



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CLINTON COUNTY
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REPORT OF INDEPENDENT ACCOUNTANTS

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

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

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

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

As described in Note 3, during the year ended December 31, 2001, the County adopted Governmental Accounting Statements No. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2002 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

August 19, 2002

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CLINTON COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust and Agency
ASSETS AND OTHER DEBITS						
ASSETS:						
Equity in pooled cash and cash equivalents. . .	\$1,053,684	\$4,946,571	\$359,100	\$2,456,606	\$642,188	\$3,566,806
Equity in pooled cash and cash equivalents- nonexpendable trust funds.	-	-	-	-	-	5,100
Cash with fiscal and escrow agents.	-	-	-	-	-	391,971
Receivables (net of allowances of uncollectibles):						
Sales taxes.	616,660	4,097	-	-	-	-
Real and other taxes.	1,143,812	1,157,072	533,777	152,508	-	-
Accounts	36,627	137,283	-	-	-	-
Special assessments.	-	34,490	-	-	-	-
Accrued interest.	114,266	-	-	-	-	-
Interfund loans receivable	72,104	-	-	-	-	-
Due from other funds.	12,466	55,518	-	-	-	3,356
Due from other governments.	571,372	1,978,779	28,167	8,094	-	-
Prepayments	69,198	7,829	-	-	-	-
Materials and supplies inventory.	43,221	31,720	-	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	-	-
OTHER DEBITS:						
Amount available in debt service fund	-	-	-	-	-	-
Amount to be provided from general government resources.	-	-	-	-	-	-
Amount to be provided from component unit resources	-	-	-	-	-	-
Total assets and other debits	<u><u>\$3,733,410</u></u>	<u><u>\$8,353,359</u></u>	<u><u>\$921,044</u></u>	<u><u>\$2,617,208</u></u>	<u><u>\$642,188</u></u>	<u><u>\$3,967,233</u></u>

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

Exhibit 1

<u>Account Groups</u>		<u>Total Primary Government (Memorandum Only)</u>	<u>Component Unit Board of MRDD</u>	<u>Total Reporting Entity (Memorandum Only)</u>
<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>			
\$ -	\$ -	\$13,024,955	\$2,561,390	\$15,586,345
-	-	5,100	-	5,100
-	-	391,971	-	391,971
-	-	620,757	-	620,757
-	-	2,987,169	1,826,781	4,813,950
-	-	173,910	34,915	208,825
-	-	34,490	-	34,490
-	-	114,266	-	114,266
-	-	72,104	-	72,104
-	-	71,340	-	71,340
-	-	2,586,412	78,074	2,664,486
-	-	77,027	600	77,627
-	-	74,941	-	74,941
22,570,682	-	22,570,682	1,527,683	24,098,365
-	44,306	44,306	-	44,306
-	6,124,298	6,124,298	-	6,124,298
-	-	-	148,633	148,633
<u>\$22,570,682</u>	<u>\$6,168,604</u>	<u>\$48,973,728</u>	<u>\$6,178,076</u>	<u>\$55,151,804</u>

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CLINTON COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust and Agency
LIABILITIES, EQUITY AND OTHER CREDITS						
LIABILITIES:						
Accounts payable	\$148,275	\$435,583	\$ -	\$25,686	\$ -	\$11,956
Contracts payable.	-	-	-	360,101	-	-
Retainage payable	-	-	-	140,762	-	-
Accrued wages and benefits	194,146	158,773	-	1,731	3,006	-
Compensated absences payable	1,293	6,001	-	-	2,274	-
Accrued interest payable	-	-	16,985	71,287	-	-
Interfund loans payable.	-	72,104	-	-	-	-
Due to other funds	5,967	54,722	-	-	-	10,651
Due to other governments	181,566	188,078	-	1,315	874	808,358
Deposits held and due to others	-	-	-	-	-	2,839,198
Deferred revenue	1,551,607	2,584,442	559,753	159,976	-	-
Amount to be paid to claimants	-	-	-	-	-	223,640
Claims payable	-	-	-	-	167,173	-
Bond anticipation notes payable	-	-	300,000	3,600,000	-	-
Special assessment bonds with governmental commitment	-	-	-	-	-	-
General obligation bonds payable	-	-	-	-	-	-
Total liabilities.	2,082,854	3,499,703	876,738	4,360,858	173,327	3,893,803
EQUITY AND OTHER CREDITS:						
Investment in general fixed assets	-	-	-	-	-	-
Retained earnings:						
Unreserved.	-	-	-	-	468,861	-
Fund balances:						
Reserved for encumbrances	286,490	937,254	-	447,532	-	4,060
Reserved for materials and supplies inventory	43,221	31,720	-	-	-	-
Reserved for prepayments.	69,198	7,829	-	-	-	-
Reserved for debt service	-	-	44,306	-	-	-
Reserved for principal endowment	-	-	-	-	-	5,100
Unreserved, undesignated (deficit)	1,251,647	3,876,853	-	(2,191,182)	-	64,270
Total equity and other credits	1,650,556	4,853,656	44,306	(1,743,650)	468,861	73,430
Total liabilities, equity and other credits.	\$3,733,410	\$8,353,359	\$921,044	\$2,617,208	\$642,188	\$3,967,233

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

Exhibit 1

<u>Account Groups</u>		<u>Total Primary Government (Memorandum Only)</u>	<u>Component Unit Board of MRDD</u>	<u>Total Reporting Entity (Memorandum Only)</u>
<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>			
\$ -	\$ -	\$621,500	\$51,193	\$672,693
-	-	360,101	-	360,101
-	-	140,762	-	140,762
-	-	357,656	62,734	420,390
-	667,604	677,172	148,633	825,805
-	-	88,272	-	88,272
-	-	72,104	-	72,104
-	-	71,340	-	71,340
-	-	1,180,191	29,949	1,210,140
-	-	2,839,198	-	2,839,198
-	-	4,855,778	1,896,811	6,752,589
-	-	223,640	-	223,640
-	-	167,173	-	167,173
-	-	3,900,000	-	3,900,000
-	76,000	76,000	-	76,000
-	5,425,000	5,425,000	-	5,425,000
-	6,168,604	21,055,887	2,189,320	23,245,207
22,570,682	-	22,570,682	1,527,683	24,098,365
-	-	468,861	-	468,861
-	-	1,675,336	-	1,675,336
-	-	74,941	-	74,941
-	-	77,027	600	77,627
-	-	44,306	-	44,306
-	-	5,100	-	5,100
-	-	3,001,588	2,460,473	5,462,061
22,570,682	-	27,917,841	3,988,756	31,906,597
<u>\$22,570,682</u>	<u>\$6,168,604</u>	<u>\$48,973,728</u>	<u>\$6,178,076</u>	<u>\$55,151,804</u>

CLINTON COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUND AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total Primary Government (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property taxes	\$1,247,847	\$1,121,152	\$583,411	\$165,741	\$ -	\$3,118,151
Sales taxes	3,758,093	63,082	-	-	-	3,821,175
Charges for services	1,731,884	1,408,390	-	-	-	3,140,274
Licenses and permits	95,257	-	-	-	-	95,257
Fines and forfeitures	104,404	94,391	-	-	-	198,795
Intergovernmental	1,505,851	9,792,181	58,624	959,715	-	12,316,371
Special assessments	-	51,872	-	303	-	52,175
Investment income	709,004	994	14,653	49,732	50,148	824,531
Rental income	53,067	-	-	-	-	53,067
Other	594,681	505,662	140,801	-	11,937	1,253,081
Total revenue	9,800,088	13,037,724	797,489	1,175,491	62,085	24,872,877
Expenditures:						
Current:						
General government:						
Legislative and executive	4,479,775	265,291	-	-	-	4,745,066
Judicial	1,944,007	336,484	-	-	-	2,280,491
Public safety	2,730,533	158,277	-	-	-	2,888,810
Public works	82,847	4,349,342	-	-	-	4,432,189
Health	57,688	101,880	-	-	-	159,568
Human services	246,605	7,898,905	-	-	-	8,145,510
Economic development and assistance	-	322,057	-	-	-	322,057
Other	831,588	1,633	3,263	-	54,482	890,966
Capital outlay	-	40,654	-	3,154,252	-	3,194,906
Debt service:						
Principal retirement	-	-	640,000	-	-	640,000
Interest and fiscal charges	-	-	320,457	102,726	-	423,183
Total expenditures	10,373,043	13,474,523	963,720	3,256,978	54,482	28,122,746
Excess of revenues over (under) expenditures	(572,955)	(436,799)	(166,231)	(2,081,487)	7,603	(3,249,869)
Other financing sources (uses):						
Proceeds from sale of bonds	-	-	-	76,000	-	76,000
Operating transfers in	-	176,897	41,439	83,810	-	302,146
Operating transfers out	(176,897)	-	(124,946)	(303)	-	(302,146)
Total other financing sources (uses)	(176,897)	176,897	(83,507)	159,507	-	76,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(749,852)	(259,902)	(249,738)	(1,921,980)	7,603	(3,173,869)
Net loss from proprietary operations	-	-	-	-	-	-
Fund balances, January 1 (restated)	2,408,104	5,112,117	294,044	178,330	60,727	8,053,322
Increase (decrease) in reserve for inventory	(7,696)	1,441	-	-	-	(6,255)
Fund balances (deficit), December 31	\$1,650,556	\$4,853,656	\$44,306	(\$1,743,650)	\$68,330	\$4,873,198

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

Exhibit 2

<u>Component Unit</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Board of MRDD	
\$1,856,864	\$4,975,015
-	3,821,175
205,869	3,346,143
-	95,257
-	198,795
1,572,463	13,888,834
-	52,175
6,694	831,225
-	53,067
58,748	1,311,829
<u>3,700,638</u>	<u>28,573,515</u>
-	4,745,066
-	2,280,491
-	2,888,810
-	4,432,189
3,425,197	3,584,765
-	8,145,510
-	322,057
-	890,966
-	3,194,906
-	640,000
-	423,183
<u>3,425,197</u>	<u>31,547,943</u>
<u>275,441</u>	<u>(2,974,428)</u>
-	76,000
-	302,146
-	(302,146)
<u>-</u>	<u>76,000</u>
275,441	(2,898,428)
(38,587)	(38,587)
2,224,219	10,277,541
-	(6,255)
<u>\$2,461,073</u>	<u>\$7,334,271</u>

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

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property taxes	\$1,196,382	\$1,247,427	\$51,045	\$1,066,035	\$1,120,739	\$54,704
Sales taxes	3,704,937	3,749,960	45,023	65,188	62,845	(2,343)
Charges for services	1,724,579	1,745,537	20,958	1,207,108	1,306,552	99,444
Licenses and permits	93,851	94,992	1,141	-	-	-
Fines and forfeitures	99,967	101,182	1,215	49,420	52,898	3,478
Intergovernmental	1,447,363	1,464,952	17,589	9,356,299	9,679,206	322,907
Special assessments	-	-	-	49,767	50,019	252
Investment income	784,910	794,448	9,538	-	994	994
Rental income	52,430	53,067	637	-	-	-
Other	587,294	594,431	7,137	489,435	508,066	18,631
Total revenues	9,691,713	9,845,996	154,283	12,283,252	12,781,319	498,067
Expenditures:						
Current:						
General government:						
Legislative and executive	4,814,428	4,772,066	42,362	373,549	307,846	65,703
Judicial	2,108,199	1,995,046	113,153	448,797	356,546	92,251
Public safety	2,833,300	2,741,501	91,799	229,595	162,674	66,921
Public works	85,082	82,636	2,446	5,357,921	4,790,054	567,867
Health	68,137	64,003	4,134	109,002	102,637	6,365
Human services	300,914	284,605	16,309	8,663,652	8,492,584	171,068
Economic development and assistance	-	-	-	392,568	346,666	45,902
Other	850,146	833,638	16,508	2,807	1,633	1,174
Capital outlay	-	-	-	58,758	41,437	17,321
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	11,060,206	10,773,495	286,711	15,636,649	14,602,077	1,034,572
Excess of revenues over (under) expenditures	(1,368,493)	(927,499)	440,994	(3,353,397)	(1,820,758)	1,532,639
Other financing sources (uses):						
Proceeds from sale of bonds	-	-	-	-	-	-
Proceeds from sale of notes	-	-	-	-	-	-
Advances in and not repaid	45,983	46,542	559	21,521	24,000	2,479
Advances out and not repaid	-	(70,542)	(70,542)	-	-	-
Operating transfers in	-	-	-	174,535	176,897	2,362
Operating transfers out	(114,298)	(176,897)	(62,599)	-	-	-
Total other financing sources (uses)	(68,315)	(200,897)	(132,582)	196,056	200,897	4,841
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,436,808)	(1,128,396)	308,412	(3,157,341)	(1,619,861)	1,537,480
Fund balances, January 1	1,432,968	1,432,968	-	4,966,013	4,966,013	-
Prior year encumbrances appropriated	315,627	315,627	-	312,780	312,780	-
Fund balances, December 31	\$311,787	\$620,199	\$308,412	\$2,121,452	\$3,658,932	\$1,537,480

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

Debt Service			Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$583,220	\$583,219	(\$1)	\$157,000	\$165,688	\$8,688	\$3,002,637	\$3,117,073	\$114,436
-	-	-	-	-	-	3,770,125	3,812,805	42,680
-	-	-	-	-	-	2,931,687	3,052,089	120,402
-	-	-	-	-	-	93,851	94,992	1,141
-	-	-	-	-	-	149,387	154,080	4,693
53,996	58,624	4,628	718,274	959,715	241,441	11,575,932	12,162,497	586,565
-	-	-	303	303	-	50,070	50,322	252
14,608	14,653	45	14,388	49,732	35,344	813,906	859,827	45,921
-	-	-	-	-	-	52,430	53,067	637
139,824	140,801	977	-	-	-	1,216,553	1,243,298	26,745
791,648	797,297	5,649	889,965	1,175,438	285,473	23,656,578	24,600,050	943,472
-	-	-	-	-	-	5,187,977	5,079,912	108,065
-	-	-	-	-	-	2,556,996	2,351,592	205,404
-	-	-	-	-	-	3,062,895	2,904,175	158,720
-	-	-	-	-	-	5,443,003	4,872,690	570,313
-	-	-	-	-	-	177,139	166,640	10,499
-	-	-	-	-	-	8,964,566	8,777,189	187,377
-	-	-	-	-	-	392,568	346,666	45,902
3,453	3,263	190	-	-	-	856,406	838,534	17,872
-	-	-	4,122,137	3,823,579	298,558	4,180,895	3,865,016	315,879
2,563,057	2,540,000	23,057	-	-	-	2,563,057	2,540,000	23,057
544,849	407,527	137,322	-	-	-	544,849	407,527	137,322
3,111,359	2,950,790	160,569	4,122,137	3,823,579	298,558	33,930,351	32,149,941	1,780,410
(2,319,711)	(2,153,493)	166,218	(3,232,172)	(2,648,141)	584,031	(10,273,773)	(7,549,891)	2,723,882
-	-	-	76,000	76,000	-	76,000	76,000	-
1,848,579	1,900,000	51,421	2,000,000	2,000,000	-	3,848,579	3,900,000	51,421
23,683	24,342	659	22,200	22,200	-	113,387	117,084	3,697
-	(24,342)	(24,342)	(22,200)	(22,200)	-	(22,200)	(117,084)	(94,884)
24,699	25,689	990	-	-	-	199,234	202,586	3,352
(25,386)	(25,386)	-	(303)	(303)	-	(139,987)	(202,586)	(62,599)
1,871,575	1,900,303	28,728	2,075,697	2,075,697	-	4,075,013	3,976,000	(99,013)
(448,136)	(253,190)	194,946	(1,156,475)	(572,444)	584,031	(6,198,760)	(3,573,891)	2,624,869
612,290	612,290	-	1,304,026	1,304,026	-	8,315,297	8,315,297	-
-	-	-	893,705	893,705	-	1,522,112	1,522,112	-
\$164,154	\$359,100	\$194,946	\$1,041,256	\$1,625,287	\$584,031	\$3,638,649	\$6,263,518	\$2,624,869

CLINTON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Internal Service	Nonexpendable Trust	
Operating revenues:			
Charges for services	\$2,450,441	\$ -	\$2,450,441
Total operating revenues	2,450,441	-	2,450,441
Operating expenses:			
Personal services.	102,167	-	102,167
Claims	1,813,444	-	1,813,444
Administrative costs	227,119	-	227,119
Total operating expenses	2,142,730	-	2,142,730
Operating income	307,711	-	307,711
Nonoperating revenues:			
Interest income.	3,952	-	3,952
Total nonoperating revenues.	3,952	-	3,952
Net income	311,663	-	311,663
Retained earnings/fund balance, January 1.	157,198	5,100	162,298
Retained earnings/fund balance, December 31.	<u>\$468,861</u>	<u>\$5,100</u>	<u>\$473,961</u>

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

CLINTON COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:			
Cash received from customers	\$2,450,441	\$ -	\$2,450,441
Cash payments for personal services.	(106,007)	-	(106,007)
Cash payments for claims	(1,662,285)	-	(1,662,285)
Cash payments for administrative costs	(227,119)	-	(227,119)
Net cash provided by operating activities.	<u>455,030</u>	<u>-</u>	<u>455,030</u>
Cash flows from investing activities:			
Interest received	3,952	-	3,952
Net cash provided by investing activities.	<u>3,952</u>	<u>-</u>	<u>3,952</u>
Net increase in cash and cash equivalents	458,982	-	458,982
Cash and cash equivalents, January 1	183,206	5,100	188,306
Cash and cash equivalents, December 31	<u>\$642,188</u>	<u>\$5,100</u>	<u>\$647,288</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$307,711	\$ -	\$307,711
Adjustments to reconcile operating income to net cash provided by operating activities:			
Changes in assets and liabilities:			
Decrease in accrued wages and benefits	(250)	-	(250)
Decrease in compensated absences payable	(1,264)	-	(1,264)
Decrease in due to other governments	(2,326)	-	(2,326)
Increase in claims payable	151,159	-	151,159
Net cash provided by operating activities	<u>\$455,030</u>	<u>\$ -</u>	<u>\$455,030</u>

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

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CLINTON COUNTY, OHIO

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

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

CLINTON COUNTY, OHIO

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

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

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

BLENDED COMPONENT UNITS

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

Local Emergency Planning Commission (LEPC)

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

Clinton County Solid Waste District (District)

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

DISCRETELY PRESENTED COMPONENT UNIT

Clinton County Board of Mental Retardation and Developmental Disabilities (MRDD)

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

CLINTON COUNTY, OHIO

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

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

ORION Rehabilitation Center, Inc.

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

RELATED ORGANIZATIONS

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

Clinton County Regional Planning Commission

The Board of County Commissioners appoints 11 of the 20 board members.

Clinton County Memorial Hospital

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

Clinton County Regional Airport Authority

The Board of County Commissioners appoints all five of the board members.

CLINTON COUNTY, OHIO

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

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

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

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

JOINT VENTURE WITHOUT EQUITY INTEREST

Warren/Clinton Counties Community Alcoholism, Drug Addiction and Mental Health Services Board (ADAMHS Board)

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

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

CLINTON COUNTY, OHIO

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

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

RISK POOL

County Risk Sharing Authority, Inc. (CORSA)

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

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

B. Basis of Presentation - Fund Accounting

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

GOVERNMENTAL FUNDS

General Fund

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

CLINTON COUNTY, OHIO

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

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUNDS

Internal Service Funds

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

CLINTON COUNTY, OHIO

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

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

FIDUCIARY FUNDS

Trust and Agency Funds

These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable and nonexpendable trust funds and agency funds. The expendable trust funds are accounted for in essentially the same manner as governmental funds. The nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The agency funds are purely custodial (assets equal liabilities) in nature and thus do not involve the measurement of results of operations. Agency funds are presented on a budget basis, with note disclosure, if applicable, regarding items which, in other fund types, would be subject to accrual (See Note 3C).

ACCOUNT GROUPS

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

C. Basis of Accounting and Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

CLINTON COUNTY, OHIO

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

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

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

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental and expendable trust funds use the modified accrual basis of accounting. Proprietary and nonexpendable trust funds and the component unit use the accrual basis of accounting. The agency funds are presented on a budgetary basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual (see Note 3C). Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and expenditures.

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

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.

CLINTON COUNTY, OHIO

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

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

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

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

Deferred Revenue

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

CLINTON COUNTY, OHIO

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

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

Expenses/Expenditures

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

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

D. Budgetary Data

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

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

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

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

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

CLINTON COUNTY, OHIO

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

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

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

On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimated, and the Budget Commission finds the revised estimated to be reasonable. The amounts set forth as revised budgeted revenues and other financing sources in the budgetary statements represent estimates from the final amended certificate issued during 2001.

3. Shortly after the beginning of the fiscal year, the County Commissioners pass a temporary Appropriation Resolution, for a period of not more than 90 days, which legally authorizes the expenditure of funds. Prior to the expiration of the temporary Appropriation Resolution the County Commissioners will approve an official Appropriation Resolution. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The amount set forth as revised budgeted expenditures and other financing uses in the budgetary statement include the prior year appropriations carried over for payment of prior year encumbrances, and all amendments to the original Appropriation Resolution. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2001.
5. Unencumbered appropriations lapse at year-end. Contracts and purchase type encumbrances outstanding at year-end carry their appropriations with them into the new year.
6. Contract and purchase type encumbrances outstanding at year-end are recorded as expenditures on the budgetary statements.

CLINTON COUNTY, OHIO

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

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

E. Encumbrances

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

F. Cash and Investments

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

During fiscal year 2001, investments were limited to federal agency securities, U.S. government money market mutual funds, U.S. Treasury notes, repurchase agreements and non-negotiable certificates of deposit.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal year 2001, investment revenue in the general fund amounted to \$709,004, which includes \$639,920 assigned from other funds.

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

CLINTON COUNTY, OHIO

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

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

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

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

G. COBRA

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

H. Inventories of Materials and Supplies

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

I. Property, Plant, Equipment, and Depreciation

General Fixed Assets Account Group

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

CLINTON COUNTY, OHIO

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

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

J. Compensated Absences

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

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

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

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

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

CLINTON COUNTY, OHIO

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

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

K. Interfund Transactions

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

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

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

L. Fund Balance Reserves

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

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

CLINTON COUNTY, OHIO

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

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

M. Long-Term Obligations

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

N. Estimates

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

O. Prepayments

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

P. Total Columns on the General Purpose Financial Statements

Total columns on the GPFS are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

CLINTON COUNTY, OHIO

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

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

A. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues" were implemented during fiscal 2001. These statements pertain to the financial reporting of certain types of revenue received by the County for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions and voluntary nonexchange transactions. The adoption of this statement had the following effect on fund balances as previously reported by the County at December 31, 2000.

	<u>General</u>	<u>Special Revenue</u>
Fund balance as previously reported	\$2,199,747	\$4,775,544
GASB Statement No. 33 and No. 36 Implementation	208,357	336,573
Restated fund balance as of December 31, 2000	\$2,408,104	\$5,112,117

B. Fund Deficits

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

	<u>Deficit Fund Balances</u>
<u>Special Revenue Funds</u>	
Dog and Kennel	\$ 35,329
Clinton County Park Board	7,788
Sick/Vacation Payout	4,492
 <u>Debt Service Fund</u>	
Human Services Bond Retirement	306,578
 <u>Capital Projects Funds</u>	
Public Services Office Construction	2,471,243
Building Improvement	758

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

CLINTON COUNTY, OHIO

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

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY - (Continued)

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

The deficit fund balance in the Sick/Vacation Payout special revenue fund is due to the application of GAAP in the reporting of a liability for compensated absences due at December 31. This deficit balance will be eliminated by anticipated future revenues or other subsidies not recognized and recorded at December 31.

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

C. Agency Funds

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

ASSETS

Special assessments receivable	\$ 126,339
Real and other taxes receivable	28,100,391
Due from other governments	<u>3,451,539</u>
Total	<u>\$31,678,269</u>

LIABILITIES

Deposits held and due to others	\$31,551,930
Due to other governments	<u>126,339</u>
Total	<u>\$31,678,269</u>

CLINTON COUNTY, OHIO

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

CLINTON COUNTY, OHIO

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

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

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed 25% of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

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

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

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

CLINTON COUNTY, OHIO

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

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

Deposits: At year-end, the carrying amount of the County's deposits, including non-negotiable certificates of deposit and cash with fiscal and escrow agents, was \$9,180,411 and the bank balance, including non-negotiable certificates of deposit and cash with fiscal and escrow agents, was \$10,286,148. Of the bank balance:

1. \$3,419,723 was covered by federal depository insurance; and
2. \$6,866,425 was uninsured and uncollateralized as defined by GASB, even though it was covered by collateral held by third party trustees, pursuant to Ohio Revised Code Section 135.181, in single institution collateral pools securing all public funds on deposits with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

	Category 3	Carrying Value	Fair Value
Federal Agency Securities	\$1,850,663	\$1,850,663	\$1,850,663
U.S. Treasury Note	154,922	154,922	154,922
Repurchase Agreements	<u>1,879,116</u>	1,879,116	1,879,116
	<u>\$3,884,701</u>		
U. S. Government			
Money Market Mutual Funds		<u>350,363</u>	<u>350,363</u>
Total Investments		<u>\$4,235,064</u>	<u>\$4,235,064</u>

CLINTON COUNTY, OHIO

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

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

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

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

A summary of deposits, investments and cash on hand as of December 31, 2001 follows:

Deposits	\$ 9,180,411
Investments	4,235,064
Cash on Hand	<u>6,551</u>
Total	<u>\$13,422,026</u>

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

Equity in Pooled Cash and Cash Equivalents	\$13,030,055
Cash with Fiscal and Escrow Agents	<u>391,971</u>
Total	<u>\$13,422,026</u>

B. Component Unit

At December 31, 2001, the carrying amount of the component unit's demand deposits, including nonnegotiable certificates of deposit, was \$2,561,390 and the bank balance, including nonnegotiable certificates of deposit, was \$2,644,185. Of the bank balance, \$156,844 was insured by the FDIC, and \$2,487,341 was covered by collateral held by a third party trustee, pursuant to Ohio Revised Code Section 135.181, in collateralized pools securing on public funds on deposit with specific depository institutions. The component unit had \$100 of cash on hand at December 31, 2001, which is included in "Equity in Pooled Cash and Cash Equivalents". At December 31, 2001, the component unit had an investment in the amount of \$44,640 in a money market mutual fund. Money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

CLINTON COUNTY, OHIO

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

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances, related to items other than charges for goods and services rendered, at December 31, 2001, consist of the following individual fund receivables and payables:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$72,104	\$ -
<u>Special Revenue Funds</u>		
Dog and Kennel	-	44,000
Clinton County Park Board	-	28,104
Total	<u>\$72,104</u>	<u>\$72,104</u>

- B.** Interfund balances, related to charges for goods and services rendered, at December 31, 2001, consist of the following amounts due to and due from other funds:

	Due from Other Funds	Due to Other Funds
General Fund	\$12,466	\$5,967
<u>Special Revenue Funds</u>		
Motor Vehicle & Gas Tax	2,300	-
Indigent Driver Alcohol Treatment	311	-
Children Services	52,907	-
Job and Family Services	-	37,738
Child Support Enforcement Agency	-	12,178
Dog and Kennel	-	288
Felony Delinquent Care & Custody	-	4,518
<u>Agency Funds</u>		
Clinton County Family and Children First	-	10,651
Law Library	3,356	-
Total	<u>\$71,340</u>	<u>\$71,340</u>

CLINTON COUNTY, OHIO

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

C. The following is a summarized breakdown of the County's operating transfers for 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$176,897
<u>Special Revenue Funds</u>		
Motor Vehicle & Gas Tax	62,609	-
Child Support Enforcement Agency	71,957	-
Sick/Vacation Payout	38,000	-
Public Assistance	8	-
Clinton County Park Board	4,323	-
<u>Debt Service Funds</u>		
Human Services Bond Retirement	15,750	25,386
Public Service Agencies Bond Retirement	25,386	99,560
Special Assessment Bond Retirement	303	-
<u>Capital Projects Funds</u>		
Public Service Office Construction	83,810	-
Ditch Construction	<u>-</u>	<u>303</u>
Total	<u>\$302,146</u>	<u>\$302,146</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied on April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are currently 25% of true value. The assessed value upon which taxes were collected in 2001 was \$679,589,430. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2001, was \$9.30 per \$1,000 of assessed valuation.

CLINTON COUNTY, OHIO

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

NOTE 6 - PROPERTY TAXES - (Continued)

Real property taxes for tax year 2001, are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

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

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectibles) and real and public utility taxes, which were measurable as of the year-end. Since the current levy is not intended to finance 2001 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2002 are shown as 2001 revenue; the remainder are shown as "Deferred Revenue".

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

CLINTON COUNTY, OHIO

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

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited entirely to the general fund and special revenue funds. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue to the extent that they are intended to finance fiscal 2001 operations. Sales and use tax revenue for 2001 amounted to \$3,821,175.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2001, consisted of taxes, interest, accounts (billings for user charged services), special assessments, short-term interfund loans, interfund transactions related to charges for goods and services rendered and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the Combined Balance Sheet and all interfund transactions related to charges for goods and services rendered have been classified as "Due From Other Funds" on the Combined Balance Sheet. Receivables have been recorded to the extent eligibility requirements have been met by year-end and the amounts are measurable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

CLINTON COUNTY, OHIO

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

NOTE 8 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>General Fund</u>	
Sales taxes	\$ 616,660
Real and other taxes	1,143,812
Accounts	36,627
Accrued interest	114,266
Interfund loans	72,104
Due from other funds	12,466
Intergovernmental	571,372
<u>Special Revenue Funds</u>	
Sales taxes	4,097
Real and other taxes	1,157,072
Accounts	137,283
Special assessments	34,490
Due from other funds	55,518
Intergovernmental	1,978,779
<u>Debt Service Funds</u>	
Real and other taxes	533,777
Intergovernmental	28,167
<u>Capital Projects Funds</u>	
Real and other taxes	152,508
Intergovernmental	8,094
<u>Agency Fund</u>	
Due from other funds	3,356

CLINTON COUNTY, OHIO

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

NOTE 9 - FIXED ASSETS

A. General Fixed Assets Account Group

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

	<u>Balance</u> <u>1/1/01</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/01</u>
Land and Improvements	\$ 310,170	\$ -	\$ -	\$ 310,170
Buildings and Improvements	9,242,114	5,915,905	-	15,158,019
Furniture, Fixtures and Equipment	3,126,217	148,652	(14,964)	3,259,905
Vehicles	1,826,553	160,667	-	1,987,220
Construction in Process	<u>5,527,374</u>	<u>1,855,368</u>	<u>(5,527,374)</u>	<u>1,855,368</u>
Total	<u>\$20,032,428</u>	<u>\$8,080,592</u>	<u>\$(5,542,338)</u>	<u>\$22,570,682</u>

The construction in process at December 31 represents costs incurred as of December 31, 2001, to construct a new facility for the Public Services Offices.

B. Component Unit Fixed Assets

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

	<u>Balance</u> <u>1/1/01</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/01</u>
Furniture, Fixtures and Equipment	\$ 972,776	\$47,694	\$(6,179)	\$1,014,291
Vehicles	<u>513,392</u>	-	-	<u>513,392</u>
Total	<u>\$1,486,168</u>	<u>\$47,694</u>	<u>\$(6,179)</u>	<u>\$1,527,683</u>

NOTE 10 - VACATION AND SICK LEAVE LIABILITY

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

CLINTON COUNTY, OHIO

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

NOTE 10 - VACATION AND SICK LEAVE LIABILITY - (Continued)

Upon termination of County service, an employee is entitled to all accumulated vacation. Retiring employees are also entitled to 25% of their accumulated sick leave up to a maximum of 30 days for employees with 10 to 20 years of service and 45 days for employees with greater than 20 years of service. At December 31, 2001, vested benefits for vacation leave for governmental fund type employees, excluding component units, totaled \$466,988 and vested benefits for sick leave totaled \$41,978. In accordance with GASB Statement No. 16, a liability of \$158,638 was also accrued to record termination (severance) payments for employees expected to become eligible to retire in the future. These amounts represent the non-current portion of vested benefits and are reported in the general long-term obligations account group.

NOTE 11 - LONG TERM OBLIGATIONS

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

<u>Classification</u>	<u>Balance</u> <u>1/1/01</u>	<u>2001</u> <u>Additions</u>	<u>2001</u> <u>Principal</u> <u>Retirement</u>	<u>Balance</u> <u>12/31/01</u>
General Obligation Bonds	\$6,065,000	\$ -	\$(640,000)	\$5,425,000
Special Assessment Bond	0	76,000	-	76,000
Compensated Absences	<u>511,031</u>	<u>156,573</u>	<u>-</u>	<u>667,604</u>
Total General Long-Term Obligations	<u>\$6,576,031</u>	<u>\$232,573</u>	<u>\$(640,000)</u>	<u>\$6,168,604</u>

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

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

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

CLINTON COUNTY, OHIO

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

NOTE 11 - LONG TERM OBLIGATIONS - (Continued)

B. General Obligation Bonds

The following is a description of the County's general obligation bonds that were outstanding as of December 31, 2001:

Description	Issue Date	Maturity Date	Interest Rate	Balance Outstanding 1/1/01	2001 Issues	2001 Principal Retirement	Balance Outstanding 12/31/01
Dept. of Human Services Bond	10/15/89	04/15/10	7.20	\$ 305,000	\$ -	\$(305,000)	\$ 0
County Buildings Improvement Bond	7/14/93	06/01/08	5.42	750,000	-	(50,000)	700,000
Highway Maintenance Facility Bond	5/16/94	12/01/01	4.68	100,000	-	(100,000)	0
Bypass/Jail Construction Bond	12/01/99	12/01/19	4.00-5.75	<u>4,910,000</u>	<u>-</u>	<u>(185,000)</u>	<u>4,725,000</u>
				<u>\$6,065,000</u>	<u>\$ -</u>	<u>\$(640,000)</u>	<u>\$5,425,000</u>

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

Year Ending	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2002	\$ 280,000	\$ 279,969	\$ 559,969	\$ 7,624	\$ 4,686	\$12,310
2003	285,000	266,899	551,899	8,096	4,297	12,393
2004	315,000	253,220	568,220	8,598	3,799	12,397
2005	325,000	238,036	563,036	9,132	3,248	12,380
2006	340,000	222,131	562,131	9,698	2,674	12,372
2007 - 2011	1,500,000	866,526	2,366,526	32,852	4,216	37,068
2012 - 2016	1,360,000	524,532	1,884,532	-	-	-
2017 - 2019	<u>1,020,000</u>	<u>118,647</u>	<u>1,138,647</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$5,425,000</u>	<u>\$2,769,960</u>	<u>\$8,194,960</u>	<u>\$76,000</u>	<u>\$22,920</u>	<u>\$98,920</u>

D. Legal Debt Margin

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

CLINTON COUNTY, OHIO

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

NOTE 11 - LONG TERM OBLIGATIONS - (Continued)

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to 3% of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000 plus 2-1/2% of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$10,109,042 as of December 31, 2001.

NOTE 12 - BOND ANTICIPATION NOTES

During the fiscal year 2001, the County issued \$3,900,000 in bond anticipation notes. Proceeds of \$1,000,000 were reported in the Public Services Office Construction capital projects fund and will be used to finance the acquisition and renovation of the Public Services Office Facility for use by various County departments. Proceeds of \$1,000,000 were reported in the Building Improvement capital projects fund and will be used to finance the addition to the Annex. Proceeds of \$1,600,000 were reported in the Public Service Agencies Construction debt service fund and were used to retire \$1,600,000 in previously issued bond anticipation notes. Proceeds of \$300,000 were reported in the Human Services debt service fund and were used to retire \$300,000 in previously issued bond anticipation notes. Bond anticipation notes are reported as liabilities of the capital projects and debt service funds, the funds which received the proceeds. The following is a summary of the bond anticipation note activity during fiscal year 2001:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance Outstanding 1/1/01</u>	<u>2001 Issues</u>	<u>2001 Principal Retirement</u>	<u>Balance Outstanding 12/31/01</u>
<u>Human Services Bond Retirement Fund</u>						
Human Services Building Refunding - 5.25%	5/17/00	5/17/01	\$300,000	\$ -	\$(300,000)	\$ 0
Property Acquisition and Renovation - 3.51%	5/17/01	5/17/02	<u>0</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
			<u>\$300,000</u>	<u>\$300,000</u>	<u>\$(300,000)</u>	<u>\$300,000</u>
<u>Public Services Office Construction Fund</u>						
Property Acquisition and Renovation - 5.24%	5/17/00	5/17/01	\$1,600,000	\$ -	\$(1,600,000)	\$ 0
Property Acquisition and Renovation - 3.51%	5/17/01	5/17/02	<u>0</u>	<u>2,600,000</u>	<u>-</u>	<u>2,600,000</u>
			<u>1,600,000</u>	<u>2,600,000</u>	<u>(1,600,000)</u>	<u>2,600,000</u>
<u>Building Improvement Fund</u>						
Annex Addition - 3.14%	7/18/01	7/18/02	<u>0</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total			<u>\$1,900,000</u>	<u>\$3,900,000</u>	<u>\$(1,900,000)</u>	<u>\$3,900,000</u>

CLINTON COUNTY, OHIO

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

NOTE 13 - RISK MANAGEMENT

A. General Insurance

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

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

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

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

B. Health Care, Vision and Dental Insurance

Effective January 1, 2001, the County switched from being traditionally insured to self-insured for health care and vision insurance. The County remained self-insured for dental insurance.

CLINTON COUNTY, OHIO

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

NOTE 13 - RISK MANAGEMENT - (Continued)

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

All funds of the County participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The third party administrators (Humana Insurance Company for health care and vision and Employer Group Health for dental) review, and the County pays, all claims. The liability for unpaid claims of \$167,173 reported in the Risk Management Fund at December 31, 2001, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

	<u>Liability at Beginning of Year</u>	<u>Incurred Claims</u>	<u>Claim Payments</u>	<u>Liability at End of Year</u>
2001	\$16,014	\$1,813,444	\$(1,662,285)	\$167,173
2000	7,706	1,662,815	(1,654,507)	16,014

CLINTON COUNTY, OHIO

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All County full-time employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2001 was 8.5 percent for employees other than law enforcement. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. The employer contribution rate for employees other than law enforcement was 13.55 percent of covered payroll; 9.25 percent was the portion used to fund pension obligations for 2001. The employer contribution rate for law enforcement employees was 16.70 percent of covered payroll; 11.40 percent was the portion used to fund pension obligations for 2001. The County's contributions for pension obligations to the PERS for the years ended December 31, 2001, 2000, and 1999 were \$918,184, \$696,784, and \$792,220, respectively; 73.37% has been contributed for 2001 and 100 percent for 2000 and 1999. \$244,498, representing the unpaid contribution for 2001, is recorded as a liability within the respective funds.

B. State Teachers Retirement System

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

CLINTON COUNTY, OHIO

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions for pension obligations to STRS Ohio for the years ended December 31, 2001, 2000, and 1999 were \$21,031, \$15,410, and \$13,851, respectively; 95.63% has been contributed for 2001 and 100% for the years 2000 and 1999. \$919, representing the unpaid contributions for 2001, is recorded as a liability within the respective funds.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

PERS provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2001 employer contribution rate for local government employers was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care. The law enforcement employer rate for 2001 was 16.70% of covered payroll; 4.30% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The County's contribution actually made to fund post employment benefits was \$291,379.

CLINTON COUNTY, OHIO

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

NOTE 15 - POSTEMPLOYMENT BENEFITS (Continued)

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

As of December 31, 1999 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively, at December 31, 1999 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 1999 (the latest information available) was 401,339.

In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continue to contribute at 9.0%. The employer contribution rate for both the law enforcement and public safety divisions is 16.70%.

Law enforcement officer benefits permit age and service retirement at an earlier age with a different formula than that for PERS members not covered under this division.

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 2001, Comprehensive Annual Financial Report.

B. State Teachers Retirement System

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

CLINTON COUNTY, OHIO

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

NOTE 15 - POSTEMPLOYMENT BENEFITS (Continued)

All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Reserve Fund equal to 4.5% of covered payroll for the fiscal year ended June 30, 2001. For the County, this amount equaled \$14,271 during calendar year 2001. As of June 30, 2001, the balance in the Health Care Reserve Fund was \$3.256 billion and eligible benefit recipients totaled 102,132 for STRS Ohio as a whole. For the fiscal year ended June 30, 2001, net health care costs paid by STRS Ohio were \$300,772,000.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

The County's budgetary process is based upon accounting for transactions on the cash (budget) basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are that revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, the County reflects outstanding encumbrances as expenditures on the budgetary basis of accounting. Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

**Excess of Revenues and Other Financing Sources
Over/(Under) Expenditures and Other Uses**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(1,128,396)	\$(1,619,861)	\$(253,190)	\$(572,444)
Net adjustment for revenue accruals	(45,908)	256,405	192	53
Net adjustment for expenditure accruals	(10,507)	(160,085)	1,987,070	(264,718)
Net adjustment for other financing sources (uses) accruals	24,000	(24,000)	(1,983,810)	(1,916,190)
Encumbrances (budget basis)	<u>410,959</u>	<u>1,287,639</u>	<u>-</u>	<u>831,319</u>
GAAP basis	<u><u>\$(749,852)</u></u>	<u><u>\$(259,902)</u></u>	<u><u>\$(249,738)</u></u>	<u><u>\$(1,921,980)</u></u>

CLINTON COUNTY, OHIO

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

NOTE 17 - CONTINGENCIES

A. Grants

The County receives significant financial assistance from numerous federal and state agencies in the forms of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2001.

B. Litigation

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, the likelihood of liability cannot reasonably be estimated.

NOTE 18 - CONDUIT DEBT OBLIGATIONS

The County has served as the issuer of \$14,298,685 in industrial revenue bonds. The proceeds were used by private corporations and community organizations to fund various endeavors. The industrial revenue bonds do not constitute a general obligation, debt or bonded indebtedness of the County. Neither is the full faith and credit to taxing power of the County pledged to make repayment. As of December 31, 2001, \$14,042,809 was still outstanding.

To provide for the financing of certain expenditures at Clinton Memorial Hospital, the Hospital has issued special facility revenue bonds. These consist of \$3,800,000 in 1992 Clinton County, Ohio, Variable Rate Demand Hospital Improvement Revenue Bonds, with final maturity in February, 2012. These bonds do not constitute a debt or pledge of the faith and credit of the County and have not been reported in the accompanying financial statements. As of December 31, 2001, \$2,700,000 was still outstanding.

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS

On May 17, 2002, the County issued \$2,870,000 in bond anticipation notes. These notes bear an interest rate of 2.40% and mature on May 17, 2003. The proceeds from these notes were used to retire previously issued bond anticipation notes (see Note 12).

**CLINTON COUNTY
WILMINGTON, OHIO**

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

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>		
<i>Passed Through Ohio Department of Education:</i>		
Special Education Cluster		
Special Education Grants to States	84.027	\$9,558
Special Education and Preschool Grants	84.173	<u>3,545</u>
Total Special Education Cluster		13,103
Innovative Education	84.298	225
Total U.S. Department of Education		<u>13,328</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>		
Title XX - Social Sciences Block Grant	93.667	23,548
<i>Passed Through Ohio Department of Mental Health:</i>		
Medical Assistance Program - Title XIX:		
Community Alternative Funding System (CAFS)	93.778	272,584
Residential Facility Waiver	93.778	<u>683,747</u>
		956,331
Total U.S. Department of Health and Human Services		<u>979,879</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
<i>Passed Through Ohio Department of Public Safety</i>		
Pavement Marking Program	20.205	<u>82,114</u>
Total U.S. Department of Transportation		<u>82,114</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
<i>Passed Through Ohio Department of Development</i>		
Community Development Block Grant	14.228	184,958
Home Investment Partnership	14.239	<u>138,699</u>
Total U.S. Department of Housing and Urban Development		<u>323,657</u>
Total Federal Expenditures		<u><u>1,398,978</u></u>

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

**CLINTON COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the financial statements of Clinton County, Ohio (the County), as of and for the year ended December 31, 2001, and have issued our report thereon dated August 19, 2002 in which we noted the County adopted Governmental Accounting Standards 33 & 36. 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 Clinton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the County in a separate letter dated August 19, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-60414-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated August 19, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized, cursive script.

Jim Petro
Auditor of State

August 19, 2002



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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

Compliance

We have audited the compliance of Clinton County, Ohio with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The Clinton County's major federal program is 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 program is the responsibility of the Clinton County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Clinton County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Clinton County's compliance with those requirements.

In our opinion, the Clinton County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

Internal Control Over Compliance

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

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

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

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

Jim Petro
Auditor of State

August 19, 2002

**CLINTON COUNTY
DECEMBER 31, 2001**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(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) CFDA # 93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-60414-001

Material Weakness

Humana – Self Insurance

The County has delegated employees' health insurance claims processing, which is a significant accounting function, to a third-party administrator. The County has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that health insurance claims have not been accurately processed in accordance with the health insurance contract. We performed additional procedures to determine that sufficient controls have been placed in operation over the County's self insurance fund.

We recommend that the County implement procedures to assure the completeness and accuracy (including eligibility and allowability) of health insurance claims processed by its third-party administrator. State of Auditing Standards (SAS) No. 70 as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the County with an appropriate level of assurance that health insurance claims are being processed in conformance with the contract.

We recommend the County specify in their contract with the third-party administrator that an annual Tier II SAS 70 audit report be performed. The County should be provided a copy of the SAS 70 report timely and should review the report's contents. A SAS 70 audit report should be conducted in accordance with the American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective state. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.

CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-60414-001	A finding for recovery in the amount of \$133 was issued against Darlene Myers, Commissioner for overpayment of compensation.	Repaid	
2000-60414-002	A finding for recovery in the amount of \$133 was issued against Roderick Stanforth, Commissioner for overpayment of compensation.	Repaid	
2000-60414-003	A finding for recovery in the amount of \$133 was issued against Lawrence David Merritt, former Commissioner for overpayment of compensation.	Repaid	



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FINANCIAL CONDITION

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 12, 2002