



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying general-purpose financial statements of Auglaize County, (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 Auglaize County, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types and component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 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 schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. 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". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 27, 2003

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**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets				
Equity in pooled cash and cash equivalents	\$3,871,711	\$6,016,804	\$3,608,434	\$4,122,696
Cash and cash equivalents in segregated accounts				
Receivables:				
Real and other taxes:				
Property taxes	1,791,416	2,314,109	85,987	
Sales taxes	338,924	282,341		225,949
Accounts (net of allowance)	57,222	122,864	2,424	
Special assessments			2,903,371	
Accrued interest	19,624			
Due from other funds	101,571	16,992		
Due from other governments	237,480	1,201,039		1,000,000
Notes Receivable	67,200			
Prepayments	141,167	37,841		
Materials and supplies inventory	19,953	255,965		
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other Debits				
Amount available in debt service fund for retirement of general long-term obligations				
Amount available in debt service fund for retirement of special assessments long-term debt				
Amount to be provided for retirement of: general long-term debt special assessments				
Total assets and other debits	<u>6,646,268</u>	<u>10,247,955</u>	<u>6,600,216</u>	<u>5,348,645</u>
LIABILITIES, EQUITY, AND OTHER CREDITS				
Liabilities				
Accounts payable	102,944	470,710		5,210
Contracts Payable				527,683
Accrued wages	130,143	216,978		
Compensated absences payable	50,069	116,607		
Claims payable				
Due to other funds	2,217	25,431		
Due to other governments	128,625	318,313		27,500
Deferred revenue	1,755,285	2,866,808	2,980,735	1,000,000
Undistributed monies				
Notes payable				
Bonds payable:				
General obligation				
Special assessment				
Total liabilities	<u>2,169,283</u>	<u>4,014,847</u>	<u>2,980,735</u>	<u>1,560,393</u>
Fund Equity and Other Credits				
Investment in general fixed assets				
Contributed capital				
Retained earnings				
Fund balances:				
Reserved for taxes	36,131	45,291	1,734	
Reserved for special assessment		439	4,207	
Reserved for encumbrances	53,686	279,801		3,191,868
Reserved for supplies inventory	19,953	255,965		
Unreserved fund balance	4,367,215	5,651,612	3,613,540	596,384
Total fund equity and other credits	<u>4,476,985</u>	<u>6,233,108</u>	<u>3,619,481</u>	<u>3,788,252</u>
Total liabilities, equity and other credits	<u>\$6,646,268</u>	<u>\$10,247,955</u>	<u>\$6,600,216</u>	<u>\$5,348,645</u>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Total (Memorandum Only)	
Enterprise	Internal Service	Trust And Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	Component Units	Reporting Entity
\$440,950	\$208,122 200	\$2,486,628 896,127			\$20,755,345 896,327	\$554,071	\$21,309,416 896,327
		43,684,569			47,876,081 847,214		47,876,081 847,214
448,364	2,012	755,063			632,886 3,658,434 19,624	53,990	686,876 3,658,434 19,624
	9,846				128,409 2,438,519		128,409 2,438,519
26,250 3,439 26,807		91			93,450 182,538 302,725	1,000 19,139	93,450 183,538 321,864
4,407,068	439		24,952,188		29,359,695	133,780	29,493,475
				3,420,940	3,420,940		3,420,940
				192,600	192,600		192,600
				1,037,398 1,986,149	1,037,398 1,986,149		1,037,398 1,986,149
<u>5,352,878</u>	<u>220,619</u>	<u>47,822,478</u>	<u>24,952,188</u>	<u>6,637,087</u>	<u>113,828,334</u>	<u>761,980</u>	<u>114,590,314</u>
49,895	27,057				655,816 527,683	6,487	662,303 527,683
109,056	2,918				459,095	5,389	464,484
167,744	4,943			908,338	1,247,701 30,699	2,258	1,249,959 30,699
100,761					128,409		128,409
101,553	1,842	46,773,906			47,351,739 8,602,828	1,120 16,795	47,352,859 8,619,623
		896,128			896,128		896,128
52,500				443,749	496,249		496,249
				3,550,000 1,735,000	3,550,000 1,735,000		3,550,000 1,735,000
<u>581,509</u>	<u>67,459</u>	<u>47,670,034</u>		<u>6,637,087</u>	<u>65,681,347</u>	<u>32,049</u>	<u>65,713,396</u>
5,323,430 (552,061)	151,996		24,952,188		24,952,188 5,323,430 (400,065)	18,532 711,399	24,952,188 5,341,962 311,334
					83,156 4,646		83,156 4,646
	1,164				3,526,519 275,918		3,526,519 275,918
		152,444			14,381,195		14,381,195
<u>4,771,369</u>	<u>153,160</u>	<u>152,444</u>	<u>24,952,188</u>		<u>48,146,987</u>	<u>729,931</u>	<u>48,876,918</u>
<u>\$5,352,878</u>	<u>\$220,619</u>	<u>\$47,822,478</u>	<u>\$24,952,188</u>	<u>\$6,637,087</u>	<u>\$113,828,334</u>	<u>\$761,980</u>	<u>\$114,590,314</u>

**AUGLAIZE COUNTY
FINANCIAL CONDITION**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary	Total
	General	Special	Debt	Capital	Expendable	(Memorandum
	Fund	Revenue	Service	Projects	Trust	Only)
						Primary
						Government
Revenues:						
Property taxes	\$1,895,262	\$2,617,762	\$112,386			\$4,625,410
Sales tax	2,202,298	1,833,377		1,468,199		5,503,874
Permissive tax		490,370				490,370
Charges for services	1,008,100	1,336,003				2,344,103
Licenses and permits	4,726					4,726
Fines and forfeitures	550,788	64,069				614,857
Intergovernmental	1,323,163	7,864,643	5,540	174,289		9,367,635
Special assessments		75,127	355,024	25,251		455,402
Investment Income	501,454	17,510	1,088		1,920	521,972
Other	53,040	367,680	88,141	44,993	43,142	596,996
Total Revenues	<u>7,538,831</u>	<u>14,666,541</u>	<u>562,179</u>	<u>1,712,732</u>	<u>45,062</u>	<u>24,525,345</u>
Expenditures:						
General government:						
Legislative & executive	2,165,457	390,243				2,555,700
Judicial	1,444,704	160,867				1,605,571
Public Safety	1,850,057	2,156,875			9,574	4,016,506
Public Works	147,511	4,239,596				4,387,107
Health	72,103	4,509,109			5,712	4,586,924
Human Services	215,552	3,950,723			26,659	4,192,934
Other expense	882,529	95,779				978,308
Capital Outlay				2,368,663		2,368,663
Debt Service:						
Principal retirement			961,479			961,479
Interest & fiscal charges			369,325			369,325
Total Expenditures	<u>6,777,913</u>	<u>15,503,192</u>	<u>1,330,804</u>	<u>2,368,663</u>	<u>41,945</u>	<u>26,022,517</u>
Excess of revenues over (under) expenditures	<u>760,918</u>	<u>(836,651)</u>	<u>(768,625)</u>	<u>(655,931)</u>	<u>3,117</u>	<u>(1,497,172)</u>
Other financial sources (uses)						
Proceeds from sale of fixed assets	1,600	10,094				11,694
Proceeds from notes				13,391		13,391
Operating transfers in	48,116	852,270				900,386
Operating transfers out	(152,227)	(743,027)	(44)		(5,088)	(900,386)
Other financing sources	194,689	341,669	4			536,362
Other financing uses	(470,270)	(131,747)	(550)		(93)	(602,660)
Total other financing sources (uses)	<u>(378,092)</u>	<u>329,259</u>	<u>(590)</u>	<u>13,391</u>	<u>(5,181)</u>	<u>(41,213)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>382,826</u>	<u>(507,392)</u>	<u>(769,215)</u>	<u>(642,540)</u>	<u>(2,064)</u>	<u>(1,538,385)</u>
Fund balance at beginning of year	<u>4,097,903</u>	<u>6,705,525</u>	<u>4,388,696</u>	<u>4,430,792</u>	<u>154,508</u>	<u>19,777,424</u>
Increase in reserve for inventory	<u>(3,744)</u>	<u>34,975</u>				<u>31,231</u>
Fund balance at end of year	<u>\$4,476,985</u>	<u>\$6,233,108</u>	<u>\$3,619,481</u>	<u>\$3,788,252</u>	<u>\$152,444</u>	<u>\$18,270,270</u>

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

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**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property taxes	\$1,823,200	\$1,901,444	\$78,244	\$2,653,115	\$2,637,152	(\$15,963)
Sales and permissive sales and use taxes	2,252,683	2,241,257	(11,426)	2,265,000	2,354,582	89,582
Charges for services	968,800	1,017,110	48,310	1,222,000	1,316,500	94,500
Licenses and permits	4,040	4,726	686			
Fines and forfeitures	425,000	538,656	113,656	69,500	63,311	(6,189)
Intergovernmental	1,277,500	1,314,857	37,357	8,475,047	7,987,717	(487,330)
Special assessments				72,000	75,037	3,037
Investment income	600,000	592,012	(7,988)	31,200	18,185	(13,015)
Other	40,000	53,062	13,062	400,116	359,633	(40,483)
Total Revenues	7,391,223	7,663,124	271,901	15,187,978	14,812,117	(375,861)
Expenditures:						
General Government						
Legislative and executive	2,892,791	2,282,115	610,676	564,657	399,572	165,085
Judicial	1,609,896	1,444,925	164,971	385,264	290,275	94,989
Public Safety	2,017,753	1,949,335	68,418	2,906,833	2,138,541	768,292
Public Works	255,235	160,605	94,630	5,090,280	4,410,700	679,580
Health	74,965	67,714	7,251	4,859,594	4,547,869	311,725
Human Services	424,435	224,372	200,063	5,006,225	4,146,477	859,748
Other (miscellaneous)	1,010,000	921,383	88,617	210,876	164,009	46,867
Capital outlay						
Debt service:						
Principal retirement						
Interest						
Total Expenditures	8,285,075	7,050,449	1,234,626	19,023,729	16,097,443	2,926,286
Excess of revenues over (under) expenditures	(893,852)	612,675	1,506,527	(3,835,751)	(1,285,326)	2,550,425
Other financing sources (uses):						
Proceeds of bonds and notes						
Advance out	(100,000)	(100,000)				
Operating transfers in		48,116	48,116	725,000	852,270	127,270
Operating transfers out	(202,400)	(152,227)	50,173	(862,866)	(743,027)	119,839
Other Sources	366,447	377,589	11,142	489,500	312,332	(177,168)
Gain on sale of fixed assets	1,000	1,600	600	-	10,094	10,094
Other uses	(552,147)	(470,847)	81,300	(290,101)	(151,906)	138,195
Total other financing Sources & uses	(487,100)	(295,769)	191,331	61,533	279,763	218,230
Excess of revenues and other sources over (under) expenditures and other uses	(1,380,952)	316,906	1,697,858	(3,774,218)	(1,005,563)	2,768,655
Fund balance at beginning of year	3,305,756	3,305,756		5,343,924	5,343,924	
Prior year encumbrances	78,963	78,963		905,017	905,017	
Fund balance at end of year	\$2,003,767	\$3,701,625	\$1,697,858	\$2,474,723	\$5,243,378	\$2,768,655

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

Debt Service Funds			Capital Projects Funds			Expendable Trust Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$119,262	\$113,035	(\$6,227)						
			1,501,789	1,494,171	(7,618)			
	5,535	5,535	218,000	217,247	(753)			
360,300	351,146	(9,154)	250,000	25,342	(224,658)			
	1,088	1,088					1,985	1,985
79,000	86,036	7,036		2,036	2,036	45,007	43,142	(1,865)
558,562	556,840	(1,722)	1,969,789	1,738,796	(230,993)	45,007	45,127	120
						10,528	9,574	954
						79,525	6,352	73,173
						30,000	26,659	3,341
						36,145		36,145
			6,236,876	5,561,140	675,736			
981,800	961,479	20,321						
376,725	369,325	7,400						
1,358,525	1,330,804	27,721	6,236,876	5,561,140	675,736	156,198	42,585	113,613
(799,963)	(773,964)	25,999	(4,267,087)	(3,822,344)	444,743	(111,191)	2,542	113,733
				13,391	13,391			
(44)	(44)					(5,088)	(5,088)	
	4	4						
(6,000)	(550)	5,450					(93)	(93)
(6,044)	(590)	5,454		13,391	13,391	(5,088)	(5,181)	(93)
(806,007)	(774,554)	31,453	(4,267,087)	(3,808,953)	458,134	(116,279)	(2,639)	113,640
4,382,812	4,382,812		4,054,833	4,054,833		154,306	154,306	
			176,330	176,330		650	650	
\$3,576,805	\$3,608,258	\$31,453	(\$35,924)	\$422,210	\$458,134	\$38,677	\$152,317	\$113,640

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNIT (AIRPORT AUTHORITY)
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types		Total Primary Government	Airport Authority	Total
	Enterprise Funds	Internal Service	(Memorandum Only)		(Memorandum Only)
Operating Revenues:					
Charges for services	\$4,837,759	\$2,737,356	\$7,575,115	\$129,487	\$7,704,602
Intergovernmental				22,500	22,500
Other operating revenue				881	881
Total operating revenues	<u>4,837,759</u>	<u>2,737,356</u>	<u>7,575,115</u>	<u>152,868</u>	<u>7,727,983</u>
Operating Expenses:					
Personal services	3,905,277	93,025	3,998,302		3,998,302
Contract services	561,304	2,668,354	3,229,658	119,454	3,349,112
Materials and supplies	466,884	31,183	498,067	60,040	558,107
Depreciation	161,221	104	161,325	15,850	177,175
Other operating expenses	4,104		4,104	4,072	8,176
Total operating expenses	<u>5,098,790</u>	<u>2,792,666</u>	<u>7,891,456</u>	<u>199,416</u>	<u>8,090,872</u>
Operating (loss)	<u>(261,031)</u>	<u>(55,310)</u>	<u>(316,341)</u>	<u>(46,548)</u>	<u>(362,889)</u>
Non-operating expenses					
Loss on sale of fixed assets	(413)		(413)		(413)
Other non-operating income	46,272	2,922	49,194	26,113	75,307
Other non-operating expense	(9,183)	(244)	(9,427)		(9,427)
Interest Income				394	394
Capital Contributions	18,882		18,882		18,882
Total non-operating revenue (expenses)	<u>55,558</u>	<u>2,678</u>	<u>58,236</u>	<u>26,507</u>	<u>84,743</u>
Net Income (loss)	<u>(205,473)</u>	<u>(52,632)</u>	<u>(258,105)</u>	<u>(20,041)</u>	<u>(278,146)</u>
Depreciation on fixed assets acquired by contributed capital	23,392		23,392	1,600	24,992
Retained earnings/fund balances at January 1	<u>(369,980)</u>	<u>205,792</u>	<u>(164,188)</u>	<u>120,657</u>	<u>(43,531)</u>
Retained earnings/fund balances at December 31	<u>(552,061)</u>	<u>153,160</u>	<u>(398,901)</u>	<u>102,216</u>	<u>(296,685)</u>
Contributed capital at January 1	5,346,822		5,346,822	9,467	5,356,289
Depreciation on fixed assets acquired by contributed capital	<u>(23,392)</u>		<u>(23,392)</u>	<u>(1,600)</u>	<u>(24,992)</u>
Contributed capital at December 31	<u>5,323,430</u>		<u>5,323,430</u>	<u>7,867</u>	<u>5,331,297</u>
Total fund equity at December 31	<u>\$4,771,369</u>	<u>\$153,160</u>	<u>\$4,924,529</u>	<u>\$110,083</u>	<u>\$5,034,612</u>

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

**AUGLAIZE COUNTY
FINANCIAL CONDITION**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
DISCRETELY PRESENTED COMPONENT UNIT - AUGLAIZE INDUSTRIES, INC.
FOR THE YEAR ENDED DECEMBER 31, 2002**

Operating revenues:	
Charges for services	\$338,160
Vocational revenue	10,860
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Total revenue	349,020
	<hr/>
Cost of sales:	
Labor and employment taxes	241,621
Subcontracts	4,269
Repair and maintenance	32,006
	<hr/>
Total cost of sales	277,896
	<hr/>
Operating expenses:	
Community employment wages	51,223
Insurance	7,999
Depreciation	11,569
Professional fees	14,763
Membership dues	745
Administrative expenses	35,544
	<hr/>
Total operating expenses	121,843
	<hr/>
(Loss) from operations	(50,719)
	<hr/>
Non-operating revenues (expenses):	
Miscellaneous revenue	7,066
Loss on investments	(47,564)
Donations	159,756
Employee program revenue	23,106
Employee program expense	(23,715)
Unrestricted support	235,029
Expenditure of unrestricted support	(235,029)
	<hr/>
Total non-operating revenues (expenses)	118,649
	<hr/>
Net income (loss)	67,930
	<hr/>
Retained Earnings - January 1, 2002	541,253
Retained Earnings - December 31, 2002	609,183
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Contributed capital :	
Depreciation on fixed asset asset acquired by contributed capital	(3,555)
Contributed Capital - January 1, 2002	14,220
Contributed Capital - December 31, 2002	10,665
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Total Fund Equity - December 31, 2002	619,848
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The notes to the financial statements are an integral part of this statement.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED
COMPONENT UNITS (AIRPORT AUTHORITY AND AUGLAIZE INDUSTRIES)
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types		Total Primary Government (Memorandum only)	Component Units	Total (Memorandum Only)
	Enterprise Funds	Internal Service			
Operating Activities:					
Cash received from customers	\$4,794,230	\$89,147	\$4,883,377	\$458,393	\$5,341,770
Quasi-external transactions		2,635,148	2,635,148		2,635,148
Cash payments for employee services	(3,894,382)	(89,601)	(3,983,983)	(293,691)	(4,277,674)
Cash payments for contractual services	(501,170)		(501,170)		(501,170)
Cash payments for materials and supplies	(507,323)	(29,331)	(536,654)	(285,086)	(821,740)
Cash payments for claims		(2,636,582)	(2,636,582)		(2,636,582)
Other cash received		19,000	19,000	22,500	41,500
Other cash payments	(22,550)		(22,550)		(22,550)
Net cash used in operating activities	(131,195)	(12,219)	(143,414)	(97,884)	(241,298)
Capital and related financing activities:					
Acquisition of capital assets	(3,175)		(3,175)	(18,250)	(21,425)
Master plan expenses				14,347	14,347
Debt Service:					
Principal retirement	(15,118)		(15,118)	(14,579)	(29,697)
Net cash provided by (used in) capital and related financing activities	(18,293)		(18,293)	(18,482)	(36,775)
Noncapital Financing Activities:					
Advance In	100,000		100,000		100,000
Non-operating revenue	46,272	2,921	49,193	177,979	227,172
Non-operating disbursements	(9,181)	(244)	(9,425)		(9,425)
Net cash provided by noncapital financing activities	137,091	2,677	139,768	177,979	317,747
Investing Activities:					
Interest on cash equivalents				16,466	16,466
Net redemption of certificates of deposit				32,569	32,569
Net purchases of investments				(140,175)	(140,175)
Net cash provided used in investing activities				(91,140)	(91,140)
Increase (decrease) in cash and cash equivalents	(12,397)	(9,542)	(21,939)	(29,527)	(51,466)
Cash and cash equivalents at beginning of year	453,347	217,864	671,211	65,237	736,448
Cash and cash equivalents at end of year	440,950	208,322	649,272	35,710	684,982
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	(261,031)	(55,310)	(316,341)	(97,267)	(413,608)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	161,221	104	161,325	27,419	188,744
Changes in assets and liabilities:					
Supplies inventory	(2,903)		(2,903)	(4,987)	(7,890)
Accounts receivable	(43,529)	(239)	(43,768)	(20,862)	(64,630)
Intergovernmental	2,500		2,500		2,500
Due from other funds		6,178	6,178		6,178
Prepays	(415)		(415)		(415)
Claims and judgments payable		15,097	15,097		15,097
Accounts payable	2,307	18,530	20,837	(1,245)	19,592
Accrued wages and benefits	12,370	1,176	13,546	(847)	12,699
Compensated absences payable	377	2,103	2,480		2,480
Due to other governments	(195)	142	(53)	355	302
Due to other funds	(1,897)		(1,897)		(1,897)
Deferred revenue				(450)	(450)
Net cash provided by (used in) operating activities	(\$131,195)	(\$12,219)	(\$143,414)	(\$97,884)	(\$241,298)

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

1. DESCRIPTION OF THE ENTITY

Auglaize County, Ohio (The County) was formed by an act of the Legislature on February 14, 1848. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Probate/Juvenile and Domestic Relations Court Judge, and a Municipal County Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

A. Reporting Entity

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, effective for financial statements for periods beginning after December 15, 1992. The general-purpose financial statements (GPFS) include all funds, account groups, agencies, boards, commissions, and other component units for which Auglaize County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's general-purpose financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

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

Auglaize County Children's Services Board (CSB)

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

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

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

B. Discretely Presented Component Units

The component units columns in the GPFS include the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County. See Note 23 for additional information on these discretely presented component units.

Auglaize County Airport Authority

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

1. DESCRIPTION OF THE ENTITY (Continued)

Auglaize Industries, Inc.

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

C. Potential Component Units Reported As Agency Funds

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

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

D. Excluded Potential Component Units

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

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

The County is associated with the following risk pools, jointly governed organizations and joint ventures which are described in Notes 19 through 21.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

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

2. Proprietary Fund Types:

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

Enterprise Funds

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

Internal Service Funds

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

3. Fiduciary Fund Types:

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

Trust and Agency Funds

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

4. Account Groups:

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

General Fixed Assets Account Group

The general fixed assets account group is used to account for all fixed assets of the County, other than those fixed assets accounted for in the proprietary funds.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Long-Term Obligations Account Group

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

B. Measurement Focus and Basis Of Accounting

1. Primary Government

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

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

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

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

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

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

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: earnings on investments, sales tax (see Note 7), federal and state grants and entitlements, charges for current services, and fines and forfeitures. Major revenue sources not susceptible to accrual include licenses and permits which are not considered measurable until received.

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

Property taxes measurable as of December 31, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance 2003 operations, have also been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue.

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

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

2. Discretely Presented Component Units

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

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

C. Budgetary Process

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Tax Budget:

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

2. Estimated Resources:

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund.

Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount of available resources as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds reflect the amounts in the final amended official certificate of estimated resources during 2002.

3. Appropriations:

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

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during 2002. The budget amounts reported in the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds represent the final appropriation amounts, including all amendments and modifications.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Budgeted Level of Expenditures:

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

5. Encumbrances:

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

6. Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

During 2002, investments were limited to money markets, treasury notes, federal agency securities and STAROhio. Except for money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2002.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the County is required to credit all investment earnings to the General Fund, unless otherwise expressly required by law to allocate to other funds. Interest is distributed to the general fund, the motor vehicle gasoline tax special revenue fund, various capital project funds, the Auglaize School workshop bond retirement fund, the Treasurer's prepay agency fund and the Auglaize School Group Home expendable trust fund. Total investment revenue earned during 2002 was \$521,972. The General Fund was credited with \$501,454, and of this amount, \$425,582 was assigned from other funds.

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

E. Inventory of Supplies

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

F. Prepays and Deferrals

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

G. Interfund Assets and Liabilities

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short term interfund loans or the short-term portion of advances are classified as "interfund receivables/payables."

Long-term interfund loans are reported as "advances to" or "advances from" other funds and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

H. Fixed Assets and Depreciation

The fixed asset values were initially determined at December 31, 1990, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. The cost of interest on debt issued for construction in progress is not capitalized. The County maintains a capitalization threshold of five hundred dollars.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. General Fixed Assets Account Group

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

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

2. Enterprise Funds

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

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

3. Auglaize Industries

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

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

4. Auglaize Airport Authority

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will probably be paid as termination benefits. This item is discussed further in Note 15 to the General-Purpose Financial Statements.

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

J. Intergovernmental Revenues

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

K. Accrued Liabilities and Long-Term Debt

In general, governmental fund payables and accrued liabilities are reported as obligation of the funds regardless of whether they will be liquidated with current resources. Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment. For other long-term debt, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group (See Note 17). Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Contributed Capital

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

M. Reserves Of Fund Equity

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

N. Interfund Transactions

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

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

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

O. Use of Estimates

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

P. Total Columns on General-Purpose Financial Statements

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

3. ACCOUNTABILITY AND COMPLIANCE

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

Special Revenue Funds	Deficit
Recycle Grant	\$ 2,471
2001 Community Housing Improvement Program	6,390
DARE	440
2001 Community Development Block Grant	82,610
VOCA	54
2001 Home Funds	1,100
Internal Service Funds	
Police Rotary	2,074
Airport Rotary	1,779
Gas Rotary	602
Flex Spending	7,611

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

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

4. CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS

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

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

4. CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS (Continued)

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Funds				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$316,906	\$(1,005,563)	\$(774,554)	\$(3,808,953)	\$ (2,639)
Net adjustment for revenue accruals	(124,293)	(145,576)	5,339	(28,755)	(65)
Net adjustment for expenditure accruals	196,958	(111,903)	-	(508,009)	640
Net adjustment for other financing sources	(182,900)	29,337	-	2,691	-
Encumbrances	75,578	706,154	-	3,700,486	-
Net adjustment for other financing uses	<u>100,577</u>	<u>20,159</u>	<u>-</u>	<u>-</u>	<u>-</u>
GAAP Basis	<u>\$382,826</u>	<u>\$ (507,392)</u>	<u>\$(769,215)</u>	<u>\$ (642,540)</u>	<u>\$ (2,064)</u>

5. DEPOSITS AND INVESTMENTS

A. Primary Government

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes debentures, or any other obligation or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit, or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

Protection of the County's cash and investments is provided by the Federal Deposit Insurance Corporation (FDIC), federal government backed securities (United States Treasury), and qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110 percent of public funds deposited.

Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

At year-end, the County had \$165,795 in undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents and Cash and Cash Equivalents in Segregated Accounts". This amount is uninsured and uncollateralized.

Deposits - At year-end, the carrying amount of the County's deposits was \$13,231,970 and the bank balance was \$14,013,668. Of the bank balance, \$1,306,002 was covered by federal depository insurance; \$400,000 was covered by collateral held in joint custody with the public depository and the County; and \$12,307,666 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board because the collateral pledged by the financial institution or their trust departments or agents was not in the County's name.

Although the collateral was held by pledging financial institutions' trust department in the County's name and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the County to a successful claim by the FDIC.

The pledging bank has an investment and securities pool used to collateralize all public deposits. This pool had a market value at December 31, 2002, in excess of 110 percent of the public funds on deposit. Statutory provisions require that collateral pledged for deposits be held in trust by an institution other than the pledging bank or in collateral pools pledged to cover government deposits held by an institution.

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

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

STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Market/Carrying Value	Category 3
STAR Ohio	\$1,632,000	\$ -
Funds Invested by Fifth-Third Trust - US:		
Federal Home Loan Bank	1,244,948	1,244,948
Federal Home Loan Mortgage Corporation	2,135,894	2,135,894
United States Treasury Notes	379,688	379,688
Federal Farm Credit Bank	486,583	486,583
Federal National Mortgage Association	2,359,245	2,359,245
Money Market, US Treasury Obligation Fund	<u>15,549</u>	<u>15,549</u>
	<u>\$ 8,253,907</u>	<u>\$ 6,621,907</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 21,651,672	\$ -
Cash on Hand	(165,795)	-
Federal Home Loan Bank	(1,244,948)	1,244,948
Federal Home Loan Mortgage Corp	(2,135,894)	2,135,894
United States Treasury Notes	(379,688)	379,688
Federal Farm Credit Bank	(486,583)	486,583
Federal National Mortgage Association	(2,359,245)	2,359,245
STAR Ohio	(1,632,000)	1,632,000
Money Market, US Treasury Obligation Fund	<u>(15,549)</u>	<u>15,549</u>
GASB Statement No. 3	<u>\$ 13,231,970</u>	<u>\$ 8,253,907</u>

B. Component Units

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

At year end, the carrying amount of the Auglaize County Airport Authority deposits were \$18,009 and the bank balances were \$18,009. \$18,009 was covered by federal depository insurance. The balance of cash on hand at year end was \$100. The Auglaize County Airport Authority did not have any investments at year end.

Auglaize Industries, Inc. - At year end, the carrying amount of Auglaize Industries, Inc. deposits was \$17,600 and the bank balance was \$27,712. Of this amount, \$27,712 was covered by federal depository insurance. The investment securities are carried at fair market value. Of these securities, United States Government and Agency Obligations due after ten years have a fair value of \$292,138; Equity Securities, Mutual Funds have a fair value of \$205,605; and Federally Insured Certificate of Deposit have a fair value of \$20,619 with a cost of \$20,619. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporations.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	2002	Auglaize Industries
Fair Value at End of Year	\$8,253,907	\$ 497,743
Net Proceeds (Cost) of Investments	(175,997)	(140,175)
Value at beginning of year	<u>(8,080,943)</u>	<u>(421,204)</u>
Change in Fair Value of Investments	<u>\$ (3,033)</u>	<u>\$ (63,636)</u>

Investment income consists of the following components:

Interest and Dividends	\$ 525,005	\$ 16,072
Change in Fair Value of Investments	<u>(3,033)</u>	<u>63,636</u>
Total Investment Income	<u>\$ 521,972</u>	<u>\$ (47,564)</u>

6. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility property) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Tax Commissioner at 35 percent of appraised market value. All property is required to be revalued every six years. The last triennial update was completed in tax year 1999 (calendar year 2000). Real property taxes are payable annually or semiannually. The first payment is due February 15, with the remainder payable by July 14.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year.

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due October 20. Single-county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by October 20.

Public utility real, and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at one hundred percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

6. PROPERTY TAXES (Continued)

The accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2002. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2002 operations. The receivable and the portion of the tax levies prepaid by year end into the undivided general tax agency fund are therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2002, was \$7.37 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$ 503,023,320
Commercial/Industrial/Mineral	112,823,320
Public Utility Real	243,250
Tangible Personal Property:	
General	146,689,875
Public Utility	<u>28,533,510</u>
Total Assessed Value	<u>\$ 791,313,275</u>

7. PERMISSIVE SALES AND USE TAX

The County Commissioners by resolution imposed a one percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the permissive sales tax are to be credited to the General (60%) and to the Permanent Improvement Fund (40%). Amounts that have been collected by the State and are to be received in the available period have been accrued as revenue. This sales and use tax revenue for 2002 amounted to \$3,670,497. The General and Permanent Improvement Funds were credited with \$2,202,298 and \$1,468,199, respectively.

Additionally, on June 1, 1996, a voter approved one-half percent sales tax went into effect for ten years. This tax is used to finance the construction, maintenance and operation of a law enforcement facility. Sales and use tax revenue for 2002 amounted to \$1,833,377, which was credited to the Special Revenue Funds.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

8. INTERFUND TRANSACTIONS

As of December 31, 2002, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due To	Due From	Amount
General	Auglaize Acres	\$ 100,099
General	MRDD	69
General	CDBG	1,292
General	CHIP	111
Motor Vehicle	Solid Waste	697
Motor Vehicle	Jail Operation	264
Motor Vehicle	General	433
Human Services	Child Support Enforcement Agency	15,598
Insurance	General	806
Insurance	Motor Vehicle	600
Insurance	Human Services	300
Insurance	Auglaize Acres	265
Insurance	Solid Waste	123
Insurance	Title Dept	270
Insurance	Child Support Enforcement Agency	600
Gas Rotary	General	978
Gas Rotary	Human Services	507
Gas Rotary	Jail Operations	5,000
Gas Rotary	Auglaize Acres	397
Total		<u>\$ 128,409</u>

Operating Transfers

Fund	Transfer In	Transfer Out
Ditch Notes	\$ -	\$ 44
Youth Service	2,226	-
Clerk's Computer Fund	-	915
Certificate of Title	-	42,112
General	48,116	152,227
MRDD	-	375,000
Children's Service	150,000	325,000
Ditch Maintenance	44	-
Job & Family Services	325,000	-
Unclaimed Funds	-	5,088
Community Alternative	375,000	-
Totals	<u>\$ 900,386</u>	<u>\$ 900,386</u>

9. RECEIVABLES

Receivables at December 31, 2002 consist of taxes, accounts (billings for user charged services), special assessments, interfund, interest, due from other funds, and due from other government receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

9. RECEIVABLES (Continued)

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

General Fund	Amount
Acting Judge Salary Reimbursement	\$ 914
Farm Subsidy	1,364
Indigent Defense Reimbursement	11,423
Local Government	191,162
Revenue Assistance	32,617
Total General Fund	<u>237,480</u>
Special Revenue Funds	
GLTF – Local Match	5,268
MRDD – Federal Funding	25,925
MRDD – State Funding	64,309
CDBG – Funding	287,550
2001 HOME	97,367
2001 CHIP	238,740
Airport Grant	17,659
Recycle Grant	45,485
DARE	3,198
Indigent Drivers Alcohol Treatment	4,013
Jail/Juvenile Probation	1,100
CHIP Payback	9,437
Community Housing Improvement Funding	6,350
Human Services - State Funding	29,349
Motor Vehicle License Tax	69,103
Permissive Motor Vehicle License Tax	31,886
Gasoline Tax - Excise	228,335
Children's Services - State Funding	26,734
Community Alternative – State Funding	9,231
Total Special Revenue Funds	<u>1,201,039</u>
Capital Project Fund	
ODOT Grant	1,000,000
Total Due From Other Governments	<u>\$2,438,519</u>

A summary of the principal items of accounts receivables follows:

General Fund	Amount
Fines	\$ 250
Sanitary Engineer Fees	2,529
Rehab	1,636
Fees	43,613
Reimbursements	9,194
Total General Fund	<u>57,222</u>
Special Revenue Funds	
Reimbursements	119
February Settlement Fees	63,529
Restitution	75
Ditch Maintenance Fees	520
Child Support Enforcement Agency Fees	20,872
Children Services Fees	3,196
Motor Vehicle Reimbursement	4,198
Solid Waste Generation Fee	19,292
Recycling Sales	8,704
Indigent Driver Alcohol Treatment Fines	150
Engineer Sewer Fees	2,209
Total Special Revenue Funds	<u>122,864</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

9. RECEIVABLES (Continued)

Debt Service Funds

Generation Fees 2,424

Enterprise Funds

Auglaize Acres Room and Board	506,146
Auglaize Acres Other Receipts	1,739
South Grand Lake Sewer Charge for Service	15,886
Villa Nova Sewer Charge for Service	1,914
Sharlon Sewer Charge for Service	856
Beverly Hills Sewer Charge for Service	2,295
Sherwood Forest Sewer Charge for Service	1,725
Pleasantview Sewer Charge for Service	3,271
Arrowhead Estates Sewer Charge for Service	1,546
East Lake Park Sewer Charge for Service	5,931
Forest Lane Sewer Charge for Service	1,554
Sandy Beach Sewer Charge for Service	<u>11,545</u>
Total Enterprise Funds	554,408
Less Allowable for Doubtful Account (Auglaize Acres Room & Board)	<u>(106,044)</u>
Total Enterprise Funds - Net of Allowance	<u>448,364</u>

Internal Service Funds

Insurance Premiums	368
National Medical Health Card Rebate	<u>1,644</u>
Total Internal Service Funds	<u>2,012</u>

Total Accounts Receivable \$ 632,886

10. FIXED ASSETS

A summary of the proprietary fund type's property, plant, and equipment at December 31, 2002 follows:

	Balance January 1	Additions	Reductions	Balance December 31
Primary Government				
Land and Land Improvements	\$ 57,858	\$ -	\$ -	\$ 57,858
Building and Improvements	874,770	893	-	875,663
Water and Sewer	5,735,566	-	-	5,735,566
Equipment, Furniture and Vehicles	<u>527,214</u>	<u>21,164</u>	<u>(8,386)</u>	<u>539,992</u>
Total Primary Government	<u>7,195,408</u>	<u>22,057</u>	<u>(8,386)</u>	<u>7,209,079</u>
Accumulated Depreciation				
Land and Land Improvements	2,511	295	-	2,806
Building and Improvements	791,833	11,484	-	803,317
Water and Sewer	1,550,880	114,711	-	1,665,591
Equipment, Furniture and Vehicles	<u>302,997</u>	<u>34,834</u>	<u>(7,973)</u>	<u>329,858</u>
Total Primary Government	<u>2,648,221</u>	<u>161,324</u>	<u>(7,973)</u>	<u>2,801,572</u>
Net Assets Primary Government	<u>\$4,547,187</u>	<u>\$ (139,267)</u>	<u>(413)</u>	<u>\$ 4,407,507</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

10. FIXED ASSETS (Continued)

Component Units	Balance January 1	Additions	Reductions	Balance December 31
Airport Authority	\$ 365,628	\$ 5,000	\$ -	\$ 370,628
Auglaize Industry – Equipment	<u>183,112</u>	<u>13,250</u>	<u>-</u>	<u>196,362</u>
Total Component Units	<u>548,740</u>	<u>18,250</u>	<u>-</u>	<u>566,990</u>
Accumulated Depreciation				
Airport Authority – Equipment	264,861	15,850	-	280,711
Auglaize Industry- Equipment	<u>137,375</u>	<u>15,124</u>	<u>-</u>	<u>152,499</u>
Total Component Units	<u>402,236</u>	<u>30,974</u>	<u>-</u>	<u>433,210</u>
Net Assets Component Units	<u>\$ 146,504</u>	<u>\$ (12,724)</u>	<u>\$ -</u>	<u>\$ 133,780</u>

A summary of the changes in general fixed assets during 2002 follows:

Primary Government	Balance January 1	Additions	Reductions	Balance December 31
Land	\$2,116,683	\$154,981	\$ -	\$2,271,664
Building	12,054,456	238,835	(9,675)	12,283,616
Sewer	131,131	1,440	-	132,571
Equipment, Furniture and Vehicles	8,267,132	600,844	(340,545)	8,527,431
Construction in Progress	<u>-</u>	<u>1,736,906</u>	<u>-</u>	<u>1,736,906</u>
Total Primary Government	<u>\$22,569,402</u>	<u>\$2,733,006</u>	<u>\$(350,220)</u>	<u>\$24,952,188</u>

11. CONTRIBUTED CAPITAL

The County's 2002 activity related to contributed capital is summarized below:

Primary Government

Contributed Capital at January 1, 2002	\$5,346,822
Depreciation on Fixed Assets Acquired By Contributed Capital	<u>(23,392)</u>
Total Primary Government Contributed Capital at December 31, 2002	<u>5,323,430</u>

Component Unit

Contributed Capital at January 1, 2002	23,687
Depreciation on Fixed Assets Acquired By Contributed Capital	<u>(5,155)</u>
Total Component Unit Contributed Capital at December 31, 2002	<u>18,532</u>
Total Contributed Capital at December 31, 2002	<u>\$5,341,962</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

12. RISK MANAGEMENT

A. Transference of Risk: Liability, Property, Crime

The County is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The County participates in the Midwest Risk Management Agency, Inc. which is a public entity risk pool, (see Note 19) for general liability, automobile liability, public officials' liability and property and crime insurance.

Coverages provided by the pool are as follows:

Property	Amount
Maximum per occurrence	\$ 226,259,159
Subject to following sublimits	
Flood*	36,000,000
Earthquake*	36,000,000
Demolition & Increased Cost of Construction	2,000,000
Extra Expense	1,262,500
Rental Income	1,000,000
Computer Equipment & Media	2,275,000
Computer Extra Expense	252,500
Property in Transit	100,000
Valuable Papers	505,000
Account Receivable	50,500
Mobile Equipment	11,310,000
Fine Arts	50,500
Automatic Builders' Risk	1,000,000
Automatic Newly-Acquired Property	1,000,000
Crime	
Employee Dishonesty & Faithful Performance	250,000
Money and Securities (Inside and Outside)	250,000
Forgery and Alteration	250,000
Boiler & Machinery	30,000,000
Liability	
Maximum per occurrence	5,000,000
Subject to following sublimits	
General, Law, Auto	5,000,000
Employee Benefits*	5,000,000
Ohio Stop Gap	5,000,000
Public Official Errors & Omissions*	5,000,000
Sexual Harassment*	1,000,000

Limits include the pool self-insured retentions.

*Limit is annual aggregate

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

12. RISK MANAGEMENT (Continued)

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

Property, Auto, Physical Damage, Crime	\$ 50,000	per occurrence
Liability	100,000	per occurrence
Excess Liability	10,000	per occurrence
Combined loss maximum	100,000	per occurrence
Maximum per year all claims combined	465,000	annual stop loss

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

Property & Auto Physical Damage	\$ 226,259,159
Crime	250,000
Liability	4,000,000

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

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

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

B. Transference of Risk: Employee Health Insurance

The County is part of the Midwest Employee Benefit Consortium (MEBC) for its employee health insurance, and retains no risk for this plan (see Note 19). Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative expenses of the Association and to create adequate reserves for claims and unallocated loss adjustment expenses.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

12. RISK MANAGEMENT (Continued)

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

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

C. Transference Of Risk: Workers Compensation Insurance

For 2002, the County participated in the County/Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool (See Note 19). The plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

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

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

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

D. Retention Of Risk: Flexible Spending And Employee Drug Card

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

12. RISK MANAGEMENT (Continued)

1. Each year the County deposits into the "flexible spending account" the amount of \$150 for a single coverage plan and \$300 for a family coverage plan. These funds may be used, as the employee determines, to cover health care expenses which are not covered under the County's basic health care program or to provide additional coverage for items which are part of the County's basic health care coverage. This plan is administered by Lindig Benefit Consultants.
2. The County's Basic Health Care Program has an agreement with National Medical Health Card Systems Inc. to provide prescription drugs to the County's Basic Health Care Plan members. Under this program, the employee pays a deductible for each prescription filled and the County pays the balance.
3. The County reimburses Medicare for any past payments for services to Auglaize County employees that should have been covered by the Auglaize County Group Health plan but were originally paid by Medicare.

The liability for unpaid claims of National Medical Health Card and Medicare reimbursements at period end was \$30,699. Changes in the plans' claims liability during 2002 were:

	Liability Beginning of Year	New Claims	Liability Claims Payments	Liability Balance at Year End
2002	<u>\$15,602</u>	<u>488,845</u>	<u>(473,748)</u>	<u>\$30,699</u>
2001	<u>\$42,992</u>	<u>350,800</u>	<u>(378,190)</u>	<u>\$15,602</u>

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

13. RETIREMENT PLANS

A. Public Employees Retirement System (OPERS):

All Auglaize County full time employees, who are not certified teachers, participate in the Ohio Public Employees Retirement System of Ohio , a cost-sharing multiple-employer defined benefit pension plan operated by the State. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by statute Chapter 145 of the Ohio Revised Code.

OPERS issues a publicly available financial report that includes financial statements and supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085, or 1-800-222-PERS (7377).

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the County is required to contribute 13.55 percent; 8.55 percent was the portion to fund pension obligations for 2002. For law enforcement employees , the employees' contribution is 10.1 percent of annual covered salary for sheriffs and deputy sheriffs. The employer contribution for all law enforcement employees is 16.7 percent; 11.7 percent was the portion used to fund pension obligations.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

13. RETIREMENT PLANS (Continued)

The County's contributions to OPERS for the years ended December 31, 2002, 2001 and 2000 were \$991,389, \$1,021,072, and \$651,672, respectively; for regular employees and \$107,486, \$111,797, and \$96,631, respectively, for law enforcement employees. The full amount has been contributed for 2001 and 2000, and 76 percent has been contributed for 2002. The unpaid contribution for 2002 is recorded as a liability in the respective funds and the general long-term obligations account group.

14. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement 12, *"Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers"*.

A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care based on authority granted by State statute. The employer contribution rate for 2002 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 5.0 percent was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2002 was 16.7 percent; 5.0 percent was used to fund health care for both the law enforcement and public safety divisions.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

At December 31, 2001, the number of active contributing participants was 402,041. The County's actual contributions for 2002 which were used to fund post-employment benefits were \$579,760 for regular employees and \$45,934 for law enforcement employees. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively. Law enforcement officer benefits permit age and service retirement at an earlier age with a different formula than for OPERS members not covered under this division.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

On December 2001, the 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. This 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.

15. OTHER EMPLOYER BENEFITS

A. Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County. Accumulated, unused sick leave is paid, up to a maximum of 30 days, depending on length of service to employees who retire. As of December 31, 2002, the liability for compensated absences was \$1,247,701 for the entire County.

For governmental funds, the current portion of unpaid compensated absences is that amount expected to be paid using available expendable resources, and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid.

Unpaid compensated absences of \$50,069 and \$116,607 were reported as an accrued liability in the general and special revenue funds, respectively. The balance of the liability for governmental funds is reported in the general long-term obligations account group in the amount of \$908,338. Accruals for unpaid compensated absences of \$167,744 and \$4,943 are reported in the Enterprise Funds and the Internal Service Funds, respectively.

B. Health Care Benefits

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

16. LEASES - LESSEE DISCLOSURE

The County has entered into several leases for vehicles, copying equipment, and office space. The leases entered into do not meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The following is a schedule of future minimum long-term operating lease payments as of December 31, 2002:

Year	General Fund	Special Revenue Fund	Total
2003	\$ 9,345	\$ 10	\$ 9,355
2004	-	10	10
2005	-	10	10
2006	-	10	10
2007	-	10	10
2008-2015	-	50	50
Total	<u>\$ 9,345</u>	<u>\$ 100</u>	<u>\$ 9,445</u>

17. DEBT OBLIGATIONS

A. Long Term Debt

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

General Obligation Bonds:	12/31/01	Additions	Reductions	12/31/02
Mental Retardation Facility-1986-7.125%	\$325,000	\$ -	\$(85,000)	\$240,000
Human Services Building-1992-4-7.15%	510,000	-	(20,000)	490,000
Recycling Building-1993 - 3.10-5.90%	55,000	-	(25,000)	30,000
Law Enforcement Center-1996-4.10-.20%	<u>3,405,000</u>	-	<u>(615,000)</u>	<u>2,790,000</u>
Total General Obligations	4,295,000	-	(745,000)	3,550,000
Special Assessment Bonds:				
1992 - 4.9-7%				
Southeast Sewer District	795,000	-	(60,000)	735,000
1993 - 3.1 - .9%				
Sandy Beach Sewer District	<u>1,065,000</u>	-	<u>(65,000)</u>	<u>1,000,000</u>
Total Special Assessment	1,860,000	-	(125,000)	1,735,000
Special Assessment Notes:				
Kah Sewer- 0%	156,924	-	(8,968)	147,956
Springer Simms Ditch - 6.29%	297	-	(297)	-
Spray #2 - 3.75%	-	990	-	990
Kilger Ditch - 5.75%	19,047	-	(3,175)	15,872
Huenke Ditch - 4.75%	7,219	-	(2,888)	4,331
Bush Ditch - 4.75%	5,699	-	(2,279)	3,420
Bills Ditch - 6.85%	-	9,710	(607)	9,103
Warner Ditch - 6.5%	-	2,691	(448)	2,243
Heinz Ditch - 5.93%	47,774	-	(7,962)	39,812
Wallace Fork Ditch - 5.76%	4,429	-	(4,429)	-
Bergman-Werner Ditch - 5.95%	4,599	-	(4,599)	-
Fledderjohann Ditch - 5.10%	10,411	-	(5,205)	5,206
Prairie Creek Ditch - 5.50%	10,877	-	(5,439)	5,438

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

17. DEBT OBLIGATIONS (Continued)

Ruck Ditch - 5.375%	7,317	-	(1,626)	5,691
Cisco Ditch - 6.50%	8,941	-	(8,941)	-
Hauss Ditch - 6.57%	14,211	-	(2,030)	12,181
Rapp Kill Ditch - 6.75%	5,474	-	(842)	4,632
Berg Bauer Ditch - 5.75%	54,371	-	(8,365)	46,006
Buck Ditch - 6.75%	12,108	-	(1,862)	10,246
Kenmann Ditch - 5.375%	8,618	-	(1,326)	7,292
Egley #2 Ditch - 6.25%	2,805	-	(350)	2,455
Benzing Ditch - 5.25%	44,766	-	(2,798)	41,968
Steineman Ditch - 4.35%	24,025	-	(4,805)	19,220
Copeland Ditch - 6.75%	13,623	-	(1,703)	11,920
Scholl Ditch - 5.75%	16,581	-	(1,037)	15,544
Brewer Ditch - 6.95%	3,831	-	(2,554)	1,277
Wiesenmayer Ditch - 6.80%	8,455	-	(2,416)	6,039
Wissman Ditch - 6.85%	<u>29,435</u>	-	<u>(4,528)</u>	<u>24,907</u>
Total Special Assessment Notes	521,837	13,391	(91,479)	443,749

	12/31/01	Additions	Reductions	12/31/02
Ohio Public Works Loan				
Villa Nova Sanitary Interceptor	10,118	-	(10,118)	-
Hamilton Street Sanitary				
Sewer and Interceptor	<u>57,500</u>	-	<u>(5,000)</u>	<u>52,500</u>
Total Ohio Public Works Loans	67,618	-	(15,118)	52,500
Other General Long-Term Obligations				
Compensated Absences -				
Governmental Funds	<u>705,442</u>	<u>202,896</u>	-	<u>908,338</u>
Total Long-Term Obligations	<u>\$7,449,897</u>	<u>\$ 216,287</u>	<u>\$ (976,597)</u>	<u>\$6,689,587</u>

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

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

17. DEBT OBLIGATIONS (Continued)

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

Pursuant to the Ohio Rev. Code 164.05 and Ohio Admin. Code 164-1-21, the County entered into an agreement with the Ohio Public Works Commission, on March 20, 1991, in respect to the Villa Nova Sanitary Interceptor Reconstruction project. Repayment of the note is to be made from the revenues generated by the utility. This obligation was retired as of December 31, 2002.

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

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

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

The effects of the debt limitations described above at December 31, 2002, are an overall debt margin of \$21,136,372 and an unvoted debt margin of \$7,594,330.

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

Year	General Obligations Bonds	Special Assessments Bonds	Special Assessment Notes	OPWC Promissory Loans	Total Debt Obligations
2003	\$ 969,350	\$ 239,380	\$ 93,696	\$ 5,000	\$ 1,307,426
2004	928,832	236,470	75,465	5,000	1,245,767
2005	933,062	238,140	67,630	5,000	1,243,832
2006	849,223	239,115	62,321	5,000	1,155,659
2007	53,275	239,145	54,038	5,000	351,458
2008-2012	267,895	1,081,500	84,216	25,000	1,458,611
2013-2017	268,918	127,080	44,835	2,500	443,333
2018-2022	-	-	13,451	-	13,451
Totals	4,270,555	2,400,830	495,652	52,500	7,219,537
Less Amount Representing Interest	(720,555)	(665,830)	(51,903)	-	(1,438,288)
Total Outstanding Principal	\$ 3,550,000	\$ 1,735,000	\$ 443,749	\$ 52,500	\$ 5,781,249

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

17. DEBT OBLIGATIONS (Continued)

The County has also received two loan agreements from the Ohio Water and Sewer Rotary Commission in regard to the construction of two sewer districts. These loans provide funding assistance for that portion of the project for which collections of assessments from certain owners of undeveloped property located within an agricultural district are exempted pursuant to Ohio Rev. Code Section 929.03 subject to the performance of certain terms and conditions of repayment. Pursuant to Ohio Admin. Code Section 1525-1-0, and as part of the agreement, upon the change of use of any parcel would require repayment to the Ohio Water and Sewer Rotary Commission for the full amount of the assessment for the portion of the property for which the use has changed pursuant to Division C of Ohio Rev. Code Section 929.03. Therefore, until a change in use occurs, no liability has been recorded for these loans. A summary of the loan transactions for the year ended December 31, 2002 is as follows:

Project Loans:	Outstanding 12/31/01	Additions	Reductions	Outstanding 12/31/02
Southeast Sewer District	\$ 1,209,690	\$ -	\$ -	\$ 1,209,690
Sandy Beach Sewer District	<u>209,786</u>	<u>-</u>	<u>-</u>	<u>209,786</u>
Total	<u>\$ 1,419,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,419,476</u>

B. Conduit Debt

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

In 1998, the County issued industrial development revenue bonds in the amount of \$4,800,000, to provide financial assistance to Midwest Elastomers, Inc. for the expansion and equipping of a manufacturing facility. Also in 1998, the County issued in conjunction with seven other counties Health Care revenue improvement and refunding revenue bonds in the amount of \$22,065,000 to provide financial assistance to the Otterbein Home Project for the acquisition, construction, renovation, and equipping of additional hospital facilities and refund the prior bonds and the North Shore debt.

During 2002, the County issued in conjunction with four other counties Health Care revenue bonds in the amount of \$330,000 to provide financial assistance to the Catholic Healthcare Partners to finance acquisition, construction and equipping hospital facilities.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

18. SIGNIFICANT CONTRACTUAL OBLIGATIONS

At December 31, 2002, the County had entered into several contracts, the most significant of which include the following:

Poggemeyer Design	\$ 18,400
Cole, Layer and Trumble	8,023
Sand Ridge Excavating	14,471
Sanderson, CMI	2,820
Garmann, Miller & Associates	40,515
Cummins Interstate Power	866
CTL Engineering	3,380
Steen & Co.	7,150
Treasurer State of Ohio	27,500
T & T Contracting	5,006
Maximus	121,245
Frost & Company, Inc.	657,683
Alltek Plumbing & Heating	68,607
Data General	8,904
Reynolds Electric Company, Inc.	393,720
Central Fire Protection	40,916
Beem Construction, Inc.	2,438,768
DDTI	4,500
Total Commitments	<u>\$ 3,862,474</u>

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

19. PUBLIC ENTITY RISK POOLS

A. Midwest Employee Benefit Consortium

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

B. Midwest Risk Pool Management Agency, Inc.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

19. PUBLIC ENTITY RISK POOLS (Continued)

Specifically, the pool provides coverage for automobile liability, general liability, crime and property (including automobile physical damage) and public officials' liability (See Note 12). In addition to the self-insurance pool, the Association provides risk management services, loss prevention programs, and various other educational materials. The members of the Association include the following counties within the State of Ohio: Auglaize, Hancock, Mercer, Shelby, and Van Wert.

Member and supplemental contributions are recognized on an accrual basis and are recorded as revenue in the month earned. For the current agreement dated August 1, 2002, the percentage of contributions by the members and their equity interests are:

		<u>Fixed Costs</u>	<u>Loss/ Revenues</u>
Mercer County	19.4%	\$171,332	\$59,800
Auglaize County	19.4%	171,685	30,700
Shelby County	22.4%	197,535	43,240
Hancock County	23.9%	210,857	36,140
Van Wert County	14.9%	130,837	30,120

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

C. County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services, and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS

A. Auglaize County Regional Planning Commission

The Auglaize Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty seven members, any of which may hold any other public office. The County is represented by three members, each of the two Cities within the county is represented by two members, all participating Villages within the county are represented by one member each, and participating Townships within the county are represented by one member each. Other members include: a representative from all participating Board of Trustees; the Mayor or a Council member of each participating incorporated Village; two representatives from each of the Cities, Wapakoneta and St. Marys, one being the Mayor or his designee and one being appointed by City Council. The remaining members of the Commission shall be representatives from public utility, minority groups, business, industry, Ministerial Association, farm organizations, Chamber of Commerce and other representations as deemed necessary by the Commission.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute up to .10 cents per capita, according to the latest federal census, in any calendar year in which revenue is needed. There was no request for revenue issued for the calendar year ended December 31, 2002. The Regional Planning Commission has no outstanding debt as of December 31, 2002.

The following audited cash financial data of the Regional Planning Commission is presented for the year ended December 31, 2002:

	Joint Venture	Auglaize County's 50 Percent
Total Non-Operating Revenues-	\$ -	\$ -
Total Operating Expenses	<u>(1,183)</u>	<u>(592)</u>
Net Income	(1,183)	(592)
Fund Balance, January 1, 2002	<u>3,000</u>	<u>1,500</u>
Fund Balance, December 31, 2002	<u>\$ 1,817</u>	<u>\$ 908</u>

B. Workforce Improvement And Youth Council Consortium Of Auglaize, Hardin, And Mercer Counties

The Work Force Investment Act (WIA) of 1998 (pub. L. No. 105-220) abolished the former Job Training and Partnership Act (JTPA) and merged services previously provided by both the Ohio Bureau of Employment Services (OBES) and the Ohio Department of Human Services (ODHS). As a result of this legislation, both State and County Departments of Human Services (DHS) are now the Departments of Job and Family Services (DJFS).

The objectives of WIA are to increase employment, retention, and earnings of participants in the program, and as a result improve the quality of the workforce, reduce welfare dependency, and enhance the productivity of the Nation.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Ohio is organized into seven local workforce investment areas. There are six “traditional” local areas and a seventh area known as the Ohio Option, which includes most of the State. Each traditional area has its own workforce investment board and acts as its own workforce investment system. The Ohio Option is subdivided into local Workforce Development Areas (WDA), typically county or Multi-county WDAs.

Each Workforce Investment or Policy Board is responsible for developing “one-stop” service delivery systems for the local area. The one-stop system is a network of required partners delivering training/employment services and activities defined in the law.

The federal WIA program is administered through ODJFS and operates on a state fiscal year from July 1, to June 30. An intergovernmental agreement between Auglaize, Hardin, and Mercer Counties was entered into effective from January 1, through June 30, 2001 to operate as a multi-county WDA. Effective July 1, 2001 through June 30, 2002, Auglaize County independently administered their WIA program. Effective July 1, 2002, Auglaize County again participated in the multi-county WDA with Hardin and Mercer Counties. Mercer County acts as the fiscal agent.

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

C. West Central Ohio Network

The West Central Ohio Network (West CON) is a regional council of government. West CON is comprised of the boards of Mental Retardation and Developmental Disabilities (MRDD) of several counties, including, Auglaize, Darke, Logan, Mercer, Miami, Shelby, Union, and Hardin.

The Board of Directors is made up of the Superintendents from each of these MRDD Boards, and the degree of control exercised by any participating government is limited to its representation on the Board. West CON is the administrator and fiscal agent of Supported Living funds for each of these Boards of Mental Retardation and Developmental Disabilities.

The following unaudited financial data of the West Central Ohio Network - Auglaize County is presented on a cash basis for the year ended December 31, 2002.

	<u>County Portion</u>
Total Operating Revenues	\$ 500,392
Total Operating Expenses	<u>(313,239)</u>
Net Loss	187,153
Fund Balance, January 1, 2002	<u>78,231</u>
Fund Balance, December 31, 2002	\$ <u><u>265,384</u></u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Auglaize and Mercer Counties Convention And Visitors Bureau

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

The Board shall be nineteen members composed of the following: seven appointees from Auglaize County, seven from Mercer County, one Auglaize County Commissioner or designee, one Mercer County Commissioner or designee, three members representing the following: Celina/Mercer County Chamber of Commerce, St. Marys Area Chamber of Commerce and the Wapakoneta Area Chamber of Commerce. The Board conducts business and sponsors projects to further the purpose of the Bureau. The Bureau is funded primarily from a 3 percent (effective 7/1/96) lodging tax imposed by both counties. Payment is due to the county by the last day of the following month. The 2002 revenue received by the Bureau was \$134,988. Of this amount \$118,491 came from the lodging tax. \$78,510 of the total 2002 revenue was from Auglaize County.

E. Auglaize County Emergency Management Cooperative

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

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

21. JOINT VENTURES

A. Grand Lake Task Force

Auglaize and Mercer Counties share territory of the Grand Lake State Park which encounter unique enforcement problems. The Grand Lake Task Force was established in regards to federal financial assistance received from the Department of Justice which requires a twenty-five percent local matching share. Additional revenues were received through asset seizures, fines, and village law enforcement agency contributions.

The objective of the Grand Lake Task Force is to increase the number of criminal justice agencies working cooperatively to eliminate specifically targeted major narcotics trafficking conspiracies and the persons involved through investigations, arrests, prosecution, and convictions. Those participating in the project are Auglaize and Mercer County Sheriff's offices, Wapakoneta, St. Marys, Celina, Coldwater, Minster, and New Bremen Police offices, United States Investigative Agency Alcohol, Tobacco, and Firearms, Ohio Bureau of Criminal Investigation and Identification, and Auglaize and Mercer County Prosecutor's Offices.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

21. JOINT VENTURES (Continued)

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

The following financial data of the Grand Lake Task Force is presented on a cash basis for the year ended December 31, 2002:

	<u>Joint Venture</u>	<u>Auglaize County's 12.5 Percent</u>
Total Operating Revenues	\$ 51,322	\$ 6,415
Total Operating Expenses	(62,364)	(7,795)
Net Income	(11,042)	(1,380)
Fund Balance, January 1, 2002	<u>158,335</u>	<u>19,792</u>
Fund Balance, December 31, 2002	<u>\$ 147,293</u>	<u>\$ 18,412</u>

B. Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin Counties

The Mental Health and Recovery Services Board (MHRS) of Allen, Auglaize, and Hardin Counties, is a tri-county non-profit corporation whose general-purpose is to provide leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services.

The Board of Trustees consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Allen, Auglaize, and Hardin counties in the same proportion as the County's population bears to the total population of the three counties combined. The degree of control exercised by any participating government is limited to its representation on the Board. The MHRS Board is a joint venture since continued participation by the County is necessary for the continued existence.

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

In 2002, the tax revenues generated by the levy in Auglaize County were \$308,750. Complete financial statements can be obtained from the MHRS Board, Allen County, Ohio.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

22. SEGMENT INFORMATION - ENTERPRISE FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS

The County maintains fourteen enterprise funds which are intended to be self-supported through user fees charged for services provided to consumers for health care, sewer and water services. In addition, the Airport Authority and Auglaize Industries are self supported through sales/leases and services, respectively. Financial segment information for the year ended December 31, 2002, is as follows:

	Auglaize Acres	Water and Sewer	Total Primary Government	Airport Authority	Auglaize Industries	Total Reporting Entity
Operating Revenues	\$4,568,075	\$269,684	\$4,837,759	\$152,868	\$349,020	\$5,339,647
Operating Expenses	4,706,026	231,543	4,937,569	183,566	388,170	5,509,305
Depreciation Expense	45,333	115,888	161,221	15,850	11,569	188,640
Operating Income(Loss)	(183,284)	(77,747)	(261,031)	(46,548)	(50,719)	(358,298)
Net Income (Loss)	(147,345)	(58,128)	(205,473)	(20,041)	67,930	(157,584)
Property/Equipment:						
Additions	21,164	-	21,164	5,000	13,250	39,414
Deletions	8,386	-	8,386	-	-	8,386
Net Working Capital	153,039	431,506	584,545	20,166	575,985	1,180,696
Total Assets	781,294	4,571,584	5,352,878	133,318	628,662	6,114,858
Total Liabilities	516,950	64,559	581,509	23,235	8,814	613,558
Total Equity	264,344	4,507,025	4,771,369	110,083	619,848	5,501,300

23. DISCRETELY PRESENTED COMPONENT UNITS

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

**BALANCE SHEET
COMPONENT UNITS
DECEMBER 31, 2002**

	<u>Airport Authority</u>	<u>Auglaize Industries</u>	<u>Totals</u>
Assets and Other Debits			
Equity in Cash and Cash Equivalents	\$18,109	\$535,962	\$554,071
Accounts Receivables (net, of allowances for uncollectibles)	6,153	47,837	53,990
Interest Receivable	-	-	-
Materials and Supplies Inventory	19,139	-	19,139
Prepaid Items	-	1,000	1,000
Property, Plant and Equipment (net of accumulated depreciation)	89,917	43,863	133,780
TOTAL ASSETS	<u>\$133,318</u>	<u>\$628,662</u>	<u>\$761,980</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

23. DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Liabilities

Accounts Payable \$	\$6,085	\$402	\$6,487
Accrued Wages and Benefits	-	5,389	5,389
Compensated Absences Payable	-	2,258	2,258
Due to Other Governments	355	765	1,120
Lease Payable	-	-	-
Mortgage Payable	-	-	-
Deferred Revenue (Hangar Rent)	<u>16,795</u>	<u>-</u>	<u>16,795</u>
TOTAL LIABILITIES	23,235	8,814	32,049

Fund Balances and Other Credits

Contributed Capital	7,867	10,665	18,532
Retained Earnings - Unrestricted	<u>102,216</u>	<u>609,183</u>	<u>711,399</u>
TOTAL FUND EQUITY	<u>110,083</u>	<u>619,848</u>	<u>729,931</u>

TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	<u>\$133,318</u>	<u>\$628,662</u>	<u>\$761,980</u>
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24. CONTINGENT LIABILITIES

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

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

25. RELATED PARTY TRANSACTIONS

Auglaize Industries has entered into a contract with the Auglaize County Board of Mental Retardation and Development Disabilities (MRDD), whereby the MRDD has agreed to pay specified overhead expenses for the workshop. The additional income and related expenses are reported on the income statement as Unrestricted Support. The unaudited operating expenses paid by the MRDD on behalf of the Auglaize Industries amounted to \$235,029 for the year ended December 31, 2002.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Program				
Board of Commissioners				
Home Investment Partnership Program (HOME)				
Community Housing Improvement Program	B-C-99-006-2	14.239		\$77,162
Community Housing Improvement Program	B-C-01-006-2	14.239	40,533	40,533
Total Home Investment Partnership Program (HOME)			40,533	117,695
Passed through Ohio Department of Development				
Board of Commissioners				
Small Cities Community Development Block Grant				
Formula Grant	B-F-01-006-1	14.228	105,000	102,318
Formula Grant	B-F-00-006-1	14.228	-	9,115
Community Housing Improvement Program	B-C-99-006-1	14.228	-	698
Economic Development	B-C-01-006-1	14.228	112,710	105,929
Total Small Cities Community Development Block Grant			217,710	218,060
Total U.S. Department of Housing and Urban Development			258,243	335,755
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Ohio Department of Education				
Auglaize County Corrections Center				
National Food Distribution Program	N/A	10.550	780	780
National School Breakfast Program	N/A	10.553	8,247	8,247
National School Lunch Program	N/A	10.555	12,414	12,414
Total U.S. Department of Agriculture - Nutrition Cluster			21,441	21,441
U.S. DEPARTMENT OF JUSTICE				
Passed through Office of Criminal Justice Services				
Sheriff's Department				
Byrne Formula Grant (Grand Lake Task Force)	01-DG-A01-7018	16.579	25,810	28,820
Auglaize County Crisis Center				
Byrne Formula Grant		16.579	6,491	6,491
Total Byrne Formula Grant			32,301	35,311
Juvenile Accountability Incentive Block Grant (CAST)				
Juvenile Accountability Incentive Block Grant (CAST)	00-JB-013-A068	16.523	5,670	5,939
Juvenile Accountability Incentive Block Grant (CAST)	01-JB-013-A068	16.523	11,534	11,534
Total Juvenile Accountability Incentive Block Grant			17,204	17,473
Prosecutors Office				
Victims of Crime Assistance	01-VAGENE059	16.575	-	839
Victims of Crime Assistance	02-VAGENE059	16.575	17,992	20,832
Victims of Crime Assistance	03-VAGENE059	16.575	10,127	5,284
Total Victims of Crime Assistance			28,119	26,955
Total U.S. Department of Justice			77,624	79,739

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF LABOR				
Passed through Ohio Department of Job and Family Services				
Job and Family Services/Human Services				
Workforce Investment ACT Grant				
Workforce Investment Act Grant - Adult Programs			11,181	11,181
Workforce Investment Act Grant - Adult Administrative			984	984
Workforce Investment Act Grant ---Adult Total		17.258	<u>12,165</u>	<u>12,165</u>
Workforce Investment Act Grant - Youth Activities				
Workforce Investment Act Grant - Youth Activities Administrative			159,169	159,169
Workforce Investment Act Grant - Youth Activities Total		17.259	<u>16,067</u>	<u>16,067</u>
Workforce Investment Act Grant - Youth Activities Total				
		17.259	<u>175,236</u>	<u>175,236</u>
Workforce Investment Act Grant - Dislocated Workers				
Workforce Investment Act Grant - Dislocated Workers Administrative			123,889	123,889
Workforce Investment Act Grant - Dislocated Workers Total		17.260	<u>12,757</u>	<u>12,757</u>
Total Workforce Investment Act Grant				
			324,047	324,047
Total U.S. Department of Labor				
			324,047	324,047
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through the Federal Aviation Administration				
Airport Improvement Program	3-39-0084-0501	20.106	132,341	120,641
U.S. DEPARTMENT OF HUMAN SERVICES				
Passed through Ohio Department of Job and Family Services				
Job and Family Services/Human Services				
Chafee	N/A	93.674	6,599	6,599
Children's Service Agency				
Chafee	N/A	93.674	1,989	1,989
Total Chafee				
			8,588	8,588
Title IV-B				
ESSA	N/A	93.645	42,097	42,097
	N/A	93.556	18,725	18,725
Passed through Ohio Department of Mental Retardation and Developmental Disabilities				
Auglaize County Board of Mental Retardation and Developmental Disabilities				
Medical Assistance Program (Medicaid: Title XIX)	N/A	93.778	425,461	425,461
Social Services Block Grant (Title XX)	N/A	93.667	31,988	31,988
Total U.S. Department of Human Services				
			526,859	526,859
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Passed through Ohio Department of Youth Services				
Auglaize County Youth Services				
AmeriCorps Grant	YCP-018-01	94.006		399
AmeriCorps Grant	YCP-018-02	94.006	7,830	10,895
Total Corporation for National and Community Service				
			<u>7,830</u>	<u>11,294</u>
Total Federal Financial Assistance			<u>\$1,348,385</u>	<u>\$1,419,776</u>

See accompanying notes to the schedule of federal awards expenditures.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

NOTE 1 - GENERAL

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

NOTE 2 - SUB-RECIPIENTS

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

NOTE 3 - MATCHING REQUIREMENTS

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

NOTE 4 - OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES

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

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

NOTE 5 - FEDERAL FOOD STAMP PROGRAM

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

Balance at Beginning of Year	\$ 75,599
Less amount destroyed in February, 2002	<u>(74,359)</u>
Balance at End of Year	<u>\$ 1,240</u>

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

NOTE 6 - WORKFORCE INVESTMENT ACT

The Workforce Investment Act requires recipients to account for this activity on an accrual basis. During 2002, this activity was prepared and reported on an accrual basis.

As of July 1, 2002, the Area Eight Board began administration of Workforce Investment Act for Hardin, Auglaize and Mercer Counties. Due to the commingling of the activity of the three counties and the method of recording transactions, the Area Eight Board is unable to distinguish the amounts that are directly received and spent on behalf of Auglaize County.

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Commissioners:

We have audited the accompanying financial statements of Auglaize County, (the County) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 27, 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 the 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the County in a separate letter dated June 27, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated June 27, 2003.

Financial Condition
Auglaize County
Independent Accountants' Report on Compliance and
on Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 27, 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**

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Auglaize County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on 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 County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

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

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

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 noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 27, 2003

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2002
OMB CIRCULAR A -133 §.505**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31,, 2002
OMB CIRCULAR A -133 §.315 (b)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-60206-001	Budgeting and Reporting Financial Activity for "on behalf payments".	Yes	
2001-60206-002	Complete and accurate preparation of Schedule of Federal Award Expenditures	Yes	



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 12, 2003**