



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Financial Condition
Auglaize County
209 South Blackhoof Street
Wapakoneta, Ohio 45895

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Auglaize County, (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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Auglaize County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Motor Vehicle and Gasoline Tax, the Department of Job and Family Services, the Board of Mental Retardation and Developmental Disabilities, and the Jail Operations and Maintenance Special Revenue Funds, 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*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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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The 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 is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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

November 30, 2004

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)**

As management of Auglaize County (the County), we offer readers of the County's financial statement this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2003.

Financial Highlights

The assets of the County exceed liabilities at December 31, 2003 by \$38,274,872. Of this amount \$21,643,658 may be used to meet ongoing obligations. As of December 31, 2003, the County governmental funds reported combined ending fund balances of \$33,481,421, an increase of \$3,069,862 in comparison with the prior year. At the end of the current fiscal year the unreserved fund balance for the general fund was \$4,076,214, which is available for spending at the County's discretion. The County's outstanding debt decreased by \$983,510 in governmental activities and decreased \$5,000 in business type activities. In the general fund actual revenues were 5.8 percent higher than budgeted and expenditures were 12.3 percent of the budgeted amount.

Overview of the Financial Statements

The County's basic financial statements are comprised of three parts: 1) government-wide financial statements, 2) fund financial statements including budgetary statements for major funds, and 3) notes to the financial statements.

Government-wide financial statements - These statements are intended to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all County assets and liabilities with the difference between the two reported as net assets.

The financial statements distinguish functions of the County that are mainly supported by taxes and intergovernmental revenues(governmental) from functions that are intended to recover a significant portion of their costs through user fees and charges (business-type). Governmental activities include general government (legislative, executive and judicial), public safety, public works, health, human services, economic development.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. 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.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)
(Continued)**

The county maintains 427 governmental funds. Information is presented separately in Government Fund Balance Sheet and in the Government Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, MVGT, Jobs and Family Services, MRDD, Jail Operations & Maintenance, Workshop Bond, H.S. Building Retirement, Jail Debt Retirement, and Permanent Improvement all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with the budget.

Proprietary Funds – The County maintains two 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 uses enterprise funds to account for its sewer operations and County Home. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its' health insurance, 125 plan, and various rotary funds. Because this service benefits governmental rather business-type functions, it has been included within governmental activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement 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.

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. The notes can be found on pages 29-72.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$38,274,872 as of December 31, 2003.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$26,540,368	\$30,959,969	\$1,145,769	\$ 945,810	\$27,686,137	\$31,905,779
Capital Assets, Net	<u>19,208,335</u>	<u>14,039,319</u>	<u>4,160,149</u>	<u>4,303,498</u>	<u>23,368,484</u>	<u>18,342,817</u>
Total Assets	<u>45,748,703</u>	<u>44,999,288</u>	<u>5,305,918</u>	<u>5,249,308</u>	<u>51,054,621</u>	<u>50,248,596</u>
Liabilities						
Current and Other Liabilities	7,912,069	7,856,413	433,381	529,009	8,345,450	8,385,422
Long-Term Liabilities	<u>4,355,213</u>	<u>6,731,316</u>	<u>79,086</u>	<u>52,500</u>	<u>4,434,299</u>	<u>6,783,816</u>
Total Liabilities	<u>12,267,282</u>	<u>14,587,729</u>	<u>512,467</u>	<u>581,509</u>	<u>12,779,749</u>	<u>15,169,238</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	16,433,335	10,489,319	4,112,649	4,098,026	20,545,984	14,587,345
Restricted	12,729,063	15,460,122			12,729,063	15,460,122
Unrestricted	<u>4,319,023</u>	<u>4,462,118</u>	<u>680,802</u>	<u>569,773</u>	<u>4,999,825</u>	<u>5,031,891</u>
Total Net Assets	<u>\$33,481,421</u>	<u>\$30,411,559</u>	<u>\$4,793,451</u>	<u>\$4,667,799</u>	<u>\$38,274,872</u>	<u>\$35,079,358</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)
(Continued)**

The largest portion of the County's net assets 43.5 percent reflects its investment in capital assets (land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Since this is the first year the County has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

As of December 31, 2003 the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Analysis of the County's operation – The following table provides a summary of the County's operations for 2003. The County's financial position improved for both governmental-type and business-type activities. The more significant changes are as follows:

**Table 2
Changes in Net Assets**

	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
Program Revenues:			
Charges for Services	\$10,007,643	\$5,193,691	\$15,201,334
Operating	5,774,159		5,774,159
Capital Grants/Contributions	1,085,456		1,085,456
General Revenues:			
Property Taxes	4,755,892		4,755,892
Sales Tax	6,370,722		6,370,722
Gain on Sale of Assets	52,578		52,578
Miscellaneous	920,869	35,464	956,333
Interest	<u>270,223</u>	<u>0</u>	<u>270,223</u>
Total Revenues	<u>29,237,542</u>	<u>5,229,155</u>	<u>34,466,697</u>
Program Expenses			
General Government	5,285,472		5,285,472
Public Safety	4,622,176		4,622,176
Public Works	5,358,080		5,358,080
Health	4,907,093		4,907,093
Human Services	4,092,386		4,092,386
Other	1,126,346		1,126,346
Depreciation Expense	415,529		415,529
Interest & Fiscal Charges	360,598		360,598
Sewer		388,250	388,250
County Home	<u>0</u>	<u>4,715,253</u>	<u>4,715,253</u>
Total Expenses	<u>26,167,680</u>	<u>5,103,503</u>	<u>31,271,183</u>
Changes in Net Assets	3,069,862	125,652	3,195,514
Net Assets January 1	<u>30,411,559</u>	<u>4,667,799</u>	<u>35,079,358</u>
Net Assets December 31	<u>\$33,481,421</u>	<u>\$4,793,451</u>	<u>\$38,274,872</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)
(Continued)**

Financial Analysis of the Government's Funds - As noted earlier, Auglaize 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 a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Auglaize County's governmental funds reported total fund balances of \$14,321,166. Of this \$4,076,214 constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for other purposes. This includes \$1,225,207 to liquidate encumbrances of the prior period, \$2,846,844 to pay debt service and \$1,432,796 for restricted usage in the County's permanent improvement fund.

The general fund is the chief operating fund of the county. At the end of the current fiscal year, the unreserved balance was \$4,076,214 while the total fund balance was \$4,260,769. As a measure of liquidity it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 55% to total general fund expenditures, while total fund balance represents 58% of the same amount.

The Jail debt service fund has a total fund balance of \$2,452,342 all of which is reserved for the payment of debt obligations.

The other major governmental funds of the County are MVGT, Job and Family Services, MRDD, Jail Operations and Maintenance, Workshop Bond, Human Service Building Retirement, Jail Debt Retirement, Permanent Improvement.

The motor vehicle and gasoline tax (MVGT) fund balance decreased by \$22,648 to \$990,100. The decrease is due to a decrease in gasoline tax.

The Job and Family Services fund balance increased by \$312,751 to \$487,096. The increase is due to a decrease in expenditures.

The mental retardation and developmental disabilities (MRDD) fund balance decreased by \$712,344 to \$267,016. The decrease is due to additional expenditures and no increase in revenue. An operating levy was passed to begin collection in 2004.

The Jail Operations and Maintenance fund balance increased by \$52,690 to \$1,246,364. The increase is due to an increase in sales tax revenue.

The workshop bond fund balance decreased by \$3,076 to \$173,871. The decrease is due to a decrease in property tax revenue.

The Human Service Building Retirement fund balance increased by \$14,706 to \$18,908. The increase is due to an increase in revenue.

The Jail Debt Retirement fund balance decreased by \$786,402 to \$2,452,342. The decrease is due to no income.

The Permanent Improvement fund balance decreased by \$2,501,377 to \$1,088,142. The decrease is due to the construction of a new County annex building.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)
(Continued)**

Enterprise Funds - The County's enterprise funds had an increase in net assets. These funds comprise the County's business type activities.

The county home (Auglaize Acres) net assets increased by \$238,819 to \$407,369. In 2003 the facility became a Certified Long-term Care Facility.

The various sewer fund net assets decreased by \$126,079 to \$3,661,834.

General Fund Budgetary Highlights

Differences between the original appropriations and the final amended appropriations were \$130,666 or 2 percent. All certified money was not originally appropriated and new grants were received during the year. Budgeted revenue was decreased because of lower than expected investment revenue.

Capital Assets and Debt Administration

**Table 3
Capital Assets at Year-End
Net of Accumulated Depreciation**

	Governmental Activities		Business-Type		Total	
	2003	2002	2003	2002	2003	2002
Land & Improvements	\$2,556,602	\$2,058,006	\$ 54,908	\$ 54,908	\$2,611,510	\$2,112,914
Infrastructure	115,956	118,578	3,955,263	4,069,974	4,071,219	4,188,552
Buildings/Improvements Equipment, Furniture /Fixtures	14,004,385	9,528,307	68,691	76,072	14,073,076	9,604,379
	<u>2,531,392</u>	<u>2,334,429</u>	<u>81,287</u>	<u>102,984</u>	<u>2,612,679</u>	<u>2,437,413</u>
Total	<u>\$19,208,335</u>	<u>\$14,039,320</u>	<u>\$4,160,149</u>	<u>\$4,303,938</u>	<u>\$23,368,484</u>	<u>\$18,343,258</u>

The physical condition of the roads is determined by the County Engineer. Capital improvements such as resurfacing or reconstruction, is done by resolution of the County Commissioners.

For 2003 the engineer appropriated \$1,164,468 for maintaining roads with the actual expenditures being \$1,103,914.

The physical condition of the bridges is determined by the County Engineer. Capital Improvements is done by resolution of the County Commissioners.

For 2003 the engineer appropriated \$272,213 for bridge maintenance with the actual expenditures being \$241,261

During the year the County's land and infrastructure was changed by the purchase of land. The increase in furniture and fixtures and buildings was primarily a result of the construction and furnishing of the new administration building.

**Table 4
Outstanding Debt at Year-End
Governmental Activities**

	2003	2002
General Obligation	2,775,000	3,550,000
Special Assessment Bonds	1,605,000	1,735,000
Special Assessment Notes	<u>384,269</u>	<u>443,749</u>
Total	<u>4,764,269</u>	<u>5,728,749</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
(UNAUDITED)
(Continued)**

The debt service, for the Law Enforcement, is being retired by a voted sales tax due to expire in June 2006. It is also to be used for Law Enforcement operation. In 2002 there was enough accumulated to pay the debt and therefore all sales tax revenue is now used for operation. Eight percent of the debt is in the form of ditch notes which are issued primarily for drainage improvement. The levy for the MRDD Building was removed because the balance is enough to pay debt service.

Economic Factors and Next Year's Budgets and Rates.

Little growth is projected for revenues from 2003 actual receipts, and appropriations are projected at 15 percent greater than 2003 actual expenditures. The general fund has an appropriated surplus of slightly more than \$1,302,566 for 2004. Past history has consistently shown actual revenue higher than budgeted and expenditures lower than appropriated.

The budget centers on an uncertain economic climate. The county unemployment rate is 4.9 percent a percent less than the state rate of 6.2 percent (March 2004). However, two major employers in the county have experienced lay-offs and have not yet reached pre 2003 numbers. Interest rates are still low, impacting investment income and the state legislature has indicated uncertainty regarding local government, local government revenue assistance and state funded grant programs which may require more local financial support.

Business-type activities should remain relatively unchanged for 2004.

Subsequent Events

Since December 31, 2003 the County has issued additional debt in the amount of \$ 76,803 for ditch projects.

Request for Information

This financial report is designed to provide our citizens, customers, investors and creditors with general overview of the County's finances. If you have questions about this report or wish to obtain the separately issued financial statements of the County's component units contact the Auglaize County Auditor's Office by calling 419.739.6705 or writing the County Auditor at PO Box 34, Wapakoneta OH 45895

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2003**

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Airport Authority</u>	<u>Auglaize Industries</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$13,247,105	\$586,959	\$13,834,064	\$35,114	\$604,687
Cash and Cash Equivalents:					
In Segregated Accounts	200		200		
Materials and Supplies Inventory	306,814	24,475	331,289	17,430	
Accrued Interest Receivable	602,197		602,197		
Accounts Receivable	166,095	559,307	725,402	7,578	40,613
Internal Balances	51,829	(51,829)			1,765
Notes receivable	57,600	23,750	81,350		
Due from Other Governments	3,824,946		3,824,946		
Prepaid Items	196,104	3,107	199,211		1,000
Sales Taxes Receivable	904,240		904,240		
Property Taxes Receivable	5,189,230		5,189,230		
Special Assessments Receivable	1,994,008		1,994,008		
Non Depreciable Assets	1,832,258	54,908	1,887,166		
Depreciable Capital Assets, Net	17,376,077	4,105,241	21,481,318	90,510	81,995
Total Assets	45,748,703	5,305,918	51,054,621	150,632	730,060
Liabilities					
Accounts Payable	319,976	87,227	407,203	4,961	38,365
Contracts Payable	236,059		236,059		
Accrued Wages	389,301	112,937	502,238		3,517
Due to Other Governments	297,377	44,259	341,636	609	3,946
Accrued Interest Payable	36,834		36,834		
Retainage Payable	184,229		184,229		
Due to Clients		69,742	69,742		
Claims Payable	14,501		14,501		
Deferred Revenue	4,960,126		4,960,126	15,505	
Notes Payable	7,555		7,555		
Long-Term Liabilities:					
Due Within One Year	1,466,111	119,216	1,585,327		2,368
Due In More Than One Year	4,355,213	79,086	4,434,299		
Total Liabilities	12,267,282	512,467	12,779,749	21,075	48,196
Net Assets					
Invested in Capital Assets, Net of Related Debt Restricted For	16,433,335	4,112,649	20,545,984	90,510	81,995
Debt Service	3,423,668		3,423,668		
Capital Projects	1,189,331		1,189,331		
Other Purposes	8,116,064		8,116,064		
Unrestricted (Deficit)	4,319,023	680,802	4,999,825	39,047	599,869
Total Net Assets	\$33,481,421	\$4,793,451	\$38,274,872	\$129,557	\$681,864

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Current:				
General Government:				
Legislative and Executive	\$3,318,386	\$1,708,774	\$151,286	
Judicial	1,967,086	1,319,733		
Public Safety	4,622,176	246,243	200,403	
Public Works	5,358,080	6,326,060	687,161	\$1,077,606
Health	4,907,093	339,012	1,087,686	
Human Services	4,092,386	67,821	3,620,176	
Other	1,126,346		27,447	7,850
Interest and Fiscal Charges	360,598			
Unallocated Depreciation Expense	415,529			
Total Governmental Activities	26,167,680	10,007,643	5,774,159	1,085,456
Business-Type Activities:				
Auglaize Acres	4,715,253	4,919,524		
Water & Sewer	388,250	274,167		
Total Business-Type Activities	5,103,503	5,193,691		
Total - Primary Government	\$31,271,183	\$15,201,334	\$5,774,159	\$1,085,456
Component Units				
Airport Authority	239,736	259,214		
Auglaize Industries	397,998	460,014		
Total Component Units	\$637,734	\$719,228		

General Revenues

Property Taxes Levied for:

 General Purposes

 Debt Service

Sales Tax Levied for:

 General Purposes

 Capital Outlay

Gain on Sale of Capital Asset

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - (See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Airport Authority	Auglaize Industries
(\$1,458,326)		(\$1,458,326)		
(647,353)		(647,353)		
(4,175,530)		(4,175,530)		
2,732,747		2,732,747		
(3,480,395)		(3,480,395)		
(404,389)		(404,389)		
(1,091,049)		(1,091,049)		
(360,598)		(360,598)		
(415,529)		(415,529)		
<u>(9,300,422)</u>		<u>(9,300,422)</u>		
	\$204,271	204,271		
	(114,083)	(114,083)		
	90,188	90,188		
<u>(9,300,422)</u>	<u>90,188</u>	<u>(9,210,234)</u>		
			\$19,478	\$62,016
			\$19,478	\$62,016
4,660,639		4,660,639		
95,253		95,253		
4,816,104		4,816,104		
1,554,618		1,554,618		
52,578		52,578		
270,225		270,225		
920,867	35,464	956,331		
12,370,284	35,464	12,405,748		
3,069,862	125,652	3,195,514	19,478	62,016
30,411,559	4,667,799	35,079,358	110,079	619,848
<u>\$33,481,421</u>	<u>\$4,793,451</u>	<u>\$38,274,872</u>	<u>\$129,557</u>	<u>\$681,864</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

	<u>General</u>	<u>MVGT</u>	<u>Job and Family Srvc</u>	<u>MRDD</u>	<u>Jail Operation/ Maintenance</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,599,360	\$586,667	\$511,577	\$467,305	\$1,049,964
Due from other Governments	704,845	2,136,125	54,543	322,839	
Materials and Supplies Inventory	28,723	257,365	17,290	3,436	
Accrued Interest Receivable	7,326				
Accounts Receivable	51,933	29,698			
Interfund Receivable	50,172	1,801	17,058		
Notes Receivable	57,600				
Prepaid Items	164,360	2,041	3,480	16,712	5,600
Sales Taxes Receivable	361,851				301,153
Property Taxes Receivable	1,677,044			3,512,186	
Special Assessments Receivable					
Total Assets	<u>6,703,214</u>	<u>3,013,697</u>	<u>603,948</u>	<u>4,322,478</u>	<u>1,356,717</u>
Liabilities					
Accounts Payable	55,240	27,663	42,998	49,585	45,110
Contracts Payable		236,059			
Accrued Wages	150,920	53,203	43,612	63,183	43,887
Compensated Absences Payable		33,055			
Intergovernmental Payable	88,516	28,578	27,659	115,275	18,417
Retainage Payable					
Due to Other Funds	7,358	2,491	2,583	73	2,939
Deferred Revenue	2,132,856	1,642,548		3,827,346	
Notes Payable	7,555				
Total Liabilities	<u>2,442,445</u>	<u>2,023,597</u>	<u>116,852</u>	<u>4,055,462</u>	<u>110,353</u>
Fund Balances					
Reserved for Encumbrances	126,955	587,086	19,866	54,850	14,289
Reserved for Notes Receivable	57,600				
Undesignated (Deficit), Reported in:					
General Fund	4,076,214				
Special Revenue Funds		403,014	467,230	212,166	1,232,075
Debt Service Funds					
Capital Projects Funds					
Total Fund Balances (Deficits)	<u>4,260,769</u>	<u>990,100</u>	<u>487,096</u>	<u>267,016</u>	<u>1,246,364</u>
Total Liabilities and Fund Balances	<u>\$6,703,214</u>	<u>\$3,013,697</u>	<u>\$603,948</u>	<u>\$4,322,478</u>	<u>\$1,356,717</u>

See accompanying notes to the basic financial statements.

<u>Workshop Bond</u>	<u>Human Services Retirement</u>	<u>Jail Debt Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$173,643	\$18,908	\$2,452,342	\$1,052,090	\$3,140,713	\$13,052,569
				606,594	3,824,946
					306,814
				594,871	602,197
				83,007	164,638
					69,031
					57,600
228				3,683	196,104
			241,236		904,240
					5,189,230
				1,994,008	1,994,008
<u>173,871</u>	<u>18,908</u>	<u>2,452,342</u>	<u>1,293,326</u>	<u>6,422,876</u>	<u>26,361,377</u>
			20,955	59,584	301,135
					236,059
				31,648	386,453
					33,055
				17,258	295,703
			184,229		184,229
				19,339	34,783
				2,958,489	10,561,239
					7,555
			205,184	3,086,318	12,040,211
			5,149	417,012	1,225,207
					57,600
					4,076,214
				2,368,020	4,682,505
173,871	18,908	2,452,342		201,723	2,846,844
			1,082,993	349,803	1,432,796
<u>173,871</u>	<u>18,908</u>	<u>2,452,342</u>	<u>1,088,142</u>	<u>3,336,558</u>	<u>14,321,166</u>
<u>\$173,871</u>	<u>\$18,908</u>	<u>\$2,452,342</u>	<u>\$1,293,326</u>	<u>\$6,422,876</u>	<u>\$26,361,377</u>

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**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

Total governmental fund balances \$14,321,166

Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. 19,208,335

Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds:

Accrued interest receivable	\$591,698	
Due from other governments	2,783,130	
Property taxes receivable	229,104	
Special assessments receivable	<u>1,994,008</u>	
		5,597,940

Long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Accrued interest payable	(36,834)	
Compensated absences payable	(1,015,398)	
General obligation bonds payable	(2,775,000)	
Special assessment bonds payable	(1,605,000)	
Special assessment notes payable	<u>(384,269)</u>	
		(5,816,501)

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.

170,481

Net assets of governmental activities \$33,481,421

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

	<u>General</u>	<u>MVGT</u>	<u>Job and Family Srvc</u>	<u>MRDD</u>	<u>Jail Oper & Maintenance</u>
Revenues					
Property Taxes	\$1,902,833			\$2,539,708	
Sales Tax	2,331,927	\$541,336			\$1,942,840
Interest	260,606	7,430			
Licenses and Permits	5,083				
Fines and Forfeitures	550,600	58,534			
Intergovernmental	1,291,929	3,230,662	\$2,180,347	915,979	294
Charges for Services	1,126,503	31,138			
Special Assessments					
Other	63,989	5,435	80,175		
Total Revenues	<u>7,533,470</u>	<u>3,874,535</u>	<u>2,260,522</u>	<u>3,455,687</u>	<u>1,943,134</u>
Expenditures					
Current:					
General Government:					
Legislative and Executive	2,387,083				
Judicial	1,478,985				
Public Safety	1,907,006				1,890,609
Public Works	207,958	4,042,728			
Health	78,358			3,933,224	
Human Services	228,332		2,397,391		
Other	1,068,674				
Capital Outlay					
Debt Service:					
Principal Retirement	3,777				
Interest and Fiscal Charges					
Total Expenditures	<u>7,360,173</u>	<u>4,042,728</u>	<u>2,397,391</u>	<u>3,933,224</u>	<u>1,890,609</u>
Excess of Revenues Over (Under) Expenditures	<u>173,297</u>	<u>(168,193)</u>	<u>(136,869)</u>	<u>(477,537)</u>	<u>52,525</u>
Other Financing Sources (Uses)					
Sale of Fixed Assets	1,060	6,527			
Advances Out	(6,348)				
Other Financing Sources	236,805	139,018	124,620	2,193	900
Other Financing Uses	(479,539)				(735)
Proceeds from Notes					
Transfers In			325,000		
Transfers Out	(182,000)			(237,000)	
Total Other Financing Sources (Uses)	<u>(430,022)</u>	<u>145,545</u>	<u>449,620</u>	<u>(234,807)</u>	<u>165</u>
Net Change in Fund Balances	<u>(256,725)</u>	<u>(22,648)</u>	<u>312,751</u>	<u>(712,344)</u>	<u>52,690</u>
Fund Balances (Deficits) Beginning of Year - Restated (See Note 3)	4,517,494	1,012,748	174,345	979,360	1,193,674
Fund Balances (Deficits) End of Year	<u>\$4,260,769</u>	<u>\$990,100</u>	<u>\$487,096</u>	<u>\$267,016</u>	<u>\$1,246,364</u>

See accompanying notes to the basic financial statements.

<u>Workshop Bond</u>	<u>H.S. Bldg Retirement</u>	<u>Jail Debt Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$84,247					\$4,526,788
709			\$1,554,618	\$1,480	6,370,721
				20,267	270,225
9,391				2,291,448	5,083
				1,343,125	629,401
				514,362	9,920,050
	\$68,964			151,615	2,500,766
					514,362
					370,178
<u>94,347</u>	<u>68,964</u>		<u>1,554,618</u>	<u>4,322,297</u>	<u>25,107,574</u>
				772,879	3,159,962
				320,379	1,799,364
				258,023	4,055,638
				734,364	4,985,050
				655,050	4,666,632
				1,248,487	3,874,210
				45,720	1,114,394
			4,059,525	164,328	4,223,853
80,000	20,000	\$645,000		238,510	987,287
<u>17,100</u>	<u>34,258</u>	<u>141,402</u>		<u>129,784</u>	<u>322,544</u>
<u>97,100</u>	<u>54,258</u>	<u>786,402</u>	<u>4,059,525</u>	<u>4,567,524</u>	<u>29,188,934</u>
<u>(2,753)</u>	<u>14,706</u>	<u>(786,402)</u>	<u>(2,504,907)</u>	<u>(245,227)</u>	<u>(4,081,360)</u>
					7,587
				6,348	
			3,530	169,020	676,086
(323)				(44,263)	(524,860)
				19,030	19,030
				419,000	744,000
				(325,000)	(744,000)
<u>(323)</u>			<u>3,530</u>	<u>244,135</u>	<u>177,843</u>
(3,076)	14,706	(786,402)	(2,501,377)	(1,092)	(3,903,517)
176,947	4,202	3,238,744	3,589,519	3,337,650	18,224,683
<u>\$173,871</u>	<u>\$18,908</u>	<u>\$2,452,342</u>	<u>\$1,088,142</u>	<u>\$3,336,558</u>	<u>\$14,321,166</u>

**FINANCIAL CONDITON
AUGLAIZE COUNTY**

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

Net change in fund balances - total governmental funds (\$3,903,517)

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

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:

Capital outlay - depreciable capital assets	\$4,223,853	
Depreciation	<u>(1,151,027)</u>	
		3,072,826

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against The proceeds from the sale of capital assets resulting in a gain on the sale of capital assets on the statement of activities.

Sale of capital assets	(7,587)	
Gain on sale of capital assets	<u>52,578</u>	
		44,991

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Property Taxes	229,105	
Special assessments	2,162,376	
Intergovernmental	<u>1,504,615</u>	
		3,896,096

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.

General obligation bonds	775,000	
Special assessment bonds	130,000	
Special Assessment Notes payable	<u>78,510</u>	
		983,510

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding obligations on the statement of activities:

Accrued interest payable		(36,834)
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Note proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.

Notes payable		19,030
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The internal service fund used by management to charge the cost of insurance to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year

17,760

Some expenses reported on the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds

Compensated absences payable		<u>(1,024,000)</u>
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Change in net assets of governmental activities		<u><u>\$3,069,862</u></u>
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See accompanying notes to the basic financial statements.

AUGLAIZE COUNTY

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$1,969,470	\$1,969,470	\$1,942,166	(\$27,304)
Sales tax	2,263,674	2,263,674	2,308,999	45,325
Charges for services	1,007,000	1,007,000	1,105,659	98,659
License and permits	4,020	4,020	5,083	1,063
Fines and forfeitures	525,000	525,000	559,281	34,281
Intergovernmental	1,157,000	1,157,000	1,284,742	127,742
Investment income	600,000	320,000	273,388	(46,612)
Other operating income	56,000	56,000	249,893	193,893
Total Revenues	<u>7,582,164</u>	<u>7,302,164</u>	<u>7,729,211</u>	<u>427,047</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	2,960,395	3,143,452	2,756,524	386,928
Judicial	1,705,823	1,732,169	1,518,122	214,047
Public Safety	2,199,693	2,202,884	1,923,582	279,302
Public Works	281,863	275,866	218,283	57,583
Health	85,313	92,666	85,818	6,848
Human Services	415,310	418,341	383,343	34,998
Other	1,155,000	1,155,325	1,100,696	54,629
Total Expenditures	<u>8,803,397</u>	<u>9,020,703</u>	<u>7,986,368</u>	<u>1,034,335</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,221,233)</u>	<u>(1,718,539)</u>	<u>(257,157)</u>	<u>1,461,382</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	1,000	1,000	1,060	60
Other Financing Sources	384,480	384,480	232,892	(151,588)
Other Financing Uses	(558,524)	(591,224)	(511,618)	79,606
Advances In			72,998	72,998
Advances Out			(29,348)	(29,348)
Transfers In			3,226	3,226
Transfers Out	(200,000)	(80,660)		80,660
Total Other Financing Sources (Uses)	<u>(373,044)</u>	<u>(286,404)</u>	<u>(230,790)</u>	<u>55,614</u>
Net Change in Fund Balance	<u>(1,594,277)</u>	<u>(2,004,943)</u>	<u>(487,947)</u>	<u>1,516,996</u>
Fund Balance Beginning of Year	3,701,625	3,701,625	3,701,625	
Prior Year Encumbrances Appropriated	75,578	75,578	75,578	
Fund Balance End of Year	<u>\$2,182,926</u>	<u>\$1,772,260</u>	<u>\$3,289,256</u>	<u>\$1,516,996</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Sales tax	\$490,000	\$490,000	\$539,216	\$49,216
Charges for services	22,000	22,000	29,645	7,645
Fines and forfeitures	55,000	55,000	58,517	3,517
Intergovernmental	2,880,000	2,880,000	3,068,528	188,528
Investment income	12,000	12,000	7,761	(4,239)
Other operating income	9,000	9,000	2,480	(6,520)
Total Revenues	<u>3,468,000</u>	<u>3,468,000</u>	<u>3,706,147</u>	<u>238,147</u>
Expenditures				
Current:				
Public Works				
Personal services	2,085,265	2,084,265	1,942,461	141,804
Materials and supplies	868,000	1,023,936	946,697	77,239
Charges and services	838,688	750,914	708,066	42,848
Capital outlay and equipment	340,000	361,049	927,592	(566,543)
Other	10,000	10,000	1,000	9,000
Total Expenditures	<u>4,141,953</u>	<u>4,230,164</u>	<u>4,525,816</u>	<u>(295,652)</u>
Excess of Revenues Over (Under) Expenditures	<u>(673,953)</u>	<u>(762,164)</u>	<u>(819,669)</u>	<u>(57,505)</u>
Other Financing Sources (Uses)				
Other Financing Sources	130,000	130,000	152,019	22,019
Proceeds from sale of fixed assets			6,527	6,527
Total Other Financing Sources (Uses)	<u>130,000</u>	<u>130,000</u>	<u>158,546</u>	<u>28,546</u>
Net Change in Fund Balance	(543,953)	(632,164)	(661,123)	(28,959)
Fund Balance Beginning of Year	543,953	543,953	543,953	
Prior Year Encumbrances Appropriated	88,211	88,211	88,211	
Fund Balance End of Year	<u>\$88,211</u>	<u>\$0</u>	<u>(\$28,959)</u>	<u>(\$28,959)</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JOB AND FAMILY SERVICES - SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Intergovernmental	\$2,500,000	\$2,500,000	\$2,155,153	(\$344,847)
Other operating income	78,339	78,339	80,174	1,835
Total Revenues	<u>2,578,339</u>	<u>2,578,339</u>	<u>2,235,327</u>	<u>(343,012)</u>
Expenditures				
Current:				
Human Services				
Personal services	1,905,000	1,905,000	1,362,556	542,444
Materials and supplies	90,000	91,305	68,389	22,916
Charges and services	1,226,000	1,348,637	1,088,148	260,489
Capital outlay and equipment	35,000	35,000	27,926	7,074
Other	75,000	77,841	5,252	72,589
Total Expenditures	<u>3,331,000</u>	<u>3,457,783</u>	<u>2,552,271</u>	<u>905,512</u>
Excess of Revenues Over (Under) Expenditures	<u>(752,661)</u>	<u>(879,444)</u>	<u>(316,944)</u>	<u>562,500</u>
Other Financing Sources (Uses)				
Other Financing Sources	267,000	267,000	118,948	(148,052)
Transfers In	300,000	300,000	325,000	25,000
Total Other Financing Sources (Uses)	<u>567,000</u>	<u>567,000</u>	<u>443,948</u>	<u>(123,052)</u>
Net Change in Fund Balance	(185,661)	(312,444)	127,004	439,448
Fund Balance Beginning of Year	186,735	186,735	186,735	
Prior Year Encumbrances Appropriated	126,783	126,783	126,783	
Fund Balance End of Year	<u>\$127,858</u>	<u>\$1,074</u>	<u>\$440,522</u>	<u>\$439,448</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MENTAL RETARDATION AND DEVELOPMENT DISABILITIES - SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$2,627,720	\$2,627,720	\$2,564,743	(\$62,977)
Intergovernmental	812,000	812,000	998,534	186,534
Total Revenues	<u>3,439,720</u>	<u>3,439,720</u>	<u>3,563,277</u>	<u>123,557</u>
Expenditures				
Current:				
Health				
Personal services	2,866,973	2,701,762	2,637,117	64,645
Materials and supplies	78,750	84,713	79,777	4,936
Charges and services	1,217,100	1,461,952	1,394,956	66,996
Capital outlay and equipment	25,000	10,000	9,689	311
Other	237,000	237,000	237,000	
Total Expenditures	<u>4,424,823</u>	<u>4,495,427</u>	<u>4,358,539</u>	<u>136,888</u>
Excess of Revenues Over (Under) Expenditures	<u>(985,103)</u>	<u>(1,055,707)</u>	<u>(795,262)</u>	<u>260,445</u>
Other Financing Sources (Uses)				
Other Financing Sources	20,000	20,000	2,193	(17,807)
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>20,000</u>	<u>2,193</u>	<u>(17,807)</u>
Net Change in Fund Balance	(965,103)	(1,035,707)	(793,069)	242,638
Fund Balance Beginning of Year	965,103	965,103	965,103	(0)
Prior Year Encumbrances Appropriated	70,604	70,604	70,604	
Fund Balance End of Year	<u>\$70,604</u>	<u>(\$0)</u>	<u>\$242,638</u>	<u>\$242,638</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JAIL OPERATIONS AND MAINTENANCE - SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$1,883,690	\$1,883,690	\$1,924,028	\$40,338
Intergovernmental			294	294
Total Revenues	<u>1,883,690</u>	<u>1,883,690</u>	<u>1,924,322</u>	<u>40,632</u>
Expenditures				
Current:				
Public Safety:				
Personal services	1,288,500	1,394,500	1,333,709	60,791
Materials and supplies	178,000	213,899	213,280	619
Charges and services	333,000	373,209	370,000	3,209
Capital outlay and equipment	65,000	70,773	68,583	2,190
Other	1,500	1,600	684	916
Total Expenditures	<u>1,866,000</u>	<u>2,053,981</u>	<u>1,986,256</u>	<u>67,725</u>
Excess of Revenues Over (Under) Expenditures	<u>17,690</u>	<u>(170,291)</u>	<u>(61,934)</u>	<u>108,357</u>
Other Financing Sources (Uses)				
Other Financing Sources			898	898
Total Other Financing Sources (Uses)			<u>898</u>	<u>898</u>
Net Change in Fund Balance	17,690	(170,291)	(61,036)	109,255
Fund Balance Beginning of Year	983,098	983,098	983,098	
Prior Year Encumbrances Appropriated	<u>81,982</u>	<u>81,982</u>	<u>81,982</u>	
Fund Balance End of Year	<u><u>\$1,082,770</u></u>	<u><u>\$894,789</u></u>	<u><u>\$1,004,044</u></u>	<u><u>\$109,255</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS
PROPREITARY FUNDS
DECEMBER 31, 2003**

	Business Type Activities Enterprise Funds					Total	Governmental Activities
	Auglaize Acres	Grand Lake Sewer	Sandy Beach Sewer	Oakwood Hills Sewer	Other Enterprise Funds		Internal Service Funds
Assets							
Current Assets:							
Cash and Cash Equivalents	\$213,383	\$77,168	\$65,531	\$26,031	\$204,846	\$586,959	\$194,534
Cash and Cash Equivalents in Segregated Accounts							200
Receivables:							
Accounts	509,845	17,277	11,814		20,371	559,307	1,458
Notes Receivable				23,750		23,750	
Due From Other Funds							17,581
Materials and Supplies Inventory	24,475					24,475	
Prepaid Items	2,699		408			3,107	
Total Current Assets	750,402	94,445	77,753	49,781	225,217	1,197,598	213,773
Noncurrent Assets:							
Capital Assets:							
Land	4,200	7,822			42,886	54,908	
Depreciable Capital Assets, Net	149,979	2,039,167	1,366,147	91,200	458,748	4,105,241	
Total Noncurrent Assets	154,179	2,046,989	1,366,147	91,200	501,634	4,160,149	
Total Assets	904,581	2,141,434	1,443,900	140,981	726,851	5,357,747	213,773
Liabilities							
<i>Current Liabilities:</i>							
Accounts Payable	67,643	14,230	2,751		2,603	87,227	15,665
Accrued Wages	112,937					112,937	2,849
Intergovernmental Payable	44,259					44,259	1,675
Due to Other Funds	51,829					51,829	
Due to Clients	69,742					69,742	
Claims Payable							14,501
Compensated Absences Payable	114,216					114,216	2,518
Notes Payable				5,000		5,000	
Total Current Liabilities	460,626	14,230	2,751	5,000	2,603	485,210	37,208
Long-Term Liabilities:							
Compensated Absences Payable	36,586					36,586	6,084
Notes Payable				42,500		42,500	
Total Long-Term Liabilities	36,586			42,500		79,086	6,084
Total Liabilities	497,212	14,230	2,751	47,500	2,603	564,296	43,292
Net Assets							
Invested in Capital Assets Net of Related Debt	154,179	2,046,989	1,366,147	43,700	501,634	4,112,649	
Unrestricted	253,190	80,215	75,002	49,781	222,614	680,802	170,481
Total Net Assets	\$407,369	2,127,204	\$1,441,149	\$93,481	\$724,248	\$4,793,451	\$170,481

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

	Business Type Activities Enterprise Funds					Total	Governmental Activities
	Auglaize Acres	Grand Lake Sewer	Sandy Beach Sewer	Oakwood Hills Sewer	Other Enterprise Funds		Internal Service Funds
Operating Revenues							
Charges for Services	\$4,919,524	\$121,038	\$48,373	\$4,904	\$99,852	\$5,193,691	\$3,039,521
Total Operating Revenues	<u>4,919,524</u>	<u>121,038</u>	<u>48,373</u>	<u>4,904</u>	<u>99,852</u>	<u>5,193,691</u>	<u>3,039,521</u>
Operating Expenses							
Personal Services	3,683,791					3,683,791	101,413
Contractual Services	524,494	152,827	49,114	244	68,774	795,453	2,887,236
Materials and Supplies	442,502		1,480		1,100	445,082	37,617
Other	24,945					24,945	
Depreciation	29,077	56,000	35,029	5,700	17,982	143,788	
Capital Outlay	10,444					10,444	
Total Operating Expenses	<u>4,715,253</u>	<u>208,827</u>	<u>85,623</u>	<u>5,944</u>	<u>87,856</u>	<u>5,103,503</u>	<u>3,026,266</u>
Operating Income (Loss)	<u>204,271</u>	<u>(87,789)</u>	<u>(37,250)</u>	<u>(1,040)</u>	<u>11,996</u>	<u>90,188</u>	<u>13,255</u>
Non-Operating Revenues (Expenses)							
Other Non Operating Income	34,548				916	35,464	4,927
Other Non Operating Expense							(422)
Total Non-Operating Revenues(Expenses)	<u>34,548</u>				<u>916</u>	<u>35,464</u>	<u>4,505</u>
Change in Net Assets	238,819	(87,789)	(37,250)	(1,040)	12,912	125,652	17,760
Net Assets Beginning of Year							
- Restated (See Note 3)	168,550	2,214,993	1,478,399	94,521	711,336	4,667,799	152,721
Net Assets End of Year	<u>\$407,369</u>	<u>\$2,127,204</u>	<u>\$1,441,149</u>	<u>\$93,481</u>	<u>\$724,248</u>	<u>\$4,793,451</u>	<u>\$170,481</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF CASH FLOWS
BUSINESS TYPE ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Business Type Activities Enterprise Funds				Other Enterprise Funds	Total	Governmental Activities
	Auglaize Acres	Grand Grand Sewer	Sandy Beach Sewer	Oakwood Oakwood Sewer			Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents							
Cash Flows from Operating Activities							
Cash Received from Customers	\$4,881,264	\$121,038	\$48,373	\$4,904	\$96,911	\$5,152,490	\$80,500
Cash from Interfund Services Provided							2,951,841
Cash Payments to Employees for Services	(3,752,699)					(3,752,699)	
Cash Payments for Goods and Services	(970,288)	(147,025)	(51,310)	(244)	(67,441)	(1,236,308)	(3,050,434)
Net Cash Provided by (Used in) Operating Activities	158,277	(25,987)	(2,937)	4,660	29,470	163,483	(18,093)
Cash Flows from Noncapital Financing Activities							
Cash Payments for Advances	(50,000)					(50,000)	
Non Operating Revenue	34,548			2,500	478	37,526	4,927
Non Operating Expenses							(422)
Net Cash Provided by (Used in) Noncapital Financing Activities	(15,452)			2,500	478	(12,474)	4,505
Cash Flows from Capital and Related Financing Activities							
Principal Paid on Notes				(5,000)		(5,000)	
Net Cash Used in Capital and Related Financing Activities				(5,000)		(5,000)	
Net Increase (Decrease) in Cash and Cash Equivalents	142,825	(25,987)	(2,937)	2,160	29,948	146,009	(13,588)
Cash and Cash Equivalents Beginning of Year	70,558	103,155	68,468	23,871	174,898	440,950	208,322
Cash and Cash Equivalents End of Year	213,383	77,168	65,531	26,031	204,846	586,959	194,734
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities							
Operating Gain (Loss)	204,271	(87,789)	(37,250)	(1,040)	11,996	90,188	13,255
Adjustments:							
Depreciation	29,077	56,000	35,029	5,700	17,982	143,788	
(Increase) Decrease in Assets:							
Accounts Receivable	(108,004)	(1,391)	(267)		(1,280)	(110,942)	555
Prepays	340		(408)		400	332	
Materials and Supplies Inventory	2,332					2,332	
Due From Other Funds							(7,735)
Increase (Decrease) in Liabilities:							
Accounts Payable	29,807	7,193	(41)		372	37,331	(11,392)
Accrued Wages	3,881					3,881	(69)
Claims Payable							(16,198)
Compensated Absences Payable	(16,942)					(16,942)	3,659
Intergovernmental Payable	(57,294)					(57,294)	(168)
Due to Other Funds	1,068					1,068	
Due to Clients	69,742					69,742	
Net Cash Provided by (Used in) Operating Activities	\$158,277	(\$25,987)	(\$2,937)	\$4,660	\$29,470	\$163,483	(\$18,093)

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2003**

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$154,153	\$2,043,339
Cash and Cash Equivalents in Segregated Accounts		681,468
Receivables:		
Accounts	145	
Property Taxes		40,684,144
Special Assessments		736,064
Prepaid Items		235
Due from other governments		3,309,990
 Total Assets	 154,298	 47,455,240
Liabilities		
Accounts Payable	2,967	
Due to Other Governments		46,752,910
Undistributed Assets		702,330
 Total Liabilities	 2,967	 \$47,455,240
Net Assets		
Restricted	151,331	
 Total Net Assets	 \$151,331	

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

	Private Purpose Trust
Additions	
Interest	\$1,157
Other	40,355
Total Additions	<u>41,512</u>
Deductions	
Public Safety	7,719
Health	13,799
Human Service	18,207
Other Financing Uses	<u>2,900</u>
Total Deductions	<u>42,625</u>
Change in Net Assets	(1,113)
Net Assets Beginning of Year	<u>152,444</u>
Net Assets End of Year	<u><u>\$151,331</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

1. DESCRIPTION OF THE ENTITY

Auglaize County, Ohio (The County) was formed by an act of the Legislature on February 14, 1848. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Probate/Juvenile and Domestic Relations Court Judge, and a Municipal County Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

A. Reporting Entity

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

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

Auglaize County Children's Services Board (CSB)

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

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

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

B. Discretely Presented Component Units

The component units columns in the basic financial statements include the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County.

Auglaize County Airport Authority

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

1. DESCRIPTION OF THE ENTITY (Continued)

Auglaize Industries, Inc.

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

C. Potential Component Units Reported As Agency Funds

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

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

D. Excluded Potential Component Units

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

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

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis Of Presentation - Fund Accounting

Government-wide Statements - The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function for the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category-governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements.

1. 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.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following are the County's major governmental funds:

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

Motor Vehicle and Gasoline Tax (MVGT) - The motor vehicle gas tax fund accounts for gas tax and license revenue used for road and bridge maintenance in the County.

Job and Family Services (JFS)- The job and family services fund accounts for various federal and state grants as well as transfers from the general fund used to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.

Mental Retardation and Development Disabilities (MRDD) - The mental retardation and developmental disabilities fund accounts for a County-wide property tax levy, state grants and reimbursements used for care and services for the mentally handicapped and retarded.

Jail Operations and Maintenance - The jail operations and maintenance fund accounts for revenues received from permissive sales tax and is used to pay for the operations and maintenance of the jail.

Workshop Bond - The workshop bond fund accounts for revenues received and used to pay principal and interest on debt.

Human Service Building Retirement - The human service building retirement fund accounts for revenues received and used to pay principal and interest on debt.

Jail Debt Retirement - The jail debt retirement fund accounts for revenues received and used to pay principal and interest on debt.

Permanent Improvement - The permanent improvement fund accounts for renovation and construction of County owned buildings and facilities.

2. Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are used to account for the County's ongoing activities which are financed and operated in a manner similar to the private sector.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Service Funds - These funds are used for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The County's internal service funds account for monies received from the activities of the insurance programs for employee health, vision, drug card benefits and flexible spending; and for various rotary services such as police protection and gasoline.

3. 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 not available to support the County's own programs. The 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. The private purpose trust accounts for funds held by binding trust agreements. The agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent, and for taxes, assessments, state-levied shared revenues, and fines and forfeitures collected on behalf of other local governments and distributed to other political subdivisions.

B. Measurement Focus And Basis Of Accounting

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

2. 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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

3. Discretely Presented Component Units

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

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

C. Basis Of Accounting

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

1. Revenues – Exchange and Non-exchange Transactions

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

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue.

Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures

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

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

D. Budgetary Process

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

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

1. Tax Budget:

Unless waived, a budget of estimated revenues and expenditures is required to be submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The express purpose of this budget is to reflect the need for existing (or increased) tax rates. Auglaize County has chosen to waive the budget filing requirement.

2. Estimated Resources:

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual – for the General and Special Revenue Major Fund Types reflect the amounts in the final amended official certificate of estimated resources during 2003.

3. Appropriations:

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

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during 2003.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget for that fund that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary comparisons represent the final appropriation amounts passed by the Commissioners prior to year end, including all amendments and modifications.

4. Budgeted Level of Expenditures:

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

5. Encumbrances:

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

6. Lapsing of Appropriations:

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash And Cash Equivalents

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

During 2003, investments were limited to money markets, treasury notes, federal agency securities and STAR Ohio. Except for money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2003.

Following Ohio statutes, the County is required to credit all investment earnings to the General Fund, unless otherwise expressly required by law to allocate to other funds. Interest is distributed to the general fund, the motor vehicle gasoline tax special revenue fund, St. Marys River project special revenue fund, the Auglaize School workshop bond retirement fund, the Treasurer's prepay agency fund and the Auglaize School Group Home expendable trust fund. Total investment revenue earned during 2003 was \$270,225. The General fund was credited \$260,606, and of this amount \$200,667 was assigned from other funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

F. Inventory Of Supplies

Inventories are stated at cost on a first-in, first-out basis. The costs of inventory items are expensed when consumed or used.

G. Prepays

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.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Receivables And Payables

Receivables and payables to be recorded on the County's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Using these criteria, the County has elected not to record child support arrearages within the special revenue and agency funds. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

I. Interfund Receivables And Payables

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "inter-fund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances".

J. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

K. Capital Assets and Depreciation

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

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported on the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds. All reported capital assets are depreciated except for land, some land improvements and construction in progress. Depreciation is computed using the straight-line method over the following useful lives:

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For 2003, reported infrastructure was limited to amounts previously reported. Infrastructure will be added in subsequent years when those amounts can be accumulated.

L. Component Units

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

<u>Description</u>	<u>Estimated Life</u>
Furniture and Fixtures	5-7 years
Transportation Equipment	5-10 years
Computers	5 years
Leasehold Improvements	15-31.5 years

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

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

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on length of service and department policy.

The entire compensated absence liability is reported on the government-wide financial statements. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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, 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 governmental fund financial statements when due.

O. NET ASSETS

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

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

P. Capital Contributions

Capital contributions arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction or transfers of capital assets between governmental and business type activities. These assets were recorded at their fair market value on the date contributed. Contributed resources are reported as capital contributions within the financial statements pursuant to GASB 33 "*Accounting and Reporting for Non-exchange Transactions*".

Q. Fund Balance Reserves

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

R. Operating Revenues And Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for county home room and board, sewer services, as well as charges for internal service fund activities. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Interfund Transactions

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

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

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

T. Use Of Estimates

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

3. CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES

For 2003, the County has implemented Governmental Accounting Standards Board (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 and Management’s Discussion and Analysis for State and Local Governments: Omnibus*"; GASB Statement No. 38 "*Certain Financial Statement Note Disclosures*"; GASB Statement No. 41 "*Budgetary Comparison Schedules – Perspective Differences*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*".

GASB Statement No. 34 creates new basic financial statements for reporting on the County’s financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The government-wide financial statements split the County’s programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management’s 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 disclosure requirements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

3. CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES (Continued)

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. This statement did not apply to the county for 2003.

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 rise, in interpretation and practice.

Also, during 2003, the County revised its policy for capitalizing fixed assets by increasing the capitalization threshold from \$500 to \$5,000. This revision decreased the fixed assets for the proprietary funds and resulted in a restatement of fund balances.

Restatement of Fund Balances

The restatement due to the implementation of the above statements and interpretation had the following effect on fund balance of the major and non-major funds of the County as they were previously reported.

Governmental Type Activities:

	General Fund	MVGT Fund	JFS Fund	MRDD Fund	Jail Operation Fund
Fund Balance-December 31, 2002	\$4,476,985	\$1,012,748	\$174,345	\$937,668	\$1,193,674
Property Taxes	40,509			41,692	
Restated Fund Balance January 1	<u>\$4,517,494</u>	<u>\$1,012,748</u>	<u>\$174,345</u>	<u>\$979,360</u>	<u>\$1,193,674</u>

	Workshop Bond Fund	Human Services Bldg Bldg Fund	Jail Debt Retirement Fund	Permanent Improvement Fund
Fund Balance-December 31, 2002	\$175,332	\$4,202	\$3,238,744	\$3,589,519
Property Taxes	1,615			
Restated Fund Balance January 1	<u>\$176,947</u>	<u>\$4,202</u>	<u>\$3,238,744</u>	<u>\$3,589,519</u>

	Other Governmental Funds	Total Governmental Activities
Fund Balance-December 31, 2002	\$3,314,609	\$18,117,826
Property Taxes	23,041	106,857
Restated Fund Balance January 1	<u>\$3,337,650</u>	<u>\$18,224,683</u>

GASB Statement 34 Adjustments:

Intergovernmental	1,854,439
Special Assessments	2,896,481
Capital Assets	14,039,319
Accrued Interest Payable	(45,316)
General Obligation Bonds Payable	(3,550,000)
Special Assessments Notes Payable	(443,749)
Special Assessments Bonds Payable	(1,735,000)
Compensated Absences Payable	(982,019)
Internal Service Fund - Governmental Portion	152,721
Governmental Activities Net Assets December 31, 2002	<u>\$30,411,559</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

3. CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES (Continued)

Business Type Activities:

	Auglaize Acres	Grand Lake Sewer	Sandy Beach Sewer	Oakwood Hills Sewer	Other Enterprise Funds	
Fund Balance-December 31, 2002	\$264,344	\$2,217,151	\$1,480,883	\$94,521	\$714,470	
Fixed Asset Restatement	(95,794)	(2,158)	(2,484)	-	(3,134)	
Restated Net Assets January 1	<u>\$168,550</u>	<u>\$2,214,993</u>	<u>\$1,478,399</u>	<u>\$94,521</u>	<u>\$711,336</u>	
						Total Business Activities
Fund Balance-December 31, 2002						\$ 4,771,369
Fixed Asset Restatement						(103,570)
Restated Net Assets January 1						<u>\$ 4,667,799</u>

4. 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, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual are presented in the basic financial statements for the General Fund and Major Special Revenue Funds. The major differences for those funds between the budget basis and the GAAP basis are that:

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance					
General and Major Special Revenue Funds					
	General	Motor Vehicle Gasoline Tax	Job and Family Services	Mental Retardation Development Disabilities	Jail Operations And Maintenance
Budget Basis	(487,947)	(661,123)	127,004	(793,069)	(61,036)
Net adjustment for Revenue accruals	(195,741)	168,388	25,195	(107,590)	18,812
Net adjustment for Expense accruals	456,425	(128,127)	88,039	262,599	49,728
Net adjustment for Other fin srcls	(72,311)	(13,001)	5,672	0	2
Encumbrances	169,770	611,215	66,841	162,716	45,919
Net adjustment for Other fin uses	(126,921)	0	0	(237,000)	(735)
GAAP Basis	<u>\$(256,725)</u>	<u>\$ (22,648)</u>	<u>\$312,751</u>	<u>\$ (712,344)</u>	<u>\$ 52,690</u>

5. ACCOUNTABILITY AND COMPLIANCE

The following funds had a deficit fund balances as of December 31, 2003:

Special Revenue Funds:	Deficit Fund Balance:
2003 VOCA	\$ 149
2003 Community Development Block Grant	13,040
Heidt Ditch Maintenance	41
Sellers Ditch Maintenance	20
Henkener Ditch Maintenance	43
Debt Service Funds:	
Benzing Note Retirement	47
Prairie Creek Note Retirement	135
Huenke Note Retirement	135
Internal Service Funds:	
Police Rotary	10,470
Airport Rotary	719
Gas Rotary	1,759

The deficits in the Special Revenue, Internal Service, and Debt Service Funds are caused by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances, however, this is done as cash is needed rather than as accruals occur. In addition, amounts spent "on behalf of" the county had not been budgeted resulting in expenditures in excess of appropriations.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

6. DEPOSITS AND INVESTMENTS

A. Primary Government

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

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

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

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

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.

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

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

At year-end, the County had \$166,972 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents and Cash and Cash Equivalents in Segregated Accounts". This amount is uninsured and uncollateralized.

Deposits - At year-end, the carrying amount of the County's deposits was \$8,191,757 and the bank balance was \$9,292,148. Of the bank balance, \$1,094,985 was covered by federal depository insurance; \$400,000 was covered by collateral held in joint custody with the public depository and the County; and \$7,797,163 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board. Although the collateral was held by pledging financial institutions' trust department in the County's name and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the County to a successful claim by the FDIC.

The pledging bank has an investment and securities pool used to collateralize all public deposits. This pool had a market value at December 31, 2003, in excess of 110 percent of the public funds on deposit. Statutory provisions require that collateral pledged for deposits be held in trust by an institution other than the pledging bank or in collateral pools pledged to cover government deposits held by an institution.

Investments - Statutory provisions require that the County Treasurer hold all securities acquired by the County or deposit them with a qualified trustee pursuant to Section 135.37 of the Ohio Revised Code. Investments are categorized below to give an indication of the level of risk assumed at year end. Category 1 includes investments that are insured or registered and the securities are held by the County. Category 2 includes uninsured and unregistered investments for which the securities are held in the counter party's trust department or agent in the County's name. Category 3 includes uncollateralized investments (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name). STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

	<u>Market/Carrying Value</u>	<u>Category 3</u>
STAR Ohio	\$1,632,000	\$ -
Funds Invested by Fifth-Third Trust - US:		
Federal Home Loan Bank	1,299,254	1,299,254
Federal Home Loan Mortgage Corporation	1,119,209	1,119,209
United States Treasury Notes	717,689	717,689
Federal Farm Credit Bank	480,024	480,024
Federal National Mtg Assn	1,065,648	1,065,648
Freddie Mac	279,184	279,184
Federal Home Loan Mtg	332,487	332,487
FRE Discount	238,924	238,924
Federal Home Loan Mtg Corp Disc	333,459	333,459
FNM Disc NT	596,043	596,043
Federal Ntl Mtg Assn Disc NT	259,740	259,740
Fund Money Market, US Treasury Obligation	834	834
	<u>\$8,354,495</u>	<u>\$6,722,495</u>

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

The reconciliation between the classifications of pooled cash and cash equivalents and investments on the financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 16,713,224	\$ -
Cash on Hand	(166,972)	-
Federal Home Loan Bank	(1,299,254)	1,299,254
Federal Home Loan Mortgage Corp	(1,119,209)	1,119,209
United States Treasury Notes	(717,689)	717,689
Federal Farm Credit Bank	(480,024)	480,024
Federal National Mtg Assn	(1,065,648)	1,065,648
STAR Ohio	(1,632,000)	1,632,000
Freddie Mac	(279,184)	279,184
Federal Home Loan Mtg	(332,487)	332,487
FRE Discount	(238,924)	238,924
Federal Home Loan Mtg Corp Disc	(333,459)	333,459
FNM Disc NT	(596,043)	596,043
Federal Ntl Mtg Assn Disc NT	(259,740)	259,740
Money Market, US Treasury Obligation	(834)	834
GASB Statement No. 3	<u>\$ 8,191,757</u>	<u>\$ 8,354,495</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

B. Component Units

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

At year end, the carrying amount of the Auglaize County Airport Authority deposits were \$35,014 and the bank balances were \$28,153. \$28,153 was covered by federal depository insurance. The balance of cash on hand at year end was \$100. The Auglaize County Airport Authority did not have any investments at year end.

Auglaize Industries, Inc. - At year end, the carrying amount of Auglaize Industries, Inc. deposits was \$16,892 and the bank balance was \$32,233. Of this amount, \$32,233 was covered by federal depository insurance. The balance of cash on hand at year end was \$300. The investment securities are carried at fair market value. Of these securities, United States Government and Agency Obligations due after ten years have a fair value of \$192,211; Equity Securities, Mutual Funds have a fair value of \$374,692; and Federally Insured Certificate of Deposit has a fair value of \$20,592 with a cost of \$20,592. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporations.

7. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility property) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Tax Commissioner at 35 percent of appraised market value. All property is required to be revalued every six years. The last triennial update was completed in tax year 2002 (Calendar year 2003). Real property taxes are payable annually or semiannually. The first payment is due February 15, with the remainder payable by July 14.

Public utility property tax revenues received in 2003 represent the collection of 2002 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2003 (other than public utility property) represent the collection of 2003 taxes. Tangible personal property taxes received in 2003 were levied after October 1, 2002, on the true value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due October 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by October 20.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

7. PROPERTY TAXES (Continued)

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County, and the County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

Accrued property taxes receivable represents delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2003. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2003 operations. The receivable and the portion of the tax levies prepaid by year end into the undivided general tax agency fund are therefore offset by a credit to deferred revenue.

On the full accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue. On the modified accrual basis, the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2003, was \$7.37 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$ 542,931,440
Commercial/Industrial/Mineral	113,999,720
Public Utility Real	250,660
Tangible Personal Property:	
General	136,386,985
Public Utility	<u>28,902,960</u>
Total Assessed Value	<u>\$ 822,471,765</u>

8. PERMISSIVE SALES AND USE TAX

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

Proceeds of the permissive sales tax are to be credited to the General (60%) and to the Permanent Improvement Fund (40%). This sales tax revenue for 2003 amounted to \$3,886,545. The General and Permanent Improvement Funds were credited with \$2,331,927. The use tax amounted to \$541,336, and was credited to the Motor Vehicle and Gasoline Tax Fund.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

8. PERMISSIVE SALES AND USE TAX (Continued)

Additionally, on June 1, 1996, a voter approved one-half percent sales tax went into effect for 10 years. This tax is used to finance the construction, maintenance and operation of a law enforcement facility. Sales tax revenue for 2003 amounted to \$1,942,840 and was credited to the Jail Operation and Maintenance Fund.

A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2003. On a full accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable that will be received outside of the available period is deferred.

9. INTERFUND TRANSACTIONS

As of December 31, 2003, inter-fund receivables and payables that resulted from various inter-fund transactions were as follows:

Interfund Receivable	Interfund Payable	Amount
General	Auglaize Acres MRDD	\$50,099 73 <hr/> 50,172
Motor Vehicle	General Solid Waste Jail Maintenance	436 1,164 201 <hr/> 1,801
Job and Family Services	Child Support Enforcement Agency	17,058
Internal Service	General Motor Vehicle Solid Waste Job and Family Services Real Estate Assessment Youth Service Child Support Enforcement Agency Jail Maintenance Auglaize Acres	6,922 2,491 362 2,583 124 31 600 2,738 1,730 <hr/> 17,581 <hr/> \$86,612
<hr/>		
Operating Transfers	Transfer In	Transfer Out
Solid Waste General Mental Retardation and Developmental Children's Services Job and Family Services Community Alternative	\$32,000 150,000 325,000 237,000 <hr/> \$744,000	182,000 237,000 325,000 <hr/> \$744,000

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

10. RECEIVABLES

Receivables at December 31, 2003 consist of taxes, accounts (billings for user charged services), special assessments, inter-fund, interest, due from other funds, and due from other government receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. A summary of the principal items of due from other government receivables follows:

<u>General Fund</u>	<u>Amount</u>
Public Defender Reimbursement	\$18,801
Prosecuting Attorney	4,961
School Food Service	722
Housing Trust	767
Local Government	452,313
Homestead and Rollback	151,287
Community Alternative	75,994
Total General Fund	<u>704,845</u>
Special Revenue Funds	
MRDD – Federal Funding	\$7,679
Motor Vehicle License Tax	922,028
Permissive Motor Vehicle License Tax	263,736
Gasoline Tax	846,777
Grants – State Funding	475,397
MRDD – Homestead and Rollback	315,160
Childrens Services	185,740
MVGT – Federal funding	103,584
Total Special Revenue Funds	<u>3,120,101</u>
Total Due From Other Governments	<u>\$3,824,946</u>

A summary of the principal items of accounts receivables follows:

<u>General Fund</u>	<u>Amount</u>
Transcripts	\$1,813
Sanitary Engineer Fees	2,501
Rehabilitation	45
Fees	46,904
Court Rules	24
Reimbursement	646
Total General Fund	<u>51,933</u>
Special Revenue Funds	
Reimbursements	67
Auditor and Treasurer Fees	60,124
Community Alternate Fees	1,925
Ditch Maintenance Fees	736
Child Support Enforcement Agency Fees	55
Children Services Fees	3,384
Motor Vehicle Reimbursement	24,534
Solid Waste Generation Fee	16,716
Engineer Sewer Fees	5,164
Total Special Revenue Funds	<u>112,705</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

10. RECEIVABLES (Continued)

Enterprise Funds

Auglaize Acres - Room and Board	609,018
Auglaize Acres - Other	967
South Grand Lake Sewer Charges	17,277
Villa Nova Sewer Charges	1,982
Sharlon Sewer Charges	856
Beverly Hills Sewer Charges	2,452
Sherwood Forest Sewer Charges	1,651
Pleasantview Sewer Charges	3,285
Arrowhead Estates Sewer Charges	1,640
East Lake Park Sewer Charges	6,947
Forest Lane Sewer Charges	1,558
Sandy Beach Sewer Charges	11,814
Total Enterprise Funds	659,447
Less Allowance for Doubtful Accounts (Auglaize Acres Room and Board)	(100,140)
Total Enterprise Funds – Net of Allowance	559,307
Internal Service Fund	
Insurance Premiums	1,458
Total Accounts Receivable	\$725,403

A summary of the principal items of notes receivables follows:

General Fund	Amount
Educational Service Center Promissory Note	\$57,600
Enterprise Funds	
City of Wapakoneta – Oakwood Hills Sewer	23,750
Total Notes Receivable	\$81,350

11. CAPITAL ASSETS

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

Governmental Activities	Restated Balance January 1	Additions	Reductions	Balance December 31
Non Depreciable Assets:				
Land	\$1,636,262	\$ 195,996	\$ 0	\$ 1,832,258
Total Non Depreciable	1,636,262	195,996	0	1,832,258
Depreciable Assets:				
Land Improvements	617,055	350,152	0	967,207
Buildings & Improvements	12,117,126	5,082,367	0	17,199,493
Water & Sewer	131,130	0	0	131,130
Equipment, Furniture, Fixtures	6,352,262	736,519	(131,861)	6,956,920
Total Depreciable	19,217,573	6,169,038	(131,861)	25,254,750
Accumulated Depreciation:				
Land Improvements	195,311	47,552	0	242,863
Buildings & Improvements	2,588,819	606,289	0	3,195,108
Water & Sewer	12,553	2,621	0	15,174
Equip, Furn & Fixtures	4,017,833	494,565	(86,870)	4,425,528
Total Accum Depreciation	6,814,516	1,151,027	(86,870)	7,878,673
Net Depreciable Assets				
Governmental Activities	\$12,403,057	\$5,018,011	\$ (44,991)	\$17,376,077

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

11. CAPITAL ASSETS (Continued)

Business-Type Activities

Non Depreciable Assets:

Land	\$ 54,908	\$ 0	\$ 0	\$ 54,908
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Depreciable Assets:

Buildings & Improvements	862,397	0	0	862,397
Water & Sewer	5,735,566	0	0	5,735,566
Equip, Furn & Fixtures	<u>248,419</u>	<u>0</u>	<u>0</u>	<u>248,419</u>
Total Depreciable	<u>6,846,382</u>	<u>0</u>	<u>0</u>	<u>6,846,382</u>

Accumulated Depreciation:

Buildings & Improvements	786,325	7,381	0	793,706
Water & Sewer	1,665,592	114,711	0	1,780,303
Equip, Furn & Fixtures	<u>145,435</u>	<u>21,697</u>	<u>0</u>	<u>167,132</u>
Total Accum Depr	<u>2,597,352</u>	<u>143,789</u>	<u>0</u>	<u>2,741,141</u>

Net Depreciable Assets

Business-type activities	<u>\$4,249,030</u>	<u>\$ (143,789)</u>	<u>\$ 0</u>	<u>\$ 4,105,241</u>
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12. RISK MANAGEMENT

A. Transference Of Risk: Liability, Property, Crime

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

Coverage provided by the pool is as follows:

Property	\$ 242,518,676
Maximum per occurrence	
Subject to following sublimits	
Flood*	36,000,000
Earthquake*	36,000,000
Demolition & Increased Cost of Construction	2,000,000
Extra Expense	1,262,500
Rental Income	4,800
Computer Equipment & Media	2,275,000
Computer Extra Expense	252,500
Property in Transit	100,000
Valuable Papers	505,000
Account Receivable	50,500
Mobile Equipment	11,310,000
Fine Arts	50,500
Automatic Builders' Risk	1,000,000
Automatic Newly-Acquired Property	1,000,000
Crime	
Employee Dishonesty & Faithful Performance	250,000
Money and Securities (Inside and Outside)	250,000
Forgery and Alteration	250,000

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

12. RISK MANAGEMENT (Continued)

Boiler & Machinery	30,000,000
Liability	
Maximum per occurrence	5,000,000
Subject to following sublimits	
General, Law, Auto	5,000,000
Employee Benefits*	5,000,000
Ohio Stop Gap	5,000,000
Public Official Errors & Omissions*	5,000,000
Sexual Harassment*	1,000,000

Limits include the pool self-insured retentions.

*Limit is annual aggregate

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

Property, Auto, Physical Damage, Crime	\$ 100,000	per occurrence
Liability	100,000	per occurrence
Combined loss maximum	100,000	per occurrence
Maximum per year all claims combined	577,500	annual stop loss
Corridor Retention	100,000	one time loss excess of \$100,000

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

Property & Auto Physical Damage	\$ 241,518,676
Crime	250,000
Liability	4,000,000

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

12. RISK MANAGEMENT (Continued)

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

B. Transference Of Risk: Employee Health Insurance

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

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

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

C. Transference Of Risk: Workers Compensation Insurance

For 2003, the County participated in the County/Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool (See Note 19). The plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays it workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

12. RISK MANAGEMENT (Continued)

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

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

D. Retention Of Risk: Flexible Spending, Employee Drug Card And Reimbursed Health Claims

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

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

The liability for unpaid claims of National Medical Health Card and Medicare reimbursements at period end was \$14,501. Changes in the plans' claims liability during 2003 were:

	<u>Beginning of Year</u>	<u>New Claims</u>	<u>Claims Payments</u>	<u>Balance at Year End</u>
2003	<u>\$30,699</u>	<u>\$402,841</u>	<u>\$(419,039)</u>	<u>\$14,501</u>
2002	<u>15,602</u>	<u>488,845</u>	<u>(473,748)</u>	<u>30,699</u>

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

13. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System (Opers):

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 defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent 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 establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available 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 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$1,111,988, \$1,098,875, and \$1,132,869 respectively; 88 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$24,768 made by the County and \$15,537 made by the plan members.

14. POSTEMPLOYMENT BENEFITS

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 Post Employment Benefit as described in GASB Statement No. 12. 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 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

14. POSTEMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund post-employment benefits were \$635,133. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. The Choices Plan will incorporate a cafeteria approach, offering a broader range of health care options. The Choices 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.

15. COMPENSATED ABSENCES

Vacation is earned at rates which vary depending upon length of service and standard work week. The county currently has different policies regarding vacation leave. All of the policies allow the County employees to be paid for all earned, unused vacation leave at the time of termination of employment with more than one year of service with the County.

Employees earn sick leave at varying rates based on whether the employee is union or non-union. Upon retirement, employees with ten or more years of service are paid one-fourth of accumulated sick leave up to a maximum of 480 hours.

16. LEASES - LESSEE DISCLOSURE

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

16. LEASES - LESSEE DISCLOSURE (Continued)

The schedule for future minimum long-term operating lease payments as of December 31, 2003 is as follows:

<u>Year</u>	<u>Special Revenue Fund</u>
2004	\$10
2005	10
2006	10
2007	10
2008	10
2009-2016	<u>40</u>
Total	<u>\$90</u>

17. DEBT OBLIGATIONS

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

<u>Governmental Activities</u>	<u>Balance 12/31/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/03</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
1986-7.125%					
Original Amount \$1,600,000					
Mental Retardation Facility	\$ 240,000	\$ -	\$ (80,000)	\$160,000	\$80,000
1992 - 4% - 7.15%					
Original Amount \$640,000					
Human Services Building	490,000	-	(20,000)	470,000	20,000
1993 - 3.10% - 5.90%					
Original Amount \$230,000					
Recycling Building	30,000	-	(30,000)	-	-
1996 - 4.10% - 5.20%					
Original Amount \$7,200,000					
County Law Enforcement Center	2,790,000	-	(645,000)	2,145,000	675,000
Total General Obligations	<u>3,550,000</u>	<u>-</u>	<u>(775,000)</u>	<u>2,775,000</u>	<u>775,000</u>
Special Assessment Bonds:					
1992 - 4.9%-7%					
Original Amount - \$1,220,000					
Southeast Sewer District	735,000	-	(60,000)	675,000	65,000
1993 - 3.1% - .9%					
Original Amount - \$1,495,000					
Sandy Beach Sewer District	1,000,000	-	(70,000)	930,000	70,000
Total Special Assessment	<u>1,735,000</u>	<u>-0-</u>	<u>(130,000)</u>	<u>1,605,000</u>	<u>135,000</u>

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

17. DEBT OBLIGATIONS (Continued)

		<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
		12-31-02	Additions	Reductions	12-31-03	One Year
Special Assessment Notes:						
Original Amount						
Kah Sewer- 0%	\$179,341	147,956	-	(8,967)	138,989	8,967
Smith – 3.98%	\$6,798	-	6,798	(425)	6,373	850
Spray #2 – 3.75%	\$990	990	-	(495)	495	495
Kilger Ditch - 5.75%	\$25,396	15,872	-	(3,174)	12,698	3,174
Huenke Ditch - 4.75%	\$14,438	4,331	-	(2,888)	1,444	1,444
Bush Ditch - 4.75%	\$11,399	3,420	-	(2,280)	1,140	1,140
Bills Ditch - 6.85%	\$9,710	9,103	-	(1,214)	7,889	1,214
Warner Ditch - 6.5%	\$2,691	2,243	-	(897)	1,346	897
Heinz Ditch - 5.93%	\$63,699	39,812	-	(7,962)	31,849	7,962
Cook #2 – 3.98%	\$12,233	-	12,232	(764)	11,468	1,529
Fledderjohann Ditch - 5.10%	\$26,029	5,206	-	(5,206)	-	-
Prairie Creek Ditch - 5.50%	\$27,191	5,438	-	(5,438)	-	-
Ruck Ditch - 5.375%	\$13,008	5,691	-	(1,626)	4,065	1,626
Hauss Ditch - 6.57%	\$16,241	12,181	-	(2,030)	10,151	2,030
Rapp Kill Ditch - 6.75%	\$6,738	4,632	-	(842)	3,790	842
Berg Bauer Ditch - 5.75%	\$66,918	46,006	-	(8,365)	37,642	8,365
Buck Ditch - 6.75%	\$14,903	10,246	-	(1,863)	8,383	1,863
Kenmann Ditch - 5.375%	\$10,607	7,292	-	(1,326)	5,966	1,326
Egley #2 Ditch – 6.25%	\$2,805	2,455	-	(351)	2,104	351
Benzing Ditch – 5.25%	\$44,766	41,968	-	(5,596)	36,372	5,596
Steineman Ditch – 4.35%	\$24,025	19,220	-	(4,805)	14,415	4,805
Copeland Ditch – 6.75%	\$13,623	11,920	-	(1,703)	10,217	1,703
Scholl Ditch – 5.75%	\$16,581	15,544	-	(2,073)	13,472	2,073
Brewer Ditch – 6.95%	\$5,108	1,277	-	(1,277)	-	-
Wiesenmayer Ditch - 6.80%	\$19,325	6,039	-	(2,415)	3,623	2,415
Wissman Ditch - 6.85%	\$36,228	24,907	-	(4,528)	20,378	4,528
Total Special Assessment Notes		<u>443,749</u>	<u>19,030</u>	<u>(78,510)</u>	<u>384,269</u>	<u>65,195</u>
Total Other Long Term Obligations						
Compensated Absences		<u>982,019</u>	<u>75,036</u>	<u>0</u>	<u>1,057,055</u>	<u>490,916</u>
Total Governmental Activities		<u>\$6,710,768</u>	<u>\$ 94,066</u>	<u>\$ 983,510</u>	<u>\$5,821,324</u>	<u>\$1,466,111</u>
Business Type Activities						
Ohio Public Works Loans						
Hamilton Street Sanitary						
Sewer and Interceptor						
Original Amount \$100,000		<u>\$ 52,500</u>	<u>-</u>	<u>(5,000)</u>	<u>47,500</u>	<u>5,000</u>
Other Long-Term Obligations						
Compensated Absences		<u>167,744</u>	<u>-</u>	<u>(16,942)</u>	<u>150,802</u>	<u>114,216</u>
Total Business Type Activities		<u>\$220,244</u>	<u>0</u>	<u>\$21,942</u>	<u>198,302</u>	<u>\$119,216</u>

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

17. DEBT OBLIGATIONS (Continued)

The mental retardation facility bonds were issued pursuant to a voted tax levy for the purpose of acquiring land and developing a site for the construction, furnishing and equipping of a workshop facility and capital repairs to Auglaize School.

The human services bonds were issued for the purpose of acquiring, renovating and improving a building for the use of County offices and will be paid from human services revenues.

The recycling building bonds were issued for the purpose of constructing and equipping a recycling facility and will be paid from surcharges.

The Corrections Center building bonds were issued for the purpose of constructing and equipping a corrections center which will be paid from a one-half percent (.5%) sales tax revenue.

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

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

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

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

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

The effects of the debt limitations described above at December 31, 2003 are an overall debt margin of \$21,544,074 and an unvoted debt margin of \$8,075,931.

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

17. DEBT OBLIGATIONS (Continued)

Year	General Obligation Bonds	Special Assessment Bonds	Special Assessment Notes	OPWC Promissory Loan	Total Debt Obligations
2004	\$928,832	\$ 236,470	\$ 78,531	\$ 5,000	\$1,248,833
2005	933,062	238,140	70,615	5,000	1,246,817
2006	849,223	239,115	65,209	5,000	1,158,547
2007	53,275	239,145	56,829	5,000	354,249
2008	51,362	238,530	34,810	5,000	329,702
2009-2013	272,023	971,050	67,024	22,500	1,332,597
2014-2018			44,835		44,835
2019-2023			4,745		4,745
Total	<u>3,087,777</u>	<u>2,162,450</u>	<u>422,598</u>	<u>47,500</u>	<u>5,720,325</u>
Less:					
Amount Representing Interest	<u>(312,777)</u>	<u>(557,450)</u>	<u>(38,329)</u>	<u>0</u>	<u>(908,556)</u>
Total Outstanding Principal	<u>\$2,775,000</u>	<u>\$1,605,000</u>	<u>\$384,269</u>	<u>\$47,500</u>	<u>\$4,811,769</u>

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

As part of the agreement, upon change of the use of any parcel pursuant to Ohio Admin. Code Section 1525-1-06 would require repayment to the Ohio Water and Sewer Rotary Commission for the full amount of the assessment for the portion of the property for which the use has changed pursuant to Division C of Ohio Rev. Code Section 929.03. Therefore, until a change in use occurs, no liability has been recorded for these loans. A summary of the loan transactions for the year ended December 31, 2003 is as follows:

Project Loans:	Outstanding 12/31/02	Additions	Reductions	Outstanding 12/31/03
Southeast Sewer District	\$ 1,209,690	\$ -	\$ -	\$ 1,209,690
Sandy Beach Sewer District	209,786	-	-	209,786
Total	<u>\$ 1,419,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,419,476</u>

A. Conduit Debt

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

17. DEBT OBLIGATIONS (Continued)

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

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

18. CAPITAL LEASES –LESSEE DISCLOSURE

The County has entered into a capitalized lease for equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Equipment acquired by lease has a cost value of \$10,525. Capital lease payments are reflected as debt service expenditure on the statement of revenues, expenditures, and changes in fund balance for the governmental funds. The following is a schedule of the future minimum lease payments required under the capital lease:

<u>Year</u>	<u>General Fund</u>
2004	\$3,777
2005	3,778
Total	<u>\$7,555</u>

19. PUBLIC ENTITY RISK POOLS

A. Midwest Risk Pool Management Agency, Inc.

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

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

Member and supplemental contributions are recognized on an accrual basis and are recorded as revenue in the month earned. For the current agreement dated August 1, 2003, the percentage of contributions by the members and their equity interests are:

		<u>Fixed Costs</u>	<u>Loss/ Revenues</u>
Mercer County	19.05%	\$196,799	\$53,920
Auglaize County	19.23%	198,711	37,960
Shelby County	22.74%	234,924	42,680
Hancock County	23.96%	247,631	33,200
Van Wert County	15.02%	155,130	32,240

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

19. PUBLIC ENTITY RISK POOLS (Continued)

B. Midwest Employee Benefit Consortium

Midwest Employee Benefit Consortium (MEBC) is an Ohio not-for-profit corporation organized under Ohio Rev. Code Sections 304.171 and 9.833 for the public purpose of enabling its five member political subdivisions to obtain insurance coverage, provide methods for paying claims and provide a formalized jointly administered self-insurance pool. Specifically, this pool provides coverage for health benefits to employees of its members.

In addition to the self-insurance pool, the Consortium provides risk management services and established loss reduction and prevention procedures and programs. The members of the Association include the following counties within the State of Ohio: Auglaize, Hancock, Mercer, Van Wert, and Shelby. The financial statements of Midwest Employee Benefit Consortium can be obtained from the Auglaize County Board of Commissioners.

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

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

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

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

20. JOINTLY GOVERNED ORGANIZATIONS

A. Auglaize County Regional Planning Commission

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

20. JOINTLY GOVERNED ORGANIZATIONS

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute up to .10 cents per capita, according to the latest federal census, in any calendar year in which revenue is needed. There was no request for revenue issued for the calendar year ended December 31, 2003. The Regional Planning Commission has no outstanding debt as of December 31, 2003. The following unaudited cash financial data of the Regional Planning Commission is presented for the year ended December 31, 2003:

	Joint Venture	Auglaize County's 50 Percent
Total Non-Operating Revenues	\$4,622	\$2,311
Total Operating Expenses	<u>(1,617)</u>	<u>(808)</u>
Net Income	3,005	1,503
Fund Balance, January 1, 2003	<u>1,817</u>	<u>908</u>
Fund Balance, December 31, 2003	<u>\$4,822</u>	<u>\$2,411</u>

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

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

Ohio is organized into seven local workforce investment areas. There are six "traditional" local areas and a seventh area known as the Ohio Option, which includes most of the State. Each traditional area has its own workforce investment board and acts as its own workforce investment system. The Ohio Option is subdivided into local Workforce Development Areas (WDA), typically county or multi-county WDA's. Each Workforce Investment or Policy Board is responsible for developing "one-stop" service delivery systems the local area. The one-stop system is a network of required partners delivering training/employment services and activities defined in the law.

The Federal WIA program is administered through the Ohio Department of Job and Family Services and operates on a state fiscal year from July 1 to June 30. Effective July 1, 2002, Auglaize County participated in a multi-county WDA with Harding and Mercer Counties, with Mercer as the fiscal agent.

C. West Central Ohio Network

The West Central Ohio Network (West CON) is a regional council of government. West CON is comprised of the boards of Mental Retardation and Developmental Disabilities (MRDD) of several counties, including, Auglaize, Darke, Logan, Mercer, Miami, Shelby, Union, and Hardin. The Board of Directors is made up of the Superintendents from each of these MRDD Boards, and the degree of control exercised by any participating government is limited to its representation on the Board. West CON is the administrator and fiscal agent of Supported Living funds for each of these Boards of Mental Retardation and Developmental Disabilities. The following unaudited financial data of the West Central Ohio Network - Auglaize County is presented on a cash basis for the year ended December 31, 2003.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

	<u>County Portion</u>
Total Operating Expenses	\$140,452
Net Loss	<u>(71,421)</u>
Fund Balance, January 1, 2003	69,031
Fund Balance, December 31, 2003	<u>265,384</u>
	<u>\$334,415</u>

D. Auglaize And Mercer Counties Convention And Visitors Bureau

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

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

The Board conducts business and sponsors projects to further the purpose of the Bureau. The Bureau is funded primarily from a 3 percent (effective 7/1/96) lodging tax imposed by both counties. Payment is due to the county by the last day of the following month. The 2003 revenue received by the Bureau was \$128,652. Of this amount \$116,671 came from the lodging tax. \$76,711 of the total 2003 revenue was from Auglaize County.

E. Auglaize County Emergency Management Cooperative

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

21. JOINT VENTURE

A. Grand Lake Task Force

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

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

The following financial data of the Grand Lake Task Force is presented on a cash basis for the year ended December 31, 2003:

	Joint Venture	Auglaize County's 12.5 Percent
Total Operating Revenues	\$ 67,369	\$ 8,421
Total Operating Expenses	(50,553)	(6,319)
Net Income	16,816	2,102
Fund Balance, January 1, 2003	147,293	18,412
Fund Balance, December 31, 2003	\$164,109	\$20,514

B. Mental Health And Recovery Services Board Of Allen, Auglaize, And Hardin Counties

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

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

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

21. JOINT VENTURE (Continued)

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

In 2003 tax revenues generated by the levy in Auglaize County was \$306,752. Complete financial statements can be obtained from the MHRS Board, Allen County, Ohio.

22. COMPONENT UNITS

A. Auglaize County Airport Authority

1. Summary Of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The operations of the Authority are accounted for using proprietary fund accounting. The Authority applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

2. Accounting System

The Authority maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of the Authority and, accordingly, these financial statements do not present the financial position or results of operations of Auglaize County.

3. Revenue and Expenditure Recognition

The Authority maintains its fund as a proprietary type fund. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets.

Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The Authority reports deferred revenues on its balance sheet. Deferred revenues arise when potential revenue meets the asset recognition criteria, but does not meet the revenue recognition criteria. In the subsequent period, when the revenue recognition criteria is met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Hanger rent paid in advance is not considered earned until subsequent years.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

22. COMPONENT UNITS (Continued)

4. Cash

To improve cash management, all cash received by the Authority is pooled in a central bank account, and is presented as Cash on the balance sheet. During fiscal year 2003, the Authority invested in interest bearing checking accounts.

5. Fixed Assets and Depreciation

Equipment and improvements are stated at cost except for donated equipment, which is stated at fair market value at the date of receipt. Depreciation of fixed assets is on a straight line basis over the estimated useful lives (five to twenty years) of the respective assets. The Authority maintains a capitalization threshold of \$2,500. The land and buildings of the airport are owned by Auglaize County. The equipment and runway improvements are the assets of the Airport Authority.

6. Inventory

Inventory consists of aviation fuel and oil for sale to customers and is stated at cost, which is determined on a first-in, first-out basis. The cost of inventory is recorded as an expense when purchased.

B. Auglaize Industries, Inc

1. Summary Of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to United States, generally accepted accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The operations of Auglaize Industries apply Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

2. Accounting System

Auglaize Industries maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of Auglaize Industries and, accordingly, these financial statements do not present the financial position or results of operations of Auglaize County.

3. Revenue and Expense Recognition

Auglaize Industries prepares its financial statements on the accrual basis of accounting, consequently certain revenues and related assets are recognized when earned rather than when received and certain expenses are recognized when incurred rather than when the obligation is paid.

4. Budgetary Process

Through a contractual agreement with the Auglaize County Board of Mental Retardation and Developmental Disabilities, Section VII, Item Number 11, Auglaize Industries is required to prepare and approve an annual budget.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

22. COMPONENT UNITS (Continued)

5. Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires the use of management's estimates. Actual results may differ from those estimates.

6. Cash and Investments

To improve cash management, cash received by Auglaize Industries is maintained in a checking account or used to purchase investments. Investments are limited to certificates of deposits, government securities and mutual funds. Investments are stated at market value.

Investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

7. Fixed Assets

Buildings, equipment and improvements are stated at cost except for donated assets, which are stated at fair market value at the date of receipt. Auglaize Industries maintains a capitalization threshold of \$1,000. A portion of the facilities occupied by Auglaize Industries consists of additions to the original facilities owned by Auglaize County. Leasehold improvements are depreciated rateably over the estimated useful life. Depreciation of fixed assets is on a declining balance basis over the estimated useful lives of the respective assets, as follows:

<u>Class of Asset</u>	<u>Years</u>
Leasehold Improvements	31
Transportation Equipment	5
Computers	5
Furniture and Fixtures	7

8. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the year end, 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.

9. Advertising

Advertising costs are charged to operations when incurred. Advertising costs amounted to \$7,081 for 2003.

10. Inventory

Work is performed on customer owned materials. Inventory on hand at any one time consists primarily of consumable manufacturing supplies in nominal amounts. Accordingly, no manufacturing inventories are recognized on the financial statements.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

22. COMPONENT UNITS (Continued)

11. Compensated Absences

Governmental Accounting and Financial Reporting Standards specifies that a liability should be accrued for leave benefits if the employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered; the obligation relates to rights that vest or accumulate; payment of the compensation is probable; and the amount can be reasonably estimated.

Auglaize Industries records a liability for accumulated unused vacation time when earned for workshop employees.

23. SIGNIFICANT CONTRACTUAL OBLIGATIONS

At December 31, 2003, the County had entered into several contracts, the most significant of which include the following:

Contecsol	\$ 8,617
Sanderson CMI	39,376
Michell and Associates	12,500
Charles Dodge	19,787
Poggemeyer Design	16,697
Cole, Layer and Trumble	355,013
Garmann, Miller and Associates	36,952
Innovative Office Systems	19,992
Smith's Instashade	1,862
Frost and Company, Inc.	26,766
Alltek Plumbing & Heating	3,757
Reynolds Electric Company, Inc.	19,792
Central Fire Protection	1,918
Beem Construction, Inc.	124,214
DDTI	<u>4,500</u>
Total Commitments	<u>\$691,743</u>

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

24. RELATED PARTY TRANSACTIONS

Auglaize Industries has entered into a contract with the Auglaize County Board of Mental Retardation and Development Disabilities (MRDD), whereby the MRDD has agreed to pay specified overhead expenses for the workshop. The additional income and related expenses are reported on the income statement as Unrestricted Support. The unaudited operating expenses paid by the MRDD on behalf of the Auglaize Industries amounted to \$236,822 for the year ended December 31, 2003.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

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

25. 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 terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

B. Litigation

The County is presently involved in pending litigation with the City of St. Marys concerning a contractual dispute involving the costs to perform ground water monitoring at the St. Marys Landfill. Partial summary judgment has been granted in favor of the City regarding interpretation of some, but not all, of the parties' obligations under the contract. The judgment has not been certified for appeal pending the Court's resolution of the remaining claims and defenses by summary judgment or trial. The County plans on appealing any adverse final order.

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
(Direct Program)				
Board of Commissioners				
Home Investment Partnership Program (HOME)				
Community Housing Improvement Program	B-C-01-006-2	14.239	\$309,961	\$315,309
Total Home Investment Partnership Program (HOME)			309,961	315,309
(Passed through Ohio Department of Development)				
Board of Commissioners				
Small Cities Community Development Block Grant				
Formula Grant	B-F-01-006-1	14.228	84,000	85,292
Formula Grant	B-F-02-006-1		193,000	193,000
Formula Grant	B-F-03-006-1		14,960	10,528
Community Housing Improvement Program	B-C-03-006-1		7,850	
Economic Development	B-C-01-006-1		25,875	30,590
Total Small Cities Community Development Block Grant			325,685	319,410
Total U.S. Department of Housing and Urban Development			635,646	634,719
U.S. DEPARTMENT OF AGRICULTURE				
(Passed through Ohio Department of Agriculture)				
Auglaize County Corrections Center				
National Food Distribution Program	N/A	10.550	1,009	1,009
National School Breakfast Program	N/A	10.553	8,221	8,221
National School Lunch Program	N/A	10.555	12,182	12,182
Total U.S. Department of Agriculture - Nutrition Cluster			21,412	21,412
U.S. DEPARTMENT OF JUSTICE				
(Passed through Office of Criminal Justice Services)				
Sheriff's Department				
Byrne Formula Grant (Grand Lake Task Force)	01-DG-A01-7018	16.579	4,117	4,117
	02-DG-A01-7018		28,214	28,862
Total Byrne Formula Grant			32,331	32,979
Juvenile Accountability Incentive Block Grant (CAST)	02-JB-013-A068	16.523	11,583	8,366
(Passed through the Ohio Attorney General)				
County Prosecutor				
Victims of Crime Act	2003-VAGENE-059	16.575	20,256	25,013
	2004-BAGENE-059		7,596	5,761
Total Victims of Crime Act			27,852	30,774
Total U.S. Department of Justice			71,766	72,119
GENERAL SERVICES ADMINISTRATION				
(Passed through Ohio Secretary of State)				
Auglaize County Board of Elections				
Help America Vote Act of 2002	04-SOS-HAVA-06	39.011	7,414	

(Continued)

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2003
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION				
(Passed through the Federal Aviation Administration)				
Airport Improvement Program	3-39-0084-0603	20.106	166,076	166,076
	3-39-0084-0501		<u>6,607</u>	<u>18,307</u>
Total Airport Improvement Program			172,683	184,383
(Passed through the Ohio Department of Public Safety)				
Highway Safety Program/Community Surface Trans. Program	2002-STP-G/3	20.205	22,610	22,610
(Passed through the Ohio Department of Transportation)				
Highway Improvement Program		20.205	1,963	1,963
	03N089		<u>358,732</u>	<u>358,732</u>
Total Highway Improvement Program			383,305	383,305
Total U.S. Department of Transportation			555,988	567,688
U.S. DEPARTMENT OF HUMAN SERVICES				
(Passed through Ohio Department of Job and Family Services)				
Job and Family Services/Human Services				
Chafee	N/A	93.674	6,324	6,324
Children's Service Agency				
Chafee	N/A	93.674	<u>5,352</u>	<u>5,352</u>
Total Chafee			11,676	11,676
Title IV-B	N/A	93.645	35,200	35,200
ESSA	N/A	93.556	41,618	41,618
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)				
Auglaize County Board of Mental Retardation and Developmental Disabilities				
Medical Assistance Program (Medicaid: Title XIX)	N/A	93.778	579,061	579,061
Social Services Block Grant (Title XX)	N/A	93.667	<u>42,327</u>	<u>42,327</u>
Total U.S. Department of Human Services			709,882	709,882
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
(Passed through Ohio Department of Youth Services)				
Auglaize County Youth Services				
AmeriCorps Grant	YCP-018-03	94.006	3,331	1,585
	YCP-018-02		<u>1,867</u>	<u>6,571</u>
Total Corporation for National and Community Service			5,198	8,156
U.S. DEPARTMENT OF LABOR				
(Passed through Ohio Department of Job and Family Services)				
Job and Family Services				
Workforce Investment Act Grant - Adult Administration		17.258	291	291
Workforce Investment Act Grant - Adult			<u>3,868</u>	<u>3,868</u>
Total Workforce Investment Act Grant - Adult			4,159	4,159
Workforce Investment Act Grant - Youth		17.259	42,145	42,145
Workforce Investment Act Grant - Youth Administration			<u>9,252</u>	<u>9,252</u>
Total Workforce Investment Act Grant - Youth			51,397	51,397
Workforce Investment Act Grant- Dislocated Worker Administration		17.260	811	811
Workforce Investment Act Grant - Dislocated Workers			<u>6,559</u>	<u>6,559</u>
Total Workforce Investment Act Grant - Dislocated Workers			7,370	7,370
Total U.S. Department of Labor - Workforce Investment Act Grant			62,926	62,926
Total Federal Financial Assistance			<u>\$2,070,232</u>	<u>\$2,076,902</u>

See accompanying notes to the schedule of federal awards expenditures.

**AUGLAIZE COUNTY FINANCIAL CONDITION
AUGLAIZE COUNTY, OHIO**

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

NOTE 1: GENERAL

The accompanying Schedule of Federal Award Expenditures (the Schedule) summarizes the activity of the County's federal award programs. The County reporting entity is defined in Note 1 of the County's basic financial statements. All Federal financial assistance received directly from Federal Agencies as well as Federal financial assistance passed through other governmental agencies is included in the schedule.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of Federal Awards Expenditures has been prepared on a basis of cash receipts and disbursements, consequently, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred.

NOTE 3: SUB-RECIPIENTS

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

NOTE 4: MATCHING REQUIREMENTS

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

NOTE 5: OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES

The Auglaize County Department of Jobs and Family Services, Childrens Services Board and Child Support Enforcement Agency received federal financial assistance from the Ohio Department of Job and Family Services for the following programs (which are audited at the state level and reported in the State Single Audit Report):

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

**AUGLAIZE COUNTY FINANCIAL CONDITION
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

NOTE 6: FEDERAL FOOD STAMP PROGRAM

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

Balance at Beginning of Year	\$ 1,240
Less amount dispersed	<u>(332)</u>
Balance at End of Year	<u>\$ 908</u>

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

NOTE 7: WORKFORCE INVESTMENT ACT

The Workforce Investment Act requires recipients to account for this activity on an accrual basis. During 2003, this activity was prepared and reported on a cash basis.

NOTE 8: FOOD SERVICES PROGRAMS – LAW ENFORCEMENT CENTER

The Law Enforcement Center received federal assistance through the National School Lunch/Breakfast and Donated Food Programs. The National School Lunch/Breakfast programs are reimbursing in nature and revenues are considered expended when received. The above department is allowed a selection from a pool of foods, when available, under the Food Distribution Program.



**Auditor of State
Betty Montgomery**

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

Financial Condition
Auglaize County
209 South Blackhoof Street
Wapakoneta, Ohio 45895

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Auglaize County, (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 November 30, 2004, wherein we noted the County implemented a new financial reporting model, as required by Governmental Accounting Standards Board Statement No. 34. 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the County's management in a separate letter dated November 30, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the County's management in a separate letter dated November 30, 2004.

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www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

November 30, 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

Financial Condition
Auglaize County
209 South Blackhoof Street
Wapakoneta, Ohio 45895

To the Board of County Commissioners

Compliance

We have audited the compliance of Auglaize 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 its major federal programs for the year ended December 31, 2003. Auglaize 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 its major federal programs is the responsibility of Auglaize County's management. Our responsibility is to express an opinion on Auglaize 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 Auglaize 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 Auglaize County's compliance with those requirements.

In our opinion, Auglaize County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2003. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of Auglaize County in a separate letter dated November 30, 2004.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of Auglaize County in a separate letter dated November 30, 2004.

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



Betty Montgomery
Auditor of State

November 30, 2004

**FINANCIAL CONDITION
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003
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)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(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?	No
(d)(1)(v)	Type of Major Programs= Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Medical Assistance Program – Title XIX (CAFS) - CFDA #93.778 Highway Planning and Construction - CFDA #20.205 Community Development Block Grants (CDBG) - CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Client?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

FINANCIAL CONDITION

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 28, 2004**