



**Auditor of State
Betty Montgomery**

CLINTON COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government – Wide Financial Statements	
Statement of Net Assets December 31, 2003	15
Statement of Activities For the Year Ended December 31, 2003	16
Fund Financial Statements	
Balance Sheet - Governmental Funds December 31, 2003	17
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities December 31, 2003	19
Statement of Revenues, Expenditures and Changes In Fund Balance Governmental Funds For the Year Ended December 31, 2003	20
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to The Statement of Activities For the Year Ended December 31, 2003	22
Statement of Revenues, Expenditures, and Changes In In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended December 31, 2003	23
Statement of Revenues, Expenditures, and Changes In In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Children Services Board For the Year Ended December 31, 2003	24
Statement of Revenues, Expenditures, and Changes In In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) County Board of MRDD For the Year Ended December 31, 2003	25
Statement of Revenues, Expenditures, and Changes In In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Motor Vehicle and Gas Tax For the Year Ended December 31, 2003	26

CLINTON COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Statement of Revenues, Expenditures, and Changes In In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Public Assistance For the Year Ended December 31, 2003	27
Statement of Net Assets Proprietary Fund December 31, 2003	28
Statement of Revenues, Expenses and Changes In Net Assets Proprietary Fund For the Year Ended December 31, 2003	29
Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2003	30
Statement of Fiduciary Net Assets Fiduciary Funds December 31, 2003	31
Statement of Changes In Fiduciary Net Assets Fiduciary Funds For the Year Ended December 31, 2003	32
Notes to the Financial Statements.....	33
Schedule of Federal Awards Expenditures.....	67
Notes to the Federal Awards Expenditures	68
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	69
Independent Accountants' Report on Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133	71
Schedule of Findings.....	73
Schedule of Prior Audit Findings.....	77



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clinton County, Ohio, as of December 31, 2003, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Children Services Board Fund, County Board of MRDD Fund, Motor Vehicle and Gas Tax Fund, and the Public Assistance Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the County implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, Governmental Accounting Standards Board Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2004, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

October 27, 2004

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

The discussion and analysis of Clinton County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- The total net assets of the County decreased \$670,728. Net assets of governmental activities decreased \$670,728, which represents a 1.78% decrease from fiscal year 2002.
- General revenues accounted for \$13,652,434 or 45.34% of total governmental activities revenue. Program specific revenues accounted for \$16,457,256 or 54.66% of total governmental activities revenue.
- The County had \$30,780,418 in expenses related to governmental activities; \$16,457,256 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13,652,434 were not adequate to provide for these programs.
- The County has six major funds. The general fund, the County's largest major fund, had revenues of \$10,621,842 in 2003, an increase of \$474,169 or 4.67% from 2002 revenues. The general fund, had expenditures of \$11,213,131 in 2003, an increase of \$575,542 or 5.41% from 2002. The larger increase in expenditures than in revenues contributed to the general fund balance decrease of \$673,524 from 2002 to 2003.
- The children services board, a County major fund, had revenues of \$2,627,652 in 2003. The children services board had expenditures of \$2,018,429 in 2003. The children services board fund balance increased \$609,223 from 2002 to 2003.
- The County board of MRDD fund, a County major fund, had revenues of \$3,468,182 in 2003. The County board of MRDD fund had expenditures of \$3,260,209 in 2003. The County board of MRDD fund balance increased \$207,973 from 2002 to 2003.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,231,159 in 2003. The motor vehicle and gas tax fund had expenditures of \$4,577,891 in 2003. The motor vehicle and gas tax fund balance decreased \$270,128 from 2002 to 2003.
- The public assistance fund, a County major fund, had revenues of \$5,715,292 in 2003. The public assistance fund had expenditures of \$5,333,716 in 2003. The public assistance fund balance increased \$340,172 from 2002 to 2003.
- The public service agencies office construction fund, a County major fund, had expenditures of \$50,157 and transfers in of \$62,232 in 2003. The public services agency office construction fund balance increased \$12,075 from 2002 to 2003.
- In the general fund, the actual revenues came in \$1,025,569 higher than they were originally budgeted and actual expenditures were \$1,979,358 more than the amount in the original budget. The County uses a conservative budgeting process.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

Using this Basic Financial Statements (BFS)

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

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

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities answer the question, "How did we do financially during 2003?" These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The County has no business-type activities.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 17-27 of this report.

Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County has no enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a self-funded health insurance program for employees of the County and several governmental units within the County. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 28-30 of this report.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33-65 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets for 2003. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

	<u>Governmental Activities</u>
	<u>2003</u>
<u>Assets</u>	
Current and other assets	\$ 18,447,078
Capital assets, net	<u>36,948,440</u>
Total assets	<u>55,395,518</u>
<u>Liabilities</u>	
Long-term liabilities outstanding	6,509,793
Other liabilities	<u>11,873,751</u>
Total liabilities	<u>18,383,544</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	27,035,160
Restricted	8,926,940
Unrestricted	<u>1,049,874</u>
Total net assets	<u>\$ 37,011,974</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2003, the County's assets exceeded liabilities by \$37,011,974. The County's finances remained strong during 2003, despite the decline in the economy.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 66.70% of total governmental assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2003, was \$27,035,160. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2003, the County is able to report positive balances in all three categories of net assets, for the government as a whole.

A portion of the County's net assets, \$8,926,940 or 24.12%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$1,049,874 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal year 2003. Since this is the first year the County has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

	<u>Governmental Activities</u>
	<u>2003</u>
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 4,567,494
Operating grants and contributions	11,496,664
Capital grants and contributions	393,098
General revenues:	
Property taxes	4,984,031
Sales tax	4,408,523
Unrestricted grants	1,671,237
Investment earnings	339,000
Other	<u>2,249,643</u>
Total revenues	<u>30,109,690</u>
<u>Expenses</u>	
Program expenses:	
General government	\$ 7,859,956
Public safety	3,528,965
Public works	5,739,161
Health	3,462,884
Human services	8,511,929
Economic development and assistance	592,902
Other	688,491
Interest and fiscal charges	<u>396,130</u>
Total expenses	<u>30,780,418</u>
Change in net assets	<u>\$ (670,728)</u>

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

Governmental Activities

Governmental assets decreased by \$670,728 in 2003 from 2002. This slight decrease is due to expenditures increasing faster than revenues in 2003 compared to 2002.

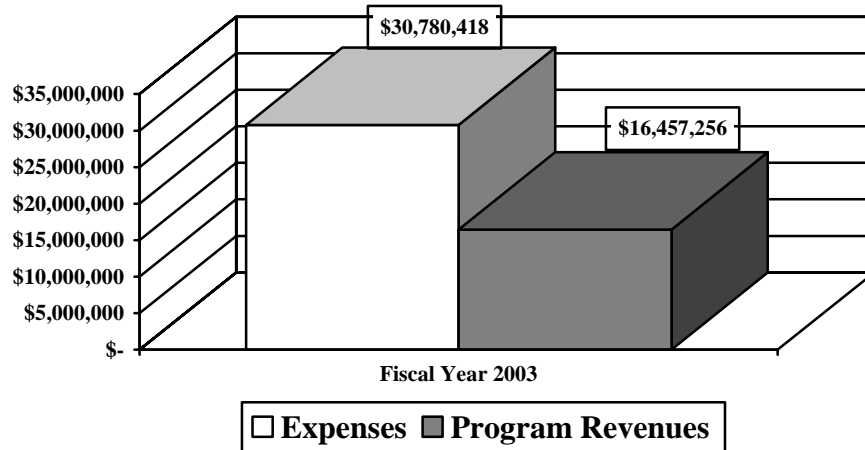
Human services, which supports the operations of the County Board of MRDD, Public Assistance and Children Services Board, accounts for \$8,511,929 of expenses, or 27.65% of total governmental expenses of the County. These expenses were funded by \$1,285,107 in charges to users of services in 2003. General government expenses, which includes legislative and executive and judicial programs, totaled \$7,859,956 or 25.54% of total governmental expenses. General government expenses were covered by \$1,647,694 of direct charges to users in 2003.

The state and federal government contributed to the County revenues of \$11,496,664 in operating grants and contributions and \$393,098 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$6,195,949, or 53.89% subsidized human services programs.

General revenues totaled \$13,652,434, and amounted to 45.34% of total revenues. These revenues primarily consist of property and sales tax revenue of \$9,392,554, or 68.80% of total general revenues in 2003. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$1,671,237, or 12.24% of the total. In August 2002, the state placed a freeze on local government and local government revenue assistance to be distributed to local governments in 2003.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

Governmental Activities – Program Revenues vs. Total Expenses



CLINTON COUNTY, OHIO

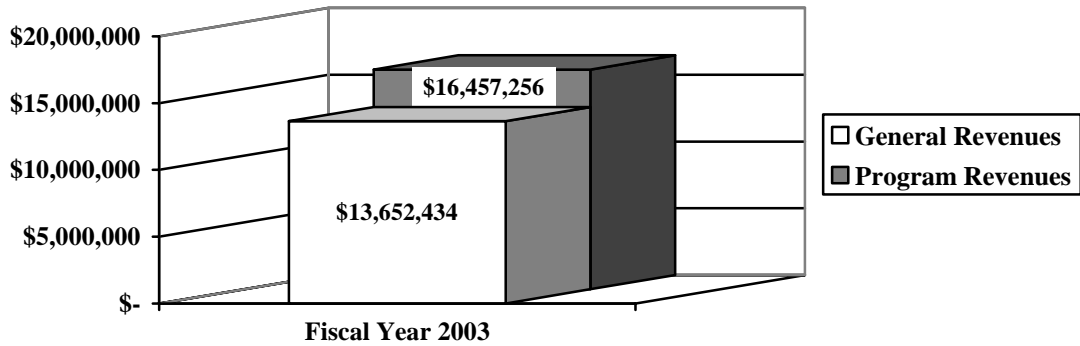
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Governmental Activities

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Expenses:		
General government	\$ 7,859,956	\$ 6,211,852
Public safety	3,528,965	2,215,096
Public works	5,739,161	1,512,464
Health	3,462,884	2,348,824
Human services	8,511,929	1,030,873
Economic development and assistance	592,902	(68,543)
Other	688,491	676,466
Interest and fiscal charges	<u>396,130</u>	<u>396,130</u>
 Total expenses	 <u>\$ 30,780,418</u>	 <u>\$ 14,323,162</u>

The dependence upon general revenues for governmental activities is apparent, with 46.53% of expenses supported through taxes and other general revenues during 2003.

Governmental Activities - General and Program Revenues



Business-Type Activities

The County has no business-type activities.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

The County's governmental funds (as presented on the balance sheet on pages 17-18) reported a combined fund balance of \$4,112,673, which is \$339,309 under last year's total of \$4,451,982 (as restated, see Note 3.A. to the financial statements for detail). The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2003 for all major and nonmajor governmental funds.

	<u>Fund Balance</u> <u>December 31, 2003</u>	<u>Fund Balance</u> <u>December 31, 2002</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 472,427	\$ 1,145,951	\$ (673,524)
Children Services Board	1,219,362	610,139	609,223
County Board of MRDD	2,441,093	2,233,120	207,973
Motor Vehicle and Gas Tax	1,003,268	1,273,396	(270,128)
Public Assistance	613,026	272,854	340,172
Public Services Agency Office Construction	(2,579,396)	(2,591,471)	12,075
Other Nonmajor Governmental Funds	<u>942,893</u>	<u>1,507,993</u>	<u>(565,100)</u>
Total	<u>\$ 4,112,673</u>	<u>\$ 4,451,982</u>	<u>\$ (339,309)</u>

General Fund

The general fund is the operating fund of the County. At the end of the fiscal year, the fund balance of the general fund was \$472,427, a 58.77% decrease from 2002. The decrease of the general fund balance in 2003 was primarily due to expenditures increasing faster than revenues in 2003. In addition, the general fund made \$82,235 in transfers out to other funds.

Children Services Board Fund

The children services board, a County major fund, had revenues of \$2,627,652 in 2003. The children services board had expenditures of \$2,018,429 in 2003. The children services board fund balance increased \$609,223 from 2002 to 2003.

County Board of MRDD

The County board of MRDD fund, a County major fund, had revenues of \$3,468,182 in 2003. The County board of MRDD fund had expenditures of \$3,260,209 in 2003. The County board of MRDD fund balance increased \$207,973 from 2002 to 2003.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,231,159 in 2003. The motor vehicle and gas tax fund had expenditures of \$4,577,891 in 2003. The motor vehicle and gas tax fund balance decreased \$270,128 from 2002 to 2003.

Public Assistance Fund

The public assistance fund, a County major fund, had revenues of \$5,715,292 in 2003. The public assistance fund had expenditures of \$5,333,716 in 2003. The public assistance fund balance increased \$340,172 from 2002 to 2003.

Public Services Agency Office Construction Fund

The public services agency office construction fund, a County major fund, had expenditures of \$50,157 and transfers in of \$62,232 in 2003. The public services agency office construction fund balance increased \$12,075 from 2002 to 2003.

Budgeting Highlights - General Fund

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

In the general fund, there were significant changes between the original and final budget. Final budgeted revenues increased \$892,277 over original budgeted revenues, and final budgeted expenditures increased \$2,007,583 over original budgeted expenditures. Actual revenues of \$10,444,900 exceeded final budgeted revenues by \$133,292 or 1.29%. Actual expenditures were \$28,225 less than the final budgeted expenditures. Actual expenditures were lower than final budgeted expenditures due to the County's conservative budgeting practices.

Capital Assets and Debt Administration

Capital Assets

During 2003, the County restated its governmental activities capital assets to include the retroactive infrastructure assets. See Note 3.A. to the basic financial statements for detail. At the end of 2003, the County had \$36,948,440 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and construction in progress.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

The following table shows fiscal 2003 balances compared to 2002:

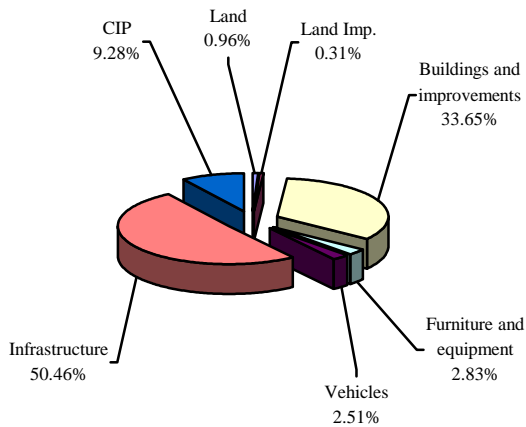
**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u> <u>2003</u>	<u>Governmental Activities</u> <u>2002</u>
Land	\$ 355,170	\$ 355,170
Land improvements	115,693	113,675
Building and improvements	12,433,239	12,716,452
Furniture and equipment	1,044,787	1,143,124
Vehicles	925,632	1,034,126
Infrastructure	18,645,456	17,928,453
Construction in progress	<u>3,428,463</u>	<u>3,402,829</u>
Total	<u>\$ 36,948,440</u>	<u>\$ 36,693,829</u>

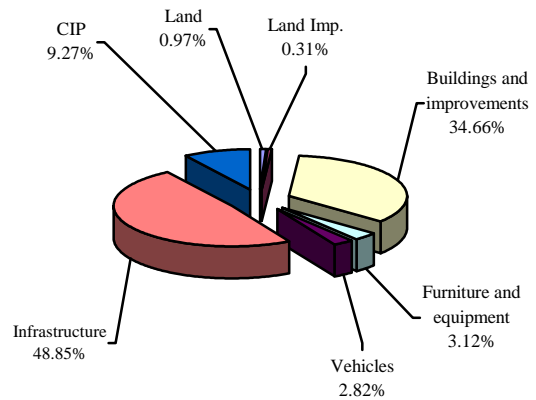
See Note 9 to the basic financial statements for detail on governmental activities capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2003 and 2002.

Capital Assets - Governmental Activities 2003



Capital Assets - Governmental Activities 2002



The County's largest capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 50.46% of the County's total governmental capital assets.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Debt Administration

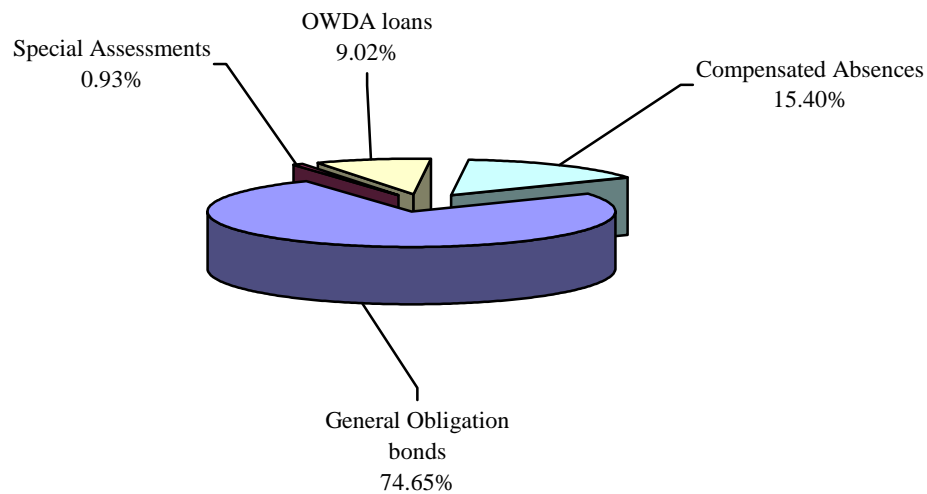
At December 31, 2003 the County had \$4,860,000 in general obligation bonds, an OWDA loan of \$587,074, special assessment bonds of \$60,280 and compensated absences of \$1,002,439 outstanding. Of this total, \$601,895 is due within one year and \$5,907,898 is due within greater than one year. The following table summarizes the bonds, notes and loan outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2003</u>	Governmental Activities <u>2002</u>
Long-Term Obligations		
General obligation bonds:	\$ 4,860,000	\$ 5,145,000
OWDA Loan	587,074	186,629
Special Assessments	60,280	68,376
Compensated Absences	<u>1,002,439</u>	<u>951,474</u>
Total	<u>\$ 6,509,793</u>	<u>\$ 6,351,479</u>

See Note 11 to the basic financial statements for detail on governmental activities outstanding debt. A comparison of the long-term obligations by category is depicted in the chart below.

Long-term obligations



CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

Economic Factors and Next Year's Budgets and Rates

The County's current population is 40,543.

The County's unemployment rate is currently 4.9%, compared to the 6.1% state average and the 5.8% national average.

These economic factors were considered in preparing the County's budget for fiscal year 2003. Budgeted revenues and other financing sources in the general fund for fiscal year 2004 budget are \$9,006,135. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

Contacting the County's Financial Management

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

CLINTON COUNTY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2003

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Component Unit</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 9,160,194	\$ 195,125
Receivables (net of allowances for uncollectibles):		
Sales taxes	665,544	-
Real and other taxes	5,330,694	-
Accounts	318,764	38,376
Special assessments	43,283	-
Accrued interest	81,408	-
Due from other governments	2,677,382	-
Prepayments	87,380	338
Materials and supplies inventory	82,429	-
Capital assets:		
Land and construction in progress	3,783,633	-
Depreciable capital assets, net	33,164,807	34,356
Total capital assets.	<u>36,948,440</u>	<u>34,356</u>
Total assets.	<u>55,395,518</u>	<u>268,195</u>
Liabilities:		
Accounts payable.	556,111	928
Contracts payable.	17,910	-
Accrued wages and benefits	442,669	-
Due to other governments	525,739	7,314
Deferred revenue.	4,872,856	-
Accrued interest payable.	128,700	-
Notes payable	4,993,000	-
Amount to be repaid to claimants	232,623	-
Claims payable	104,143	-
Long-term liabilities:		
Due within one year.	601,895	-
Due in more than one year	5,907,898	-
Total liabilities	<u>18,383,544</u>	<u>8,242</u>
Net assets:		
Invested in capital assets, net of related debt	27,035,160	-
Restricted for:		
Debt service.	344,809	-
Human services programs	2,095,741	-
Community development projects	2,755,065	-
Other purposes	3,731,325	-
Unrestricted.	1,049,874	259,953
Total net assets	<u>\$ 37,011,974</u>	<u>\$ 259,953</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Program Revenues</u>				Net (Expense) Revenue and Changes in Net Assets	Component Unit
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities Total</u>	
Governmental Activities:						
General government:						
Legislative and executive	\$ 5,410,042	\$ 1,086,597	\$ -	\$ -	\$ (4,323,445)	\$ -
Judicial	2,449,914	561,097	410	-	(1,888,407)	-
Public safety	3,528,965	1,145,198	168,671	-	(2,215,096)	-
Public works	5,739,161	279,067	3,554,532	393,098	(1,512,464)	-
Health	3,462,884	170,247	943,813	-	(2,348,824)	-
Human services	8,511,929	1,285,107	6,195,949	-	(1,030,873)	-
Economic development and assistance . .	592,902	40,181	621,264	-	68,543	-
Other	688,491	-	12,025	-	(676,466)	-
Interest and fiscal charges.	396,130	-	-	-	(396,130)	-
Total primary government	<u>\$ 30,780,418</u>	<u>\$ 4,567,494</u>	<u>\$ 11,496,664</u>	<u>\$ 393,098</u>	<u>(14,323,162)</u>	<u>-</u>
Component Unit:						
ORION Rehabilitation Center.	<u>\$ 216,296</u>	<u>\$ 192,315</u>	<u>\$ 8,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(15,404)</u>
General Revenues:						
Property taxes levied for:						
General fund.					1,712,198	-
Legislative and Executive - Real Estate Assessment					373,430	-
Human services - County Board of MRDD.					1,693,653	-
Human Services - Children Services					1,024,690	-
Public Works - County Building					24,198	-
Public Works - By-Pass Jail/Bond					6,735	-
Public Works - Permanent Improvement					149,127	-
Sales and other taxes.					4,408,523	-
Grants and entitlements not restricted to specific programs. . . .					1,671,237	-
Investment earnings.					339,000	2,842
Miscellaneous.					2,249,643	33,531
Total general revenues					<u>13,652,434</u>	<u>36,373</u>
Change in net assets					(670,728)	20,969
Net assets at beginning of year (restated)					<u>37,682,702</u>	<u>238,984</u>
Net assets at end of year					<u>\$ 37,011,974</u>	<u>\$ 259,953</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CLINTON COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle & Gas Tax</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 798,038	\$ 1,024,893	\$ 2,533,553	\$ 718,242
Receivables (net of allowance for uncollectibles):				
Sales taxes	665,544	-	-	-
Real and other taxes	1,585,450	1,280,696	2,024,444	-
Accounts	26,799	201,091	39,306	4,271
Special assessments	-	-	-	-
Interfund receivable	5,000	-	-	-
Due from other governments	497,254	60,568	93,715	1,926,607
Accrued interest	80,480	-	-	-
Advances to other funds	84,225	-	-	-
Due from other funds	5,944	23,763	-	-
Prepayments	79,735	-	-	-
Materials and supplies inventory	46,878	2,236	-	29,077
Total assets	<u>\$ 3,875,347</u>	<u>\$ 2,593,247</u>	<u>\$ 4,691,018</u>	<u>\$ 2,678,197</u>
Liabilities:				
Accounts payable	\$ 125,013	\$ 37,256	\$ 21,379	\$ 67,171
Contracts payable	17,910	-	-	-
Accrued interest payable	18,380	-	-	-
Accrued wages and benefits	209,563	-	61,443	51,368
Compensated absences payable	5,342	-	-	-
Interfund loans payable	-	-	-	-
Due to other funds	24,407	5,944	-	-
Due to other governments	220,838	10,231	74,617	58,484
Advances from other funds	-	-	-	-
Deferred revenue	1,816,444	1,320,454	2,092,486	1,497,906
Amount to be repaid to claimants	232,623	-	-	-
Notes payable	732,400	-	-	-
Total liabilities	<u>3,402,920</u>	<u>1,373,885</u>	<u>2,249,925</u>	<u>1,674,929</u>
Fund Balances:				
Reserved for encumbrances	182,109	-	-	78,532
Reserved for prepayments	79,735	-	-	-
Reserved for materials and supplies inventory	46,878	2,236	-	29,077
Reserved for advances	84,225	-	-	-
Unreserved, undesignated, reported in:				
General fund	79,480	-	-	-
Special revenue funds	-	1,217,126	2,441,093	895,659
Debt service fund	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>472,427</u>	<u>1,219,362</u>	<u>2,441,093</u>	<u>1,003,268</u>
Total liabilities and fund balances	<u>\$ 3,875,347</u>	<u>\$ 2,593,247</u>	<u>\$ 4,691,018</u>	<u>\$ 2,678,197</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	Public Service Agencies Office Construction	Other Governmental Funds	Total Governmental Funds
\$ 855,287	\$ 77,860	\$ 2,926,463	\$ 8,934,336
-	-	-	665,544
-	-	440,104	5,330,694
378	-	45,126	316,971
-	-	43,283	43,283
-	-	-	5,000
11,345	-	78,713	2,668,202
-	-	928	81,408
-	-	-	84,225
-	-	644	30,351
7,236	-	409	87,380
3,822	-	416	82,429
<u>\$ 878,068</u>	<u>\$ 77,860</u>	<u>\$ 3,536,086</u>	<u>\$ 18,329,823</u>
\$ 94,525	\$ -	\$ 210,767	\$ 556,111
-	-	-	17,910
-	57,256	31,326	106,962
81,967	-	36,856	441,197
-	-	-	5,342
-	-	5,000	5,000
-	-	-	30,351
88,550	-	71,017	523,737
-	-	84,225	84,225
-	-	493,402	7,220,692
-	-	-	232,623
-	2,600,000	1,660,600	4,993,000
<u>265,042</u>	<u>2,657,256</u>	<u>2,593,193</u>	<u>14,217,150</u>
-	16,922	631,667	909,230
7,236	-	409	87,380
3,822	-	416	82,429
-	-	-	84,225
-	-	-	79,480
601,968	-	1,379,378	6,535,224
-	-	319,203	319,203
-	(2,596,318)	(1,388,180)	(3,984,498)
<u>613,026</u>	<u>(2,579,396)</u>	<u>942,893</u>	<u>4,112,673</u>
<u>\$ 878,068</u>	<u>\$ 77,860</u>	<u>\$ 3,536,086</u>	<u>\$ 18,329,823</u>

CLINTON COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2003

Total governmental fund balances		\$ 4,112,673
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		36,948,440
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 442,098	
Special assessments	36,143	
Intergovernmental revenues	<u>1,869,595</u>	
Total		2,347,836
Internal service funds are used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets. The net assets of the internal service fund are:		128,316
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	4,860,000	
OPWC loan	587,074	
Special assessments	60,280	
Compensated absences	996,199	
Accrued interest payable	<u>21,738</u>	
Total		<u>(6,525,291)</u>
Net assets of governmental activities		<u><u>\$ 37,011,974</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle & Gas Tax</u>
Revenues:				
Property taxes	\$ 1,686,162	\$ 1,000,591	\$ 1,655,480	\$ -
Sales taxes	4,138,079	-	-	60,768
Charges for services	1,969,642	220,011	70,268	-
Licenses and permits	87,250	-	-	-
Fines and forfeitures	137,871	-	-	41,740
Intergovernmental	1,386,409	1,189,951	1,102,217	3,831,356
Special assessments	-	-	-	-
Investment income	306,013	-	-	-
Rental income	64,107	-	-	-
Other	846,309	217,099	640,217	297,295
Total revenues	<u>10,621,842</u>	<u>2,627,652</u>	<u>3,468,182</u>	<u>4,231,159</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,832,891	-	-	-
Judicial	2,073,890	-	-	-
Public safety	3,139,113	-	-	-
Public works	101,910	-	-	4,577,891
Health	21,411	-	3,260,209	-
Human services	376,150	2,018,429	-	-
Economic development and assistance	-	-	-	-
Other	643,735	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	24,031	-	-	-
Total expenditures	<u>11,213,131</u>	<u>2,018,429</u>	<u>3,260,209</u>	<u>4,577,891</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(591,289)</u>	<u>609,223</u>	<u>207,973</u>	<u>(346,732)</u>
Other financing sources (uses):				
Proceeds of OWDA loan	-	-	-	-
Transfers in	-	-	-	76,604
Transfers out	(82,235)	-	-	-
Total other financing sources (uses)	<u>(82,235)</u>	<u>-</u>	<u>-</u>	<u>76,604</u>
Net change in fund balances	(673,524)	609,223	207,973	(270,128)
Fund balances at beginning of year (restated).	<u>1,145,951</u>	<u>610,139</u>	<u>2,233,120</u>	<u>1,273,396</u>
Fund balances at end of year.	<u>\$ 472,427</u>	<u>\$ 1,219,362</u>	<u>\$ 2,441,093</u>	<u>\$ 1,003,268</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	Public Service Agencies Office Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 575,467	\$ 4,917,700
-	-	147,616	4,346,463
965,938	-	807,635	4,033,494
-	-	-	87,250
-	-	26,987	206,598
4,396,417	-	2,111,550	14,017,900
-	-	74,791	74,791
-	-	32,770	338,783
-	-	136,765	200,872
352,937	-	195,306	2,549,163
<u>5,715,292</u>	<u>-</u>	<u>4,108,887</u>	<u>30,773,014</u>
-	-	478,632	5,311,523
-	-	281,689	2,355,579
-	-	180,523	3,319,636
-	-	309,253	4,989,054
-	-	116,476	3,398,096
5,333,716	-	984,761	8,713,056
-	-	592,902	592,902
-	-	18,694	662,429
-	-	1,492,536	1,492,536
-	-	293,096	293,096
-	50,157	310,673	384,861
<u>5,333,716</u>	<u>50,157</u>	<u>5,059,235</u>	<u>31,512,768</u>
<u>381,576</u>	<u>(50,157)</u>	<u>(950,348)</u>	<u>(739,754)</u>
-	-	400,445	400,445
-	62,232	254,559	393,395
(41,404)	-	(269,756)	(393,395)
<u>(41,404)</u>	<u>62,232</u>	<u>385,248</u>	<u>400,445</u>
340,172	12,075	(565,100)	(339,309)
272,854	(2,591,471)	1,507,993	4,451,982
<u>\$ 613,026</u>	<u>\$ (2,579,396)</u>	<u>\$ 942,893</u>	<u>\$ 4,112,673</u>

CLINTON COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

Net change in fund balances - total governmental funds \$ (339,309)

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,632,956) exceeded depreciation expense (\$1,378,345) in the current period.	254,611
Proceeds of loans are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenue as they increase the liabilities on the statement of net assets.	(400,445)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(364,021)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	293,096
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,056
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(44,725)
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	<u>(70,991)</u>

Change in net assets of governmental activities. \$ (670,728)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Property taxes	\$ 1,512,851	\$ 1,656,161	\$ 1,677,569	\$ 21,408
Sales taxes	3,660,761	4,007,539	4,059,342	51,803
Charges for services	1,772,759	1,940,690	1,965,776	25,086
Licenses and permits.	78,683	86,137	87,250	1,113
Fines and forfeitures.	117,345	128,460	130,121	1,661
Intergovernmental	1,250,373	1,368,819	1,386,513	17,694
Investment income	222,591	243,676	246,826	3,150
Rental income	18,971	20,768	21,037	269
Other	784,997	859,358	870,466	11,108
Total revenues.	<u>9,419,331</u>	<u>10,311,608</u>	<u>10,444,900</u>	<u>133,292</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	3,694,717	5,122,451	5,176,922	(54,471)
Judicial.	1,961,670	2,140,408	2,105,013	35,395
Public safety	3,033,052	3,217,346	3,191,578	25,768
Public works	88,744	86,306	86,135	171
Health	45,500	78,922	76,424	2,498
Human services	150,272	370,794	370,463	331
Other	686,217	651,528	632,995	18,533
Total expenditures	<u>9,660,172</u>	<u>11,667,755</u>	<u>11,639,530</u>	<u>28,225</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(240,841)</u>	<u>(1,356,147)</u>	<u>(1,194,630)</u>	<u>161,517</u>
Other financing sources (uses):				
Transfers in.	106,343	116,417	117,922	1,505
Transfers out	-	-	(203,184)	(203,184)
Advances in.	9,340	10,225	10,357	132
Advances out	-	-	(15,357)	(15,357)
Total other financing sources (uses)	<u>115,683</u>	<u>126,642</u>	<u>(90,262)</u>	<u>(216,904)</u>
Net change in fund balance	(125,158)	(1,229,505)	(1,284,892)	(55,387)
Fund balance at beginning of year (restated). . .	1,573,921	1,573,921	1,573,921	-
Prior year encumbrances appropriated	<u>252,493</u>	<u>252,493</u>	<u>252,493</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 1,701,256</u>	<u>\$ 596,909</u>	<u>\$ 541,522</u>	<u>\$ (55,387)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 CHILDREN SERVICES BOARD
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 1,153,449	\$ 1,454,836	\$ 1,013,886	\$ (440,950)
Charges for services	208,042	262,402	182,870	(79,532)
Intergovernmental	1,418,170	1,788,727	1,246,577	(542,150)
Other	44,914	56,650	39,480	(17,170)
Total revenues.	<u>2,824,575</u>	<u>3,562,615</u>	<u>2,482,813</u>	<u>(1,079,802)</u>
Expenditures:				
Current:				
Human services	<u>2,482,211</u>	<u>2,788,923</u>	<u>2,008,027</u>	<u>780,896</u>
Total expenditures	<u>2,482,211</u>	<u>2,788,923</u>	<u>2,008,027</u>	<u>780,896</u>
Net change in fund balance	342,364	773,692	474,786	(298,906)
Fund balance at beginning of year	535,086	535,086	535,086	-
Prior year encumbrances appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 877,450</u>	<u>\$ 1,308,778</u>	<u>\$ 1,009,872</u>	<u>\$ (298,906)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF MRDD
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 1,968,798	\$ 3,194,773	\$ 1,676,418	\$ (1,518,355)
Charges for services	359,100	306,007	306,007	-
Intergovernmental	1,277,326	1,231,050	1,087,704	(143,346)
Other	705,698	600,911	600,911	-
Total revenues.	<u>4,310,922</u>	<u>5,332,741</u>	<u>3,671,040</u>	<u>(1,661,701)</u>
Expenditures:				
Current:				
Health	4,646,895	4,690,145	3,414,016	1,276,129
Total expenditures	<u>4,646,895</u>	<u>4,690,145</u>	<u>3,414,016</u>	<u>1,276,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(335,973)</u>	<u>642,596</u>	<u>257,024</u>	<u>(385,572)</u>
Other financing sources (uses):				
Transfers out	-	(100,000)	(100,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	(335,973)	542,596	157,024	(385,572)
Fund balance at beginning of year	2,352,785	2,352,785	2,352,785	-
Prior year encumbrances appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 2,016,812</u>	<u>\$ 2,895,381</u>	<u>\$ 2,509,809</u>	<u>\$ (385,572)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE AND GAS TAX
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales taxes	\$ 64,619	\$ 65,776	\$ 65,221	\$ (555)
Fines and forfeitures.	37,123	37,788	37,469	(319)
Intergovernmental	3,758,612	3,825,922	3,793,651	(32,271)
Other.	294,749	300,028	297,497	(2,531)
Total revenues	<u>4,155,103</u>	<u>4,229,514</u>	<u>4,193,838</u>	<u>(35,676)</u>
Expenditures:				
Current:				
Public works	<u>4,737,017</u>	<u>4,737,021</u>	<u>4,656,088</u>	<u>80,933</u>
Total expenditures	<u>4,737,017</u>	<u>4,737,021</u>	<u>4,656,088</u>	<u>80,933</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(581,914)</u>	<u>(507,507)</u>	<u>(462,250)</u>	<u>45,257</u>
Other financing sources (uses):				
Transfers in	<u>75,897</u>	<u>35,499</u>	<u>76,604</u>	<u>41,105</u>
Total other financing sources (uses)	<u>75,897</u>	<u>35,499</u>	<u>76,604</u>	<u>41,105</u>
Net change in fund balance	(506,017)	(472,008)	(385,646)	86,362
Fund balance at beginning of year	752,199	752,199	752,199	-
Prior year encumbrances appropriated	<u>212,845</u>	<u>212,845</u>	<u>212,845</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 459,027</u>	<u>\$ 493,036</u>	<u>\$ 579,398</u>	<u>\$ 86,362</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 PUBLIC ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 920,215	\$ 889,075	\$ 965,938	\$ 76,863
Intergovernmental	4,217,498	4,074,776	4,427,052	352,276
Other	335,871	324,504	352,559	28,055
Total revenues.	<u>5,473,584</u>	<u>5,288,355</u>	<u>5,745,549</u>	<u>457,194</u>
Expenditures:				
Current:				
Human services	3,165,959	5,984,693	5,319,807	664,886
Total expenditures	<u>3,165,959</u>	<u>5,984,693</u>	<u>5,319,807</u>	<u>664,886</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,307,625</u>	<u>(696,338)</u>	<u>425,742</u>	<u>1,122,080</u>
Other financing sources (uses):				
Transfers out	-	-	(41,404)	(41,404)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(41,404)</u>	<u>(41,404)</u>
Net change in fund balance	2,307,625	(696,338)	384,338	1,080,676
Fund balance at beginning of year	470,949	470,949	470,949	-
Prior year encumbrances appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 2,778,574</u>	<u>\$ (225,389)</u>	<u>\$ 855,287</u>	<u>\$ 1,080,676</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 DECEMBER 31, 2003

		Governmental Activity - Health Insurance Depository Fund
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$	225,858
Receivables (net of allowance for uncollectibles):		
Accounts		1,793
Due from other governments		9,180
Total assets		236,831
 Liabilities:		
Current liabilities:		
Accrued wages and benefits		1,472
Due to other governments		2,002
Compensated absences payable		898
Claims payable.		104,143
Total liabilities		108,515
 Net assets:		
Unrestricted		128,316
Total net assets	\$	128,316

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Activity - Health Insurance Depository Fund
Operating revenues:	
Charges for services	\$ 2,234,220
Other.	<u>10,973</u>
Total operating revenues	<u>2,245,193</u>
Operating expenses:	
Personal services	38,466
Claims.	1,963,013
Administrative costs.	<u>314,922</u>
Total operating expenses.	<u>2,316,401</u>
Operating loss	(71,208)
Nonoperating revenues:	
Interest revenue	<u>217</u>
Total nonoperating revenues.	<u>217</u>
Changes in net assets	(70,991)
Net assets at beginning of year (restated).	<u>199,307</u>
Net assets at end of year.	<u><u>\$ 128,316</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2003

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 29,476	\$ 3,362,030
Cash in segregated accounts	-	898,560
Receivables:		
Real and other taxes.	-	30,514,301
Accounts	-	54,165
Special assessments.	-	126,032
Due from other governments	-	2,959,378
	<hr/>	<hr/>
Total assets	29,476	37,914,466
	<hr/>	<hr/>
Liabilities:		
Due to other governments	-	2,930,497
Deposits held and due to others	-	34,957,497
Deferred revenue	-	26,472
	<hr/>	<hr/>
Total liabilities	-	\$ 37,914,466
	<hr/>	<hr/>
Total net assets	\$ 29,476	
	<hr/>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ 30,166
Total additions.	<u>30,166</u>
Deductions:	
Benefits.	<u>38,387</u>
Changes in net assets	(8,221)
Net assets at the beginning of the year.	<u>37,697</u>
Net assets at the end of the year	<u>\$ 29,476</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

BLENDED COMPONENT UNITS

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

DISCRETELY PRESENTED COMPONENT UNIT

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

RELATED ORGANIZATIONS

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

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

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

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

JOINT VENTURE WITHOUT EQUITY INTEREST

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

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

RISK POOL

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

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

B. Basis of Presentation

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

C. Fund Accounting

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

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

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

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

Public Service Agencies Office Construction - This fund accounts for revenue notes payable to provide construction for Public Services Agencies Office Construction.

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

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

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

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

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

D. Measurement Focus

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

E. Basis of Accounting

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (See Note 7), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met also are recorded as deferred revenue.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

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

F. Budgetary Data

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

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

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

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

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

On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the final amended certificate issued during 2003.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Appropriations - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2003 are included in the final budget amounts in the budget-to-actual comparisons.

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

G. Cash and Investments

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

During fiscal year 2003, investments were limited to federal agency securities, U.S. Government money market mutual funds and repurchase agreements.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$306,013 which includes \$271,457 assigned from other County funds.

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

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

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

H. Inventories of Materials and Supplies

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

Inventory consists of expendable supplies held for consumption.

I. Capital Assets

Governmental capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2003, the County increased its capitalization threshold from \$500 to \$5,000. The County's infrastructure consists of roads, bridges, and culverts. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Buildings	70 years
Machinery and Equipment	4 - 20 years
Infrastructure	30 - 50 years
Vehicles	8 years

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

Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset.

J. Compensated Absences

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2003, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "Vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2003, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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.

L. Accrued Liabilities and Long-term Obligations

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

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

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

M. Interfund Transactions

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

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

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

N. Fund Balance Reserves

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

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the County, these revenues are charges for services for the self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. During 2003, the County received no capital contributions.

Q. Net Assets

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

R. Estimates

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

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the County has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At December 31, 2002, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the County not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 34 creates new basic financial statements for reporting on the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the County's programs between business-type and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 2002, the elimination of the internal service fund and the conversion to the accrual basis of accounting.

In addition to implementing GASB Statement No. 34, the County switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at December 31, 2002.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain governmental funds have been reclassified to properly reflect their intended purpose in accordance with the standards of GASB Statement No. 34 and GASB Statement No. 14. Certain funds previously reported as internal service and expendable trust funds are now reported in the general fund and nonmajor governmental funds. Funds previously reported as a discretely presented component unit are now reported in the County Board of MRDD fund. In addition, monies that were previously reported in agency funds have been reported in the general fund and special revenues funds.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the County's governmental fund balances as previously reported follows:

	<u>General</u>	<u>Children Services</u>	<u>MRDD</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Public Assistance</u>	<u>Public Service Agencies Office Construction</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance								
December 31, 2002	\$ 1,043,817	\$ 579,499	\$ -	\$ 1,273,396	\$ 272,854	\$ (2,591,471)	\$ 1,475,426	\$ 2,053,521
Fund reclassifications	61,517	-	2,184,759	-	-	-	23,532	2,269,808
GASB interpretation								
No. 6 adjustments	1,335	-	-	-	-	-	-	1,335
Agency fund								
tax adjustment	<u>39,282</u>	<u>30,640</u>	<u>48,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,035</u>	<u>127,318</u>
Restated fund balance,								
December 31, 2002	<u>\$ 1,145,951</u>	<u>\$ 610,139</u>	<u>\$ 2,233,120</u>	<u>\$ 1,273,396</u>	<u>\$ 272,854</u>	<u>\$ (2,591,471)</u>	<u>\$ 1,507,993</u>	<u>\$ 4,451,982</u>

The transition from governmental fund balance to net assets of the governmental activities is also presented.

Adjusted fund balance,	
December 31, 2002	\$ 4,451,982
GASB Statement No. 34 adjustments:	
Capital assets	36,693,829
Internal service fund	199,307
Long-term liabilities	(6,351,479)
Accrued interest	(22,794)
Long-term (deferred assets)	<u>2,711,857</u>
Governmental activities net	
assets, December 31, 2002	<u>\$ 37,682,702</u>

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund - The general fund unencumbered fund balance at the beginning of the year has been restated from \$1,274,132 to \$1,573,921 due to fund reclassifications to properly reflect their intended purpose in accordance with GASB Statement No. 34.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - ACCOUNTABILITY AND CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

Component Unit - Restatement of Fund Equity - A restatement is required to report certain funds of the County as part of the primary government rather than as a discretely presented component unit. These funds are now reported in the County Board of MRDD special revenue fund. This prior period adjustment had the following effect on fund equity as previously reported:

	Component Unit
Fund equity at December 31, 2002	\$ 3,412,023
Adjustment for fund reclassification	(3,173,039)
Restated net assets at January 1, 2003	\$ 238,984

B. Deficit Fund Balances

	Deficit
<u>Major Governmental Fund</u>	
Public Service Agencies Office Construction	\$ 2,579,396
<u>Nonmajor Governmental Funds</u>	
Dog and Kennel	38,960
Clinton County Park Board	9,625
Bond Retirement/Dept. of Human Services	275,920
Building Improvement	1,110,152
Martinville Midland Sanitary Project	46,390

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

Deposits: At year-end, the carrying amount of the County's deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$8,097,488 and the bank balance, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$9,200,846. Of the bank balance:

1. \$552,033 was covered by federal depository insurance, covered by collateral held in the pledging bank's trust department in the County's name, or surety company bonds deposited with the County; and
2. \$8,648,813 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Federal agency securities	\$ 2,740,270	\$ 2,740,270	\$ 2,740,270
Repurchase agreement	<u>1,910,826</u>	1,910,826	1,910,826
Total	<u>\$ 4,651,096</u>		
U.S. government money market mutual funds		<u>701,676</u>	<u>701,676</u>
Total investments		<u>\$ 5,352,772</u>	<u>\$ 5,352,772</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

The federal agency securities have maturity dates ranging from February 2004 to December 2004.

The classification of cash and cash equivalents on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

A summary of deposits, investments and cash on hand as of December 31, 2003 follows:

Deposits	\$ 8,097,488
Investments	<u>5,352,772</u>
Total	<u>\$ 13,450,260</u>

The above amounts are classified in the financial statements follows:

Equity in Pooled Cash and Cash Equivalents	\$ 12,551,700
Cash with Fiscal and Escrow Agents	<u>898,560</u>
Total	<u>\$ 13,450,260</u>

B. Component Unit

At December 31, 2003, the carrying amount of the component unit's demand deposits, including nonnegotiable certificates of deposit, was \$195,125 and the bank balance, including nonnegotiable certificates of deposit, was \$124,078. Of the bank balance, \$195,025 was insured by the FDIC. The component unit had \$100 of cash on hand at December 31, 2003, which is included in "Equity in Pooled Cash and Cash Equivalents". At December 31, 2003, the component unit had an investment in the amount of \$70,947 in a money market mutual fund. Money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to Motor Vehicle and Gas Tax Fund from:		
General Fund	\$	35,200
Public Assistance		41,404
Total Transfers to Motor Vehicle and Gas Tax Fund		76,604
Transfers to Public Services Agencies Office Construction from:		
Nonmajor Governmental Funds		62,232
Transfers to Nonmajor Governmental Funds from:		
General Fund		47,035
Nonmajor Governmental Fund		207,524
Total Transfers to Nonmajor Governmental Funds		254,559

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

- B.** Short term interfund loans consisted of the following at December 31, 2003, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 5,000

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

- C.** Long-term advances to and from other funds at December 31, 2003, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 84,225

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

D. Due from/to other funds consisted of the following at December 31, 2003, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Children Services	\$ 5,944
Children Services	General	23,763
Nonmajor governmental fund	General	644

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied on April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are currently 25% of true value. The assessed value upon which taxes were collected in 2003 was \$775,780,750. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2003, was \$9.30 per \$1,000 of assessed valuation.

Real property taxes for tax year 2003, are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

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

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectibles) and real and public utility taxes, which were measurable as of the year-end. Since the current levy is intended to finance 2004 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2004 are shown as 2003 revenue; the remainder is shown as "Deferred Revenue".

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 6 - PROPERTY TAXES - (Continued)

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

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited entirely to the general fund and special revenue funds. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue to the extent that they are intended to finance fiscal 2003 operations. Sales and use tax revenue for 2003 amounted to \$4,346,463.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2003, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2003, as well as intended to finance fiscal 2003 operations.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Sales taxes	\$ 665,544
Real estate and other taxes	5,330,694
Accounts	318,764
Special assessments	43,283
Accrued interest	81,408
Due from other governments	2,686,382

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 9 - CAPITAL ASSETS

A. Primary Government

The beginning capital asset balances of the governmental activities have been restated to include the retroactive reporting of infrastructure assets, to include capital assets formerly reported in the component unit, and due to errors and omissions reported in previous years.

Governmental Activities:	<u>Balance at</u> <u>12/31/02</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance at</u> <u>01/01/03</u>
Land	\$ 355,170	\$ -	\$ 355,170
Land improvements	-	167,205	167,205
Buildings and improvements	15,762,380	127,125	15,889,505
Furniture and equipment	3,850,394	(1,200,134)	2,650,260
Vehicles	2,232,414	276,841	2,509,255
Infrastructure	-	23,090,763	23,090,763
Construction in progress	3,402,829	-	3,402,829
Accumulated depreciation	<u>-</u>	<u>(11,371,158)</u>	<u>(11,371,158)</u>
Total	<u>\$ 25,603,187</u>	<u>\$ 11,090,642</u>	<u>\$ 36,693,829</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 9 - CAPITAL ASSETS - (Continued)

Capital asset activity for the fiscal year ended December 31, 2003, was as follows:

	Restated Balance			Balance
<u>Governmental Activities:</u>	<u>01/01/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/03</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 355,170	\$ -	\$ -	\$ 355,170
Construction in progress	<u>3,402,829</u>	<u>25,634</u>	<u>-</u>	<u>3,428,463</u>
Total capital assets, not being depreciated	<u>3,757,999</u>	<u>25,634</u>	<u>-</u>	<u>3,783,633</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	167,205	6,500	-	173,705
Buildings and improvements	15,889,505	25,820	-	15,915,325
Equipment	2,650,260	72,290	(5,000)	2,717,550
Vehicles	2,509,255	131,545	(6,000)	2,634,800
Infrastructure	<u>23,090,763</u>	<u>1,371,167</u>	<u>-</u>	<u>24,461,930</u>
Total capital assets, being depreciated	<u>44,306,988</u>	<u>1,607,322</u>	<u>(11,000)</u>	<u>45,903,310</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(53,530)	(4,482)	-	(58,012)
Buildings and improvements	(3,173,053)	(309,033)	-	(3,482,086)
Equipment	(1,507,136)	(170,627)	5,000	(1,672,763)
Vehicles	(1,475,129)	(240,039)	6,000	(1,709,168)
Infrastructure	<u>(5,162,310)</u>	<u>(654,164)</u>	<u>-</u>	<u>(5,816,474)</u>
Total accumulated depreciation	<u>(11,371,158)</u>	<u>(1,378,345)</u>	<u>11,000</u>	<u>(12,738,503)</u>
Total capital assets, being depreciated net	<u>32,935,830</u>	<u>228,977</u>	<u>-</u>	<u>33,164,807</u>
Governmental activities capital assets, net	<u>\$ 36,693,829</u>	<u>\$ 254,611</u>	<u>\$ -</u>	<u>\$ 36,948,440</u>

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

Governmental activities:	
Legislative and executive	\$ 84,553
Judicial	75,111
Public safety	173,046
Public works	880,666
Health	59,235
Human services	79,699
Other	<u>26,035</u>
Total depreciation expense - governmental activities	<u>\$ 1,378,345</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Component Unit Capital Assets

The beginning capital assets of the component unit have been restated from \$1,028,491 to \$40,212 at January 1, 2003, to reflect only the capital assets of the ORION Rehabilitation Center, Inc. Capital assets of the County Board of MRDD, which were reported with the component unit capital assets in the previous year, are now reported in governmental activities. A summary of the changes in the component unit capital assets during the fiscal year follows:

<u>Component Unit:</u>	Restated Balance 01/01/03	Additions	Deductions	Balance 12/31/03
<i>Capital assets, being depreciated:</i>				
Land improvements	\$ 12,761	\$ -	\$ -	\$ 12,761
Buildings and improvements	36,993	-	-	36,993
Furniture and equipment	33,795	498	-	34,293
Vehicles	10,940	-	-	10,940
Total capital assets being depreciated	<u>94,489</u>	<u>498</u>	<u>-</u>	<u>94,987</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,432)	(843)	-	(3,275)
Buildings and improvements	(22,268)	(2,427)	-	(24,695)
Furniture and equipment	(19,731)	(2,540)	-	(22,271)
Vehicles	(9,846)	(544)	-	(10,390)
Total accumulated depreciation	<u>(54,277)</u>	<u>(6,354)</u>	<u>-</u>	<u>(60,631)</u>
Total capital assets, being depreciated, net	<u>\$ 40,212</u>	<u>\$ (5,856)</u>	<u>\$ -</u>	<u>\$ 34,356</u>

NOTE 10 - COMPENSATED ABSENCES

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

Upon termination of County service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 30 days and all accumulated vacation. At December 31, 2003 vested benefits for vacation leave for governmental fund type employees totaled \$675,959 and vested benefits for sick leave totaled \$93,775. For the proprietary fund type, vested benefits for vacation leave totaled \$898 and there were no vested benefits for sick leave. In accordance with GASB Statement No. 16, an additional liability of \$231,807 was accrued to record termination (severance) payments expected to become eligible to retire in the future for the governmental fund type employees.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 11 - LONG-TERM OBLIGATIONS

A. Governmental Long-Term Obligations

The balance of the County's governmental activities long-term obligations at December 31, 2002 has been restated. The compensated absences liability increased \$170,546 from \$780,928 to \$951,474 due to the implementation of GASB Interpretation No. 6 as described in Note 3.A. In addition, an OWDA loan of \$186,529 should be reported as a liability of the County at December 31, 2002. The effect on the total governmental activities long-term obligations at January 1, 2003 was an increase from \$5,994,304 to \$6,351,479. During the fiscal year 2003, the following changes occurred in the County's governmental long-term obligations:

Governmental Activities:	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Restated Balance at 01/01/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/03</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds:</u>							
County Building Improvement Bonds - 5.42%	7/14/1993	6/1/2008	\$ 620,000	\$ -	\$ (85,000)	\$ 535,000	\$ 95,000
Bypass/Jail Construction Bond 4.0-5.75%	12/1/1999	12/1/2019	<u>4,525,000</u>	<u>-</u>	<u>(200,000)</u>	<u>4,325,000</u>	<u>220,000</u>
Total general obligation bonds			<u>5,145,000</u>	<u>-</u>	<u>(285,000)</u>	<u>4,860,000</u>	<u>315,000</u>
<u>Special Assessment Bond</u>							
Ditch Construction Bonds - 6.20%	8/1/2001	8/1/2009	<u>68,376</u>	<u>-</u>	<u>(8,096)</u>	<u>60,280</u>	<u>5,600</u>
Total special assessment bond			<u>68,376</u>	<u>-</u>	<u>(8,096)</u>	<u>60,280</u>	<u>5,600</u>
<u>OWDA Loan Payable</u>							
Wastewater Planning	11/15/2001	1/1/2007	<u>186,629</u>	<u>400,445</u>	<u>-</u>	<u>587,074</u>	<u>-</u>
Total OWDA loan payable			<u>186,629</u>	<u>400,445</u>	<u>-</u>	<u>587,074</u>	<u>-</u>
<u>Other Long-Term Obligations:</u>							
Compensated absences			<u>951,474</u>	<u>50,965</u>	<u>-</u>	<u>1,002,439</u>	<u>281,295</u>
Total general long-term obligations			<u>\$ 6,351,479</u>	<u>\$ 451,410</u>	<u>\$ (293,096)</u>	<u>\$ 6,509,793</u>	<u>\$ 601,895</u>

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 11 - LONG TERM OBLIGATIONS - (Continued)

OWDA Loan - The County entered into a debt financing arrangement through the Ohio Water Development Authority (OWDA) to fund the Wastewater Planning Project. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2003, the County had outstanding borrowings of \$587,074.

As of December 31, 2003, the future annual debt service principal and interest payments for the loan were unavailable because monies related to the project are still being disbursed and the loans are not finalized.

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

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

Year Ending	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 315,000	\$ 253,220	\$ 568,220	\$ 8,598	\$ 3,799	\$ 12,397
2005	325,000	238,036	563,036	9,132	3,248	12,380
2006	340,000	222,131	562,131	9,698	2,674	12,372
2007	360,000	205,124	565,124	10,299	2,065	12,364
2008	380,000	187,117	567,117	10,937	1,422	12,359
2009-2013	1,260,000	726,620	1,986,620	11,616	730	12,346
2014-2018	1,525,000	370,432	1,895,432	-	-	-
2019-2020	355,000	20,412	375,412	-	-	-
Total	<u>\$ 4,860,000</u>	<u>\$ 2,223,092</u>	<u>\$ 7,083,092</u>	<u>\$ 60,280</u>	<u>\$ 13,938</u>	<u>\$ 74,218</u>

D. Legal Debt Margin

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to 3% of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000 plus 2-1/2% of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$13,353,722 as of December 31, 2003.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 12 - NOTES PAYABLE

A. Bond Anticipation Notes Payable

During fiscal year 2003, the County issued \$4,993,000 in bond anticipation notes. Proceeds of \$2,600,000 were reported in the Public Service Office Construction capital projects fund and were used to retire \$2,600,000 in previously issued bond anticipation notes. Proceeds of \$127,000 were reported in the Human Services Bond Retirement debt service fund and were used to retire previously issued bond anticipation notes in the amount of \$270,000. Proceeds of \$1,098,600 was reported in the Building Improvement capital projects fund and will be used to finance the addition to the Annex, and was used to retire \$1,130,000 in previously issued bond anticipation notes. Proceeds of \$435,000 were reported in the Fairgrounds Building Construction Fund. These proceeds will be used for fairground construction/reconstruction. Bond anticipation notes are reported as liabilities of the capital projects and debt service funds, the funds which received the proceeds. The following is a summary of the bond anticipation note activity during fiscal year 2003:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 01/01/03</u>	<u>2003 Issues</u>	<u>2003 Principal Retirement</u>	<u>Balance at 12/31/03</u>
<u>Human Services Bond Retirement Fund</u>						
Property Acquisition and Renovation - 3.51%	05/17/02	05/17/03	\$ 270,000	\$ -	\$ (270,000)	\$ -
Property Acquisition and Renovation - 3.51%	05/17/03	05/17/04	<u>-</u>	<u>127,000</u>	<u>-</u>	<u>127,000</u>
			<u>270,000</u>	<u>127,000</u>	<u>(270,000)</u>	<u>127,000</u>
<u>Public Service Office Construction Fund</u>						
Property Acquisition and Renovation - 3.51%	05/17/02	05/17/03	2,600,000	-	(2,600,000)	-
Property Acquisition and Renovation - 3.51%	05/17/03	05/17/04	<u>-</u>	<u>2,600,000</u>	<u>-</u>	<u>2,600,000</u>
			<u>2,600,000</u>	<u>2,600,000</u>	<u>(2,600,000)</u>	<u>2,600,000</u>
<u>Building Improvement Fund</u>						
Annex Addition - 3.14%	07/18/02	05/17/03	1,130,000	-	(1,130,000)	-
Annex Addition - 3.14%	05/17/03	05/17/04	<u>-</u>	<u>1,098,600</u>	<u>-</u>	<u>1,098,600</u>
			<u>1,130,000</u>	<u>1,098,600</u>	<u>(1,130,000)</u>	<u>1,098,600</u>
<u>Fairground Building Construction</u>						
Various County Improvements	06/30/03	06/30/04	<u>-</u>	<u>435,000</u>	<u>-</u>	<u>435,000</u>
Total			<u>\$ 4,000,000</u>	<u>\$ 4,260,600</u>	<u>\$ (4,000,000)</u>	<u>\$ 4,260,600</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 12 - NOTES PAYABLE - (Continued)

B. General Obligation Note Payable

During fiscal year 2003, the County issued a general obligation note for \$732,400. The proceeds were reported in the general fund and will be used to retire previously issued notes of \$750,000. The following is a summary of the general obligation note activity during fiscal 2003:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at 01/01/03</u>	<u>2003 Issues</u>	<u>2003 Principal Retirement</u>	<u>Balance at 12/31/03</u>
<u>General Fund</u>						
Various County Improvements	11/20/02	05/16/03	\$ 750,000	\$ -	\$ (750,000)	\$ -
Various County Improvements	11/20/02	05/16/03	<u>-</u>	<u>732,400</u>	<u>-</u>	<u>732,400</u>
Total			<u>\$ 750,000</u>	<u>\$ 732,400</u>	<u>\$ (750,000)</u>	<u>\$ 732,400</u>

NOTE 13 - RISK MANAGEMENT

A. General Insurance

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

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

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

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

B. Health Care, Vision and Dental Insurance

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 13 - RISK MANAGEMENT - (Continued)

All funds of the County participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The third party administrators (Humana Insurance Company for health care and vision and Employer Group Health for dental) review, and the County pays, all claims. The liability for unpaid claims of \$104,143 reported in the Risk Management Fund at December 31, 2003. This amount is reported on the statement of net assets at December 31, 2003.

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

	<u>Beginning</u> of Year <u>Liability</u>	<u>Current</u> Year <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance</u> at <u>Year End</u>
2003	\$ 136,537	\$ 1,963,013	\$ (1,995,407)	\$ 104,143
2002	167,173	2,158,540	(2,189,176)	136,537

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to established and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The County's contribution rate for pension benefits for 2003 was 8.55%, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The County's contributions to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$1,042,711, \$969,581, and \$918,184, respectively; 65.14% has been contributed for 2003, and 100% for 2002 and 2001. \$363,550, representing the unpaid contribution for 2003, is recorded as a liability within the respective funds.

B. State Teachers Retirement System

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

STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to or by calling (614) 227-4090 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions for pension obligations to STRS Ohio for the years ended December 31, 2003, 2002, and 2001 were \$27,448, \$24,682, and \$21,031, respectively; 97.86% has been contributed for the year 2003, and 100% for 2002 and 2001. \$589, representing the unpaid contributions for 2003, is recorded as a liability within the respective funds.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The County's contribution actually made to fund postemployment benefits was \$384,764.

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

As of December 31, 2002 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively, at December 31, 2002 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2002 (the latest information available) was 364,881.

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

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

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due, is available in the OPERS December 31, 2003, Comprehensive Annual Financial Report.

B. State Teachers Retirement System of Ohio

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

All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund equal to 1% of covered payroll for the fiscal year ended June 30, 2003. For the County, this amount equaled \$1,961 during calendar year 2003. As of June 30, 2003, the balance in the Health Care Stabilization Fund was \$2.8 billion and eligible benefit recipients totaled 108,294 for STRS Ohio as a whole. For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$352.301 million.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balances

	Governmental Fund Types				
	<u>General</u>	<u>Children Services Board</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Public Assistance</u>
Budget basis	\$ (1,284,892)	\$ 474,786	\$ 157,024	\$ (385,646)	\$ 384,338
Net adjustment for revenue accruals	176,942	144,839	(202,858)	37,321	(30,257)
Net adjustment for expenditure accruals	(236,946)	(10,402)	153,807	(60,647)	(13,909)
Net adjustment for other financing sources/(uses) accruals	433,736	-	100,000	-	-
Encumbrances (budget basis)	<u>237,636</u>	<u>-</u>	<u>-</u>	<u>138,844</u>	<u>-</u>
GAAP basis	<u>\$ (673,524)</u>	<u>\$ 609,223</u>	<u>\$ 207,973</u>	<u>\$ (270,128)</u>	<u>\$ 340,172</u>

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, no liability is anticipated in excess of insurance coverage.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 18 - CONDUIT DEBT OBLIGATIONS

The County has served as the issuer of \$14,298,685 in industrial revenue bonds. The proceeds were used by private corporations and community organizations to fund various endeavors. The industrial revenue bonds do not constitute a general obligation, debt or bonded indebtedness of the County. Neither is the full faith and credit to taxing power of the County pledged to make repayment. As of December 31, 2003, \$48,847,124 was still outstanding.

To provide for the financing of certain expenditures at Clinton Memorial Hospital, the Hospital has issued special facility revenue bonds. These consist of \$35,000,000 in 2002 Clinton County, Ohio, Variable Rate Demand Hospital Improvement Revenue Bonds, with final maturity in February, 2012. These bonds do not constitute a debt or pledge of the faith and credit of the County and have not been reported in the accompanying financial statements. As of December 31, 2003, the entire amount was still outstanding.

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CLINTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED December 31, 2003

Federal Grantor/Pass Through Grantor Program Title	Fund	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Educational Handicapped Act, Title VI B	004	84.027	\$12,191
Early Childhood Development	004	84.173	4,685
Total U.S. Department of Education			<u>16,876</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Title XX - Social Sciences	004	93.667	28,562
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program - Title XIX:			
Community Alternative Funding System (CAFS)	004, 107	93.778	419,068
Residential Facility Waiver	107	93.778	486,897
			<u>905,965</u>
Total U.S. Department of Health and Human Services			<u>934,527</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Public Safety</i>			
Guardrail Study & Inventory	010	20.205	13,750
Hazardous Materials Emergency Preparedness	810	20.703	4,000
Total U.S. Department of Transportation			<u>17,750</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant	110	14.228	426,006
Home Investment Partnership	110	14.239	156,896
Total U.S. Department of Housing and Urban Development			<u>582,902</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Adjutant General's Emergency</i>			
Pre-Disaster Mitigation Program	118	97.047	7,443
Emergency Management Performance	225	97.042	136,662
Total U.S. Department of Homeland Security			<u>144,105</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
<i>Passed Through Ohio Department of Jobs and Family Services</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult			45,064
Workforce Investment Act - Adult Administrative			2,371
Workforce Investment Act - Adult Total	N/A	17,258	47,435
Workforce Investment Act - Youth			71,503
Workforce Investment Act - Youth Administrative			3,763
Workforce Investment Act - Youth Total	N/A	17,259	75,266
Workforce Investment Act - Dislocated Workers			37,999
Workforce Investment Act - DW, Rapid Response			600,000
Workforce Investment Act - Dislocated Workers Administrative			33,571
Workforce Investment Act - Dislocated Workers Total	N/A	17,260	671,570
Total Workforce Investment Act Cluster			<u>794,271</u>
Total U.S. Department of Labor			<u>794,271</u>
Total Federal Expenditures			<u><u>\$2,490,431</u></u>

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

CLINTON COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
YEAR ENDED DECEMBER 31, 2003

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- U.S. Department of Homeland Security Federal Awards

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the County previously received from other Federal agencies. The accompanying Federal Awards Expenditure Schedule reports all such 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirement of these programs has not changed. A comparison of the Federal agencies' and CFDA numbers the County reported in its 2002 Federal Award Expenditure Schedule compared with the Department's CFDA numbers reported in the 2003 Schedule follows:

Previous Federal Agency	CFDA No. used In 2002	Homeland Security CFDA No. used for 2003
Department of Federal Emergency Management	83.557	97.047
Department of Federal Emergency Management	83.552	97.042



Auditor of State Betty Montgomery

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

Clinton County
68 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, major fund and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 27, 2004, which indicated that the County had implemented a new financial reporting model, as required by Governmental Accounting Standards Board (GASB) Statement No 34, GASB Statement No. 37, GASB Statement No. 38, and GASB Interpretation No. 6. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the County in a separate letter dated October 27, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated October 27, 2004.

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

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

Betty Montgomery
Auditor of State

October 27, 2004



Auditor of State Betty Montgomery

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

Clinton County
68 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

Compliance

We have audited the compliance of Clinton County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. Clinton County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clinton County's management. Our responsibility is to express an opinion on Clinton 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 Clinton County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clinton County's compliance with those requirements.

As described in item 2003-002 in the accompanying schedule of findings, Clinton County did not comply with requirements regarding subrecipient monitoring that are applicable to its Workforce Investment Act: National Emergency and Rapid Response Grant. Compliance with such requirements is necessary, in our opinion, for Clinton County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Clinton 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, 2003.

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 Clinton County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Clinton County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2003-002.

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. However, we do not consider item 2003-002 to be a material weakness.

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



Betty Montgomery
Auditor of State

October 27, 2004

**CLINTON COUNTY
JUNE 30, 2003**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA # 93.778: Medical Assistance Program-Title XIX:CAFS CFDA # 17.260 – Workforce Investment Act – DW, Rapid Response CFDA # 14.228 Community Development Block Grant
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2003-001

Noncompliance Citation/Reportable Condition

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

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Commissioners may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$100, the Auditor may authorize payment through a Then and Now Certificate without affirmation of the Board of Commissioners, if such expenditure is otherwise valid.

Forty five percent of the expenditures tested were executed without first obtaining the fiscal officer’s certification and did not meet the exceptions provided for in the Code. Every effort should be made by the County to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending of the County’s funds.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2003-002
CFDA Title and Number	Workforce Investment Act: CFDA # 17.260 Rapid Response
Federal Agency	United States Department of Labor
Pass-Through Agency	Ohio Department of Jobs and Family Services

FINDING NUMBER 2003-002

Noncompliance Citation/Reportable Condition

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

FINDING NUMBER 2003-002
(Continued)

Clinton County Jobs and Family Services did not adequately monitor its subrecipient's use of federal funds for all the Workforce Investment Act Grant's (WIA), funding streams. The monthly grant expenditure reports received from Workforce Services Unlimited were not monitored from the County's subrecipient for the Rapid Response segments of the Workforce Investment Act Grant. The County did not document that any reviews were performed to determine that the reported expenditures were allowed under the grant guidelines. As a result, the County could not ensure its subrecipient was using these WIA funds for authorized purposes in compliance with the provisions of the grant.

We recommend that Clinton County Jobs and Family Services establish internal control procedures over compliance and subrecipient monitoring procedures such as: reviewing and monitoring the reports received from the subrecipient, reviewing the A-133 audit over the subrecipient and maintaining documentation to show that the subrecipient is meeting compliance requirements and the County is performing monitoring procedures. Clinton County Jobs and Family Services should review OMB Circular A-133§_400(d), which lists its responsibilities as a pass-through entity.

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CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Ohio Rev. Code, Section 5705.41 (B) provides that no subdivision is to expend money unless it has been appropriated.	No	Partially corrected; reissued in the County's 2003 Management Letter
2002-002	Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract without prior certification of an expenditure.	No	Reissued as Finding 2003-001
2002-003	Fixed asset records were not properly maintained.	No	Partially corrected: Reissued in the County's 2003 Management Letter
2002-004	OMB Circular A-133, Section.400(d)(3) requires a pass-through entity to monitor a subrecipient's use of federal funds.	No	Reissued as Finding 2003-002



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 30, 2004**