



**Auditor of State
Betty Montgomery**

CLINTON COUNTY
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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the accompanying general-purpose financial statements of Clinton County, Ohio (the County), as of and for the year ended December 31, 2002, as listed in the table of contents. 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 Clinton County, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds 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 September 10, 2003 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.

The accompanying federal awards expenditures schedule 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. In our opinion, it 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 that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 10, 2003

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CLINTON COUNTY, OHIO

COMBINED BALANCE SHEET

ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2002

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Internal Service
Assets and Other Debits					
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,530,489	\$ 3,881,437	\$ 791,559	\$ 521,098	\$ 225,650
Equity in pooled cash and cash equivalents nonexpendable trust funds	-	-	-	-	-
Cash with fiscal and escrow agents	-	-	-	-	-
Receivables (net of allowance for uncollectibles)					
Sales taxes	586,807	4,453	-	-	-
Real and other taxes	1,569,510	1,222,161	200,781	160,810	-
Accounts	22,529	18,041	9,442	-	193,423
Special assessments	-	43,283	-	-	-
Accrued interest	68,569	-	-	-	-
Interfund loans receivable	84,225	-	-	-	-
Due from other funds	912	4,172	-	-	-
Due from other governments	451,305	2,516,580	28,083	8,070	-
Prepayments	61,099	7,176	-	-	-
Materials and supplies inventory	48,657	35,002	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	-
Other Debits:					
Amount available in debt service fund	-	-	-	-	-
Amount to be provided from general government resources	-	-	-	-	-
Amount to be provided from component unit resources	-	-	-	-	-
Total assets and other debits	<u>\$ 4,424,102</u>	<u>\$ 7,732,305</u>	<u>\$ 1,029,865</u>	<u>\$ 689,978</u>	<u>\$ 419,073</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations		Board of MRDD	
\$ 3,689,306	\$ -	\$ -	\$ 10,639,539	\$ 2,540,832	\$ 13,180,371
5,100	-	-	5,100	-	5,100
686,655	-	-	686,655	-	686,655
-	-	-	591,260	-	591,260
-	-	-	3,153,262	1,930,739	5,084,001
-	-	-	243,435	17,880	261,315
-	-	-	43,283	-	43,283
-	-	-	68,569	-	68,569
-	-	-	84,225	-	84,225
-	-	-	5,084	-	5,084
-	-	-	3,004,038	77,270	3,081,308
-	-	-	68,275	331	68,606
-	-	-	83,659	-	83,659
-	25,603,187	-	25,603,187	1,028,491	26,631,678
-	-	522,219	522,219	-	522,219
-	-	5,472,085	5,472,085	-	5,472,085
-	-	-	-	169,211	169,211
<u>\$ 4,381,061</u>	<u>\$ 25,603,187</u>	<u>\$ 5,994,304</u>	<u>\$ 50,273,875</u>	<u>\$ 5,764,754</u>	<u>\$ 56,038,629</u>

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CLINTON COUNTY, OHIO

COMBINED BALANCE SHEET (CONTINUED)
 ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT
 DECEMBER 31, 2002

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Internal Service
Liabilities, equity and other credits					
Liabilities:					
Accounts payable	\$ 323,587	\$ 188,281	\$ -	\$ 47,249	\$ 22,421
Contracts payable	-	-	-	39,768	-
Retainage payable	-	-	-	12,325	-
Accrued wages and benefits	207,092	167,602	-	1,801	4,056
Compensated absences payable	1,170	-	-	-	1,968
Accrued interest payable	3,370	-	5,920	76,059	-
Interfund loans payable	-	80,585	3,640	-	-
Due to other funds	675	1,137	-	-	-
Due to other governments	265,199	154,172	-	1,770	3,673
Deposits held and due to others	-	-	-	-	-
Deferred revenue	1,829,192	3,272,983	228,086	161,066	-
Amount to be paid to claimants	-	-	-	-	-
Claims payable	-	-	-	-	136,537
Notes payable	750,000	-	270,000	3,730,000	-
Special assessment bonds with governmental commitment	-	-	-	-	-
General obligation bonds payable	-	-	-	-	-
Total liabilities	<u>3,380,285</u>	<u>3,864,760</u>	<u>507,646</u>	<u>4,070,038</u>	<u>168,655</u>
Equity and other credits:					
Investment in general fixed assets	-	-	-	-	-
Retained earnings:					
Unreserved	-	-	-	-	250,418
Fund balances:					
Reserved for encumbrances	183,290	241,974	-	456,077	-
Reserved for materials and supplies inventory	48,657	35,002	-	-	-
Reserved for prepayments	61,099	7,176	-	-	-
Reserved for debt service	-	-	522,219	-	-
Reserved for principal endowment	-	-	-	-	-
Unreserved - undesignated	750,771	3,583,393	-	(3,836,137)	-
Total equity and other credits	<u>1,043,817</u>	<u>3,867,545</u>	<u>522,219</u>	<u>(3,380,060)</u>	<u>250,418</u>
Total liabilities, equity and other credits	<u>\$ 4,424,102</u>	<u>\$ 7,732,305</u>	<u>\$ 1,029,865</u>	<u>\$ 689,978</u>	<u>\$ 419,073</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations		Board of MRDD	
\$ 13,823	\$ -	\$ -	\$ 595,361	\$ 63,718	\$ 659,079
-	-	-	39,768	-	39,768
-	-	-	12,325	-	12,325
-	-	-	380,551	65,265	445,816
-	-	780,928	784,066	169,211	953,277
-	-	-	85,349	-	85,349
-	-	-	84,225	-	84,225
3,272	-	-	5,084	-	5,084
841,839	-	-	1,266,653	54,009	1,320,662
3,217,869	-	-	3,217,869	-	3,217,869
-	-	-	5,491,327	2,000,528	7,491,855
232,623	-	-	232,623	-	232,623
-	-	-	136,537	-	136,537
-	-	-	4,750,000	-	4,750,000
-	-	68,376	68,376	-	68,376
-	-	5,145,000	5,145,000	-	5,145,000
4,309,426	-	5,994,304	22,295,114	2,352,731	24,647,845
-	25,603,187	-	25,603,187	1,028,491	26,631,678
-	-	-	250,418	-	250,418
-	-	-	881,341	-	881,341
-	-	-	83,659	-	83,659
-	-	-	68,275	331	68,606
-	-	-	522,219	-	522,219
5,100	-	-	5,100	-	5,100
66,535	-	-	564,562	2,383,201	2,947,763
71,635	25,603,187	-	27,978,761	3,412,023	31,390,784
\$ 4,381,061	\$ 25,603,187	\$ 5,994,304	\$ 50,273,875	\$ 5,764,754	\$ 56,038,629

CLINTON COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUND AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2002

Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:				
Property taxes	\$ 1,267,260	\$ 1,108,544	\$ 574,555	\$ 175,629
Sales taxes	3,941,549	64,618	-	-
Charges for services	1,882,630	856,019	-	-
Licenses and permits	95,778	-	-	-
Fines and forfeitures	109,813	61,289	-	-
Intergovernmental	1,510,628	10,000,689	61,335	249,769
Special assessments	-	52,387	11,263	-
Investment income	405,957	503	47,820	22,400
Rental income	18,082	-	9,442	-
Other	915,976	674,127	87,900	158
Total revenues	<u>\$ 10,147,673</u>	<u>\$ 12,818,176</u>	<u>\$ 792,315</u>	<u>\$ 447,956</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,234,149	226,738	-	-
Judicial	2,034,743	416,990	-	-
Public safety	3,025,956	189,015	-	-
Public works	84,298	4,419,653	-	-
Health	76,835	121,484	-	-
Human services	369,964	8,342,211	-	-
Economic development and assistance	-	150,447	-	-
Other	808,274	-	-	-
Capital outlay	-	48,290	-	1,703,686
Debt service:				
Principal retirement	-	-	287,624	-
Interest and fiscal charges	3,370	-	284,620	127,432
Total expenditures	<u>10,637,589</u>	<u>13,914,828</u>	<u>572,244</u>	<u>1,831,118</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(489,916)</u>	<u>(1,096,652)</u>	<u>220,071</u>	<u>(1,383,162)</u>
Other financing sources (uses):				
Operating transfers in	-	107,362	405,618	106,260
Operating transfers out	<u>(122,259)</u>	<u>(103)</u>	<u>(147,776)</u>	<u>(359,508)</u>
Total other financing sources (uses)	<u>(122,259)</u>	<u>107,259</u>	<u>257,842</u>	<u>(253,248)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(612,175)	(989,393)	477,913	(1,636,410)
Net income from proprietary operations	-	-	-	-
Fund balances, January 1	1,650,556	4,853,656	44,306	(1,743,650)
Increase in reserve for inventory	5,436	3,282	-	-
Fund balances, (deficit) December 31	<u>\$ 1,043,817</u>	<u>\$ 3,867,545</u>	<u>\$ 522,219</u>	<u>\$ (3,380,060)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

<u>Fiduciary Fund Type</u>	<u>Total Primary Government (Memorandum Only)</u>	<u>Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
<u>Expendable Trust</u>		<u>Board of MRDD</u>	
\$ -	\$ 3,125,988	\$ 1,685,840	\$ 4,811,828
-	4,006,167	-	4,006,167
-	2,738,649	210,088	2,948,737
-	95,778	-	95,778
-	171,102	-	171,102
-	11,822,421	1,693,382	13,515,803
-	63,650	-	63,650
41,745	518,425	3,881	522,306
-	27,524	-	27,524
-	1,678,161	79,368	1,757,529
<u>41,745</u>	<u>24,247,865</u>	<u>3,672,559</u>	<u>27,920,424</u>
-	4,460,887	-	4,460,887
-	2,451,733	-	2,451,733
-	3,214,971	-	3,214,971
-	4,503,951	-	4,503,951
-	198,319	3,791,669	3,989,988
-	8,712,175	-	8,712,175
-	150,447	-	150,447
57,325	865,599	-	865,599
(3,379)	1,748,597	-	1,748,597
-	287,624	-	287,624
-	415,422	-	415,422
<u>53,946</u>	<u>27,009,725</u>	<u>3,791,669</u>	<u>30,801,394</u>
<u>(12,201)</u>	<u>(2,761,860)</u>	<u>(119,110)</u>	<u>(2,880,970)</u>
10,406	629,646	-	629,646
-	(629,646)	-	(629,646)
<u>10,406</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,795)	(2,761,860)	(119,110)	(2,880,970)
-	-	41,569	41,569
68,330	4,873,198	2,461,073	7,334,271
-	8,718	-	8,718
<u>\$ 66,535</u>	<u>\$ 2,120,056</u>	<u>\$ 2,383,532</u>	<u>\$ 4,503,588</u>

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property taxes	\$ 1,166,471	\$ 1,265,876	\$ 99,405	\$ 948,539	\$ 1,108,559	\$ 160,020
Sales taxes	3,659,541	3,971,402	311,861	64,190	64,262	72
Charges for services	1,736,774	1,884,779	148,005	949,586	1,030,031	80,445
Licenses and permits	88,501	96,043	7,542	-	-	-
Fines and forfeitures	109,539	118,874	9,335	57,023	63,900	6,877
Intergovernmental	1,427,401	1,549,042	121,641	9,496,994	10,070,223	573,229
Special assessments	-	-	-	51,580	54,096	2,516
Investment income	387,527	420,551	33,024	-	503	503
Rental income	16,662	18,082	1,420	-	-	-
Other	843,003	914,842	71,839	624,848	673,692	48,844
Total revenues	9,435,419	10,239,491	804,072	12,192,760	13,065,266	872,506
Expenditures:						
Current:						
General government:						
Legislative and executive	4,166,279	4,337,438	(171,159)	367,701	311,698	56,003
Judicial	1,993,575	1,967,198	26,377	395,756	362,533	33,223
Public safety	2,979,702	2,993,368	(13,666)	252,514	192,807	59,707
Public works	83,125	83,023	102	5,094,215	4,718,811	375,404
Health	71,144	70,823	321	110,833	113,766	(2,933)
Human services	351,738	349,157	2,581	8,700,628	8,626,700	73,928
Economic development and assistance	-	-	-	163,660	156,447	7,213
Other	846,427	811,130	35,297	-	-	-
Capital outlay	-	-	-	58,416	48,032	10,384
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	10,491,990	10,612,137	(120,147)	15,143,723	14,530,794	612,929
Excess (deficiency) of revenues over (under) expenditures	(1,056,571)	(372,646)	683,925	(2,950,963)	(1,465,528)	1,485,435
Other financing sources (uses):						
Proceeds from sale of notes	691,105	750,000	58,895	-	-	-
Operating transfers in	-	-	-	107,111	107,362	251
Operating transfers out	(99,075)	(122,259)	(23,184)	(210)	(103)	107
Advances in	18,429	20,000	1,571	8,397	8,481	84
Advances out	(20,000)	(32,121)	(12,121)	-	-	-
Total other financing sources (uses)	590,459	615,620	25,161	115,298	115,740	442
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(466,112)	242,974	709,086	(2,835,665)	(1,349,788)	1,485,877
Fund balance, January 1	620,199	620,199	-	3,658,932	3,658,932	-
Prior year encumbrances appropriated	410,959	410,959	-	1,287,639	1,287,639	-
Fund balance, December 31	\$ 565,046	\$ 1,274,132	\$ 709,086	\$ 2,110,906	\$ 3,596,783	\$ 1,485,877

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Debt Service			Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 395,613	\$ 575,968	\$ 180,355	\$ 168,441	\$ 168,441	\$ -	\$ 2,679,064	\$ 3,118,844	\$ 439,780
-	-	-	-	-	-	3,723,731	4,035,664	311,933
-	-	-	-	-	-	2,686,360	2,914,810	228,450
-	-	-	-	-	-	88,501	96,043	7,542
-	-	-	-	-	-	166,562	182,774	16,212
42,484	61,335	18,851	626,746	249,769	(376,977)	11,593,625	11,930,369	336,744
10,361	11,263	902	-	-	-	61,941	65,359	3,418
116,335	70,220	(46,115)	-	-	-	503,862	491,274	(12,588)
-	-	-	-	-	-	16,662	18,082	1,420
89,148	87,900	(1,248)	158	158	-	1,557,157	1,676,592	119,435
653,941	806,686	152,745	795,345	418,368	(376,977)	23,077,465	24,529,811	1,452,346
-	-	-	-	-	-	4,533,980	4,649,136	(115,156)
-	-	-	-	-	-	2,389,331	2,329,731	59,600
-	-	-	-	-	-	3,232,216	3,186,175	46,041
-	-	-	-	-	-	5,177,340	4,801,834	375,506
-	-	-	-	-	-	181,977	184,589	(2,612)
-	-	-	-	-	-	9,052,366	8,975,857	76,509
-	-	-	-	-	-	163,660	156,447	7,213
-	10,406	(10,406)	-	-	-	846,427	821,536	24,891
-	-	-	2,002,238	2,672,603	(670,365)	2,060,654	2,720,635	(659,981)
1,337,624	4,187,624	(2,850,000)	-	-	-	1,337,624	4,187,624	(2,850,000)
540,086	418,345	121,741	-	-	-	540,086	418,345	121,741
1,877,710	4,616,375	(2,738,665)	2,002,238	2,672,603	(670,365)	29,515,661	32,431,909	(2,916,248)
(1,223,769)	(3,809,689)	(2,585,920)	(1,206,893)	(2,254,235)	(1,047,342)	(6,438,196)	(7,902,098)	(1,463,902)
3,919,738	3,879,000	(40,738)	121,000	121,000	-	4,731,843	4,750,000	18,157
214,247	365,088	150,841	15,000	15,000	-	336,358	487,450	151,092
-	(5,580)	(5,580)	(359,508)	(359,508)	-	(458,793)	(487,450)	(28,657)
3,348	3,640	292	20,000	20,000	-	50,174	52,121	1,947
-	-	-	-	(20,000)	(20,000)	(20,000)	(52,121)	(32,121)
4,137,333	4,242,148	104,815	(203,508)	(223,508)	(20,000)	4,639,582	4,750,000	110,418
2,913,564	432,459	(2,481,105)	(1,410,401)	(2,477,743)	(1,067,342)	(1,798,614)	(3,152,098)	(1,353,484)
359,100	359,100	-	1,625,287	1,625,287	-	6,263,518	6,263,518	-
-	-	-	831,319	831,319	-	2,529,917	2,529,917	-
\$ 3,272,664	\$ 791,559	\$ (2,481,105)	\$ 1,046,205	\$ (21,137)	\$ (1,067,342)	\$ 6,994,821	\$ 5,641,337	\$ (1,353,484)

CLINTON COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:			
Charges for services	\$ 2,345,608	\$ -	\$ 2,345,608
Other operating revenues	396	-	396
Total operating revenues	<u>2,346,004</u>	<u>-</u>	<u>2,346,004</u>
Operating expenses:			
Personal services	113,151	-	113,151
Claims expense	2,158,540	-	2,158,540
Administrative costs	<u>293,176</u>	<u>-</u>	<u>293,176</u>
Total operating expenses	<u>2,564,867</u>	<u>-</u>	<u>2,564,867</u>
Operating loss.	<u>(218,863)</u>	<u>-</u>	<u>(218,863)</u>
Nonoperating revenues:			
Interest income	<u>420</u>	<u>-</u>	<u>420</u>
Total nonoperating revenues	<u>420</u>	<u>-</u>	<u>420</u>
Net loss.	(218,443)	-	(218,443)
Retained earnings/fund balance			
January 1	<u>468,861</u>	<u>5,100</u>	<u>473,961</u>
Retained earnings/fund balance			
December 31	<u>\$ 250,418</u>	<u>\$ 5,100</u>	<u>\$ 255,518</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CLINTON COUNTY, OHIO

COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:			
Cash received from customers	\$ 2,152,185	\$ -	\$ 2,152,185
Cash received from other operations	396	-	396
Cash payments for personal services	(109,608)	-	(109,608)
Cash payments for claims.	(2,189,176)	-	(2,189,176)
Cash payments for administrative costs	<u>(270,755)</u>	<u>-</u>	<u>(270,755)</u>
Net cash used in operating activities	<u>(416,958)</u>	<u>-</u>	<u>(416,958)</u>
Cash flows from investing activities:			
Interest received	420	-	420
Net cash provided by investing activities	<u>420</u>	<u>-</u>	<u>420</u>
Net decrease in cash and cash equivalents	(416,538)	-	(416,538)
Cash and cash equivalents at January 1 . . .	<u>642,188</u>	<u>5,100</u>	<u>647,288</u>
Cash and cash equivalents at December 31 .	<u>\$ 225,650</u>	<u>\$ 5,100</u>	<u>\$ 230,750</u>
 Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (218,863)	\$ -	\$ (218,863)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Changes in assets and liabilities:			
Increase in accounts receivable.	(14,865)	-	(14,865)
Increase in due from other governments	(178,558)	-	(178,558)
Increase in accounts payable	22,421	-	22,421
Increase in accrued wages and benefits.	1,050	-	1,050
Decrease in compensated absences payable	(306)	-	(306)
Increase in due to other governments.	2,799	-	2,799
Decrease in claims payable.	<u>(30,636)</u>	<u>-</u>	<u>(30,636)</u>
Net cash used in operating activities	<u>\$ (416,958)</u>	<u>\$ -</u>	<u>\$ (416,958)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The GPFS include all funds, account groups, agencies, boards, commissions, and other component units for which Clinton 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 GPFS 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.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

Based upon the foregoing criteria, the financial activities of the following PCU's have been reflected in the accompanying GPFS as follows:

BLENDED COMPONENT UNITS

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

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

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

DISCRETELY PRESENTED COMPONENT UNIT

Clinton County Board of Mental Retardation and Developmental Disabilities (MRDD) - The Clinton County Board of Mental Retardation and Developmental Disabilities ("Board") is appointed by the Probate Judge and the County Commissioners. The Commissioners serve as the appropriating authority for the Board, which includes residential services, but are not "accountable" for its activities. The Board's operations have been discretely presented to emphasize that it is legally separate from the County. The Board is presented as a governmental fund type. Further financial information concerning the Clinton County Board of Mental Retardation and Community MRDD Residential Services is located in the financial section of the County's GPFS.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

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

RELATED ORGANIZATIONS

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

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

Clinton County Memorial Hospital - The Board of County Commissioners, the Probate Judge and the Judge of the court of Common Pleas appoint all ten of the board members.

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

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

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

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

JOINT VENTURE WITHOUT EQUITY INTEREST

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

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

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

RISK POOL

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

Each member has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees. This program is more fully described in Note 13.

B. Basis of Presentation - Fund Accounting

The accounts of the County are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The following fund types and account groups are used by the County:

GOVERNMENTAL FUNDS

General Fund - The general fund is used to account for all activities of the County not required to be included in another fund.

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

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

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

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

PROPRIETARY FUNDS

Internal Service Funds - The internal service funds are used to account for the financing on a cost-reimbursement basis of goods or services provided by one department or agency to other departments or agencies. Charges to the user departments are intended to recover total costs.

FIDUCIARY FUNDS

Trust and Agency Funds - These 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. These include expendable and nonexpendable trust funds and agency funds. The expendable trust funds are accounted for in essentially the same manner as governmental funds. The nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The agency funds are purely custodial (assets equal liabilities) in nature and thus do not involve the measurement of results of operations.

ACCOUNT GROUPS

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

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

C. Basis of Accounting and Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally 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 and nonexpendable trust 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 determines when transactions are recorded in the financial records and reported on the financial statements. Governmental and expendable trust funds use the modified accrual basis of accounting. Proprietary and nonexpendable trust funds and the component unit use the accrual basis of accounting. The agency funds are presented on a budgetary basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual (See Note 3.B). Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and expenditures.

The MRDD Board is a discretely presented component unit of the County. The MRDD Board is presented using the modified accrual format based on the MRDD Board's principal activity. The result of operations from the proprietary activity is presented as a single line item "net income from proprietary operations".

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

REVENUES - EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On the accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place (See Note 7). Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

DEFERRED REVENUE

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

EXPENSES/EXPENDITURES

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

D. Budgetary Data

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

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

Budgetary information for the Workshop and the MRDD Board are not reported because they are not included in the entity for which the "appropriated budget" is adopted and separate budgetary financials records are not maintained.

Outlined below are the normal budgetary procedures followed by the County to establish the annual operating budget and the budgetary data reported in the budgetary statements:

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

1. A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the Tax Budget is to reflect the need for existing (or increased) tax rates.
2. The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimated. The Commission certifies its actions to the County by September 1. As part of the certification, the County receive the official Certificate of Estimated Resources, which states the projected revenue of each fund.

On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimated, and the Budget Commission finds the revised estimated to be reasonable. The amounts set forth as revised budgeted revenues and other financing sources in the budgetary statements represent estimates from the final amended certificate issued during 2002.

3. Shortly after the beginning of the fiscal year, the County Commissioners pass a temporary Appropriation Resolution, for a period of not more than 90 days, which legally authorizes the expenditure of funds. Prior to the expiration of the temporary Appropriation Resolution the County Commissioners will approve an official Appropriation Resolution. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The amount set forth as revised budgeted expenditures and other financing uses in the budgetary statement include the prior year appropriations carried over for payment of prior year encumbrances, and all amendments to the original Appropriation Resolution. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2002.
5. Unencumbered appropriations lapse at year-end. Contracts and purchase type encumbrances outstanding at year-end carry their appropriations with them into the new year.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

6. Contract and purchase type encumbrances outstanding at year-end are recorded as expenditures on the budgetary statements.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the appropriated governmental and proprietary funds. Encumbrances outstanding at year-end are reported as reservations of fund balance (to the extent that they are not included in accounts payable) for subsequent year expenditures on the modified accrual basis of accounting. Encumbrances outstanding at year-end are reported as expenditures on the budget basis of accounting.

F. Cash and Investments

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

During fiscal year 2002, investments were limited to federal agency securities, U.S. Government money market mutual funds, U.S. Treasury notes, repurchase agreements and non-negotiable certificates of deposit.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal year 2002, investment revenue in the general fund amounted to \$405,957, which includes \$361,459 assigned from other funds.

The County has segregated bank accounts for monies held separate from the County's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "Cash with Fiscal and Escrow Agents" since they are not required to be deposited into the County treasury.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

For purpose of the combined statement of cash flows, investments of the cash management pool are considered to be cash equivalents because the County may access the proprietary funds' portion of the pool without prior notice or penalty. Investments with an initial maturity of more than three months are reported as investments.

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

G. COBRA

The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 requires the County to offer to provide terminated or retired employees continued participation in the County's employee health care benefits program, provided that the employees pay the rate established by the plan administrator. The County incurred no expenditures or revenues in providing these services. The participating former employees make premium payments directly to the County's Insurance Provider and the Provider is responsible for all claims made.

H. Inventories of Materials and Supplies

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at year-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

I. Property, Plant, Equipment, and Depreciation

General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year in the general fixed assets account group. Contributed fixed assets are recorded at their fair market values as of the date donated. The County follows a policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the County (i.e., roads, bridges, etc.), ornamental artifacts, and assets with a cost of less than \$500. No depreciation is recognized for assets in the account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

J. Compensated Absences

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

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

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

Accumulated vacation and sick leave of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave benefits for employees meeting the above requirements who are paid from proprietary funds are recorded as an expense when earned.

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

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

K. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund balances, related to charges for goods and services rendered, are reflected as "due to/from other funds".
4. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable/payable".

See Note 5 for an analysis of the County's interfund transactions.

L. Fund Balance Reserves

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

The County reports amounts representing material and supply inventories, prepayments, encumbrances outstanding, debt service and principal endowment as fund balance reservations in the governmental funds.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

M. Long-Term Obligations

Long-term obligations for general obligation bonds, vested sick and vacation leave and any claims or judgment that are expected to be paid from the governmental funds are shown in the general long-term obligations account group, while those expected to be paid from proprietary funds are shown as a liability of those funds.

N. Estimates

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

O. Prepayments

Prepayments for governmental funds represent cash disbursements, which have occurred and are, therefore, not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carry value of the asset.

P. Total Columns on the General Purpose Financial Statements

Total columns on the GPFS are captioned "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 GAAP. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

CLINTON COUNTY, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The following funds had deficit fund balances as of December 31, 2002:

	<u>Deficit Fund Balances</u>
<u>Special Revenue Funds</u>	
Dog and Kennel	\$ 38,960
Clinton County Park Board	9,625
<u>Debt Service Fund</u>	
Human Services Bond Retirement	275,920
<u>Capital Projects Funds</u>	
Public Services Office Construction	2,591,471
Building Improvement	1,110,152
Martinsville-Midland Sanitary Project	46,390

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the Dog and Kennel and Clinton County Park Board special revenue funds are primarily due to the recognition of short-term interfund loans as a fund liability rather than as an "other financing source". These deficits will be eliminated as resources become available to repay these interfund loans.

The deficit fund balances in the Human Services Bond Retirement debt service fund and the Public Services Office Construction and Building Improvement capital projects funds is primarily due to the reporting of bond anticipation notes and related accrued interest payable as a liability in the funds which received the proceeds. These deficit fund balances will be alleviated as resources become available to pay off the bond anticipation notes.

CLINTON COUNTY, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY - (Continued)

B. Agency Funds

The following are accruals for the agency funds, which, in other fund types, would be recognized in the combined balance sheet:

ASSETS

Special assessments receivable	\$ 126,032
Real and other taxes receivable	29,509,566
Due from other governments	<u>2,812,505</u>
Total	<u>\$ 32,448,103</u>

LIABILITIES

Deposits held and due to others	\$ 32,309,456
Due to other governments	127,478
Accounts payable	7,897
Due to other funds	<u>3,272</u>
Total	<u>\$ 32,448,103</u>

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

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

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

Moneys held by the County, which are not considered active, are classified as inactive. Inactive moneys may be deposited or invested in the following securities:

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed 25% of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

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

Cash on Hand: At year-end, the County had \$6,551 in undeposited cash on hand, which is included on the combined balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the County's deposits, including non-negotiable certificates of deposit and cash with fiscal and escrow agents, was \$7,523,368 and the bank balance, including non-negotiable certificates of deposit and cash with fiscal and escrow agents, was \$8,186,906. Of the bank balance:

1. \$893,718 was covered by federal depository insurance; and
2. \$7,293,188 was uninsured and uncollateralized as defined by GASB, even though it was covered by collateral held by third party trustees, pursuant to Ohio Revised Code Section 135.181, in single institution collateral pools securing all public funds on deposits with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

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

Investments: The County's investments are required to be categorized to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. U.S. government money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Federal agency securities	\$ 1,914,106	\$ 1,914,106	\$ 1,914,106
U.S. Treasury note	55,696	55,696	55,696
Repurchase agreements	1,392,152	1,392,152	1,392,152
Total	\$ 3,361,954		
U. S. Government money market mutual funds		439,421	439,421
Total investments		\$ 3,801,375	\$ 3,801,375

The classification of cash and cash equivalents on the combined 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".

A reconciliation between the classifications of pooled cash and investments on the combined balance sheet and the classifications of deposits, investments and cash on hand presented in this footnote is as follows:

A summary of deposits, investments and cash on hand as of December 31, 2002 follows:

Deposits	\$ 7,523,368
Investments	3,801,375
Cash on Hand	6,551
Total	\$ 11,331,294

CLINTON COUNTY, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

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

The above amounts are classified in the Combined Balance Sheet as follows:

Equity in Pooled Cash and Cash Equivalents	\$ 10,644,639
Cash with Fiscal and Escrow Agents	<u>686,655</u>
Total	<u>\$ 11,331,294</u>

B. Component Unit

At December 31, 2002, the carrying amount of the component unit's demand deposits, including nonnegotiable certificates of deposit, was \$2,540,832 and the bank balance, including nonnegotiable certificates of deposit, was \$2,654,393. Of the bank balance, \$187,947 was insured by the FDIC, and \$2,466,446 was covered by collateral held by a third party trustee, pursuant to Ohio Revised Code Section 135.181, in collateralized pools securing on public funds on deposit with specific depository institutions. The component unit had \$100 of cash on hand at December 31, 2002, which is included in "Equity in Pooled Cash and Cash Equivalents". At December 31, 2002, the component unit had an investment in the amount of \$45,604 in a money market mutual fund. Money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances, related to items other than charges for goods and services rendered, at December 31, 2002, consist of the following individual fund receivables and payables:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$ 84,225	\$ -
<u>Special Revenue Funds</u>		
Dog and Kennel	-	44,000
County Recorder Equipment	-	8,481
Clinton County Park Board	-	28,104
<u>Debt Service Fund</u>		
Special assessment	-	3,640
Total	<u>\$ 84,225</u>	<u>\$ 84,225</u>

- B. Interfund balances, related to charges for goods and services rendered, at December 31, 2002, consist of the following amounts due to and due from other funds:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 912	\$ 675
<u>Special Revenue Funds</u>		
Motor Vehicle and Gas Tax	900	-
Children Services	3,272	-
Dog and Kennel	-	879
Ditch Maintenance	-	258
<u>Agency Fund</u>		
Clinton County Family and Children First	-	3,272
Total	<u>\$ 5,084</u>	<u>\$ 5,084</u>

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

C. The following is a summarized breakdown of the County's operating transfers for 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 122,259
<u>Special Revenue Funds</u>		
Solid Waste Management District	-	103
Child Support Enforcement Agency	96,059	-
Sick/Vacation Payout	11,200	-
Litter Control and Recycling	103	-
<u>Debt Service Funds</u>		
Bond Retirement/Department of Human Services	40,530	-
C.M. Hospital Bond Retirement	-	10,934
Courthouse Improvement Bond Retirement	-	5,052
County Building Improvement	5,580	-
By-Pass Jail Bond	359,508	-
Public Services Agencies Office Debt Fund	-	131,790
<u>Capital Projects Funds</u>		
Permanent Improvement	15,000	-
Jail	-	359,508
Public Services Agencies Office Construction	91,260	-
<u>Expendable Trust Fund</u>		
Unclaimed Monies	<u>10,406</u>	<u>-</u>
Total	<u>\$ 629,646</u>	<u>\$ 629,646</u>

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied on April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are currently 25% of true value. The assessed value upon which taxes were collected in 2002 was \$746,815,910. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2002, was \$9.30 per \$1,000 of assessed valuation.

Real property taxes for tax year 2002, are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

Tangible personal property taxes for unincorporated and single county businesses are due semi-annually with the first payment due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 45 days for the first half. The due date for the entire tax for inter-county businesses is September 20. The first \$10,000 of taxable value is exempt from taxation for each business by state law. The lien date is either December 31 or the end of the fiscal year (for incorporated businesses in operation more than one year). Since each business files a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 6 - PROPERTY TAXES - (Continued)

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectibles) and real and public utility taxes, which were measurable as of the year-end. Since the current levy is not intended to finance 2003 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2003 are shown as 2002 revenue; the remainder are shown as "Deferred Revenue".

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

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited entirely to the general fund and special revenue funds. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue to the extent that they are intended to finance fiscal 2002 operations. Sales and use tax revenue for 2002 amounted to \$4,006,167.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 8 - RECEIVABLES

Receivables at December 31, 2002, consisted of taxes, interest, accounts (billings for user charged services), special assessments, short-term interfund loans, interfund transactions related to charges for goods and services rendered and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the combined balance sheet and all interfund transactions related to charges for goods and services rendered have been classified as "Due From Other Funds" on the combined balance sheet. Receivables have been recorded to the extent eligibility requirements have been met by year-end and the amounts are measurable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>General Fund</u>	
Sales taxes	\$ 586,807
Real and other taxes	1,569,510
Accounts	22,529
Accrued interest	68,569
Interfund loans	84,225
Due from other funds	912
Intergovernmental	451,305
<u>Special Revenue Funds</u>	
Sales taxes	4,453
Real and other taxes	122,161
Accounts	18,041
Special assessments	42,283
Due from other funds	4,172
Intergovernmental	2,516,580
<u>Debt Service Funds</u>	
Real and other taxes	200,781
Accounts	9,442
Intergovernmental	28,083

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

8 - RECEIVABLES - (Continued)

<u>Fund/Description</u>	<u>Amount</u>
<u>Capital Projects Funds</u>	
Real and other taxes	160,810
Interfund loans	20,000
Intergovernmental	8,070
<u>Internal Service Fund</u>	
Accounts	193,423

NOTE 9 - FIXED ASSETS

A. General Fixed Assets Account Group

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance at</u> <u>01/01/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/02</u>
Land and improvements	\$ 310,170	\$ 45,000	\$ -	\$ 355,170
Building and improvements	15,762,380	-	-	15,762,380
Furniture, fixtures and equipment	3,370,141	557,425	(77,172)	3,850,394
Vehicles	1,987,220	336,782	(91,588)	2,232,414
Construction in process	1,855,368	1,547,461	-	3,402,829
Total	<u>\$ 23,285,279</u>	<u>\$ 2,486,668</u>	<u>\$ (168,760)</u>	<u>\$ 25,603,187</u>

The construction in process at December 31 represents costs incurred as of December 31, 2002, to construct a new facility for the Public Services Offices.

B. Component Unit Fixed Assets

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

	<u>Balance at</u> <u>01/01/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/02</u>
Furniture, fixtures and equipment	\$ 1,014,291	\$ 97,331	\$ (364,962)	\$ 746,660
Vehicles	513,392	-	(231,561)	281,831
Total	<u>\$ 1,527,683</u>	<u>\$ 97,331</u>	<u>\$ (596,523)</u>	<u>\$ 1,028,491</u>

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 10 - VACATION AND SICK LEAVE LIABILITY

The non-current portion of vested vacation and sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group. The current portion (paid within the 60 days after year-end) are recorded as liabilities of the fund from which the employee is paid. The liability is reported as “Compensated Absences Payable” on the combined financial statements.

Upon termination of County service, an employee is entitled to all accumulated vacation. Retiring employees are also entitled to 25% of their accumulated sick leave up to a maximum of 30 days for employees with 10 to 20 years of service and 45 days for employees with greater than 20 years of service. At December 31, 2002, vested benefits for vacation leave for governmental fund type employees, excluding component units, totaled \$537,291 and vested benefits for sick leave totaled \$62,440. In accordance with GASB Statement No. 16, a liability of \$181,197 was also accrued to record termination (severance) payments for employees expected to become eligible to retire in the future. These amounts represent the non-current portion of vested benefits and are reported in the general long-term obligations account group.

NOTE 11 - LONG TERM OBLIGATIONS

A. The County’s long-term obligations at year-end and a schedule of current year activity are as follows:

	Balance at 01/01/02	2002 Additions	2002 Principal Retirement	Balance at 12/31/02
<u>Classification</u>				
General obligation bonds	\$ 5,425,000	\$ -	\$ (280,000)	\$ 5,145,000
Special assessment bond	76,000	-	(7,624)	68,376
Compensated absences	667,604	113,324	-	780,928
Total general long-term obligations	\$ 6,168,604	\$ 113,324	\$ (287,624)	\$ 5,994,304

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

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 11 - LONG TERM OBLIGATIONS - (Continued)

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

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

B. General Obligation Bonds

The following is a description of the County's general obligation bonds that were outstanding as of December 31, 2002:

<u>Description</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance at 01/01/02</u>	2002		<u>Balance at 12/31/02</u>
					<u>2002 Issues</u>	<u>Principal Retirement</u>	
County Buildings Improvement Bond	07/14/93	06/01/08	5.42%	\$ 700,000	\$ -	\$ (80,000)	\$ 620,000
Bypass/Jail Construction Bond	12/01/99	12/01/19	4.0-5.75%	<u>4,725,000</u>	-	<u>(200,000)</u>	<u>4,525,000</u>
Total				<u>\$ 5,425,000</u>	<u>\$ -</u>	<u>\$ (280,000)</u>	<u>\$ 5,145,000</u>

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

<u>Year Ending</u>	<u>General Obligation Bonds</u>			<u>Special Assessment Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 285,000	\$ 266,899	\$ 551,899	\$ 8,096	\$ 4,297	\$ 12,393
2004	315,000	253,220	568,220	8,598	3,799	12,397
2005	325,000	238,036	563,036	9,132	3,248	12,380
2006	340,000	222,131	562,131	9,698	2,674	12,372
2007	360,000	205,124	565,124	10,299	2,065	12,364
2008-2012	1,385,000	794,062	2,179,062	22,553	2,152	24,705
2013-2017	1,435,000	450,030	1,885,030	-	-	-
2018-2019	<u>700,000</u>	<u>60,489</u>	<u>760,489</u>	-	-	-
Total	<u>\$ 5,145,000</u>	<u>\$2,489,991</u>	<u>\$7,634,991</u>	<u>\$ 68,376</u>	<u>\$ 18,235</u>	<u>\$ 86,611</u>

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 11 - LONG TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to 3% of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000 plus 2-1/2% of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$12,547,617 as of December 31, 2002.

NOTE 12 - NOTES PAYABLE

A. Bond Anticipation Notes Payable

During fiscal year 2002, the County issued \$4,000,000 in bond anticipation notes. Proceeds of \$2,600,000 were reported in the Public Services Office Construction capital projects fund and were used to retire \$2,600,000 in previously issued bond anticipation notes. Proceeds of \$270,000 were reported in the Human Services Bond Retirement debt service fund and were used to retire previously issued bond anticipation notes in the amount of \$300,000. Proceeds of \$1,130,000 was reported in the Building Improvement capital projects fund and will be used to finance the addition to the Annex, and was used to retire \$1,000,000 in previously issued bond anticipation notes. Bond anticipation notes are reported as liabilities of the capital projects and debt service funds, the funds which received the proceeds. The following is a summary of the bond anticipation note activity during fiscal year 2002:

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 12 - NOTES PAYABLE - (Continued)

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 01/01/02</u>	<u>2002 Issues</u>	<u>2002 Principal Retirement</u>	<u>Balance at 12/31/02</u>
<u>Human Services Bond Retirement Fund</u>						
Property Acquisition and Renovation - 3.51%	05/17/01	05/17/02	\$ 300,000	\$ -	\$ (300,000)	\$ -
Property Acquisition and Renovation - 3.51%	05/17/02	05/17/03	<u>-</u>	<u>270,000</u>	<u>-</u>	<u>270,000</u>
			<u>300,000</u>	<u>270,000</u>	<u>(300,000)</u>	<u>270,000</u>
<u>Public Services Office Construction Fund</u>						
Property Acquisition and Renovation - 3.51%	05/17/01	05/17/02	2,600,000	-	(2,600,000)	-
Property Acquisition and Renovation - 3.51%	05/17/02	05/17/03	<u>-</u>	<u>2,600,000</u>	<u>-</u>	<u>2,600,000</u>
			<u>2,600,000</u>	<u>2,600,000</u>	<u>(2,600,000)</u>	<u>2,600,000</u>
<u>Building Improvement Fund</u>						
Annex Addition - 3.14%	07/18/01	07/18/02	1,000,000	-	(1,000,000)	-
Annex Addition - 3.14%	06/18/02	06/19/03	<u>-</u>	<u>1,130,000</u>	<u>-</u>	<u>1,130,000</u>
			<u>1,000,000</u>	<u>1,130,000</u>	<u>(1,000,000)</u>	<u>1,130,000</u>
Total			<u>\$ 3,900,000</u>	<u>\$ 4,000,000</u>	<u>\$ (3,900,000)</u>	<u>\$ 4,000,000</u>

B. General Obligation Note Payable

During fiscal year 2002, the County issued a general obligation note for \$750,000. The proceeds were reported in the general fund and will be used to fund various County improvements. The following is a summary of the general obligation note activity during fiscal 2002:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 01/01/02</u>	<u>2002 Issues</u>	<u>Principal Retirement</u>	<u>Balance at 12/31/02</u>
<u>General Fund</u>						
Various County Improvements	11/20/02	05/16/03	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - RISK MANAGEMENT

A. General Insurance

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

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

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

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

B. Health Care, Vision and Dental Insurance

The County has established a Risk Management Fund (an internal service fund) to account for and finance its health care, vision and dental benefits. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$20,000 per person per year to a group claims maximum. The County purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - RISK MANAGEMENT - (Continued)

All funds of the County participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The third party administrators (Humana Insurance Company for health care and vision and Employer Group Health for dental) review, and the County pays, all claims. The liability for unpaid claims of \$136,537 reported in the Risk Management Fund at December 31, 2002, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in the balances of the self insurance claims liabilities during the past two years are as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at Year End</u>
2002	\$ 167,173	\$ 2,158,540	\$(2,189,176)	\$ 136,537
2001	16,014	1,813,444	(1,662,285)	167,173

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All County full-time employees, other than teachers, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic 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 state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2002 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 8.55% was the portion used to fund pension obligations for 2002. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 11.70% was the portion used to fund pension obligations for 2002. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The County's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$969,581, \$918,184, and \$696,784, respectively; 72.41% has been contributed for 2002 and 100% for 2001 and 2000. \$267,489, representing the unpaid contribution for 2002, is recorded as a liability within the respective funds.

B. State Teachers Retirement System of Ohio

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2002 Comprehensive Annual Financial Report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions for pension obligations to STRS Ohio for the years ended December 31, 2002, 2001, and 2000 were \$24,682, \$21,031, and \$15,410, respectively; 98.33% has been contributed for 2002 and 100% for the years 2001 and 2000. \$412, representing the unpaid contributions for 2002, is recorded as a liability within the respective funds.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2002 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2002 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The County's contribution actually made to fund postemployment benefits was \$357,779.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

As of December 31, 2001 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively, at December 31, 2001 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2001 (the latest information available) was 402,041.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

In December 2001, the OPERS Board adopted the Health Care “Choices” Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2002, Comprehensive Annual Financial Report.

B. State Teachers Retirement System of Ohio

Comprehensive health care benefits are provided to retired teachers and their dependents through the STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the State Teachers Retirement Board based on authority granted by State statute.

All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund equal to 4.5% of covered payroll for the fiscal year ended June 30, 2002. Effective July 1, 2002, 1% of covered payroll was allocated to the Health Care Stabilization Fund. For the County, this amount equaled \$7,934 during calendar year 2002. As of June 30, 2002, the balance in the Health Care Stabilization Fund was \$3.011 billion and eligible benefit recipients totaled 105,300 for STRS Ohio as a whole. For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354.697 million.

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

The County's budgetary process is based upon accounting for transactions on the cash (budget) basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are that revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, the County reflects outstanding encumbrances as expenditures on the budgetary basis of accounting. 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 Uses**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 242,974	\$(1,349,788)	\$ 432,459	\$(2,477,743)
Net adjustment for revenue accruals	(91,818)	(247,090)	(14,371)	29,588
Net adjustment for expenditure accruals	(282,753)	331,311	4,033,725	299,250
Net adjustment for other financing sources/(uses) accruals	(733,071)	(8,481)	(3,973,900)	(29,740)
Encumbrances/(budget basis)	<u>252,493</u>	<u>284,655</u>	<u>-</u>	<u>542,235</u>
GAAP basis	<u><u>\$ (612,175)</u></u>	<u><u>\$ (989,393)</u></u>	<u><u>\$ 477,913</u></u>	<u><u>\$(1,636,410)</u></u>

CLINTON COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 17 - CONTINGENCIES

A. Grants

The County receives significant financial assistance from numerous federal and state agencies in the forms of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2002.

B. Litigation

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, no material liability is anticipated.

NOTE 18 - CONDUIT DEBT OBLIGATIONS

The County has served as the issuer of \$14,298,685 in industrial revenue bonds. The proceeds were used by private corporations and community organizations to fund various endeavors. The industrial revenue bonds do not constitute a general obligation, debt or bonded indebtedness of the County. Neither is the full faith and credit to taxing power of the County pledged to make repayment. As of December 31, 2002, \$13,924,525 was still outstanding.

To provide for the financing of certain expenditures at Clinton Memorial Hospital, the Hospital has issued special facility revenue bonds. These consist of \$3,800,000 in 1992 Clinton County, Ohio, Variable Rate Demand Hospital Improvement Revenue Bonds, with final maturity in February, 2012. These bonds do not constitute a debt or pledge of the faith and credit of the County and have not been reported in the accompanying financial statements. As of December 31, 2002, \$2,500,000 was still outstanding.

CLINTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grantor/Pass Through Grantor Program Title	Fund	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Educational Handicapped Act, Title VI B	004	84.027	\$3,229
Early Childhood Development	004	84.173	<u>650</u>
Total Special Education Cluster			<u>3,879</u>
Total U.S. Department of Education			<u>3,879</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Title XX - Social Services	004	93.667	22,575
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program - Title XIX:			
Community Alternative Funding System (CAFS)	004, 107	93.778	331,648
Residential Facility Waiver	107	93.778	<u>795,656</u>
			1,127,304
Total U.S. Department of Health and Human Services			<u>1,149,879</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Public Safety</i>			
Pavement Marking Program	010	20.205	52,911
Hazardous Materials Emergency Preparedness	810	20.703	<u>4,000</u>
Total U.S. Department of Transportation			<u>56,911</u>
			(Continued)

CLINTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Passed Through Ohio Department of Development

Community Development Block Grant	110	14.228	143,330
Home Investment Partnership	110	14.239	<u>3,118</u>
Total U.S. Department of Housing and Urban Development			<u>146,448</u>

U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY

Passed Through Ohio Adjucant General's Emergency

Pre-Disaster Mitigation Program	118	83.557	11,443
Emergency Management Performance	225	83.552	<u>27,629</u>
Total U.S. Department of Federal Emergency Management Agency			<u>39,072</u>

U.S. DEPARTMENT OF LABOR

Passed Through Ohio Department of Jobs and Family Services

Workforce Investment Act Cluster:

Workforce Investment Act - Adult			125,639
Workforce Investment Act - Adult Administrative			<u>4,454</u>
Workforce Investment Act - Adult Total	N/A	17.258	130,093
Workforce Investment Act - Youth			101,440
Workforce Investment Act - Youth Administrative			<u>3,877</u>
Workforce Investment Act - Youth Total	N/A	17.259	105,317
Workforce Investment Act - Dislocated Workers			98,835
Workforce Investment Act - DW, Rapid Response			380,000
Workforce Investment Act - National Emergency, RR			170,000
Workforce Investment Act - Dislocated Workers Administrative			<u>18,294</u>
Workforce Investment Act - Dislocated Workers Total	N/A	17.260	667,129
Total Workforce Investment Act Cluster			<u>902,539</u>
Total U.S. Department of Labor			<u>902,539</u>
Total Federal Expenditures			<u>\$2,298,728</u>

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

CLINTON COUNTY

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

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

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Auditor of State Betty Montgomery

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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the financial statements of Clinton County, Ohio (the County), as of and for the year ended December 31, 2002, and have issued our report thereon dated September 10, 2003. 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 Clinton 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 instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as items 2002-01 and 2002-02. We also noted certain immaterial instances of noncompliance that we have reported to the management of the County in a separate letter dated September 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clinton 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clinton County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001, 2002-02 and 2002-03. We also noted certain immaterial instances of noncompliance that we have reported to the management of the County in a separate letter dated September 10, 2003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also 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 September 10, 2003

This report is intended for the information and use of the County's elected officials, management, 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.



Betty Montgomery
Auditor of State

September 10, 2003



Auditor of State Betty Montgomery

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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

Compliance

We have audited the compliance of Clinton County, Ohio 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 program for the year ended December 31, 2002. The Clinton 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 each of its major federal programs is the responsibility of the Clinton County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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 Clinton 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 Clinton County's compliance with those requirements.

As described in item 2002-004 in the accompanying schedule of findings, the County did not comply with requirements regarding subrecipient monitoring that are applicable to its Workforce Investment Act: National Emergency and Rapid Response Grant. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

Internal Control Over Compliance

The management of the Clinton 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 Clinton 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.

We noted a certain matter involving the internal control over compliance and its operation 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 judgment, could adversely affect 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 2002-004.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 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. We consider Finding 2002-04 to be a material weakness.

This report is intended for the information and use of the County's elected officials, management, 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.



Betty Montgomery
Auditor of State

September 10, 2003

**CLINTON COUNTY
DECEMBER 31, 2002**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	93.778: Medical Assistance Program-Title XIX: CAFS 93.778: Residential Facility Waiver 17.258, 17.259, 17.260: Workforce Investment Act Cluster
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2002-001

Noncompliance/Reportable Condition

Ohio Revised Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds had disbursements that exceeded appropriations in the following funds:

	Appropriations	Disbursements	Variance
Dog and Kennel Fund	\$97,013	\$99,946	\$2,933
Bond Retirement #2 Fund	\$0	\$10,934	\$10,934
Court House Improvement B.R. Fund	\$0	\$5,052	\$5,052
Public Services Agency Building B.R. Fund	\$180,000	\$3,001,790	\$2,821,790
Permanent Improvement Fund	\$212,834	\$223,661	\$10,827

Three of the above variances were due to transfers not being appropriated and one of the variances is due to the roll over of a debt issue not being appropriated. The County should appropriate for all transfers and re-issuances of debt.

FINDING NUMBER 2002-002

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(D), prohibits a subdivision or taxing unit from making any contract or giving any order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs to be signed only by the subdivisions fiscal officer. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the Auditor may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

Twenty percent of the expenditures tested were greater than \$1,000 and were not certified by the County Auditor and were not encumbered until the time of payment and neither of the aforementioned exceptions were utilized. Every effort should be made by the County to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending funds.

FINDING NUMBER 2002-003

Reportable Condition

Fixed Assets

Items were added and disposed from the County's fixed asset listings that were missing or never assigned an inventory tag number. The County should track their fixed assets by assigning each qualifying item a specific tag number. Without properly tagging fixed assets, the items may not be properly recorded or accounted for. Correctly tagging fixed assets will provide the County with an accurate means of tracking fixed assets.

Fixed asset disposal forms were non-existent for items listed as dispositions. The County should maintain an accurate record of all inventoried items that are disposed of during the year. A disposition form should be required that includes supervisory approval for any fixed asset disposals. Recording all disposals assures the County that their fixed asset records are current and accurate, and that all disposals were of supervisory specific items.

Departmental listings of fixed assets were not all inclusive of qualified items purchased. Each department should be educated on the County's fixed asset policy and instructed of how to accurately record fixed assets purchased during the year. By each department recording all qualified assets, the County will have an up to date and accurate record of total fixed assets.

The Geographic Information System (GIS) department's fixed assets have never been added to the County's fixed asset listing. The Department was created by the County approximately four years ago. A record has never been maintained by the department head as to the expenditures made that would qualify as fixed assets under the county's fixed asset guidelines. Without a complete fixed asset listing, the County's fixed assets could be recorded inaccurately. Each department head should maintain a complete and accurate inventory of all expenditures that qualify as fixed assets by the County and turn the listing into the Auditor's office annually.

Clinton County will be required to implement the GASB 34 reporting model for their fiscal year 2003 audit. This implementation will require the County to have a complete and accurate financial presentation of their fixed assets, including infrastructure. GASB 34 also requires charging depreciation expense to functions. Therefore, each asset in the fixed asset listing should include the estimated life, salvage value and the program or function using the asset. Therefore, the County should ensure that their fixed assets are complete and accurate.

3. FINDINGS FOR FEDERAL AWARDS	
Finding Number	2002-004
CFDA Title and Number	Workforce Investment Act: CFDA # 17.260 National Emergency CFDA # 17.260 Rapid Response
Federal Agency	United States Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

FINDING NUMBER 2002- 004

Noncompliance and Reportable Condition

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

Clinton County Jobs and Family Services did not adequately monitor its subrecipient's use of federal funds for all the Workforce Investment Act's, (WIA), funding streams. Reports were not monitored from the County's subrecipient for the National Emergency and Rapid Response segments of the Workforce Investment Act Grant. As a result, the County could not ensure its subrecipient was using these WIA funds for authorized purposes in compliance with the provisions of the grant.

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

CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-60414-001	The County did not have procedures in place to monitor their self insurance fund.	No	Partially corrected. Reissued in the 2002 management letter.



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FINANCIAL CONDITION

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 7, 2003**