



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

AUGLAIZE COUNTY FINANCIAL CONDITION

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REPORT OF INDEPENDENT ACCOUNTANTS

Auglaize County
201 South Willipie Street, Suite G-11
Wapakoneta, Ohio 45895

To the Board of County Commissioners:

We have audited the accompanying general-purpose financial statements of Auglaize County, Ohio (the County), as of and for the year ended December 31, 2001. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Auglaize County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types and component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2002 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the County, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

July 18, 2002

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AUGLAIZE COUNTY FINANCIAL CONDITION

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2001**

	Governmental Fund Types			Proprietary Fund Types		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
ASSETS AND OTHER DEBITS						
Assets						
Equity in pooled cash and cash equivalents	\$ 3,525,268	6,288,665	\$ 4,382,812	\$ 4,231,163	\$ 453,347	\$ 217,664
Cash and cash equivalents in segregated accounts	-	-	-	-	-	200
Receivables:						
Real and other taxes:						
Property taxes	1,691,916	2,295,523	101,516	-	-	-
Sales taxes	377,884	314,005	-	251,922	-	-
Accounts (net of allowance)	63,141	112,498	320	-	404,836	1,773
Special assessments	-	-	3,235,925	-	-	-
Accrued interest	44,132	-	-	-	-	-
Due from other funds	155	13,478	-	-	-	16,024
Due from other governments	232,474	1,423,950	-	1,017,024	-	-
Intergovernmental	76,800	-	-	-	28,750	-
Prepayments	128,671	15,694	-	-	3,024	-
Materials and supplies inventory	23,697	220,990	-	-	23,904	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	4,546,645	542
Other Debits						
Amount available in debt service fund for retirement of general long-term obligations	-	-	-	-	-	-
Amount available in debt service fund for retirement of special assessments long-term debt	-	-	-	-	-	-
Amount to be provided for retirement of: general long-term debt	-	-	-	-	-	-
special assessments	-	-	-	-	-	-
Total assets and other debits	\$ 6,164,138	\$ 10,684,803	\$ 7,720,573	\$ 5,500,109	\$ 5,460,506	\$ 236,203
LIABILITIES, EQUITY, AND OTHER CREDITS						
Liabilities						
Accounts payable	\$ 35,767	\$ 508,916	\$ -	\$ 52,384	\$ 47,588	\$ 8,527
Accrued wages	143,961	172,942	-	-	96,686	1,742
Compensated absences payable	69,183	79,867	-	-	167,366	2,840
Claims payable	-	-	-	-	-	15,602
Due to other funds	5,762	21,237	-	-	2,658	-
Due to other governments	162,218	251,187	-	-	101,748	1,700
Deferred revenue	1,649,344	2,975,132	3,331,877	986,930	-	-
Undistributed monies	-	-	-	-	-	-
Leases payable	-	-	-	-	-	-
Notes payable	-	-	-	-	67,618	-
Bonds payable:						
General obligation	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-
Total liabilities	2,066,235	4,009,281	3,331,877	1,039,314	483,664	30,411
Fund Equity and Other Credits						
Investment in general fixed assets	-	-	-	-	-	-
Contributed capital	-	-	-	-	5,346,822	-
Retained earnings	-	-	-	-	(369,980)	205,792
Fund balances:						
Reserved for taxes	27,985	36,965	1,679	-	-	-
Reserved for special assessment	-	909	4,375	-	-	-
Reserved for encumbrances	53,531	436,561	-	133,017	-	-
Reserved for supplies inventory	23,697	220,990	-	-	-	-
Unreserved fund balance	3,992,690	5,980,097	4,382,642	4,327,778	-	-
Total fund equity and other credits	4,097,903	6,675,522	4,388,696	4,460,795	4,976,842	205,792
Total liabilities, equity and other credits	\$ 6,164,138	\$ 10,684,803	\$ 7,720,573	\$ 5,500,109	\$ 5,460,506	\$ 236,203

The notes to the financial statements are an integral part of this statement.

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Total (Memorandum Only)	
	General Fixed Assets	General Long-Term Obligations	Primary Government	Component Units	Reporting Entity
\$ 3,240,949	\$ -	\$ -	\$ 22,339,868	\$ 539,628	\$ 22,879,496
610,032	-	-	610,232	-	610,232
41,831,902	-	-	45,920,857	-	45,920,857
-	-	-	943,811	-	943,811
-	-	-	582,568	32,396	614,964
811,816	-	-	4,047,741	-	4,047,741
-	-	-	44,132	733	44,865
-	-	-	29,657	-	29,657
-	-	-	2,673,448	-	2,673,448
-	-	-	105,550	-	105,550
80	-	-	147,469	1,000	148,469
-	-	-	268,591	14,155	282,746
-	22,569,402	-	27,116,589	146,504	27,263,093
-	-	4,198,811	4,198,811	-	4,198,811
-	-	183,831	183,831	-	183,831
-	-	801,631	801,631	-	801,631
-	-	2,198,006	2,198,006	-	2,198,006
<u>\$ 46,494,779</u>	<u>\$ 22,569,402</u>	<u>\$ 7,382,279</u>	<u>\$ 112,212,792</u>	<u>\$ 734,416</u>	<u>\$ 112,947,208</u>
\$ 2,396	\$ -	\$ -	\$ 655,578	\$ 7,736	\$ 663,314
-	-	-	415,331	5,116	420,447
-	-	705,442	1,024,698	2,403	1,027,101
-	-	-	15,602	-	15,602
-	-	-	29,657	-	29,657
45,727,843	-	-	46,244,696	1,740	46,246,436
-	-	-	8,943,283	17,245	8,960,528
610,032	-	-	610,032	-	610,032
-	-	-	-	14,579	14,579
-	-	521,837	589,455	-	589,455
-	-	4,295,000	4,295,000	-	4,295,000
-	-	1,860,000	1,860,000	-	1,860,000
<u>46,340,271</u>	<u>-</u>	<u>7,382,279</u>	<u>64,683,332</u>	<u>48,819</u>	<u>64,732,151</u>
-	22,569,402	-	22,569,402	-	22,569,402
-	-	-	5,346,822	23,687	5,370,509
-	-	-	(164,188)	661,910	497,722
-	-	-	66,629	-	66,629
-	-	-	5,284	-	5,284
475	-	-	623,584	-	623,584
-	-	-	244,687	-	244,687
<u>154,033</u>	<u>-</u>	<u>-</u>	<u>18,837,240</u>	<u>-</u>	<u>18,837,240</u>
<u>154,508</u>	<u>22,569,402</u>	<u>-</u>	<u>47,529,460</u>	<u>685,597</u>	<u>48,215,057</u>
<u>\$ 46,494,779</u>	<u>\$ 22,569,402</u>	<u>\$ 7,382,279</u>	<u>\$ 112,212,792</u>	<u>\$ 734,416</u>	<u>\$ 112,947,208</u>

AUGLAIZE COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary	Total
	General Fund	Special Revenue	Debt Service	Capital Projects	Fund Types Expendable Trust	(Memorandum Only) Primary Government
Revenues:						
Property taxes	\$ 1,848,708	\$ 2,580,730	\$ 116,040	\$ -	\$ -	\$ 4,545,478
Sales tax	2,763,153	1,767,855	89,763	957,109	-	5,577,880
Permissive tax	-	482,421	-	-	-	482,421
Charges for services	1,045,256	1,216,912	-	-	-	2,262,168
Licenses and permits	4,223	-	-	-	-	4,223
Fines and forfeitures	450,191	67,896	-	-	-	518,087
Intergovernmental	1,323,163	8,851,624	-	2,249,355	-	12,424,142
Special assessments	-	107,936	359,010	163,931	-	630,877
Investment Income	1,012,387	38,497	1,605	58,331	3,606	1,114,426
Other	44,239	380,395	84,139	-	73,789	582,562
Total Revenues	8,491,320	15,494,266	650,557	3,428,726	77,395	28,142,264
Expenditures:						
General government:						
Legislative & executive	1,842,374	380,006	-	-	-	2,222,380
Judicial	1,324,277	130,351	-	-	-	1,454,628
Public Safety	3,059,254	952,918	-	-	11,075	4,023,247
Public Works	253,391	3,987,459	-	2,275,652	-	6,516,502
Health	67,281	3,733,268	-	-	8,877	3,809,426
Human Services	236,471	4,853,607	-	-	20,443	5,110,521
Other expense	755,040	352,327	-	-	-	1,107,367
Capital Outlay	-	-	-	1,615,662	-	1,615,662
Debt Service:						
Principal retirement	-	-	929,933	-	-	929,933
Interest & fiscal charges	-	-	411,953	-	-	411,953
Total Expenditures	7,538,088	14,389,936	1,341,886	3,891,314	40,395	27,201,619
Excess of revenues over (under) expenditures	953,232	1,104,330	(691,329)	(462,588)	37,000	940,645
Other financial sources (uses)						
Proceeds from sale of fixed assets	2,112	36,319	-	-	-	38,431
Proceeds from note	-	-	-	106,908	-	106,908
Operating transfers in	197,755	704,157	1,383,467	190,000	-	2,475,379
Operating transfers out	(340,000)	(715,473)	(510)	(1,412,113)	(7,283)	(2,475,379)
Other financing sources	153,174	383,548	-	218,613	-	755,335
Other financing uses	(486,080)	(182,864)	(552)	(22,548)	(243)	(692,287)
Total other financing sources (uses)	(473,039)	225,687	1,382,405	(919,140)	(7,526)	208,387
Excess of revenues and other financing sources over (under) expenditures and other financing uses	480,193	1,330,017	691,076	(1,381,728)	29,474	1,149,032
Fund balance at beginning of year	3,635,223	5,334,708	3,697,620	5,842,523	125,034	18,635,108
Increase in reserve for inventory	(17,513)	10,797	-	-	-	(6,716)
Fund balance at end of year	\$ 4,097,903	\$ 6,675,522	\$ 4,388,696	\$ 4,460,795	\$ 154,508	\$ 19,777,424

The notes to the financial statements are an integral part of this statement.

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AUGLAIZE COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General Fund			Special Revenue Funds		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Property taxes	\$ 1,816,650	\$ 1,830,411	\$ 13,761	\$ 2,542,500	\$ 2,548,540	\$ 6,040
Sales and permissive sales and use taxes	2,929,395	2,828,068	(101,327)	1,270,000	1,936,223	666,223
Charges for services	867,000	1,006,348	139,348	1,160,800	1,178,152	17,352
Licenses and permits	4,570	4,223	(347)	-	-	-
Fines and forfeitures	356,000	439,983	83,983	85,400	67,163	(18,237)
Intergovernmental	1,334,548	1,369,767	35,219	9,054,336	8,472,297	(582,039)
Special assessments	-	-	-	70,000	107,506	37,506
Investment income	1,000,000	1,102,260	102,260	48,400	40,522	(7,878)
Other	50,000	41,232	(8,768)	411,643	402,417	(9,226)
Total Revenues	<u>8,358,163</u>	<u>8,622,292</u>	<u>264,129</u>	<u>14,643,079</u>	<u>14,752,820</u>	<u>109,741</u>
Expenditures:						
General Government						
Legislative and executive	2,735,622	2,028,651	706,971	527,117	448,253	78,864
Judicial	1,460,398	1,320,912	139,486	274,736	139,348	135,388
Public Safety	3,236,358	3,092,154	144,204	1,282,748	1,018,833	263,915
Public Works	310,055	261,341	48,714	4,710,141	4,068,485	641,656
Health	109,935	70,134	39,801	4,128,536	4,035,659	92,877
Human Services	273,907	243,703	30,204	5,824,220	5,245,275	578,945
Other (miscellaneous)	927,199	792,859	134,340	597,815	455,269	142,546
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	<u>9,053,474</u>	<u>7,809,754</u>	<u>1,243,720</u>	<u>17,345,313</u>	<u>15,411,122</u>	<u>1,934,191</u>
Excess of revenues over (under) expenditures	(695,311)	812,538	1,507,849	(2,702,234)	(658,302)	2,043,932
Other financing sources (uses):						
Proceeds of bonds and notes	-	-	-	-	-	-
Operating transfers in	-	197,755	197,755	620,000	704,157	84,157
Operating transfers out	(402,172)	(340,000)	62,172	(780,000)	(715,473)	64,527
Other Sources	383,974	360,848	(23,126)	446,500	609,014	162,514
Gain on sale of fixed assets	1,000	2,115	1,115	-	36,319	36,319
Other uses	(568,223)	(484,983)	83,240	(307,898)	(146,966)	160,932
Total other financing Sources & uses	<u>(585,421)</u>	<u>(264,265)</u>	<u>321,156</u>	<u>(21,398)</u>	<u>487,051</u>	<u>508,449</u>
Excess of revenues and other sources over (under) expenditures and other uses	(1,280,732)	548,273	1,829,005	(2,723,632)	(171,251)	2,552,381
Fund balance at beginning of year	2,586,660	2,586,660	-	4,964,697	4,964,697	-
Prior year encumbrances	170,823	170,823	-	657,363	657,363	-
Fund balance at end of year	<u>\$ 1,476,751</u>	<u>\$ 3,305,756</u>	<u>\$ 1,829,005</u>	<u>\$ 2,898,428</u>	<u>\$ 5,450,809</u>	<u>\$ 2,552,381</u>

The notes to the financial statements are an integral part of this statement.

Debt Service Funds			Capital Projects Funds			Expendable Trust Funds		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 115,000	\$ 114,943	\$ (57)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,600,000	384,944	(1,215,056)	976,465	852,787	(123,678)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	2,275,652	2,275,652	-	-	-
345,300	356,000	10,700	250,000	164,416	(85,584)	-	-	-
-	2,166	2,166	87,345	87,345	-	-	3,875	3,875
82,000	86,243	4,243	-	-	-	45,000	73,789	28,789
<u>2,142,300</u>	<u>944,296</u>	<u>(1,198,004)</u>	<u>1,313,810</u>	<u>3,380,200</u>	<u>2,066,390</u>	<u>45,000</u>	<u>77,664</u>	<u>32,664</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	11,909	11,075	834
-	-	-	-	2,275,652	(2,275,652)	-	-	-
-	-	-	-	-	-	87,113	8,886	78,227
-	-	-	-	-	-	30,000	20,443	9,557
-	-	-	-	-	-	23,311	-	23,311
-	-	-	2,413,803	1,765,148	648,655	-	-	-
939,812	929,933	9,879	-	-	-	-	-	-
411,995	411,953	42	-	-	-	-	-	-
<u>1,351,807</u>	<u>1,341,886</u>	<u>9,921</u>	<u>2,413,803</u>	<u>4,040,800</u>	<u>(1,626,997)</u>	<u>152,333</u>	<u>40,404</u>	<u>111,929</u>
<u>790,493</u>	<u>(397,590)</u>	<u>(1,188,083)</u>	<u>(1,099,993)</u>	<u>(660,600)</u>	<u>439,393</u>	<u>(107,333)</u>	<u>37,260</u>	<u>144,593</u>
-	-	-	-	106,908	106,908	-	-	-
-	1,383,466	1,383,466	-	190,000	190,000	-	-	-
(535,510)	(510)	535,000	(1,451,653)	(1,412,113)	39,540	(10,000)	(7,283)	2,717
-	-	-	-	218,613	218,613	-	-	-
-	-	-	-	-	-	-	-	-
(5,800)	(550)	5,250	(22,548)	(22,548)	-	-	(243)	(243)
<u>(541,310)</u>	<u>1,382,406</u>	<u>1,923,716</u>	<u>(1,474,201)</u>	<u>(919,140)</u>	<u>555,061</u>	<u>(10,000)</u>	<u>(7,526)</u>	<u>2,474</u>
249,183	984,816	735,633	(2,574,194)	(1,579,740)	994,454	(117,333)	29,734	147,067
3,397,996	3,397,996	-	5,630,994	5,630,994	-	124,572	124,572	-
-	-	-	3,579	3,579	-	-	-	-
<u>\$ 3,647,179</u>	<u>\$4,382,812</u>	<u>\$ 735,633</u>	<u>\$ 3,060,379</u>	<u>\$4,054,833</u>	<u>\$ 994,454</u>	<u>\$ 7,239</u>	<u>\$ 154,306</u>	<u>\$ 147,067</u>

AUGLAIZE COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNIT (AIRPORT AUTHORITY)
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>		<u>Total</u>	<u>Airport</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Internal</u>	<u>Primary</u>		<u>(Memorandum</u>
	<u>Funds</u>	<u>Service</u>	<u>(Memorandum</u>	<u>Authority</u>	<u>(Memorandum</u>
			<u>Only)</u>		<u>Only)</u>
Operating Revenues:					
Charges for services	\$ 4,765,909	\$ 2,398,094	\$ 7,164,003	\$ 138,176	\$ 7,302,179
Intergovernmental	-	-	-	22,500	22,500
Other operating revenue	12,960	-	12,960	215	13,175
Total operating revenues	<u>4,778,869</u>	<u>2,398,094</u>	<u>7,176,963</u>	<u>160,891</u>	<u>7,337,854</u>
Operating Expenses:					
Personal services	3,778,345	83,113	3,861,458	-	3,861,458
Contract services	713,162	2,394,604	3,107,766	78,215	3,185,981
Materials and supplies	533,587	38,965	572,552	73,512	646,064
Depreciation	160,925	104	161,029	35,680	196,709
Other operating expenses	10,918	-	10,918	6,179	17,097
Total operating expenses	<u>5,196,937</u>	<u>2,516,786</u>	<u>7,713,723</u>	<u>193,586</u>	<u>7,907,309</u>
Operating (loss)	<u>(418,068)</u>	<u>(118,692)</u>	<u>(536,760)</u>	<u>(32,695)</u>	<u>(569,455)</u>
Non-operating expenses					
Loss on sale of fixed assets	(40)	-	(40)	-	(40)
Other non-operating income	34,659	3,528	38,187	11,079	49,266
Other non-operating expense	(2,500)	(435)	(2,935)	(5,500)	(8,435)
Interest Income				780	780
Capital Contributions	20,915	-	20,915	-	20,915
Total non-operating revenue (expenses)	<u>53,034</u>	<u>3,093</u>	<u>56,127</u>	<u>6,359</u>	<u>62,486</u>
Net Income (loss)	(365,034)	(115,599)	(480,633)	(26,336)	(506,969)
Depreciation on fixed assets acquired by contributed capital	23,045	-	23,045	1,600	24,645
Retained earnings/fund balances at January 1	<u>(27,991)</u>	<u>321,391</u>	<u>293,400</u>	<u>145,393</u>	<u>438,793</u>
Retained earnings/fund balances at December 31	<u>(369,980)</u>	<u>205,792</u>	<u>(164,188)</u>	<u>120,657</u>	<u>(43,531)</u>
Contributed capital at January 1	5,369,867	-	5,369,867	12,752	5,382,619
Disposal of Assets	-	-	-	(1,685)	(1,685)
Depreciation on fixed assets acquired by contributed capital	<u>(23,045)</u>	<u>-</u>	<u>(23,045)</u>	<u>(1,600)</u>	<u>(24,645)</u>
Contributed capital at December 31	<u>5,346,822</u>	<u>-</u>	<u>5,346,822</u>	<u>9,467</u>	<u>5,356,289</u>
Total fund equity at December 31	\$ 4,976,842	\$ 205,792	\$ 5,182,634	\$ 130,124	\$ 5,312,758

The notes to the financial statements are an integral part of this statement.

AUGLAIZE COUNTY FINANCIAL CONDITION

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY**

**DISCRETELY PRESENTED COMPONENT UNIT - AUGLAIZE INDUSTRIES, INC.
FOR THE YEAR ENDED DECEMBER 31, 2001**

Operating revenues:	
Charges for services	\$ 325,343
Vocational revenue	<u>28,380</u>
Total revenue	<u>353,723</u>
Cost of sales:	
Labor and employment taxes	232,160
Subcontracts	8,405
Repair and maintenance	<u>26,365</u>
Total cost of sales	<u>266,930</u>
Operating expenses:	
Community employment wages	41,843
Insurance	7,554
Depreciation	10,683
Professional fees	10,140
Membership dues	2,025
Administrative expenses	<u>57,768</u>
Total operating expenses	<u>130,013</u>
(Loss) from operations	<u>(43,220)</u>
Non-operating revenues (expenses):	
Miscellaneous revenue	68,402
Rental income	31,430
Rental expenses	(51,168)
Loss on investments	(21,091)
Donations	2,147
Donations Paid to Other Agencies	(86,868)
Employee program revenue	33,594
Employee program expense	(34,080)
Unrestricted support	181,882
Expenditure of unrestricted support	<u>(181,882)</u>
Total non-operating revenues (expenses)	<u>(57,634)</u>
Net income (loss)	(100,854)
Retained Earnings - January 1, 2001	<u>642,107</u>
Retained Earnings - December 31, 2001	<u>541,253</u>
Contributed capital received from:	
Grants Transferred	(39,695)
Depreciation on fixed asset asset acquired by contributed capital	(4,898)
Contributed Capital - January 1, 2001	<u>58,813</u>
Contributed Capital - December 31, 2001	<u>14,220</u>
Total Fund Equity - December 31, 2001	\$ <u>555,473</u>

The notes to the financial statements are an integral part of this statement.

AUGLAIZE COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED
COMPONENT UNITS (AIRPORT AUTHORITY AND AUGLAIZE INDUSTRIES)
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>		<u>Total Primary Government (Memorandum only)</u>	<u>Component Units</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise Funds</u>	<u>Internal Service</u>			
Operating Activities:					
Cash received from customers	\$ 4,778,869	\$ 52,000	\$ 4,830,869	\$ 479,084	\$ 5,309,953
Quasi-external transactions	-	2,324,463	2,324,463	-	2,324,463
Cash paid to suppliers and employees	(4,982,243)	(2,552,115)	(7,534,358)	(544,223)	(8,078,581)
Other operating revenue	-	14,500	14,500	22,500	37,000
Net cash used in operating activities	<u>(203,374)</u>	<u>(161,152)</u>	<u>(364,526)</u>	<u>(42,639)</u>	<u>(407,165)</u>
Capital and related financing activities:					
Acquisition of capital assets	(25,541)	-	(25,541)	(26,573)	(52,114)
Sale of equipment	-	-	-	235,217	235,217
Contributed Capital	-	-	-	(39,695)	(39,695)
Donations to other agencies	-	-	-	(86,868)	(86,868)
Debt Service: Principal retirement	(25,235)	-	(25,235)	(29,064)	(54,299)
Net cash provided by (used in) capital and related financing activities	<u>(50,776)</u>	<u>-</u>	<u>(50,776)</u>	<u>53,017</u>	<u>2,241</u>
Noncapital Financing Activities:					
Non-operating revenue	34,659	3,528	38,187	33,840	72,027
Non-operating disbursements	(2,500)	(435)	(2,935)	-	(2,935)
Net cash provided by noncapital financing activities	<u>32,159</u>	<u>3,093</u>	<u>35,252</u>	<u>33,840</u>	<u>69,092</u>
Investing Activities:					
Interest on cash equivalents	-	-	-	15,768	15,768
Net rental income (expense)	-	-	-	(14,950)	(14,950)
Net purchases of certificates of deposit	-	-	-	(17,540)	(17,540)
Net purchases of investments	-	-	-	(84,033)	(84,033)
Net cash provided used in investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,755)</u>	<u>(100,755)</u>
Increase (decrease) in cash and cash equivalents	(221,991)	(158,059)	(380,050)	(56,537)	(436,587)
Cash and cash equivalents at beginning of year	<u>675,338</u>	<u>375,923</u>	<u>1,051,261</u>	<u>121,774</u>	<u>1,173,035</u>
Cash and cash equivalents at end of year	\$ 453,347	\$ 217,864	\$ 671,211	\$ 65,237	\$ 736,448
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (418,068)	\$ (118,692)	\$ (536,760)	(75,915)	\$ (612,675)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	160,925	104	161,029	46,363	207,392
Changes in assets and liabilities:					
Supplies inventory	4,441	-	4,441	700	5,141
Accounts receivable	15,824	(931)	14,893	(3,430)	11,463
Due from other government	25,867	533	26,400	-	26,400
Intergovernmental	2,500	-	2,500	-	2,500
Due from other funds	-	(6,733)	(6,733)	-	(6,733)
Prepays	1,670	-	1,670	-	1,670
Claims and judgements payable	-	(27,390)	(27,390)	-	(27,390)
Accounts payable	(24,704)	(8,057)	(32,761)	(5,488)	(38,249)
Accrued wages and benefits	16,901	(847)	16,054	4,070	20,124
Compensated absences payable	38,097	1,928	40,025	(147)	39,878
Due to other governments	(27,221)	(1,067)	(28,288)	808	(27,480)
Due to other funds	394	-	394	-	394
Deferred revenue	-	-	-	(9,600)	(9,600)
Net cash provided by (used in) operating activities	\$ (203,374)	\$ (161,152)	\$ (364,526)	\$ (42,639)	\$ (407,165)

The notes to the financial statements are an integral part of this statement.

AUGLAIZE COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1: DESCRIPTION OF THE ENTITY

Auglaize County, Ohio (The County), was formed by an act of the Legislature on February 14, 1848. 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 Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Probate/Juvenile and Domestic Relations Court Judge, and a Municipal County 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 County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, effective for financial statements for periods beginning after December 15, 1992. The general purpose financial statements (GPFS) include all funds, account groups, agencies, boards, commissions, and other component units for which Auglaize County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's general purpose financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

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

Auglaize County Children's Services Board (CSB)

The County Commissioners approve the budget for the CSB and are substantially involved in its operation. The operations of the CSB are accounted for as a separate special revenue fund.

The Auglaize County Board of Mental Retardation and Development Disabilities/MRDD

The Board is appointed by the Probate Judge and the County Commissioners. The Commissioners serve as the appropriating authority for the Board and are "accountable" for its activities. The operations of MRDD are accounted for as a separate special revenue fund.

DISCRETELY PRESENTED COMPONENT UNITS

The component units columns in the GPFS include the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County. See Note 24 for additional information on these discretely presented component units.

Auglaize County Airport Authority

The Commissioners are substantially involved in the operations of the Airport Authority. The operations of the Airport Authority are accounted for using proprietary fund accounting.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 1: DESCRIPTION OF THE ENTITY (Continued)

Auglaize Industries, Inc.

This is a legally separate, not-for profit corporation, served by a self-appointing board of trustees. Auglaize Industries, Inc., under a contractual agreement with the Auglaize County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Auglaize County. Based on the significant services and resource provided by the County to Auglaize Industries, Inc. and their sole purpose of providing assistance to the retarded and handicapped adults of Auglaize County, Auglaize Industries, Inc. is reflected as a component unit of Auglaize County. The operations of Auglaize Industries, Inc. are accounted for using proprietary fund accounting.

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

In the case of the separate agencies, boards, and commissions listed below the County serves as fiscal agent, but is not accountable as defined in GASB Statement No. 14; accordingly, the activity of the following districts and agencies have been included in the financial statements as agency funds:

- Auglaize County Combined General Health District
- Auglaize County Soil and Water Conservation
- Auglaize County Regional Planning Commission
- Auglaize County Local Emergency Planning Commission
- Auglaize County Emergency Management Agency Cooperative
- Auglaize County Law Library

EXCLUDED POTENTIAL COMPONENT UNITS

The County is not accountable, as defined in GASB Statement No. 14, for the following entities and is not involved with their activities in any substantial capacity; accordingly their activities have been excluded from the County's GPFS.

- Auglaize County Public District Library
- Auglaize County Agricultural Society
- Auglaize County Cooperative Extension Services
- Auglaize County Historical Society
- Auglaize County Council on Aging
- Auglaize County Child Abuse and Neglect Advisory Board
- Auglaize County Humane Society

The County is associated with the following risk pools, jointly governed organizations and joint ventures which are described in Notes 20 through 22.

- Midwest Risk Pool Management Agency, Inc.
- Midwest Employee Benefit Consortium
- Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties
- Auglaize County Regional Planning Commission
- Workforce Improvement Act Youth Consortium of Auglaize, Hardin, and Mercer Counties
- Grand Lake Task Force
- West Central Ohio Network
- Auglaize and Mercer Counties Convention and Visitors' Bureau
- Auglaize County Emergency Management Agency Cooperative
- County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

AUGLAIZE COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of Auglaize County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units, as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The County also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below.

The information provided in the notes to the financial statements relates generally to the primary government. Information related to the component units is specifically identified.

BASIS OF PRESENTATION - FUND ACCOUNTING

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes the following fund types and account groups are used by the County.

GOVERNMENTAL FUND TYPES:

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the County's governmental fund types:

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - These funds are used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs and special assessment long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND TYPES:

Proprietary funds are used to account for the County's ongoing activities which are financed and operated in a manner similar to private sector enterprises. The following are the proprietary fund types utilized by the County:

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user fees or charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control or accountability.

Internal Service Funds - These funds are used for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following are the County's fiduciary fund types:

Trust and Agency Funds - These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are purely custodial (assets equal liabilities) and thus, do not involve measurement of results of operations.

ACCOUNT GROUPS:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - The general fixed assets account group is used to account for all fixed assets of the County, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all long-term obligations of the County, except for those accounted for in the proprietary funds.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Primary Government

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 fiscal year end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. 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 fiscal year when the resources are required to be used or the fiscal 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 the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: earnings on investments, sales tax (see Note 8), federal and state grants and entitlements, charges for current services, and fines and forfeitures. Major revenue sources not susceptible to accrual include licenses and permits which are not considered measurable until received.

The County reports deferred revenues on its combined balance sheet. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Special assessments (principal and interest) are recorded as deferred revenue because they do not meet the availability criteria.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes measurable as of December 31, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance 2002 operations, have also been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Principal and interest on general and special assessment long-term debt are recorded as fund liabilities when due, and costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. Un-billed service charges receivable are recognized as revenue at year end.

Discretely Presented Component Units

Auglaize Industries uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The Auglaize County Airport Authority uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis (cash basis) of accounting. Estimated resources and appropriations are subject to amendment throughout the year, with the legal restriction that appropriations cannot exceed estimated resources as certified.

All funds, other than agency funds, legally are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Advances-in and advances-out are not required to be budgeted since they do not represent a cashflow resource. Budgetary modifications may only be made by resolution of the County Commissioners.

Tax Budget:

A budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The express purpose of this budget is to reflect the need for existing (or increased) tax rates.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources:

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount of available resources as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds reflect the amounts in the final amended official certificate of estimated resources during 2001.

Appropriations:

A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during 2001. The budget amounts reported in the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds represent the final appropriation amounts, including all amendments and modifications.

Budgeted Level of Expenditures:

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the County Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Appropriations are made to the fund, department and object level (i.e. General Fund - Commissioners - salaries, supplies, equipment, contract repairs, travel expenses, maintenance, other expenses, etc.)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances in the governmental fund types.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lapsing of Appropriations:

Unencumbered appropriations lapse at year end, revert back to the respective fund from which they were appropriated, and become subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not re-appropriated.

CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the County is pooled, except for cash held by a trustee or fiscal agent and in segregated accounts. Monies for all funds, including proprietary funds are included in this pool. Individual fund integrity is maintained through the County's records. Each fund type's share of the pool is presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents." Cash and cash equivalents that are held separately within departments of the County, or in outside accounts in the name of various elected officials or departments are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

During 2001, investments were limited to money markets, treasury notes, federal agency securities and STAROhio. Except for money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2001.

Following Ohio statutes, the County is required to credit all investment earnings to the General Fund, unless otherwise expressly required by law to allocate to other funds. Interest is distributed to the general fund, the motor vehicle gasoline tax special revenue fund, various capital project funds, the Auglaize School workshop bond retirement fund, the Treasurer's prepay agency fund and the Auglaize School Group Home expendable trust fund. Total investment revenue earned during 2001 was \$1,114,426.

For purposes of the combined statement of cash flows and for the presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

INVENTORY OF SUPPLIES

Inventories of governmental funds are stated at cost while the inventory of the proprietary fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types and expenses in proprietary fund types when consumed or used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable financial resources even though it is a component of net current assets.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PREPAIDS AND DEFERRALS

Payments made to vendors for services that will benefit periods beyond December 31, 2001, 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.

INTERFUND ASSETS AND LIABILITIES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short term interfund loans or the short-term portion of advances are classified as "interfund receivables/payables." Long-term interfund loans are reported as "advances to" or "advances from" other funds and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

FIXED ASSETS AND DEPRECIATION

The fixed asset values were initially determined at December 31, 1990, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. The cost of interest on debt issued for construction in progress is not capitalized. The County maintains a capitalization threshold of five hundred dollars.

General Fixed Assets Account Group

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized or reported, as these assets are immovable and of value only to the County.

Enterprise Funds

Property, plant, and equipment reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation is provided on a straight-line basis over the following estimated useful lives:

Description	Estimated Life
Sewer and Water Treatment Plants and Lines	50 years
Buildings	30 years
Furniture and Fixtures	10-20 years
Machinery and Equipment	7-15 years
Licensed Vehicles	6 years

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Auglaize Industries

Buildings, equipment and improvements are stated at cost except for donated assets which are stated at fair market value at date of receipt. Leasehold improvements are depreciated rateably over the estimated useful life. Depreciation of fixed assets is on a declining balance basis over the estimated useful lives of the respective assets, as follows:

Description	Estimated Life
Furniture and Fixtures	5-7 years
Transportation Equipment	5-10 years
Computers	5 years
Buildings (Residential Properties)	25-40 years
Leasehold Improvements	15-31.5 years

Auglaize Airport Authority

The fixed asset values were initially determined at December 31, 1994, using the consumer pricing index to estimate historical costs. Donated fixed assets are capitalized at fair market value on the date donated. Depreciation is provided on a straight line basis over the following estimated useful lives:

Description	Estimated Life
Furniture and Fixtures	20 years
Machinery and Equipment	7-15 years
Licensed Vehicles	6 years

COMPENSATED ABSENCES

The County follows the provisions of Governmental Accounting Standards Board Statement No. 16 "*Accounting for Compensated Absences*". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will probably be paid as termination benefits. This item is discussed further in Note 16 to the General Purpose Financial Statements.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERGOVERNMENTAL REVENUES

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as capital contributions.

ACCRUED LIABILITIES AND LONG-TERM DEBT

In general, governmental fund payables and accrued liabilities are reported as obligation of the funds regardless of whether they will be liquidated with current resources.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment. For other long-term debt, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group (See Note 18). Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Accounting principles generally accepted in the United States of America require the allocation of the debt liability among the capital projects and enterprise funds, and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund.

CONTRIBUTED CAPITAL

Contributed capital represents resources provided, prior to January 1, 2001, from other funds, other governments, and private sources provided to the enterprise funds that are not subject to repayment. These assets were recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to either unreserved retained earnings or contributed capital at year end. Contributed resources subsequent to January 1, 2001 are reported as capital contributions within the financial statements pursuant to GASB 33 "Accounting and Reporting for Nonexchange Transactions".

RESERVES OF FUND EQUITY

The County records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available expendable financial resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, inventory, taxes, and special assessments.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERFUND TRANSACTIONS

During the course of normal operations the County has numerous transactions occur between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

Nonrecurring and nonroutine transfers of equity between funds, capital contributions to the Enterprise fund, the subsequent return of all or part of such contributions, and the transfer of residual balances of discontinued funds or projects to the General fund, Capital Projects funds, or Debt Service funds (when financed with debt proceeds) are classified as residual equity transfers.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

Quasi-external transactions are accounted for as revenues and expenditures or expenses.

USE OF ESTIMATES

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

TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

Total columns on the general purpose financial statements are captioned "(Total Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

When the title of a statement indicate that component units are included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the County's legal entity have been included.

The second is captioned "Reporting Entity" and includes the activity and operations of the County's legally separate discretely presented component units (see Note 1) and primary government. The total column on statements which do not include component units have no additional captions.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 3: CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2001, the County has implemented Governmental Accounting Standards Board Statement (GASB) No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*" and GASB Statement No. 36, "*Recipient Reporting for Certain Shared Nonexchange Revenues*."

GASB Statement No. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing of recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established in GASB Statement No. 33 for accrual-basis recognition will have been met and the revenues will be available. The provisions of GASB Statement 33 also require that capital contributions to proprietary funds be recognized as revenues beginning in 2001.

Implementing GASB Statement No. 33 and 36 had no significant effect on the financial statements at December 31, 2000.

NOTE 4: ACCOUNTABILITY AND COMPLIANCE

The following funds had a deficit fund balance as of December 31, 2001:

Special Revenue Funds:	Deficit Fund Balance:
Recycle Grant	\$ (2,589)
Airport Grant	(589)
2001 Community Housing Improvement Program	(95,100)
DARE	(1,287)
2001 Community Development Block Grant	(26,625)
Internal Service Funds:	
Police Rotary	(2,354)
Airport Rotary	(581)
Gas Rotary	(109)

The deficits in the Special Revenue and Internal Service Funds are caused by the application of accounting principles generally accepted in the United States of America to these funds. The General Fund provides transfers to cover deficit balances, however, this is done as cash is needed rather than as accruals occur.

In addition, amounts spent "on behalf of" the county had not been budgeted resulting in expenditures in excess of appropriations.

NOTE 5: CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS

While reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 5 CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS (Continued)

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

**Excess of Revenues and Other Financing Sources Over (Under)
Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Funds**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget Basis	\$ 548,273	\$ (171,251)	\$ 984,817	\$ (1,579,740)	\$ 29,734
Net adjustment for revenue accruals	(130,972)	741,446	(293,741)	48,527	(269)
Net adjustment for expenditure accruals	192,703	181,551		(26,845)	(641)
Net adjustment for other financing sources	(207,677)	(225,466)	0	-0-	-0-
Encumbrances	78,963	839,635	0	176,330	650
Net adjustment for other financing uses	<u>(1,097)</u>	<u>(35,898)</u>	<u>0</u>	<u>-0-</u>	<u>-0-</u>
GAAP Basis	<u>\$ 480,193</u>	<u>\$ 1,330,017</u>	<u>\$ 691,076</u>	<u>\$ (1,381,728)</u>	<u>\$ 29,474</u>

NOTE 6: DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT

The County maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents."

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdraw (NOW) accounts, or in money market deposit accounts.

Monies held by the County which are not considered active are classified as inactive. Inactive monies can be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures, or any other obligation or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. 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 investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Protection of the County's cash and investments is provided by the Federal Deposit Insurance Corporation (FDIC), federal government backed securities (United States Treasury), and qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments as defined in GASB Statement 3 *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements* which requires that governments disclose the carrying amounts and market value of investments classified by risk.

At year-end, the County had \$156,152 in undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents and Cash and Cash Equivalents in Segregated Accounts". This amount is uninsured and uncollateralized.

Deposits - At year-end, the carrying amount of the County's deposits was \$14,713,005 and the bank balance was \$15,535,087. Of the bank balance, \$1,068,738 was covered by federal depository insurance; \$400,000 was covered by collateral held in joint custody with the public depository and the County; and \$14,066,349 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board because the collateral pledged by the financial institution or their trust departments or agents was not in the County's name. Although the collateral was held by pledging financial institutions' trust department in the County's name and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the County to a successful claim by the FDIC.

The pledging bank has an investment and securities pool used to collateralize all public deposits. This pool had a market value at December 31, 2001, in excess of 110 percent of the public funds on deposit. Statutory provisions require that collateral pledged for deposits be held in trust by an institution other than the pledging bank or in collateral pools pledged to cover government deposits held by an institution.

Investments - Statutory provisions require that the County Treasurer hold all securities acquired by the County or deposit them with a qualified trustee pursuant to Section 135.37 of the Ohio Revised Code.

Investments are categorized below to give an indication of the level of risk assumed at year end. Category 1 includes investments that are insured or registered and the securities are held by the County. Category 2 includes uninsured and unregistered investments for which the securities are held in the counter party's trust department or agent in the County's name. Category 3 includes uncollateralized investments (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name). STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

	<u>Market/Carrying Value</u>	<u>Category 3</u>
STAR Ohio	\$1,632,000	\$ 0
Funds Invested by Fifth-Third Trust - US:		
Federal Home Loan Bank	1,581,355	1,581,355
Federal Mortgage Corporation	742,485	742,485
FHLMC	2,455,843	2,455,843
Federal Farm CR BKS CONS	606,937	606,937
FNMA	864,766	864,766
Money Market, US Treasury Obligation Fund	<u>197,557</u>	<u>197,557</u>
	<u>\$8,080,943</u>	<u>\$ 6,448,943</u>

The classification of cash and cash equivalents and investments on the balance sheet is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Cash and cash equivalents are defined to include investments with original maturities of three months or less and funds included within the County's cash management pool.

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the combined Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 22,950,100	\$ 0
Cash on Hand	(156,152)	0
Federal Home Loan Bank	(1,581,355)	1,581,355
Federal Mortgage Corporation	(742,485)	742,485
FHLMC	(2,455,843)	2,455,843
Federal Farm CR BKS CONS	(606,937)	606,937
FNMA	(864,766)	864,766
STAR Ohio	(1,632,000)	1,632,000
Money Market, US Treasury Obligation Fund	<u>(197,557)</u>	<u>197,557</u>
GASB Statement No. 3	<u>\$ 14,713,005</u>	<u>\$ 8,080,943</u>

COMPONENT UNITS

Auglaize County Airport Authority - All moneys and funds acquired by the Airport Authority under Ohio Rev. Code Sections 4582.22 and 4582.59 are held by it in trust and are not part of other public funds. These funds, except as otherwise provided in any resolution authorizing revenue bonds or in any trust agreement securing the same, or except when invested pursuant to Ohio Rev. Code Section 4582.54 are kept in depositories selected by the Airport Authority in the manner provided the Ohio Rev. Code Chapter 135. The deposits are secured as provided in that chapter.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

At year end, the carrying amount of the Auglaize County Airport Authority deposits were \$48,537 and the bank balances were \$48,537. \$48,537 was covered by federal depository insurance. The balance of cash on hand at year end was \$100. The Auglaize County Airport Authority did not have any investments at year end.

Auglaize Industries, Inc. - At year end, the carrying amount of Auglaize Industries, Inc. deposits was \$16,299 and the bank balance was \$35,289. Of this amount, \$35,289 was covered by federal depository insurance. The balance of cash on hand at year end was \$300. The investment securities are carried at fair market value. Of these securities, United States Government and Agency Obligations due after ten years have a fair value of \$120,640; Equity Securities, Mutual Funds have a fair value of \$300,564; and Federally Insured Certificate of Deposit have a fair value of \$53,188 with a cost of \$53,188. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporations.

Auglaize County and Auglaize Industries have adopted GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and For External Investment Pools."

	<u>2001</u>	<u>Auglaize Industries</u>
Fair Value at End of Year	\$ 8,080,943	\$ 421,204
Net Proceeds (Cost) of Investments	(180,281)	(84,032)
Value at beginning of year	<u>(7,845,917)</u>	<u>(373,251)</u>
Change in Fair Value of Investments	<u>\$ 54,745</u>	<u>\$ (36,079)</u>

Investment income consists of the following components:

Interest and Dividends	\$ 1,059,681	\$ 14,988
Change in Fair Value of Investments	<u>54,745</u>	<u>(36,079)</u>
Total Investment Income	<u>\$ 1,114,426</u>	<u>\$ (21,091)</u>

NOTE 7: 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 property) 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 Tax Commissioner at 35 percent of appraised market value. All property is required to be revalued every six years. The last triennial update was completed in tax year 1999 (calendar year 2000). Real property taxes are payable annually or semiannually. The first payment is due February 15, with the remainder payable by July 14.

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.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 7: PROPERTY TAXES (Continued)

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 20. 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 20.

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 one hundred 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 which were measurable and unpaid as of December 31, 2001. 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 2001 operations. The receivable and the portion of the tax levies prepaid by year end into the undivided general tax agency fund are therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2001, was \$7.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$ 491,608,720
Commercial/Industrial/Mineral	111,269,310
Public Utility Real	247,450
Tangible Personal Property:	
General	150,498,234
Public Utility	<u>37,014,490</u>
Total Assessed Value	<u>\$ 790,638,204</u>

NOTE 8: PERMISSIVE SALES AND USE TAX

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, not subject to the sales tax. 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.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 8: PERMISSIVE SALES AND USE TAX (Continued)

Proceeds of the permissive sales tax are to be credited to the General (75%) and to the Permanent Improvement Fund (25%). Amounts that have been collected by the State and are to be received in the available period have been accrued as revenue. This sales and use tax revenue for 2001 amounted to \$3,720,262. The General and Permanent Improvement Funds were credited with \$2,763,153 and \$957,109, respectively. The November 2001 payment was incorrectly credited all to the General Fund. This was acceptable per BOCC Resolution 02-144.

Additionally, on June 1, 1996, a voter approved 1/2% sales tax went into effect for 10 years. This tax is used to finance the construction, maintenance and operation of a law enforcement facility. Sales and use tax revenue for 2001 amounted to \$1,857,618. The Special Revenue and Debt Service Funds were credited with \$1,767,855 and \$89,763 respectively.

NOTE 9: INTERFUND TRANSACTIONS

As of December 31, 2001, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General	Auglaize Acres	\$ 94
General	MRDD	61
Motor Vehicle	Solid Waste	560
Motor Vehicle	Jail Operation	539
Human Services	Child Support Enforcement Agency	12,379
Flexible Spending	General	4,942
Flexible Spending	Motor Vehicle	1,792
Flexible Spending	Human Services	1,720
Flexible Spending	Auglaize Acres	2,310
Flexible Spending	Child Support Enforcement Agency	900
Gas Rotary	General	820
Gas Rotary	Solid Waste Management	124
Gas Rotary	Human Services	270
Gas Rotary	Certificate of Title	9
Gas Rotary	Jail Operations	2,883
Gas Rotary	Auglaize Acres	254
Total		<u>\$ 29,657</u>

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Ditch Notes	\$ -0-	\$ 510
Jail Debt	1,383,467	-0-
Ditch Construction	-0-	28,647
Permanent Improvement	190,000	-0-
Jail Construction	-0-	1,383,467
Municipal Court Project	-0-	472
Certificate of Title	-0-	190,000
General	197,755	340,000
MRDD	-0-	250,000
Children's Service	150,000	275,000
Ditch Maintenance	29,157	-0-
Human Service	275,000	-0-
Unclaimed Funds	-0-	7,283
Community Alternative	250,000	-0-
Totals	<u>\$2,475,379</u>	<u>\$2,475,379</u>

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 10: RECEIVABLES

Receivables at December 31, 2001 consist of taxes, accounts (billings for user charged services), special assessments, interfund, interest, due from other funds, and due from other government receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

A summary of the principal items of due from other government receivables follows:

General Fund	<u>Amount</u>
Acting Judge Salary Reimbursement	1,207
School Food Service	1,200
Indigent Defense Reimbursement	6,288
Local Government	191,162
Revenue Assistance	<u>32,617</u>
Total General Fund	<u>232,474</u>
Capital Projects	
Ohio Department of Transportation - Bridge Replacements	1,000,000
FFA - Airport Taxiway Project	16,933
Van Buren Township Trustees	<u>91</u>
Total Capital Projects Funds	<u>1,017,024</u>
Special Revenue Funds	
Recycle Ohio	44,727
CDBG - Home Funding	40,566
CDBG - Small Cities Funding	477,397
CDBG - Formula Funding	181,600
Human Services - State Funding	183,833
Motor Vehicle License Tax	65,749
Permissive Motor Vehicle License Tax	31,059
Gasoline Tax - Excise	225,980
Children's Services - State Funding	54,695
State Airport Grant	<u>118,344</u>
Total Special Revenue Funds	<u>\$1,423,950</u>
Total Due From Other Governments	<u><u>\$2,673,448</u></u>

A summary of the principal items of accounts receivables follows:

General Fund	
Transcripts	\$ 23
Sanitary Engineer Fees	2,864
Electronic Monitoring	290
Fees	53,903
Reimbursements	993
Rental Income	3,007
Pay for Stay - Jail	1,986
Maps & Bluelines	38
Toll Calls	<u>37</u>
Total General Fund	<u>63,141</u>
Special Revenue Funds	
Inmate Telephone Commission	2,214
February Settlement Fees	51,849
February Settlement	431
Child Support Enforcement Agency Fees	9,601

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 10: RECEIVABLES (Continued)

Motor Vehicle Reimbursement	\$ 9,977
Solid Waste Generation Fee	33,383
Recycling Sales	4,672
Indigent Driver Alcohol Treatment Fines	87
Engineer Sales	<u>284</u>
Total Special Revenue Funds	112,498
Debt Service Funds	
Tap In Fees	<u>320</u>
Enterprise Funds	
Auglaize Acres Room and Board	469,999
Auglaize Acres Other Receipts	1,925
South Grand Lake Sewer Charge for Service	17,999
Villa Nova Sewer Charge for Service	1,855
Sharlon Sewer Charge for Service	953
Beverly Hills Sewer Charge for Service	2,302
Sherwood Forest Sewer Charge for Service	1,790
Pleasantview Sewer Charge for Service	3,212
Arrowhead Estates Sewer Charge for Service	1,345
East Lake Park Sewer Charge for Service	4,881
Forest Lane Sewer Charge for Service	1,493
Sandy Beach Sewer Charge for Service	<u>11,974</u>
Total Enterprise Funds	519,728
Less Allowable for Doubtful Account (Auglaize Acres Room & Board)	<u>(114,892)</u>
Total Enterprise Funds - Net of Allowance	<u>404,836</u>
Internal Service Funds	
National Medical Health Card Rebate	1,773
Total Accounts Receivable	<u>\$ 582,568</u>

NOTE 11: FIXED ASSETS

A summary of the proprietary fund property, plant, and equipment at December 31, 2001 follows:

<u>Primary Government</u>	Balance January 1,	Additions	Reductions	Balance December 31,
Land and Land Improvements	\$ 57,858	\$ -	\$ -	\$ 57,858
Building and Improvements	868,815	5,955	-	874,770
Water and Sewer	5,735,566	-	-	5,735,566
Equipment, Furniture and Vehicles	<u>498,696</u>	<u>40,501</u>	<u>(11,983)</u>	<u>527,214</u>
Total Primary Government	<u>7,160,935</u>	<u>46,456</u>	<u>(11,983)</u>	<u>7,195,408</u>
<u>Accumulated Depreciation</u>				
Land and Land Improvements	2,216	295	-	2,511
Building and Improvements	780,081	11,752	-	791,833
Water and Sewer	1,436,169	114,711	-	1,550,880
Equipment, Furniture and Vehicles	<u>280,668</u>	<u>34,271</u>	<u>(11,942)</u>	<u>302,997</u>
Total Primary Government	<u>2,499,134</u>	<u>161,029</u>	<u>(11,942)</u>	<u>2,648,221</u>
Net Assets Primary Government	<u>4,661,801</u>	<u>(114,573)</u>	<u>(41)</u>	<u>4,547,187</u>

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 11: FIXED ASSETS (Continued)

<u>Component Units</u>	Balance January 1,	Additions	Reductions	Balance December
Airport Authority	355,447	15,236	(5,055)	365,628
Auglaize Industry - Land	82,657	-	(82,657)	-
Auglaize Industry - Building	397,456	-	(397,456)	-
Auglaize Industry - Equipment	<u>172,123</u>	<u>11,337</u>	<u>(348)</u>	<u>183,112</u>
Total Component Units	<u>1,007,683</u>	<u>26,573</u>	<u>(485,516)</u>	<u>548,740</u>
<u>Accumulated Depreciation</u>				
Airport Authority - Equipment	232,551	36,691	(4,381)	264,861
Auglaize Industry - Building	18,123	10,616	(28,739)	-
Auglaize Industry- Equipment	<u>123,488</u>	<u>14,237</u>	<u>(350)</u>	<u>137,375</u>
Total Component Units	<u>374,162</u>	<u>61,544</u>	<u>(33,470)</u>	<u>402,236</u>
Net Assets Component Units	<u>\$ 633,521</u>	<u>\$ (34,971)</u>	<u>\$ (452,046)</u>	<u>\$ 146,504</u>

A summary of the changes in general fixed assets during 2001 follows:

Primary Government	Balance January 1,	Additions	Reduction	Balance December
Land	\$2,014,227	\$102,456		\$2,116,683
Building	11,770,312	287,770	(3,626)	12,054,456
Sewer	131,131			131,131
Equipment, Furniture and Vehicles	7,534,067	1,045,675	(307,610)	8,267,132
Construction in Progress	<u>24,811</u>		<u>(24,811)</u>	
Total Primary Government	<u>\$21,474,548</u>	<u>\$1,430,901</u>	<u>\$(336,047)</u>	<u>\$22,569,402</u>

NOTE 12: CONTRIBUTED CAPITAL

The County's 2001 activity related to contributed capital is summarized below:

PRIMARY GOVERNMENT

Contributed Capital at January 1, 2001	\$5,369,867
Depreciation on Fixed Assets Acquired By Contributed Capital	<u>(23,045)</u>
Total Primary Government Contributed Capital at December 31, 2001	5,346,822

COMPONENT UNIT

Contributed Capital at January 1, 2001	71,565
Contribution Transferred to External Sources	(39,695)
Depreciation on Fixed Assets Acquired By Contributed Capital	<u>(8,183)</u>
Total Component Unit Contributed Capital at December 31, 2001	<u>23,687</u>
Total Contributed Capital at December 31, 2001	<u>\$5,370,509</u>

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 13: RISK MANAGEMENT

TRANSFERENCE OF RISK: LIABILITY, PROPERTY, CRIME

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. The County participates in the Midwest Risk Management Agency, Inc. which is a public entity risk pool, (see Note 20) for general liability, automobile liability, public officials liability and property and crime insurance.

Coverages provided by the pool are as follows:

Property	\$ 194,027,235
Maximum per occurrence	
Subject to following sublimits	
Flood*	36,000,000
Earthquake*	36,000,000
Demolition & Increased Cost of Construction	2,000,000
Extra Expense	1,250,000
Rental Income	1,000,000
Computer Equipment & Media	2,250,000
Computer Extra Expense	1,000,000
Property in Transit	1,000,000
Valuable Papers	1,000,000
Account Receivable	100,000
Mobile Equipment	10,200,000
Fine Arts	50,000
Automatic Builders' Risk	2,000,000
Automatic Newly-Acquired Property	2,000,000
Crime	
Employee Dishonesty & Faithful Performance	250,000
Money and Securities (Inside and Outside)	250,000
Forgery and Alteration	250,000
Boiler & Machinery	30,000,000
Liability	
Maximum per occurrence	5,000,000
Subject to following sublimits	
General, Law, Auto	5,000,000
Employee Benefits*	5,000,000
Ohio Stop Gap	5,000,000
Public Official Errors & Omissions*	5,000,000
Sexual Harassment*	1,000,000
Limits include the pool self-insured retentions.	
*Limit is annual aggregate	

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 13: RISK MANAGEMENT (Continued)

Each member pays the first \$500 (deductible) of any property physical damage to County automobiles, and crime loss involving county property. The pool pays (self-insured retention) the next:

Property, Auto, Physical Damage, Crime	\$ 50,000	per occurrence
Liability	100,000	per occurrence
Excess Liability	10,000	per occurrence
Combined loss maximum	100,000	per occurrence
Maximum per year all claims combined	435,000	annual stop loss

The Pool purchases excess commercial insurance to pay for claims excess of above member deductibles and pool self-insurance retentions. This insurance provides following insurance limits :

Property & Auto Physical Damage	\$ 194,027,235
Crime	250,000
Liability	5,000,000

The amount of any claim or loss in excess of these amounts would be the responsible of the County that incurred the claim or loss.

Member contributions to the Pool are adjusted annually and are calculated to annually produce a sufficient sum of money to pay Pool expenses including estimated Pool self-insured losses and claims adjustment expense. Under the terms of Pool membership, should the annual member contributions not be sufficient to fully fund Pool expenses including ultimate losses, the Board of Trustees can require supplementary contributions. Supplementary contributions, if required, would be based on the Members' pre-determined percentage share of Pool costs for that year. Supplementary contributions can be accessed during the entire life of the Association and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

Provisions for claim reserves and loss adjustment expenses are based on information reported by members and are calculated by the association's claim administrator and independent actuary. These amounts represent an estimate of reported, unpaid claims, plus provisions for claims incurred and not reported. The association's management believes that the estimate of the liability for claim reserves is reasonable in the circumstances; however, actual incurred losses and loss adjustment expenses may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and related loss adjustment expenses may vary from the estimated amount included in the accompanying financial statements. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be accessed.

TRANSFERENCE OF RISK: EMPLOYEE HEALTH INSURANCE

The County is part of the Midwest Employee Benefit Consortium (MEBC) for its employee health insurance, and retains no risk for this plan (see Note 20). Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative expenses of the Association and to create adequate reserves for claims and unallocated loss adjustment expenses.

Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Association and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 13: RISK MANAGEMENT (Continued)

Provisions for claims reserves and loss adjustment expenses are based on information reported by members and are calculated by the association's claims administrator. These amounts represent an estimate of reported, unpaid claims, plus a provision for claims incurred and not reported. The Association's management believes that the estimate of liability for claim reserves is reasonable in the circumstances; however, actual incurred losses and loss adjustment expenses may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and related loss adjustment expenses may vary from the estimated amounts included in the accompanying financial statements. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

TRANSFERENCE OF RISK: WORKERS COMPENSATION INSURANCE

For 2001, the County participated in the County/Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool (See Note 20). The plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays it workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's executive committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from, or pays rate equalization rebates to the various participants. Participation in the plan is limited to counties than can meet the Plans' selection criteria.

The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of Ohio Bureau Workers' Compensation. However, the participant is not relieved of the obligation to pay any mounts owed to the Plan prior to withdrawal, and a participant leaving the Plan allows representative of the Plan to assess loss experience for three years following the last year of participation.

RETENTION OF RISK: FLEXIBLE SPENDING, EMPLOYEE DRUG CARD AND REIMBURSED HEALTH CLAIMS

In addition to the basic Health Care Benefit Plan, the County has established a "Flexible Spending Account" to supplement the services provided under the Basic Health Care Benefit Plan and the County self-funds an employee prescription drug card administered through National Medical Health Card Systems, Inc.

1. Each year the County deposits into the "flexible spending account" the amount of \$150 for a single coverage plan and \$300 for a family coverage plan. These funds may be used, as the employee determines, to cover health care expenses which are not covered under the County's basic health care program or to provide additional coverage for items which are part of the County's basic health care coverage. This plan is administered by Lindig Benefit Consultants.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 13: RISK MANAGEMENT (Continued)

2. The County's Basic Health Care Program has an agreement with National Medical Health Card Systems Inc. to provide prescription drugs to the County's Basic Health Care Plan members. Under this program, the employee pays a deductible for each prescription filled and the County pays the balance.
3. The County reimburses Medicare for any past payments for services to Auglaize County employees that should have been covered by the Auglaize County Group Health plan but were originally paid by Medicare.

The liability for unpaid claims of National Medical Health Card and Medicare reimbursements at period end was \$15,602. Changes in the plans' claims liability during 2001 were:

	Liability Beginning of Year	New Claims	Liability Claims Payments	Liability Balance at Year End
2001	<u>\$42,992</u>	<u>\$350,800</u>	<u>\$(378,190)</u>	<u>\$15,602</u>
2000	<u>12,913</u>	<u>419,733</u>	<u>(389,654)</u>	<u>42,992</u>

Settled claims have not exceeded coverage in any of the past three years.

NOTE 14: RETIREMENT PLANS

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS):

All Auglaize County full time employees, who are not certified teachers, participate in the Public Employees Retirement System of Ohio ("PERS"), a cost-sharing multiple-employer defined benefit pension plan operated by the State. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by statute Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085, or 1-800-222-PERS (7377).

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the County is required to contribute 13.55 percent; 9.25 percent was the portion to fund pension obligations for 2001, an increase from 6.54 percent in 2000. For law enforcement employees, the employees contribution 10.1 percent of annual covered salary for sheriffs and deputy sheriffs and 9 percent for all other members of the law enforcement program. The employer contribution for all law enforcement employees is 16.7 percent; 12.4 percent was the portion used to fund pension obligations, an increase from 11.4 percent in 2000. For 2000, PERS instituted a temporary employer rollback. Contributions are authorized by State statute. The contribution rates are determined actuarially.

The County's contributions to PERS for the years ended December 31, 2001, 2000 and 1999 were \$1,021,072, \$651,672, and \$920,799, respectively; for regular employees and \$111,797, \$96,631, and \$99,952, respectively, for law enforcement employees. The full amount has been contributed for 2000 and 1999, and 73 percent has been contributed for 2001. The unpaid contribution for 2001 is recorded as a liability in the respective funds and the general long-term obligations account group.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 14: RETIREMENT PLANS (Continued)

STATE TEACHERS RETIREMENT SYSTEM (STRS)

The County contributes to the State Teachers Retirement System of Ohio (STRS), a state operated, cost sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. Full-time certified teachers employed by the Board of Mentally Retarded and Developmentally Disabled belong to STRS. Teachers who are retained on personal service contracts do not participate. STRS provides basic retirement benefits, disability, and survivor benefits based on eligibility 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 for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary to fund pension obligations and the County is required to contribute 14.0 percent; 9.5 percent was the portion used to fund pension obligations for 2001. For 2000, 6 percent 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 10.0 percent for members and 14.0 percent for employers.

The County's required contributions to STRS to fund pension obligations for the years ended December 31, 2001, 2000, and 1999 totaled \$6,368, \$13,035, and \$13,735, respectively. The full amount has been contributed for 2000 and 1999. 100% has been contributed for 2001. Effective August 24, 2001, the County has no one withholding STRS, they were all switched to PERS.

NOTE 15: POSTEMPLOYMENT BENEFITS

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement 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 PERS is set aside for the funding of post retirement health care based on authority granted by State statute. The employer contribution rate for 2001 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 4.3 percent was the portion that was used to fund health care.* The employer contribution rate for law enforcement employees for 2001 was 16.7 percent; 4.3 percent was used to fund health care for both the law enforcement and public safety divisions.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 15: POST EMPLOYMENT BENEFITS (Continued)

OPEB are financed through employer contributions and investment earnings. All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2001, the number of active contributing participants was 411,076. The County's actual contributions for 2001 which were used to fund post-employment benefits were \$474,660 for regular employees and \$38,768 for law enforcement employees. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11,735,900,000. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively. Law enforcement officer benefits permit age and service retirement at an earlier age with a different formula than for PERS members not covered under this division.

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

Benefits are funded on a pay-as-you-go basis. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid for STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. For the County, this amount equaled \$3,017 during 2001. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund at June 30, 2001, was \$3.419 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and there were 102,132 eligible benefit recipients.

NOTE 16: OTHER EMPLOYER BENEFITS

COMPENSATED ABSENCES

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County. Accumulated, unused sick leave is paid, up to a maximum of 30 days, depending on length of service to employees who retire. As of December 31, 2001, the liability for compensated absences was \$1,024,698 for the entire County.

For governmental funds, the current portion of unpaid compensated absences is that amount expected to be paid using available expendable resources, and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. Unpaid compensated absences of \$69,183 and \$79,867, were reported as an accrued liability in the general and special revenue funds, respectively. The balance of the liability for governmental funds is reported in the general long-term obligations account group in the amount of \$705,442. Accruals for unpaid compensated absences of \$167,366 and \$2,840 are reported in the Enterprise Funds and the Internal Service Funds, respectively.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 16: OTHER EMPLOYER BENEFITS (Continued)

HEALTH CARE BENEFITS

The County has elected to provide employee health benefits through the Midwest Employee Benefit Consortium. The employees share the cost of the monthly premium with the County. The premium varies with employees depending on the type of coverage. Life insurance is provided through CoreSource. The County also contributes to a Flexible Health Benefit Spending Account administered by Lindig Benefit Consultants for each employee for medical expenses not covered by other health insurance and self-funds an employee prescription drug card administered through National Medical Health Card System, Inc.

NOTE 17: LEASES - LESSEE DISCLOSURE

The County has entered into several leases for vehicles, copying equipment, and office space. The leases entered into do not meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule of future minimum long-term operating lease payments as of December 31, 2001:

<u>Year</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
2002	\$ 17,920	\$ 10	\$ 17,930
2003	9,345	10	9,355
2004	-0-	10	10
2005	-0-	10	10
2006	-0-	10	10
2007-2014	-0-	60	60
Total	<u>\$ 27,265</u>	<u>\$ 110</u>	<u>\$ 27,375</u>

NOTE 18: DEBT OBLIGATIONS

The County's long-term obligations at year-end consist of the following:

	<u>12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/01</u>
<u>General Obligation Bonds:</u>				
1986-7.125%				
Mental Retardation Facility	\$ 410,000	\$ -	\$ (85,000)	\$ 325,000
1992 - 4% - 7.15%				
Human Services Building	530,000	-	(20,000)	510,000
1993 - 3.10% - 5.90%				
Recycling Building	80,000	-	(25,000)	55,000
1996 - 4.10% - 5.20%				
County Law Enforcement Center	<u>3,990,000</u>	<u>-</u>	<u>(585,000)</u>	<u>3,405,000</u>
Total General Obligations	<u>5,010,000</u>	<u>-0-</u>	<u>(715,000)</u>	<u>4,295,000</u>

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 18: DEBT OBLIGATIONS (Continued)

	<u>12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/01</u>
Special Assessment Bonds:				
1992 - 4.9%-7%				
Southeast Sewer District	850,000	-	(55,000)	795,000
1993 - 3.1% - .9%				
Sandy Beach Sewer District	<u>1,125,000</u>	<u>-</u>	<u>(60,000)</u>	<u>1,065,000</u>
Total Special Assessment	<u>1,975,000</u>	<u>-0-</u>	<u>(115,000)</u>	<u>1,860,000</u>
Special Assessment Notes:				
Kah Sewer- 0%	170,374	-	(13,450)	156,924
SpringerSimms Ditch - 6.29%	891	-	(594)	297
Vonderhuevel Ditch - 4.65%	2,112	-	(2,112)	-0-
Kilger Ditch - 5.75%	22,221	-	(3,174)	19,047
Huenke Ditch - 4.75%	10,107	-	(2,888)	7,219
Bush Ditch - 4.75%	7,979	-	(2,280)	5,699
Allman Ditch - 5.25%	3,967	-	(3,967)	-0-
Winner Ditch - 5.25%	7,334	-	(7,334)	-0-
Heinz Ditch - 5.93%	55,736	-	(7,962)	47,774
Rohrbaugh Severt Ditch - 5.95%	1,440	-	(1,440)	-0-
Spencer-Gray Ditch - 5.95%	1,846	-	(1,846)	-0-
Wallace Fork Ditch - 5.76%	8,858	-	(4,429)	4,429
Bergman-Werner Ditch - 5.95%	9,198	-	(4,599)	4,599
Fledderjohann Ditch - 5.10%	15,617	-	(5,206)	10,411
Prairie Creek Ditch - 5.50%	16,315	-	(5,438)	10,877
Ruck Ditch - 5.375%	8,943	-	(1,626)	7,317
Cisco Ditch - 6.50%	17,882	-	(8,941)	8,941
Hauss Ditch - 6.57%	16,241	-	(2,030)	14,211
Rapp Kill Ditch - 6.75%	6,316	-	(842)	5,474
Berg Bauer Ditch - 5.75%	62,736	-	(8,365)	54,371
Buck Ditch - 6.75%	13,971	-	(1,863)	12,108
Kenmann Ditch - 5.375%	9,944	-	(1,326)	8,618
Egley #2 Ditch	-	2,805	-	2,805
Benzing Ditch	-	44,766	-	44,766
Steineman Ditch	-	24,025	-	24,025
Copeland Ditch	-	13,623	-	13,623
Scholl Ditch	-	16,581	-	16,581
Brewer Ditch	-	5,108	(1,277)	3,831
Wiesenmayer Ditch - 6.80%	10,870	-	(2,415)	8,455
Wissman Ditch - 6.85%	<u>33,964</u>	<u>-</u>	<u>(4,529)</u>	<u>29,435</u>
Total Special Assessment Notes	<u>514,862</u>	<u>106,908</u>	<u>(99,933)</u>	<u>521,837</u>

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 18: DEBT OBLIGATIONS (Continued)

Ohio Public Works Loan:	<u>12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/01</u>
Villa Nova Sanitary Interceptor	30,353	-	(20,235)	10,118
Hamilton Street Sanitary Sewer and Interceptor	<u>62,500</u>	<u>-</u>	<u>(5,000)</u>	<u>57,500</u>
Total Ohio Public Works Loans	<u>92,853</u>	<u>-0-</u>	<u>(25,235)</u>	<u>67,618</u>
Other General Long-Term				
Compensated Absences -				
Governmental Funds	<u>586,609</u>	<u>118,833</u>	<u>-</u>	<u>705,442</u>
Total Long-Term Obligations	<u>\$ 8,179,324</u>	<u>\$ 225,741</u>	<u>\$ (955,168)</u>	<u>\$ 7,449,897</u>

All general obligation bonds are supported by the full faith and credit of the County. All outstanding special assessment bonds consist of sewer construction projects which are payable from the proceeds of tax assessments levied against benefitted individual property owners.

The mental retardation facility bonds were issued pursuant to a voted tax levy for the purpose of acquiring land and developing a site for the construction, furnishing and equipping of a workshop facility and capital repairs to Auglaize School. The human services bonds were issued for the purpose of acquiring, renovating and improving a building for the use of County offices and will be paid from human services revenues. The recycling building bonds were issued for the purpose of constructing and equipping a recycling facility and will be paid from surcharges. The Corrections Center building bonds were issued for the purpose of constructing and equipping a corrections center which will be paid from a one-half percent (.5%) sales tax revenue.

All of the special assessment bonds were backed by the full faith and credit of Auglaize County and are payable from special assessment and/or governmental revenues. The note liability is presented as a liability in the general long term obligations account group and will be paid from unvoted property tax or special assessments which are received by the County. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet the annual principal and interest payments.

All special assessment notes had been issued for the terms allowed by law. These notes are to be repaid through assessments against benefitted property owners. Proceeds from the notes were used for ditch construction and improvement. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet the annual principal and interest payments.

Pursuant to the Ohio Rev. Code 164.05 and Ohio Admin. Code 164-1-21, the County entered into an agreement with the Ohio Public Works Commission, on March 20, 1991, in respect to the Villa Nova Sanitary Interceptor Reconstruction project. Repayment of the note is to be made from the revenues generated by the utility.

Pursuant to the Ohio Rev. Code 164.95 and Ohio Admin. Code 164-1-21, the County entered into an agreement with the Ohio Public Works Commission, on March 13, 1992, in the amount of \$100,000 in respect to the Hamilton Street Sanitary Interceptor Reconstruction project. The County and City of Wapakoneta subsequently entered into an agreement that stated each entity would be financially responsible to repay one half of the debt. The debt is to be repaid from revenues generated by the Oakwood Hills Sewer District.

Compensated absences liability will be paid from the fund from which the employees' salaries are paid.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 18: DEBT OBLIGATIONS (Continued)

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

The effects of the debt limitations described above at December 31, 2001 are an overall debt margin of \$18,265,995 and an unvoted debt margin of \$7,535,705.

The following is a summary of the County's future annual debt service requirements, including interest, for long-term obligations:

Year	General Obligation Bonds	Special Assessment Bonds	Special Assessment Notes	OPWC Promissory Loan	Total Debt Obligations
2002	\$ 977,801	\$ 241,747	\$ 109,782	\$ 15,118	\$ 1,344,448
2003	969,350	239,380	90,323	5,000	1,304,053
2004	928,833	236,470	72,252	5,000	1,242,555
2005	933,063	238,140	65,516	5,000	1,241,719
2006	849,222	239,115	60,754	5,000	1,154,091
2007-2011	268,012	1,197,075	124,457	25,000	1,614,544
2012-2016	268,500	250,650	44,835	7,500	571,485
2017-2021	<u>53,575</u>	<u>0</u>	<u>22,418</u>	<u>0</u>	<u>75,993</u>
Total	<u>5,248,356</u>	<u>2,642,577</u>	<u>590,337</u>	<u>67,618</u>	<u>8,548,888</u>
Less:					
Amount Representing Interest	<u>(953,356)</u>	<u>(782,577)</u>	<u>(68,500)</u>	<u>0</u>	<u>(1,804,433)</u>
Total Outstanding					
Principal	<u>\$ 4,295,000</u>	<u>\$ 1,860,000</u>	<u>\$ 521,837</u>	<u>\$ 67,618</u>	<u>\$ 6,744,455</u>

The County has also received two loan agreements from the Ohio Water and Sewer Rotary Commission in regard to the construction of two sewer districts. These loans provide funding assistance for that portion of the project for which collections of assessments from certain owners of undeveloped property located within an agricultural district are exempted pursuant to Ohio Rev. Code Section 929.03 subject to the performance of certain terms and conditions of repayment.

As part of the agreement, upon change of the use of any parcel pursuant to Ohio Admin. Code Section 1525-1-06 would require repayment to the Ohio Water and Sewer Rotary Commission for the full amount of the assessment for the portion of the property for which the use has changed pursuant to Division C of Ohio Rev. Code Section 929.03. Therefore, until a change in use occurs, no liability has been recorded for these loans. A summary of the loan transactions for the year ended December 31, 2001 is as follows:

Project Loans:	<u>Outstanding 12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/01</u>
Southeast Sewer District	\$ 1,209,690	\$ -	\$ 0	\$ 1,209,690
Sandy Beach Sewer District	<u>209,786</u>	<u>-</u>	<u>0</u>	<u>209,786</u>
Total	<u>\$ 1,419,476</u>	<u>\$ -0-</u>	<u>\$ 0</u>	<u>\$ 1,419,476</u>

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 18: DEBT OBLIGATIONS (Continued)

CONDUIT DEBT

In 1996, the County issued industrial development revenue bonds in the amount of \$3,000,000, to provide financial assistance to G.A. Wintzer and Sons Company for the construction, equipping and installation of an industrial manufacturing facility. In 1998, the County issued industrial development revenue bonds in the amount of \$4,800,000, to provide financial assistance to Midwest Elastomers, Inc. for the expansion and equipping of a manufacturing facility.

Also in 1998, the County issued in conjunction with seven other counties Health Care revenue improvement and refunding revenue bonds in the amount of \$22,065,000 to provide financial assistance to the Otterbein Home Project for the acquisition, construction, renovation, and equipping of additional hospital facilities and refund the prior bonds and the North Shore debt.

The County is not obligated in any way to pay the debt and related charges on the bonds or any of its funds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

NOTE 19: SIGNIFICANT CONTRACTUAL OBLIGATIONS

At December 31, 2001, the County had entered into several contracts, the most significant of which include the following:

Poggemeyer Design	\$122,785
Cole, Layer and Trumble	50,800
Crawford Consulting Inc	6,666
Sanderson, CMI	15,583
Garmann, Miller & Associates	172,752
Walls Brothers Asphalt Co., Inc.	102,201
Ohio Department of Transportation Cooperative Purchase	118,514
Dilly Door Company	41,629
Perry Corporation	5,597
Prenger Implement	15,406
Furrow Bros Construction	13,195
Greve Chrysler	24,566
Steen & Co.	9,350
Ohio Department of Natural Resources	20,000
Chargill, Inc.	20,000
Eastman Smith	17,933
Springcreek	14,000
Buehler Construction	8,950
Minster Lumber	5,409
Identix, Inc.	6,767
Whitworth-Borta	16,731
DDTI	<u>4,500</u>
Total Commitments	<u>\$ 813,334</u>

The commitments noted above have been partially encumbered by the County, and as such, are reflected within the financial statements in the general fund, capital project fund and special revenue fund types as a reserve for encumbrances, or as accounts payable.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 20: PUBLIC ENTITY RISK POOLS

Midwest Risk Pool Management Agency, Inc.

Midwest Pool Risk Management Agency, Inc. is an Ohio not-for-profit corporation organized under Chapter 2744.081 of the Ohio Revised Code for the purpose of enabling its member political subdivisions to obtain insurance coverage, provide methods for paying claims and provide a formalized jointly administered self-insurance pool.

Specifically, the pool provides coverage for automobile liability, general liability, crime and property (including automobile physical damage) and public officials liability (See Note 13). In addition to the self-insurance pool, the Association provides risk management services, loss prevention programs, and various other educational materials. The members of the Association include the following counties within the State of Ohio: Auglaize, Hancock, Mercer, Shelby, and Van Wert.

Member and supplemental contributions are recognized on an accrual basis and are recorded as revenue in the month earned. For the current agreement dated August 1, 2001, the percentage of contributions by the members and their equity interests are:

		Fixed Costs	Loss/ Revenues
Mercer County	19.8%	\$115,693	\$47,930
Auglaize County	20.1%	117,889	36,856
Shelby County	22.1%	129,531	43,610
Hancock County	23.7%	138,912	42,562
Van Wert County	14.3%	83,584	29,042

The financial statements of Midwest Risk Pool Management Agency, Inc. can be obtained from Gary Adams, Van Wert County Commissioner, Treasurer of the Midwest Pool Risk Management Agency.

Midwest Employee Benefit Consortium

Midwest Employee Benefit Consortium (MEBC) is an Ohio not-for-profit corporation organized under Ohio Rev. Code Sections 304.171 and 9.833 for the public purpose of enabling its five member political subdivisions to obtain insurance coverage, provide methods for paying claims and provide a formalized jointly administered self-insurance pool. Specifically, this pool provides coverage for health benefits to employees of its members. In addition to the self-insurance pool, the Association provides risk management services and established loss reduction and prevention procedures and programs. The members of the Association include the following counties within the State of Ohio: Auglaize, Hancock, Mercer, Van Wert, and Shelby. The financial statements of Midwest Employee Benefit Consortium can be obtained from the Auglaize County Board of Commissioners.

County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services, and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 20: PUBLIC ENTITY RISK POOLS (Continued)

The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a County Commissioner.

NOTE 21: JOINTLY GOVERNED ORGANIZATIONS

AUGLAIZE COUNTY REGIONAL PLANNING COMMISSION

The Auglaize Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty seven members, any of which may hold any other public office. The County is represented by three members, each of the two Cities within the county is represented by two members, all participating Villages within the county are represented by one member each, and participating Townships within the county are represented by one member each.

Other members include: a representative from all participating Board of Trustees; the Mayor or a Council member of each participating incorporated Village; two representatives from each of the Cities, Wapakoneta and St. Marys, one being the Mayor or his designee and one being appointed by City Council. The remaining members of the Commission shall be representatives from public utility, minority groups, business, industry, Ministerial Association, farm organizations, Chamber of Commerce and other representations as deemed necessary by the Commission.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute up to .10 cents per capita, according to the latest federal census, in any calendar year in which revenue is needed. There was no request for revenue issued for the calendar year ended December 31, 2001. The Regional Planning Commission has no outstanding debt as of December 31, 2001. The following unaudited cash financial data of the Regional Planning Commission is presented for the year ended December 31, 2001:

	<u>Joint Venture</u>	<u>Auglaize County's 50 Percent</u>
Total Non-Operating Revenues	\$ 10	\$ 5
Total Operating Expenses	<u>(1,578)</u>	<u>(789)</u>
Net Income	(1,568)	(784)
Fund Balance, January 1, 2001	<u>4,569</u>	<u>2,284</u>
Fund Balance, December 31, 2001	<u>\$ 3,001</u>	<u>\$ 1,500</u>

WORKFORCE IMPROVEMENT ACT YOUTH COUNCIL CONSORTIUM OF AUGLAIZE, HARDIN, AND MERCER COUNTIES

An intergovernmental agreement between Auglaize, Hardin, and Mercer Counties was entered into pursuant to the provisions of the United States Congress' Workforce Improvement Act of 1988, and workforce legislation enacted by the State of Ohio. The consortium replaced the former Job Training Partnership Act program as of July 1, 2000.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 21: JOINTLY GOVERNED ORGANIZATIONS (Continued)

A council comprised of a Commissioner from each member County is responsible for all decisions related to the local workforce investment system, including, the development of and approval of the local plan and its content, the allocation of Workforce Improvement Act (WIA) funds or the development of partnership agreements for the Ohio Option Areas, establishing policy, authorizing WIA expenditures, establishing contracts, paying for services outside of the local area, or paying costs associated with monitoring, audit findings or sanctions.

Each member County shall be their own fiscal agent, and shall receive their share of the funds pursuant to the Ohio Option legislation.

Effective July 1, 2001, the intergovernmental agreement was not renewed, and Auglaize County has been re-designated as a single-county Ohio Option Area.

WEST CENTRAL OHIO NETWORK

The West Central Ohio Network (West CON) is a regional council of government. West CON is comprised of the boards of Mental Retardation and Developmental Disabilities (MRDD) of several counties, including, Auglaize, Darke, Logan, Mercer, Miami, Shelby, Union, and Hardin. The Board of Directors is made up of the Superintendents from each of these MRDD Boards, and the degree of control exercised by any participating government is limited to its representation on the Board. West CON is the administrator and fiscal agent of Supported Living funds for each of these Boards of Mental Retardation and Developmental Disabilities. The following unaudited financial data of the West Central Ohio Network - Auglaize County is presented on a cash basis for the year ended December 31, 2001.

	<u>County Portion</u>
Total Operating Revenues	\$317,266
Total Operating Expenses	(372,532)
Net Loss	(55,266)
Fund Balance, January 1, 2001	<u>133,497</u>
Fund Balance, December 31, 2001	\$ <u>78,231</u>

AUGLAIZE AND MERCER COUNTIES CONVENTION AND VISITORS BUREAU

The Bureau is a joint venture between Auglaize and Mercer Counties for the purpose of promoting tourism and attracting tourists and conventions to the two counties. Membership is open to any person, firm, partnership, association, corporation, foundation, trust or estate subscribing to the purpose of this organization. The government of the Bureau, the general policies and control of its property is vested in a Board of Trustees.

The Board shall be nineteen members composed of the following: seven appointees from Auglaize County, seven from Mercer County, one Auglaize County Commissioner or designee, one Mercer County Commissioner or designee, three members representing the following: Celina/Mercer County Chamber of Commerce, St. Marys Area Chamber of Commerce and the Wapakoneta Area Chamber of Commerce.

The Board conducts business and sponsors projects to further the purpose of the Bureau. The Bureau is funded primarily from a 3 percent (effective 7/1/96) lodging tax imposed by both counties. Payment is due to the county by the last day of the following month. The 2001 revenue received by the Bureau was \$149,879. Of this amount \$127,360 came from the lodging tax. \$82,602 of the total 2001 revenue was from Auglaize County.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 21: JOINTLY GOVERNED ORGANIZATIONS (Continued)

AUGLAIZE COUNTY EMERGENCY MANAGEMENT COOPERATIVE

The Auglaize County Emergency Management Cooperative (the Cooperative) is a joint venture between the County, the municipalities, and the townships within the County, formed to perform services of coordinating the emergency management activities within the county of Auglaize and the political subdivisions therein. The Cooperative has established a County-Wide Advisory Group for emergency management composed of a representative from each political subdivision cooperative member under Section 5915.06 of the Ohio Revised Code.

The advisory group appoints an executive committee composed of at least seven of the following members: three township representatives, two village or city representatives, one county commissioner and one non-elected representative. The tenure of the members of the executive committee is three years. A coordinator is appointed by the Emergency Management Executive Committee to carry out the Cooperative agreement under the advisement of the committee.

NOTE 22: JOINT VENTURE

GRAND LAKE TASK FORCE

Auglaize and Mercer Counties share territory of the Grand Lake State Park which encounter unique enforcement problems. The Grand Lake Task Force was established in regards to federal financial assistance received from the Department of Justice which requires a twenty-five percent local matching share. Additional revenues were received through asset seizures, fines, and village law enforcement agency contributions. The objective of the Grand Lake Task Force is to increase the number of criminal justice agencies working cooperatively to eliminate specifically targeted major narcotics trafficking conspiracies and the persons involved through investigations, arrests, prosecution, and convictions. Those participating in the project are Auglaize and Mercer County Sheriff's offices, Wapakoneta, St. Marys, Celina, Coldwater, Minster, and New Bremen Police offices, United States Investigative Agency Alcohol, Tobacco, and Firearms, Ohio Bureau of Criminal Investigation and Identification, and Auglaize and Mercer County Prosecutor's Offices.

The Auglaize County Sheriff serves as the applicant who accepts the responsibility for the project's administrative and financial matters. The project requires a control group to be established of four members; one from a police department, one from a Sheriff's office, one from a prosecutor's office, and the Task Force Supervisor. This group allocates what funds are to be used for which investigations and to manage these resources and jointly manage project investigations.

The following financial data of the Grand Lake Task Force is presented on a cash basis for the year ended December 31, 2001:

	Joint Venture	Auglaize County's 12.5 Percent
Total Operating Revenues	\$ 59,685	\$ 7,461
Total Operating Expenses	<u>(50,429)</u>	<u>(6,304)</u>
Net Income	9,256	1,157
Fund Balance, January 1, 2001	<u>149,079</u>	<u>18,635</u>
Fund Balance, December 31, 2001	\$ <u>158,335</u>	\$ <u>19,792</u>

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

NOTE 22: JOINT VENTURE (Continued)

MENTAL HEALTH AND RECOVERY SERVICES BOARD OF ALLEN, AUGLAIZE, AND HARDIN COUNTIES

The Mental Health and Recovery Services Board (MHRS) of Allen, Auglaize, and Hardin Counties, is a tri-county non-profit corporation whose general purpose is to provide leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services. The Board of Trustees consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Allen, Auglaize, and Hardin counties in the same proportion as the County's population bears to the total population of the three counties combined. The degree of control exercised by any participating government is limited to its representation on the Board. The MHRS Board is a joint venture since continued participation by the County is necessary for the continued existence.

Allen County acts as the fiscal agent for the MHRS Board. The Board receives tax revenue from the three Counties and receives federal and state funding through grant monies which are applied for and received by the board of trustees. The MHRS Board is accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on members in the future. The Board has sole budgetary authority and controls surpluses and deficits and the county is not legally or morally obligated for the Board's debt.

In 2001, tax revenues generated by the levy in Auglaize County was \$298,084. Complete financial statements can be obtained from the MHRS Board, Allen County, Ohio.

NOTE 23: SEGMENT INFORMATION FOR ENTERPRISE FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS

The County maintains fourteen enterprise funds which are intended to be self-supported through user fees charged for services provided to consumers for health care, sewer and water services. In addition, Auglaize County Airport Authority and Auglaize Industries are self supported through sales/leases and services, respectively.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 23: SEGMENT INFORMATION FOR ENTERPRISE FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Financial segment information for the year ended December 31, 2001, is as follows:

	Auglaize Acres	Water and Sewer	Total Primary Government	Airport Authority	Auglaize Industries	Total Reporting Entity
Operating Revenues	\$4,514,408	\$264,461	\$4,778,869	\$160,891	\$353,723	\$5,290,483
Operating Expenses	4,827,676	208,336	5,036,012	157,906	386,260	5,550,772
Depreciation Expense	45,036	115,889	160,925	35,680	10,683	208,299
Operating Income	(358,304)	(59,764)	(418,068)	(32,695)	(43,220)	(468,588)
Net Income (Loss)	(305,270)	(59,764)	(365,034)	(26,336)	(100,854)	(484,745)
Property and						
Additions	40,501	-	40,501	15,236	11,337	67,074
Deletions	11,983	-	11,983	-	480,461	492,444
Net Working Capital	22,453	407,744	430,197	34,464	509,736	1,066,311
Total Assets	793,693	4,666,813	5,460,506	167,248	567,168	6,200,703
Total Liabilities	400,886	82,778	483,664	37,124	11,695	508,185
Total Equity	392,807	4,584,035	4,976,842	130,124	555,473	5,692,518

NOTE 24: DISCRETELY PRESENTED COMPONENT UNITS

The component units reported in the general purpose financial statements includes the financial data of those agencies and boards for which the County is not "accountable" as defined by GASB Statement 14 (see Note 1). They are reported in a separate column to emphasize that it is legally separate from the activities of the County. The discretely presented component units are Auglaize County Airport Authority and Auglaize Industries, Inc.

The following pages present financial statements for each of the two discretely presented component units. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

**BALANCE SHEET
COMPONENT UNITS
DECEMBER 31, 2001**

	<u>Airport Authority</u>	<u>Auglaize Industries</u>	<u>Totals</u>
<u>Assets and Other Debits</u>			
Equity in Cash and Cash Equivalents	\$ 48,637	\$ 490,991	\$ 539,628
Accounts Receivables (net, of allowances for uncollectibles)	3,689	28,707	32,396
Interest Receivable	-	733	733
Materials and Supplies Inventory	14,155	-	14,155
Prepaid Items	-	1,000	1,000
Property, Plant and Equipment (net of accumulated depreciation)	<u>100,767</u>	<u>45,737</u>	<u>146,504</u>
TOTAL ASSETS	<u>167,248</u>	<u>567,168</u>	<u>734,416</u>

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 24: DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Liabilities

Accounts Payable	5,300	2,436	7,736
Accrued Wages and Benefits	-	5,116	5,116
Compensated Absences Payable	-	2,403	2,403
Due to Other Governments	-	1,740	1,740
Lease Payable	14,579	-	14,579
Mortgage Payable	-	-	-
Deferred Revenue (Hangar Rent)	<u>17,245</u>	<u>-</u>	<u>17,245</u>

TOTAL LIABILITIES	<u>37,124</u>	<u>11,695</u>	<u>48,819</u>
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Fund Balances and Other Credits

Contributed Capital	9,467	14,220	23,687
Retained Earnings - Unrestricted	<u>120,657</u>	<u>541,253</u>	<u>661,910</u>

TOTAL FUND EQUITY	<u>130,124</u>	<u>555,473</u>	<u>685,597</u>
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TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	<u>\$ 167,248</u>	<u>\$ 567,168</u>	<u>\$ 734,416</u>
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NOTE 25: 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.

According to the County Prosecuting Attorney, at this time the county is not presently involved in any significant pending, or threatened litigation, nor does it have any outstanding unasserted claims or assessments. There are no outstanding contractually assumed obligations which are expected to result in a claim or unfavorable outcome, and there have been no claims to date.

NOTE 26: RELATED PARTY TRANSACTIONS

Auglaize Industries has entered into a contract with the Auglaize County Board of Mental Retardation and Development Disabilities (MRDD), whereby the MRDD has agreed to pay specified overhead expenses for the workshop. The additional income and related expenses are reported on the income statement as Unrestricted Support. The unaudited operating expenses paid by the MRDD on behalf of the Auglaize Industries amounted to \$181,882 for the year ended December 31, 2001.

AUGLAIZE COUNTY FINANCIAL CONDITION

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
(Direct Program)				
Board of Commissioners				
Home Investment Partnership Program (HOME)				
Community Housing Improvement Program	B-C-99-006-2	14.239	\$332,179	\$271,204
Community Housing Improvement Program	C-99-006-1	14.239	8,000	23,525
Total Home Investment Partnership Program (HOME)			340,179	294,729
(Passed through Ohio Department of Development)				
Board of Commissioners				
Small Cities Community Development Block Grant				
Formula Grant	B-F-99-006-1	14.228	41,000	51,735
Formula Grant	B-F-00-006-1	14.228	178,867	169,751
Community Housing Improvement Program	B-C-99-006-1	14.228	50,330	56,002
Economic Development	B-E-99-006-1	14.228	2,059	2,059
Total Small Cities Community Development Block Grant			272,256	279,547
Total U.S. Department of Housing and Urban Development			612,435	574,276
U.S. DEPARTMENT OF AGRICULTURE				
(Passed through Ohio Department of Education)				
Auglaize County Corrections Center				
National Food Distribution Program (B)	N/A	10.550	893	565
National School Breakfast Program (B)	N/A	10.553	6,590	6,590
National School Lunch Program (B)	N/A	10.555	9,834	9,834
Total U.S. Department of Agriculture - Nutrition Cluster			17,317	16,989
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
(Passed through Ohio Department of Youth Services)				
Auglaize County Youth Services				
AmeriCorps Grant	YCP-018-01	94.006	10,204	9,424
U.S. DEPARTMENT OF LABOR				
(Passed through Ohio Department of Job and Family Services)				
Job and Family Services/Human Services				
Workforce Investment ACT Grant	N/A	17.255	137,974	137,974
Children's Service Agency				
Title IV-B		93.645	1,215	1,215
ESSA		93.645	14,925	14,925
Total Title VI-B			16,140	16,140
Chafee			93.674	3,291
Total U.S. Department of Labor			157,405	157,405

AUGLAIZE COUNTY FINANCIAL CONDITION

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2001**

(Continued)

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts
U.S. DEPARTMENT OF JUSTICE			
(Passed Through Office of Criminal Justice Services)			
Sheriff's Department			
Local Law Enforcement Block Grant Program	00-LE-LEB-3422	16.592	12,420
Byrne Formula Grant (Grand Lake Task Force)	00-DG-A01-7018	16.579	35,953
Auglaize County Crisis Center Byrne Formula Grant	99-DG-D02-7509	16.579	10,146
Juvenile Probation Office Byrne Formula Grant	99-DG-F02-7047	16.579	<u>0</u>
Total Byrne Formula Grant			46,099
Juvenile Accountability Incentive Block Grant (CAST)	00-JB-013-A068	16.523	5,670
Juvenile Accountability Incentive Block Grant (CAST)	99-JB-010-A068	16.523	<u>4,444</u>
Total Juvenile Accountability Incentive Block Grant			<u>10,114</u>
Total U.S. Department of Justice			68,633
U.S. DEPARTMENT OF HUMAN SERVICES			
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)			
Auglaize County Board of Mental Retardation and Developmental Disabilities			
Medical Assistance Program (Medicaid: Title XIX)	N/A	93.778	287,088
Social Services Block Grant (Title XX)	N/A	93.667	<u>30,949</u>
Total U.S. Department of Human Services			<u>318,037</u>
U.S DEPARTMENT OF TRANSPORTATION			
(Passed through Ohio Department of Transportation)			
Board of County Commissioners			
Highway Planning and Construction	01N050PID#20691	20.205	<u>549,922</u>
Total Federal Financial Assistance			<u><u>\$1,733,953</u></u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 1: GENERAL

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

NOTE 2: SUB-RECIPIENTS

The County passes-through certain Federal assistance from the Ohio Department of Development to other governments or not-for-profit agencies (sub-recipients). As described in Note 1, the government records expenditures of Federal awards to sub-recipients when paid in cash.

NOTE 3 - 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 in the Schedule.

NOTE 4: OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES

The Auglaize County Department of Human Services received federal financial assistance from the following programs (which are reported in the State Single Audit Report):

- Food Stamps Cluster (CFDA # 10.551/561)
- Temporary Assistance for Needy Families (CFDA # 93.558)
- Child Support Enforcement (CFDA # 93.563)
- Child Care Cluster (CFDA # 93.575/596)
- Foster Care (CFDA # 93.658)
- Adoption Assistance (CFDA # 93.659)
- Social Services Block Grant Title XX (CFDA # 93.667)
- State Children's Insurance Fund (CFDA #93.767)
- Medical Assistance Program (CFDA # 93.775/.777/.778)

NOTE 5: FEDERAL FOOD STAMP PROGRAM

The County's Department of Human Services distributes Federal food stamps, through contracting issuance centers, to entitled recipients within Auglaize County. The receipt and issuance of these stamps have the characteristics of federal "grants"; however, the Department of Human Services merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements as the only economic interest related to these stamps rests with the ultimate recipient. Federal food stamps activity for the year was as follows:

Balance at Beginning of Year	\$ 75,599
Amount Returned to Columbus by Vendor	<u> -0-</u>
Balance at End of Year	<u><u>\$ 75,599</u></u>

The majority of the above paper coupons will be destroyed or returned to by February, 2002. A minimal supply is required to be kept on hand for recipients who need to cash out benefits because they will be visiting out of state or moving out of state. Eventually, the Ohio Department of Jobs and Family Services will be responsible for cashing out benefits and the County will not have to maintain an inventory of paper coupons.

AUGLAIZE COUNTY FINANCIAL CONDITION

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 6: FEDERAL HIGHWAY PLANNING AND CONSTRUCTION GRANT

The County Department of Engineering was the primary grantee for federal funds distributed “on behalf” of the County to contractors for various road construction projects through the Federal Highway Planning and Construction program administered by the Ohio Department of Transportation. Those projects that the County did not have direct or significant administrative functions are not presented in the schedule of federal award expenditures. The “on behalf” payments received and not reported in the schedule at the county level amounted to \$1,725,730 for a Water Street Bridge Project, PID #17714. This award will be audited at the state level.

NOTE 7: WORKFORCE INVESTMENT ACT

The Workforce Investment Act requires recipients to account for this activity on an accrual basis. During 2001, this activity was prepared and reported on a cash basis.

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OFFICE OF THE AUDITOR**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Auglaize County
201 South Willipie Street, Suite G-11
Wapakoneta, Ohio 45895

To the Board of County Commissioners:

We have audited the financial statements of Auglaize County (the County) as of and for the year ended December 31, 2001, and have issued our report thereon dated July 18, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompany schedule of findings as item 2001-60206-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the County in a separate letter dated July 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated July 18, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

July 18, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Auglaize County
201 South Willipie Street, Suite G-11
Wapakoneta, Ohio 45895

To the Board of County Commissioners:

Compliance

We have audited the compliance of Auglaize County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the County in a separate letter dated July 18, 2002.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

We noted a matter involving the internal control over compliance and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely effect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2001-60202-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. However, we consider the reportable condition listed as item 2001-60202-002 to be a material weakness.

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



Jim Petro
Auditor of State

July 18, 2002

AUGLAIZE COUNTY FINANCIAL CONDITION

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2001**

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 weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction, CFDA #20.205 Medical Assistance Program, CFDA #93.778 Home Investment Partnership Program (HOME), CFDA #14.239
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

AUGLAIZE COUNTY FINANCIAL CONDITION

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2001**

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

Finding Number - 2001-60206-001

Budgeting and Reporting Financial Activity

Ohio Rev. Code Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. Activity regarding capital outlays was not properly reported and recorded in the County's financial records. This activity included payments that were disbursed directly to contractors by the Ohio Department of Transportation as "on behalf" payments for the County's benefit. These funds had not been budgeted or appropriated for by the County.

By not properly budgeting for these activities, the County could understate the amount of benefit received from state and federal funding. This would cause not only the financial statements to be understated, but the federal financial assistance schedule would not properly reflect all required activity. The County adjusted the accompanying financial statements in the amount of \$2,275,652, to properly reflect the "on behalf of" amounts received.

Procedures should be implemented to properly identify all awards and payments that involve "on behalf of" funding for proper inclusion in the financial activity of the County. Also, each department should be surveyed to determine if they have received or will be receiving benefit from "on behalf" payments prior to completing the budgetary process. Documents supporting awards of grant funds should be filed with the Board of County Commissioners and the County Auditor to help ensure the appropriate recording of financial activity.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Schedule of Federal Awards Expenditures

Finding Number	2001-60206-002
CFDA Title and Number	All CFDA Titles and Numbers
Federal Award Number	All Federal Award Numbers
Federal Agency	All Federal Agencies
Pass-Through Agency	All Pass-Through Agencies

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, requires federal recipients and sub-recipients to identify in their accounts all federal awards received and expended, as well as the federal programs under which they were granted. In assessing the appropriateness and completeness of the County's identification of federal programs, it must be determined whether the required reports for federal awards include all activity of the reporting period, are supported by applicable accounting records, and are fairly presented in accordance with program requirements. In addition, OMB Circular A-133, Subpart C, Section 300(d), states that the County shall prepare appropriate financial statements, including the schedule of federal awards expenditures for the period covered by the County's financial statements. The Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through agency.

The Schedule of Federal Award Expenditures was not completely and accurately prepared. The Schedule as presented by the County disclosed approximately \$895,802 in federal award expenditures, and after the Auditor of State's assessment of completeness, the Schedule disclosed approximately \$1,697,266 in federal award expenditures.

AUGLAIZE COUNTY FINANCIAL CONDITION

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2001**

The County does not have a system in place to completely and accurately identify specific projects and federal transactions for proper accounting of all activity. The lack of proper reporting of federal transactions in the accounting records could result in significant misstatement of the schedule of federal award expenditures, increase in audit costs, and could also result in the loss of federal funding.

Procedures should be implemented to properly identify all awards and payments, including those that involve "on behalf of" funding, for proper inclusion in the financial activity of the County. Documents supporting awards of grant funds should be filed with the Board of County Commissioners and the County Auditor to help ensure the appropriate recording of financial activity.



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FINANCIAL CONDITION

AUGLAIZE 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
AUGUST 8, 2002