benefits are provided through the State Teachers Retirement System of Ohio (STRS) to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician's fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. The STRS is funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. By law, health care benefits are not guaranteed and the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll.

The STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled \$1,681 for 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Health Care Stabilization Fund was \$3.3 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$254,780,000 and there were 115,395 eligible benefit recipients.

NOTE 18 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS

A. Measurement Focus and Basis of Accounting

Brooks-Yates Center Diversified Opportunities, Inc. uses fund accounting to report on their operations and uses the full accrual basis of accounting as set forth in SFAS No. 117 for non-profit corporations. Pickaway County Airport Authority uses fund accounting to report on their operations and uses the cash basis of accounting.

B. Budgetary Basis of Accounting

Budgetary information for the discretely presented component units is not presented because they are not included in the entity for which the "appropriated budget" is adopted and do not maintain separate budgetary financial records.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 18 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS

(Continued)

C. Capital Assets

Property and equipment for the component units are stated at historical cost and are updated for the costs of additions and retirements during the year. Donated fixed assets have been recorded at the fair market value at the date of the gift. The assets for Brooks-Yates Center Diversified Opportunities, Inc. and the Pickaway County Airport are depreciated on a straight line basis using the following estimated useful lives:

Category	Brooks-Yates Center Diversified Opportunities Inc.	Pickaway County Airport
Buildings and Improvements	40 years	30-40 years
Leasehold Improvements	20-40 years	N/A
Machinery and Equipment	3-10 years	N/A

A summary of changes in Brooks-Yates Center capital assets during 2006 were as follows:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
<i>Depreciable Capital Assets:</i>				
Leasehold Improvements	\$109,465	\$0	\$0	\$109,465
Machinery and Equipment	64,105	883	0	64,988
Vehicles	65,426	0	0	65,426
Total Depreciable Capital Assets	238,996	883	0	239,879
<i>Accumulated Depreciation:</i>				
Leasehold Improvements	(34,179)	(2,806)	0	(36,985)
Machinery and Equipment	(54,055)	(1,677)	0	(55,732)
Vehicles	(62,080)	(1,338)	0	(63,418)
Total Accumulated Depreciation	(150,314)	(5,821)	0	(156,135)
Capital Assets, Net	\$88,682	(\$4,938)	\$0	\$83,744

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 18 - ADDITIONAL DISCLOSURES FOR DISCRETELY PRESENTED COMPONENT UNITS

(Continued)

A summary of changes in capital assets for the Pickaway County Airport during 2006 were as follows:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
<i>Non-Depreciable Capital Assets:</i>				
Land	218,036	0	0	218,036
Total Non-Depreciable Capital Assets	218,036	0	0	218,036
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	532,277	392,278	0	924,555
Infrastructure	49,000	333,507	0	382,507
Total Depreciable Capital Assets	581,277	725,785	0	1,307,062
<i>Accumulated Depreciation:</i>				
Buildings	(141,593)	(23,119)		(164,712)
Infrastructure	(8,575)	(2,450)	0	(11,025)
Total Accumulated Depreciation	(150,168)	(25,569)	0	(175,737)
Capital Assets, Net	\$649,145	\$700,216	\$0	\$1,332,686

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Berger Hospital

Berger Hospital is a jointly governed organization that provides diversified health care services to the community. The hospital is governed by a 9 member board: Pickaway County Commissioners appoint 4 members of the board, the City of Circleville appoints 4 members of the board and the final board member is the City of Circleville's Mayor. The Mayor is the President of the Board but does not have voting privileges unless there is a tie. The City of Circleville holds legal title to the Hospital. The degree of control exercised by the County is limited to its representation on the Board. Pickaway County does not have an ongoing financial interest in or an ongoing financial responsibility for the Hospital. During 2006, the County did not make any contributions to the Hospital. Complete financial statements can be obtained from the Berger Hospital, 600 N. Pickaway, Circleville, Ohio, 43113.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS *(Continued)*

B. Paint Valley Mental Health Alcohol and Drug Addiction Board

The Paint Valley Mental Health Alcohol and Drug Addiction Board serves Pike, Fayette, Highland, Pickaway and Ross Counties and is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. The Director of the Ohio Department of Mental Health appoints four members and the Director of the Ohio Department of Alcohol and Drug Addiction Services appoints four members. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway, and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board receives revenue from the participating counties and receives federal and state funding through grant monies that are applied for and received by the Board of Trustees. Pickaway County cannot significantly influence operations of the Board, who has sole budgetary authority and controls surpluses and deficits. Pickaway County has no ongoing financial interest or responsibility. During 2006, Pickaway County contributed \$9,060 to the program.

C. Ross, Pickaway, Highland, Fayette Joint Solid Waste Management District

The County is a member of the Ross, Pickaway, Highland, Fayette Joint Solid Waste Management District, which is a jointly governed organization of the four-named counties. The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989, as required by the Ohio Revised Code.

The Ross, Pickaway, Highland, Fayette Joint Solid Waste Management District is governed and operated through three groups. A twelve member board of directors, comprised of three commissioners from each county, is responsible for the District's financial matters. Financial records are maintained by the Ross County Auditor and Treasurer, and the Ross County Commissioners budget and finance the District with board approval. A twenty-nine member policy committee, comprised of seven members from each county and one at-large member appointed by the board of directors, is responsible for preparing the solid waste management plan of the District in conjunction with a twenty-three member Technical Advisory Council (members appointed by the policy committee). The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. Although the counties contributed amounts to the District at the time of its creation, all contributions have since been returned to the respective counties and no future contributions by the counties are anticipated. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS *(Continued)*

D. County Risk Sharing Authority (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among forty-one counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self insurance and risk management program. Member counties agree to jointly participate in coverage 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 Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2006 was \$200,725.

E. Southern Ohio Council of Governments

The County is a member of the Southern Ohio Council of Governments, which is a jointly governed organization created under the Ohio Revised Code Section 167.01. The governing body consists of a thirteen member board with each participating County represented by its Director of its Board of Mental Retardation and Development Disabilities. Member counties include: Adams, Athens, Brown, Fayette, Gallia, Highland, Jackson, Lawrence, Pickaway, Pike, Ross, Scioto and Vinton Counties. During 2006, the County contributed \$250 to this organization. Financial statements can be obtained from the Southern Ohio Council of Governments, 43 N. Paint St., Chillicothe, Ohio, 45601.

NOTE 20 - RELATED ORGANIZATIONS

A. Pickaway County Library

The Pickaway County District Library is statutorily created as a separate and distinct political subdivision of the State. Four trustees of the District Library are appointed by the County Commissioners, and three trustees are appointed by the judges of the Common Pleas Court. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the County for operational subsidies. Due process is required to remove board members. No subsidies are provided by the County.

Pickaway County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 21 - RELATED PARTY TRANSACTION

A. Brooks-Yates Center Diversified Opportunities, Inc.

Brooks-Yates Center Diversified Opportunities, Inc. a discretely presented component unit of Pickaway County, received contributions from the County for facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its program. These contributions are reflected as operating revenues and operating expenses at cost or fair market value as applicable, in the basic financial statements. In 2006, these contributions were \$77,597.

B. Pickaway County Airport Authority

Pickaway County Airport Authority. a discretely presented component unit of Pickaway County, received contributions from the County for improvements to facilities. These contributions are reflected as operating revenues and operating expenses at cost or fair market value as applicable, in the basic financial statements. In 2006, these contributions were \$30,000.

NOTE 22 - CONTINGENT LIABILITIES

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

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, any potential liability would not have a material effect on the County's financial condition.

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**PICKAWAY COUNTY
FINANCIAL CONDITION**

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

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal C.F.D.A. Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed through Ohio Department of Education:</i>			
<i>Child Nutrition Cluster</i>			
National School Breakfast Program	049080-06-P4 2005 & 2006	10.553	\$ 2,038
National School Lunch Program	049080-LL-P4-2005 & LL-P4-2006	10.555	3,178
TOTAL U.S. DEPARTMENT OF AGRICULTURE-CHILD NUTRITION CLUSTER			5,216
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Department of Development:</i>			
Community Development Block Grant/State's Program	B-C-03-060-1 & B-C-05-060-1	14.228	96,190
Community Development Block Grant/State's Program	B-F-04-060-1 & B-F-05-060-1	14.228	275,318
Total Community Development Block Grant State's Program			371,508
Home Investment Partnership Program	B-C-03-060-2 & B-C-05-060-2	14.239	183,309
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			554,817
U.S. DEPARTMENT OF CRIMINAL JUSTICE			
Public Safety Partnership and Community Policing Grants	N/A	16.710	34,803
Public Safety Partnership and Community Policing Grants	N/A	16.710	7,023
Total Public Safety Partnership and Community Policing Grants			41,826
<i>Passed through the Ohio Office of Criminal Justice Services</i>			
Edward Bryne Memorial Formula Grant Program	2004-DG-D02-7215	16.579	1,336
Local Law Enforcement Block Grants Program	2003-LE-LEBG-3478	16.592	132
<i>Passed through the Ohio Department of Youth Services</i>			
Juvenile Accountability Incentive Block Grant	2004-JB-008-B021	16.523	1,795
Juvenile Justice and Delinquency Prevention Allocation to States	2005-JG-E01-6345	16.540	9,434
Juvenile Justice and Delinquency Prevention Allocation to States	JJWC-027-04	16.540	10,626
Total Juvenile Justice and Delinquency Prevention Allocation to States			20,060
<i>Passed through Ohio Office of the Attorney General</i>			
Crime Victim Assistance	2005 & 2006 VAGENE095T	16.575	79,427
Crime Victim Assistance	2006 & 2007 VADSCE502	16.575	18,405
Total Crime Victim Assistance Grant			97,832
TOTAL U.S. DEPARTMENT OF JUSTICE			162,981
U.S. DEPARTMENT OF LABOR			
<i>Passed through Workforce Investment Board, Area 7</i>			
<i>WIA Cluster</i>			
Workforce Investment Act-Adult	31-6400-083	17.258	157,375
Workforce Investment Act-Adult Administrative	31-6400-083	17.258	15,910
Workforce Investment Act-Adult Total			173,285
Workforce Investment Act-Youth	31-6400-083	17.259	78,958
Workforce Investment Act-Youth User Acceptance	31-6400-083	17.259	1,477
Workforce Investment Act-Youth Total			80,435
Workforce Investment Act-Dislocated Worker	31-6400-083	17.260	81,883
Workforce Investment Act - Dislocated Worker Service	31-6400-083	17.260	1,655
Workforce Investment Act-Dislocated Worker Veteran Short Term	31-6400-083	17.260	180
Workforce Investment Act-Dislocated Worker Rapid Response	31-6400-083	17.260	1,289
Workforce Investment Act-Dislocated Worker Administrative	31-6400-083	17.260	11,848
Workforce Investment Act-Dislocated Worker Total			96,855
TOTAL U.S. DEPARTMENT OF LABOR - WIA Cluster			350,575

PICKAWAY COUNTY
FINANCIAL CONDITION

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

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal C.F.D.A. Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Airport Improvement Program	N/A	20.106	689,501
<i>Passed through Ohio Department of Public Safety:</i>			
State and Community Highway Safety	HVEO-200765-00-00-00630-01	20.600	2,389
Alcohol Traffic Safety Drunk Driving Prevention Incentive Block Grant	HVEO-200765-00-00-00630-01	20.601	2,389
<i>Passed through Ohio Department of Transportation:</i>			
Highway Planning and Construction	PIC-PM/RPM - FY05	20.205	5,281
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>699,560</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through Ohio Department of Education</i>			
<i>Special Education Cluster</i>			
Special Education Grants to States	066191-6BSF-2006	84.027	17,951
Special Education Preschool Grants	066191-PGS1-2006	84.173	7,584
Total Special Education Cluster			<u>25,535</u>
State Grants for Innovative Programs	066191-C2S1-2005 & 066191-C2S1-2006	84.298	124
<i>Passed through Ohio Department of Health</i>			
Special Education Grants for Infants and Families with Disabilities	31-6400-083	84.181	47,673
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>73,332</u>
U.S. DEPARTMENT OF ELECTION ASSISTANCE COMMISSION			
<i>Passed through Ohio Secretary of State</i>			
Help America Vote Act Requirement Payments	E06-0235-71	90.401	415,079
TOTAL U.S. DEPARTMENT OF ELECTION ASSISTANCE COMMISSION			<u>415,079</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant	31-6400-083	93.667	36,187
State Children's Insurance Program	31-6400-083	93.767	295
<i>Medical Assistance Program</i>			
Community Alternative Funding System	31-6400-083	93.778	3,101
Target Case Management	31-6400-083	93.778	101,486
Waiver Administration	31-6400-083	93.778	46,964
Waiver Day Habilitation	31-6400-083	93.778	95,674
Total Medical Assistance Program			247,225
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>283,707</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through the Ohio Department of Public Safety- Emergency Management Agency</i>			
<i>Homeland Security Grant Program Cluster</i>			
Emergency Management Performance Grants	2005-EM-T5-001	97.067	29,424
State Homeland Security Program	2005-GE-T5-0001	97.067	75,231
Total Homeland Security Grant Program Cluster			<u>104,655</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>104,655</u>
Total Federal Awards Financial Assistance			<u>\$ 2,649,922</u>

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

PICKAWAY COUNTY

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The County passes-through certain Federal assistance received from the Workforce Investment Board, Area 7 to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The sub-recipient 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 - MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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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

Pickaway County
207 South Court Street
Circleville, Ohio 43113

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of Pickaway County, Ohio (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of Brooks-Yates Center for Diversified Opportunities, Inc., which is a discretely presented component unit, as described in our opinion on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-005.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-001 and 2006-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated October 23, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-003, 2006-005 and 2006-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated October 23, 2007.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Commissioners and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 23, 2007



Mary Taylor, CPA

Auditor of State

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

Pickaway County
207 South Court Street
Circleville, Ohio 43113

To the Board of Commissioners:

Compliance

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

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

In our opinion, Pickaway County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2006-007.

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 County'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 County's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2006-007 to be a significant deficiency.

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

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

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



Mary Taylor, CPA
Auditor of State

October 23, 2007

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<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):	Community Development Block Grant/States Program: CFDA #14.228 Help America Vote Act Requirement Payments: CFDA #90.401 Airport Improvement Program: CFDA #20.106
<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?	Yes

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

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

FINDING NUMBER 2006-001

Financial Statement Adjustments – Significant Deficiency/Material Weakness

Sound financial reporting is the responsibility of the County Auditor and the Board of Commissioners and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the December 31, 2006 financial statements:

1. To reclassify \$1,325,897 of charges for services revenues in the Special Children Services and Child Support Enforcement Funds (\$702,000 and \$623,897, respectively) to intergovernmental revenues and \$372,576 of tax revenue in the Real Estate Assessment Fund to intergovernmental revenue.
2. To adjust delinquent sewer billings missed in prior years in the amount of \$49,127 and the current year in the amount of \$24,266.
3. To decrease \$446,088 of the original budgetary expenditures in the Auto License and Gas Tax Fund, and increase the original budgetary receipts and expenditures in the Job and Family Service and Board of MRDD funds in the amounts of \$684,882 and \$688,095 and \$676,900 and \$956,000, respectively.
4. To reclassify \$18,086 of accounts payables posted in the wrong fund from the Scioto and Darby Townships Wastewater Fund to the Capital Improvement Fund.
5. To adjust various cash and cash equivalents in the following Agency funds; increase \$1,854,662 of cash and cash equivalents and intergovernmental payable in the Library Fund and decrease \$2,869,752 of cash and cash equivalents and deposits held and due to others in the Court Fund.
6. To reclassify \$29,086 of sewer revenue that was collected in advance at year end from an intergovernmental payable to deferred revenue.
7. To reclassify \$15,206 of other revenue to Loan Payable; County overpaid OWDA loan in 2005 and was reimbursed in 2006.
8. To reclassify \$35,644 of Financing Activities to Operating Activities on the statement of cash flows.
9. To reclassify \$744,623 of non-depreciable and depreciable assets on the County's asset listing to the Pickaway County Airport Authority, a discretely presented component unit.
10. Adjustments to the Federal Awards Expenditure Schedule in the amounts of \$1,795 and \$97,832 , respectively, to reflect the Juvenile Accountability Incentive Block Grant and increase the Crime Victim Assistance Grant expenditure amount.
11. Various adjustments to the financial footnotes, including but not limited to, changes to the cash note to reflect true maturity of investments, changes to the debt amortization schedule to add the TIF and sheriff car notes and various changes to the retirement system notes.

In addition to the adjustment noted in Finding 2006-004, the following audit adjustments and reclassifications were inconsequential to the overall financial statements of the County and were not posted to the December 31, 2006 financial statements.

1. To reclassify \$206,814 of tax revenue to intergovernmental revenues in the Board of MRDD Fund.
2. To adjust various cash and cash equivalents in the following Agency funds; decrease \$80,005 of cash and cash equivalents and intergovernmental payable in the County Board of Health Fund and decrease \$57,420 of cash and cash equivalents and deposits held and due to others in the Recorder Fund.

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

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

FINDING NUMBER 2006-001 (Continued)

Financial Statement Adjustments – Significant Deficiency/Material Weakness (Continued)

3. To increase \$223,060 of the original budgetary revenue in the Auto License and Gas Tax Fund, and increase the original budgetary receipts, \$194,064, and decrease original budgetary expenditures, \$367,536, in the General Fund.
4. Reclassify \$243,378 from Due in more than one year to Due within one year.
5. To adjust taxes collected in the Agency Fund at year end from deferred revenue and taxes receivable to cash and tax revenue in the General and Board of MRDD Funds in the amount of \$200,956 and \$281,413, respectively, to comply with paragraph 111 of GASB 34.
6. To decrease \$43,958 of taxes receivable and deferred revenue in the Board of MRDD Fund and tax revenue and tax receivable on the government wide statements for an over estimate of delinquent property taxes.
7. To adjust \$43,218 of intergovernmental receivable and revenue in the Jobs and Family Service Fund for the WIA and CSEA grants that was not posted to the financial statements.
8. To adjust \$65,565 in taxes receivable and deferred revenue in the General Fund and taxes receivable and revenue on the government wide statements for an entity that defaulted on their tax abatement agreement.
9. To adjust \$57,332 in intergovernmental receivable and deferred revenue in the Board of MRDD Fund and intergovernmental receivable and revenue on the government wide statements due to a calculation error.
10. To reclassify \$77,664 of the General Fund unreserved fund balance to reserve for prepaids.
11. To decrease \$114,660 of intergovernmental receivable in the HAVA Grant fund and government wide statements for a grant that received all monies during 2006.
12. To reclassify \$289,979 of other revenue to charges for services in the General fund.
13. To reduce other revenue/legislative expenditures, \$189,208 and transfers in/legislative expenditure, \$109,000, in the General fund for reimbursement of expenditures made on behalf of other funds.

The adjustments and reclassifications identified above should be reviewed by the County Auditor and the staff to ensure that similar errors are not reported on financial statements in subsequent years. In addition, we recommend the County adopt procedures for the review of the activity posted to the accounting records and subsequent financial statements.

Officials' Response:

No officials' response was received for this finding.

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

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

FINDING NUMBER 2006-002

Airport Authority Reporting – Material Weakness/ Significant Deficiency

The Government Accounting Standard Board (GASB) number 34 paragraph 6(b)(1) requires that the component unit be reported in the government-wide statement of net assets and statement of activities using the economic resources measurement focus and accrual basis of accounting.

The Pickaway County Airport Authority (PCAA), a discretely present component unit of the County, currently reports on a cash basis. This could lead to a material departure from generally accepted accounting principles (GAAP), which could ultimately result in a qualified opinion.

We recommend the PCAA use the economic resources measurement focus and accrual basis of accounting to adhere to the GASB standards of reporting. The financial statements have been adjusted in the amount of \$1,525,098 to reflect the PCAA's capital assets.

Officials' Response:

No officials' response was received for this finding.

FINDING NUMBER 2006-003

Interest Allocation – Material Non-compliance Finding/Significant Deficiency – Finding for Adjustment

Article XII, Section 5a, of the Ohio Constitution and 1982 Op. Atty. Gen. No. 82-031 require that interest earned on money derived from a motor vehicle license or fuel tax must be paid into the fund to which the principal belongs. Ohio Rev. Code Section 5705.131 requires interest earned on the principal of a non-expendable trust fund established to receive donations or contributions that the donor or contributor requires to be maintained intact must be credited to the non-expendable trust fund to which the principal belongs.

Interest earned by the County in 2006 was paid into the General Fund. There was no indication that interest earned on the principal of the motor vehicle license and fuel taxes, and the trust fund were paid into the Auto License and Gas Tax fund, Motor Vehicle Permissive Tax fund, and the Bowsher Estate-Juvenile fund.

We recommend the County pay interest earned on the principal of the motor vehicle license or fuel tax and the trust fund to the Auto License and Gas Tax Fund, Motor Vehicle Permissive Tax Fund, and the Bowsher Estate-Juvenile fund. A finding for adjustment is hereby issued against the General Fund in the amount of \$101,892.68 in favor of the Auto License/Gas Tax fund for \$81,484.42, Motor Vehicle Permissive Tax fund for \$20,312.29, and the Bowsher Estate-Juvenile fund for \$95.97.

Officials' Response:

The Commissioners, Treasurer and Engineer are working to agree on a formula to determine the interest amounts.

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

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

FINDING NUMBER 2006-004

Capital Asset Useful Life - Significant Deficiency

On November 28, 2006 the County updated their "Pickaway County Fixed Asset Policy and Procedure Manual" to include changes to their Capital Asset Useful Life policy. This policy effectively increased its useful lives of Capital Assets in all the governmental capital asset's categories, except infrastructure.

The County did not implement this policy change to the financial statements. This has resulted in an estimated unadjusted difference in the amount of \$1.3 million to depreciable capital assets and accumulated depreciation.

We recommend the County retroactively implement the changes to their estimated useful lives to adhere to the new change in accounting policy.

Officials' Response:

We have retroactively applied the changes to 2006 and are also reviewing for 2007.

FINDING NUMBER 2006-005

Maintaining Records – Material Non-Compliance/Significant Deficiency

Ohio Rev. Code Section 149.351 requires, in part, that all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by Ohio Rev. Code Sections 149.38 through 149.42. An aggrieved party may commence a civil action to recover reasonable attorney's fees and a forfeiture of one thousand dollars for each violation of this section.

The following records could not be located for Pickaway County Airport Authority (PCAA):

Transaction Cycle	Description	# missing items
Lease revenue	Lease agreements	12 of 21
All revenue	Bank deposit slips	All

The Treasurer was unable to locate the records above. However, this activity was tested using alternative audit procedures.

We recommend that the Airport Authority Board establish procedures for maintaining supporting documentation for all of the PCAA's financial activity.

Officials' Response:

No officials' response was received for this finding.

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

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

FINDING NUMBER 2006-006

Bonding Requirements – Material Non-compliance

Ohio Rev. Code Section 308.12 states, in part, that any secretary-treasurer of an airport authority shall furnish bond in such amount as is determined by the board of trustees of the regional airport authority with surety satisfactory to it.

The Pickaway County Airport Authority Treasurer is not currently bonded.

We recommend that the PCAA Treasurer obtain a bond that meets the requirements set forth by the Ohio Revised Code and the Airport Authority Board. The Treasurer should obtain a bond in the amount determined by the Board.

Officials’ Response:

We will obtain a required bond for the Treasurer of the PCAA.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2006-007
CFDA Title and Number	14.228 – Community Development Block Grant/State’s Program
Federal Award Number / Year	B-C-03-060-1 B-C-05-060-01 B-C-060-2 & B-F-05-060-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	The Ohio Department of Development

Federal Cash Management – 15 day rule – Material Non-compliance/Significant deficiency

24 CFR 92.502 and Section (A)(3)(f) of the Ohio Department of Development, Office of Housing and Community Partnership Management Rules and Regulations Handbook, requires grantees to develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that fund draw downs should be limited to amounts that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. If the funds are not disbursed within fifteen days of receipt and the balance is not maintained at an amount less than \$5,000 the County is in non-compliance with the federal requirements.

The County did not disburse federal cash received from drawdown request within the 15 day requirement. Fourteen out the fifteen CDBG drawdowns ranging from \$6,837 to \$117,000 were held as many as 43 to 209 days.

Although the County did hold the monies for more than the allotted 15 day period, the County did, however, deposit the monies in a non-interest bearing account.

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

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Federal Cash Management – 15 day rule – Noncompliance/Significant deficiency (Continued)

We recommend that draw downs be monitored to ensure that funds are expended within fifteen days of receipt.

Officials' Response:

The Commissioners' office will be creating new line items to correspond to the draw downs in order to track the timing of the expenditures.

**PICKAWAY COUNTY
FINANCIAL CONDITION**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	The County Treasurer did not accurately complete monthlybank reconciliations in a timely manner	Yes	Fully corrected
2004-002	Federal Non-Compliance: The County Treasurer did not accurately complete monthlybank reconciliations in a timely manner	Yes	Fully corrected

**PICKAWAY COUNTY
FINANCIAL CONDITION**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FISCAL YEAR ENDED DECEMBER 31, 2006**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2006-007	The Commissioners' office will be creating new line items to correspond to the draw downs in order to track the timing of the expenditures.	1/1/08	Dan Bradhurst



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

PICKAWAY 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 24, 2007**