

Single Audit

For the Year Ended December 31, 2001



CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS





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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

BETTY MONTGOMERY Auditor of State

Butty Montgomery





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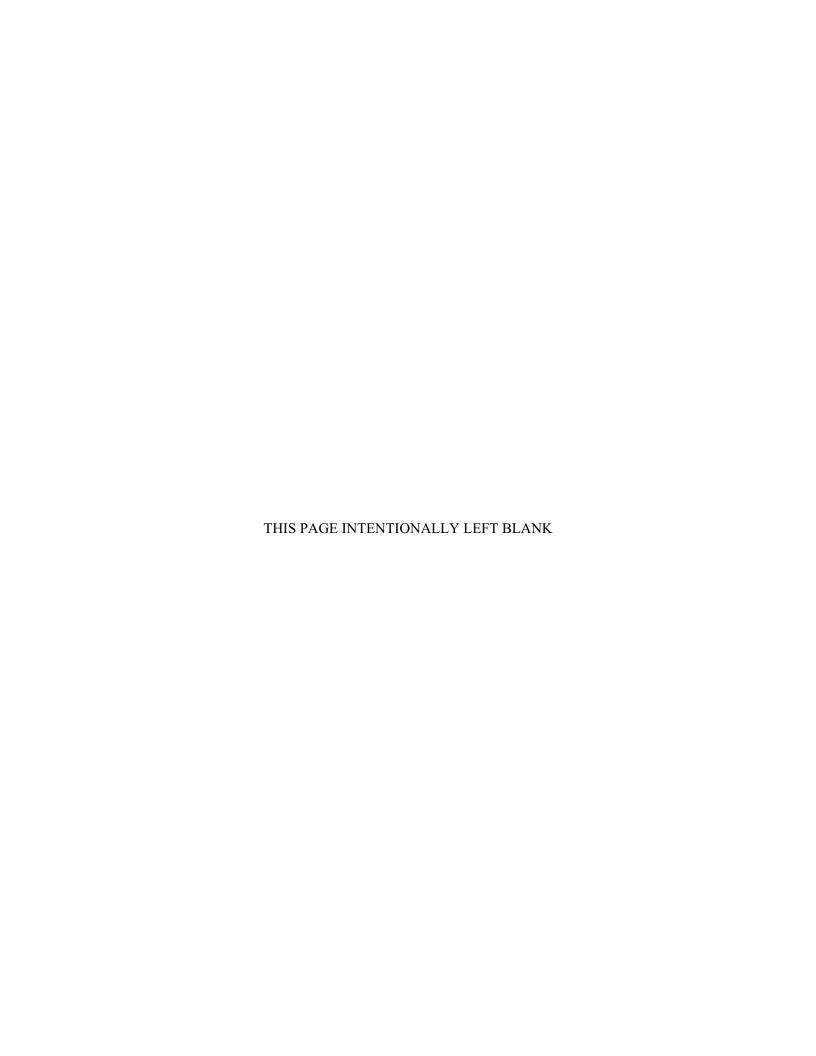
County Commissioners Hocking County 1 East Main Street Logan, Ohio 43138

We have reviewed the Independent Auditor's Report of Hocking County, prepared by J. L. Uhrig and Associates, Inc., for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Hocking County is responsible for compliance with these laws and regulations.

JIM PETRO Auditor of State

July 24, 2002



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Independent Auditor's Report

Board of County Commissioners Hocking County 1 East Main Street Logan, Ohio 43138

We have audited the accompanying general purpose financial statements of Hocking County (the County) as of and for the year ended December 31, 2001. 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 did not audit the financial statements of the County's discretely presented component units, Hocking Valley Community Hospital and Hocking Valley Industries, Inc. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Hocking Valley Community Hospital and Hocking Valley Industries, Inc., is based on the reports of the other auditors.

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. The financial statements of Hocking Valley Industries, Inc. were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the general purpose financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the County as of December 31, 2001, and the results of its operations and cash flows of its proprietary fund types and discretely presented component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 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 when considering the results of our audit.

Board of Commissioners Hocking County Independent Auditor's Report

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

The accompanying schedule of federal awards expenditures replaces the schedule in the County's initial report for the year ended December 31, 2001. The schedule was revised to include the Workforce Investment Act (WIA) program, CFDA #17.255, which was inadvertently omitted from the schedule initially reported on June 26, 2002.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 26, 2002, except for the last paragraph, which is dated January 24, 2003



HOCKING COUNTY, OHIO COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS DECEMBER 31, 2001

		Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	
Assets and Other Debits:						
Assets:						
Equity with County						
Treasurer (Notes 2, 5)	\$ 1,598,403	\$ 5,155,637	\$ 111,756	\$ 953,839	\$ 76,984	
Cash and Cash Equivalents in						
Segregated Accounts (Notes 2, 5, 20, 21)	-	-	-	-	-	
Investments in Segregated Accounts (Note 20)	-	-	-	-	-	
Receivables - (net, where applicable of						
allowances for uncollectibles):						
Taxes (Notes 6, 7)	1,821,940	2,595,425	-	-	-	
Accounts	8,632	23,970	-	-	7,200	
Accrued Interest	4,613	-	-	-	-	
Special Assessments	-	-	7,722	-	-	
Due from Other Funds (Note 16)	38,897	183,450	-	-	-	
Interfund Receivable (Note 16)	1,000	-	-	-	-	
Due from Other Governments (Note 9)	353,608	1,483,833	-	-	-	
Materials and Supplies Inventory (Note 2)	-	281,725	-	-	-	
Prepaid Items	-	-	-	-	-	
Deferred Financing Costs (Net of						
Accumulated Amortization	-	-	-	-	-	
Other Assets	_	-	-	-	_	
Third Party Settlements	_	-	-	-	_	
Assets Whose Use is Limited - Under Bond						
Indenture Agreement (Note 20)	-	-	_	_	_	
Other Receivables (Note 20)	-	-	_	_	_	
Fixed Assets (net, where applicable of						
accumulated depreciation) (Notes 2, 8)	-	-	_	_	1,988,739	
Other Debits:						
Amount Available in Debt Service						
Fund For Retirement of General Obligation						
and Revenue Bonds	-	-	_	_	_	
Amount to be Provided for						
Retirement of General Long-Term						
Obligations	-	-	-	_	_	
		-			-	
Total Assets and Other Debits	\$ 3,827,093	\$ 9,724,040	\$ 119,478	\$ 953,839	\$ 2,072,923	

Fiduciary Fund Type Agency	Account (General Fixed Assets	Groups General Long-Term Obligations	Totals Primary Gov't (Memorandum Only) 2001	Component Units	Totals Reporting Entity (Memorandum Only) 2001
\$ 1,877,754	\$ -	\$ -	\$ 9,774,373	\$ -	\$ 9,774,373
360,364	-	-	360,364	1,235,625	1,595,989
-	-	-	- -	420,714	420,714
13,263,313	_	_	17,680,678	_	17,680,678
15,205,515	_	_	39,802	4,518,107	4,557,909
_	_	_	4,613	-	4,613
_	-	_	7,722	<u>-</u>	7,722
10,043	-	_	232,390	-	232,390
-	-	_	1,000		1,000
1,407,500	-	-	3,244,941	-	3,244,941
-	-	-	281,725	203,091	484,816
-	-	-	-	18,038	18,038
-	-	-	-	101,290	101,290
-	-	-	-	2,684	2,684
-	-	-	-	217,497	217,497
-	-	-	-	330,000	330,000
-	-	-	-	15,699	15,699
-	7,109,863	-	9,098,602	9,621,092	18,719,694
-	-	111,756	111,756	-	111,756
-		1,693,215	1,693,215		1,693,215
\$ 16,918,974	\$ 7,109,863	\$ 1,804,971	\$ 42,531,181	\$ 16,683,837	\$ 59,215,018

HOCKING COUNTY, OHIO COMBINED BALANCE SHEET-ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS DECEMBER 31, 2001

		Proprietary Fund Type			
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Liabilities, Fund Equity and Other Credits:					
Liabilities:					
Accounts Payable	\$ 29,881	\$ 172,745	\$ -	\$ -	\$ 1,653
Contracts Payable	-	-	-	4,824	-
Accrued Wages and Benefits	141,301	323,862	-	-	1,800
Compensated Absences (Note 2, 14)	-	-	-	-	-
Due to Other Funds (Note 16)	1,621	156,783	-	-	98
Interfund Payable (Note 16)	-	1,000	-	-	-
Due to Other Governments	6,842	51,968	-	-	3,338
Deferred Revenue	1,763,852	3,595,885	7,722	-	-
Undistributed Monies	-	-	-	-	-
Deposits Held and Due to Others	-	-	-	-	-
Notes Payable(Note 14)	-	-	-	-	-
Capital Leases Payable (Notes 15, 20)	-	-	-	-	-
County Hospital General Obligation Bonds (Note 20)	-	-	-	-	-
Special Assessment Bonds (Note 14)	-	-	-	-	-
Revenue Bonds (Note 14)	-	-	-	-	536,000
General Obligation Bonds (Note 14)					
Total Liabilities	1,943,497	4,302,243	7,722	4,824	542,889
Fund Equity and Other Credits:					
Investment in General Fixed Assets	-	-	-	-	-
Contributed Capital (Note 2)	-	-	-	-	2,209,413
Retained Earnings:					
Unreserved	-	-	-	-	(679,379)
Fund Balance:					
Reserved for Encumbrances	32,074	311,632	-	346	-
Reserved for Inventory	-	281,725	-	-	-
Reserved for Debt Service	-	-	111,756	-	-
Undesignated	1,851,522	4,828,440		948,669	
Total Fund Equity and					
Other Credits	1,883,596	5,421,797	111,756	949,015	1,530,034
Total Liabilities, Fund Equity and Other Credits	\$ 3,827,093	\$ 9,724,040	\$ 119,478	\$ 953,839	\$ 2,072,923

	Fiduciary Fund Type Agency	Gen Fix Ass	ed	Gen	eral g-Term	erm Only)		Component Units		Totals Reporting Entity (Memorandum Only) 2001	
									_		
\$	_	\$	_	\$	_	\$	204,279	\$	1,362,204	\$	1,566,483
Ψ	_	Ψ	_	Ψ	_	Ψ	4,824	Ψ	-	•	4,824
	41,741		_		_		508,704		1,533,585		2,042,289
	-		_		727,180		727,180		-		727,180
	73,888		_		, -		232,390		_		232,390
	, <u>-</u>		_		_		1,000		_		1,000
	16,498,392		_		_		16,560,540		_		16,560,540
	-		_		_		5,367,459		_		5,367,459
	287,898		_		_		287,898		_		287,898
	17,055		_		_		17,055		76		17,131
	-		_		143,800		143,800		_		143,800
	_		_		180,315		180,315		1,337,532		1,517,847
	_		_		, -				4,086,427		4,086,427
	-		_		91,690		91,690		-		91,690
	-		_		, -		536,000		_		536,000
					661,986		661,986				661,986
	16,918,974			1,	804,971		25,525,120		8,319,824		33,844,944
			00.062				7.100.062				7.100.062
	-	/,1	09,863		-		7,109,863		-		7,109,863
	-		-		-		2,209,413		-		2,209,413
	-		-		-		(679,379)		-		(679,379)
	-		-		_		344,052		_		344,052
	-		-		-		281,725		-		281,725
	-		-		-		111,756		-		111,756
	-						7,628,631	_	8,364,013		15,992,644
	_	7 1	09,863		_		17,006,061		8,364,013		25,370,074
							17,000,001		0,504,015		20,570,074
\$	16,918,974	\$ 7,1	09,863	\$ 1,	804,971	\$	42,531,181	\$	16,683,837	\$	59,215,018

HOCKING COUNTY, OHIO COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2001

Governmental Fund Types Totals (Memorandum Debt Capital Special General Revenue Service Projects Only) Revenues: \$ 2,803,735 \$ 2,904,488 5,708,223 Taxes Charges for Services 882,442 853,155 1,735,597 Licenses and Permits 2,100 65,426 67,526 Fines and Forfeitures 146,768 223,834 370,602 Intergovernmental 828,764 10,109,767 10,938,531 Special Assessments 11,296 11,296 Investment Earnings 424,868 13,902 438,770 All Other Revenues 202,224 471,325 120 673,669 Total Revenues 5,290,901 14,641,897 11,296 120 19,944,214 Expenditures: Current: General Government: Legislative and Executive 1,712,367 482,868 2,195,235 Judicial 966,959 162,769 1,129,728 Public Safety 1,358,393 933,023 2,291,416 Public Works 22,541 3,106,973 3,129,514 Health 42,479 2,593,608 2,636,087 161,473 7,371,459 7,532,932 **Human Services** Economic Development 56,977 36,305 93,282 and Assistance Conservation and Recreation 210,628 210,628 Miscellaneous 374,721 374,721 Capital Outlay 359,334 113,231 472,565 Debt Service: 97,019 63,842 Principal Retirement 160,861 Interest and Fiscal Charges 16,641 42,360 59,001 Total Expenditures 4,885,866 15,180,671 106,202 113,231 20,285,970 Excess of Revenues Over (Under) Expenditures 405,035 (538,774)(94,906)(113,111)(341,756)

HOCKING COUNTY, OHIO COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2001

Governmental Fund Types

			J I		
	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Other Financing Sources (Uses):					
Proceeds from the Sale of Fixed Assets	548	-	-	-	548
Proceeds from the Sale of					
Long-Term Notes	-	118,800	-	-	118,800
Inception of Capital Lease	-	227,334	-	-	227,334
Operating Transfers - In	17,418	635,597	95,127	-	748,142
Operating Transfers - Out	(453,056)	(294,725)			(747,781)
Total Other Financing					
Sources (Uses)	(435,090)	687,006	95,127		347,043
Excess of Revenues and Other					
Financing Sources Over					
(Under) Expenditures and					
Other Uses	(30,055)	148,232	221	(113,111)	5,287
Fund Balances at Beginning					
of Year	1,921,518	5,165,361	111,535	1,062,126	8,260,540
Increase (Decrease) in Fund					
Inventory	(7,867)	108,204			100,337
Fund Balances at					
End of Year	\$ 1,883,596	\$ 5,421,797	\$ 111,756	\$ 949,015	\$ 8,366,164

		General Fund			Special Revenue Funds			
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)		
Revenues:								
Taxes	\$ 2,504,963	\$ 2,804,651	\$ 299,688	\$ 2,613,442	\$ 2,920,733	\$ 307,291		
Charges for Services	1,156,143	1,049,711	(106,432)	810,221	840,796	30,575		
Licenses and Permits	1,876	2,100	224	59,440	65,041	5,601		
Fines and Forfeitures	128,124	143,451	15,327	148,447	221,284	72,837		
Intergovernmental	782,580	869,408	86,828	10,431,169	9,932,211	(498,958)		
Special Assessments	-	-	-	-	-	-		
Investment Earnings	395,020	442,279	47,259	13,610	14,059	449		
All Other Revenues	135,728	177,732	42,004	456,029	400,507	(55,522)		
Total Revenues	5,104,434	5,489,332	384,898	14,532,358	14,394,631	(137,727)		
Expenditures:								
Current:								
General Government:								
Legislative and Executive	2,024,822	1,798,490	226,332	549,087	522,908	26,179		
Judicial	1,048,609	995,684	52,925	420,054	179,078	240,976		
Public Safety	1,388,462	1,380,760	7,702	1,073,941	1,001,712	72,229		
Public Works	31,512	22,757	8,755	3,337,180	3,304,674	32,506		
Health	77,225	48,332	28,893	2,895,437	2,633,979	261,458		
Human Services	181,003	164,024	16,979	8,534,424	7,775,019	759,405		
Economic Development								
and Assistance	46,457	36,662	9,795	151,520	46,696	104,824		
Conservation and Recreation	212,459	210,928	1,531	-	-	-		
Miscellaneous	454,556	452,817	1,739	-	-	-		
Capital Outlay	-	-	-	132,000	132,000	-		
Debt Service:								
Principal Retirement	-	-	-	50,000	50,000	-		
Interest and Fiscal Charges				6,250	6,236	14		
Total Expenditures	5,465,105	5,110,454	354,651	17,149,893	15,652,302	1,497,591		
Excess of Revenues Over								
(Under) Expenditures	(360,671)	378,878	739,549	(2,617,535)	(1,257,671)	1,359,864		

	General Fund			Special Revenue Funds			
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	
Other Financing Sources (Uses): Proceeds from Sale of Fixed Assets Proceeds from the Sale of Long-Term Notes Advances - In Advances - Out Operating Transfers - In Operating Transfer - Out	548 - - - 15,557 (462,819)	548 - 369,500 (369,500) 17,418 (453,056)	369,500 (369,500) 1,861 9,763	118,800 - - 639,302 (323,197)	118,800 5,000 (5,000) 635,597 (294,725)	5,000 (5,000) (3,705) 28,472	
Total Other Financing Sources (Uses)	(446,714)	(435,090)	11,624	434,905	459,672	24,767	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(807,385)	(56,212)	751,173	(2,182,630)	(797,999)	1,384,631	
Appropriated Prior Year Encumbrances	138,698	138,698	-	1,024,476	1,024,476	-	
Fund Balances at Beginning of Year	1,450,734	1,450,734		4,106,391	4,106,391		
Fund Balance at End of Year	\$ 782,047	\$ 1,533,220	\$ 751,173	\$ 2,948,237	\$ 4,332,868	\$ 1,384,631 (Continued)	

		Debt Service Funds			Capital Projects Funds			
_	Revised Budget		Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	
Revenues:	Ф	,	ħ					
Taxes	\$	- :	-	\$ -	\$ -	\$ -	\$ -	
Charges for Services		-	-	-	-	-	-	
Licenses and Permits		-	-	-	-	-	-	
Fines and Forfeitures		-	-	-	-	-	-	
Intergovernmental	10.0	-	11.206	(1.022)	-	-	-	
Special Assessments	12,3	528	11,296	(1,032)	-	-	-	
Investment Earnings		-	-	-	-	-	-	
All Other Revenues		<u> </u>	-		120	120		
Total Revenues	12,3	328	11,296	(1,032)	120	120		
Expenditures:								
Current:								
General Government:								
Legislative and Executive		-	-	-	-	-	-	
Judicial		-	-	-	-	-	-	
Public Safety		-	-	-	-	-	-	
Public Works		-	-	-	-	-	-	
Health		-	-	-	-	-	-	
Human Services		-	-	-	-	-	-	
Economic Development								
and Assistance		-	-	-	-	-	-	
Conservation and Recreation		-	-	-	-	-	-	
Miscellaneous		-	-	-	-	-	-	
Capital Outlay		-	-	-	537,244	125,665	411,579	
Debt Service:								
Principal Retirement	64,7		63,842	901	-	-	-	
Interest and Fiscal Charges	42,5	553	42,360	193				
Total Expenditures	107,2	96	106,202	1,094	537,244	125,665	411,579	
Excess of Revenues Over								
(Under) Expenditures	(94,9	068)	(94,906)	62	(537,124)	(125,545)	411,579	

	Debt Service Funds			Capital Projects Funds			
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	
Other Financing Sources (Uses): Proceeds from Sale of Fixed Assets Proceeds from the Sale of Long-Term Notes Advances - In	- - -	-		- - -	- - -	- - -	
Advances - Out Operating Transfers - In Operating Transfer - Out	96,372 (300)	95,127	(1,245)	49,880		(49,880)	
Total Other Financing Sources (Uses)	96,072	95,127	(945)	49,880		(49,880)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	1,104	221	(883)	(487,244)	(125,545)	361,699	
Appropriated Prior Year Encumbrances	-	-	-	62,115	62,115	-	
Fund Balances at Beginning of Year	111,535	111,535		1,017,269	1,017,269		
Fund Balance at End of Year	\$ 112,639	\$ 111,756	\$ (883)	\$ 592,140	\$ 953,839	\$ 361,699 (Continued)	

	Totals-Memorandum Only					
_	Revised Budget	Actual	Variance Favorable (Unfavorable)			
Revenues:						
Taxes	\$ 5,118,405	\$ 5,725,384	\$ 606,979			
Charges for Services	1,966,364	1,890,507	(75,857)			
Licenses and Permits	61,316	67,141	5,825			
Fines and Forfeitures	276,571	364,735	88,164			
Intergovernmental	11,213,749	10,801,619	(412,130)			
Special Assessments	12,328	11,296	(1,032)			
Investment Earnings	408,630	456,338	47,708			
All Other Revenues	591,877	578,359	(13,518)			
Total Revenues	19,649,240	19,895,379	246,139			
Expenditures:						
Current:						
General Government:						
Legislative and Executive	2,573,909	2,321,398	252,511			
Judicial	1,468,663	1,174,762	293,901			
Public Safety	2,462,403	2,382,472	79,931			
Public Works	3,368,692	3,327,431	41,261			
Health	2,972,662	2,682,311	290,351			
Human Services	8,715,427	7,939,043	776,384			
Economic Development	, ,	, ,	,			
and Assistance	197,977	83,358	114,619			
Conservation and Recreation	212,459	210,928	1,531			
Miscellaneous	454,556	452,817	1,739			
Capital Outlay	669,244	257,665	411,579			
Debt Service:	, and the second	,	,			
Principal Retirement	114,743	113,842	901			
Interest and Fiscal Charges	48,803	48,596	207			
Total Expenditures	23,259,538	20,994,623	2,264,915			
Excess of Revenues Over						
(Under) Expenditures	(3,610,298)	(1,099,244)	2,511,054			

	Totals-Memorandum Only					
	Revised Budget	Actual	Variance Favorable (Unfavorable)			
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	548	548	-			
Proceeds from the Sale of Long-Term Notes	118,800	118,800	-			
Advances - In	-	374,500	374,500			
Advances - Out	-	(374,500)	(374,500)			
Operating Transfers - In	801,111	748,142	(52,969)			
Operating Transfer - Out	(786,316)	(747,781)	38,535			
Total Other Financing						
Sources (Uses)	134,143	119,709	(14,434)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures						
and Other Uses	(3,476,155)	(979,535)	2,496,620			
Appropriated Prior Year Encumbrances	1,225,289	1,225,289	-			
Fund Balances at Beginning of Year	6,685,929	6,685,929				
Fund Balance at End of Year	\$ 4,435,063	\$ 6,931,683	\$ 2,496,620			

Exhibit 4

HOCKING COUNTY, OHIO COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY/FUND BALANCES PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS FOR THE YEAR ENDED DECEMBER 31, 2001

	Primary Government		Totals (Memorandum Only)
	Enterprise	Component Units	Reporting Entity
Operating Revenues:			
Charges for Services	\$ 170,687	\$ 774,595	\$ 945,282
Patient Service Revenues	-	21,594,279	21,594,279
Contributed Services from County Other Operating Revenues	-	267,141 125,610	267,141 125,610
Total Operating Revenues	170,687	22,761,625	22,932,312
Operating Expenses:			
Personal Services	34,113	10,379,813	10,413,926
Contractual Services	72,066	3,893,468	3,965,534
Materials and Supplies	4,643	5,152,820	5,157,463
Provision for Bad Debts	-	1,156,252	1,156,252
Other Operating Expenses	6,141	26,213	32,354
Donated Services	-	267,141	267,141
Depreciation and Amortization	64,824	1,060,625	1,125,449
Total Operating Expenses	181,787	21,936,332	22,118,119
Operating Income (Loss)	(11,100)	825,293	814,193
Nonoperating Revenues (Expenses):			
Investment Income	-	117,350	117,350
Interest and Fiscal Charges	(27,323)	(358,547)	(385,870)
Transfers to Affiliates	-	(319,101)	(319,101)
Other Nonoperating Revenues	5,415	609,222	614,637
Total Nonoperating Revenues (Expenses)	(21,908)	48,924	27,016
Net Income (Loss) before Operating Transfers	(33,008)	874,217	841,209
Operating Transfers Out	(361)		(361)
Net Income (Loss)	(33,369)	874,217	840,848
Retained Earnings/Fund Balances at			
Beginning of the Year	(646,010)	7,489,796	6,843,786
Retained Earnings/Fund Balances at End of Year	(679,379)	8,364,013	7,684,634
Contributed Capital at End of Year	2,209,413	<u>-</u>	2,209,413
Total Fund Equity/Fund Balances at End of Year	\$ 1,530,034	\$ 8,364,013	\$ 9,894,047

	Enterprise Funds				
	Revised Budget	Actual	Variance Favorable (Unfavorable)		
Revenues:					
Charges for Services	\$ 185,331	\$ 170,987	\$ (14,344)		
Special Assessments	5,869	5,415	(454)		
Total Revenues	191,200	176,402	(14,798)		
Expenses:					
Personal Services	48,326	37,352	10,974		
Contractual Services	104,998	71,354	33,644		
Materials and Supplies	5,756	4,857	899		
Capital Outlay	7,931	3,545	4,386		
Other Debt Service:	6,500	6,141	359		
Principal Retirement	6,200	6,200	_		
Interest and Fiscal Charges	27,323	27,323	<u> </u>		
Total Expenses	207,034	156,772	50,262		
Excess of Revenues Over (Under)					
Expenses Before Operating Transfers	(15,834)	19,630	35,464		
Operating Transfers Out	(361)	(361)			
Excess of Revenues Over					
(Under) Expenses	(16,195)	19,269	35,464		
Appropriated Prior Year Encumbrances	1,963	1,963	-		
Fund Equity at Beginning of Year	54,569	54,569			
Fund Equity at End of Year	\$ 40,337	\$ 75,801	\$ 35,464		

HOCKING COUNTY, OHIO COMBINED STATEMENT OF CASH FLOWS PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS

FOR THE YEAR ENDED DECEMBER 31, 2001

	Primary Government Enterprise		Government Component		Totals (Memorandum Only) Reporting Entity	
		_				
Cash Flows from Operating Activities: Cash Received from Customers	\$	170,987	\$	20,567,474	\$	20,738,461
Cash Received from Other Revenues	Ψ	-	Ψ	125,610	Ψ	125,610
Cash Payments to Suppliers for				120,010		120,010
Goods and Services		(78,573)		(9,615,207)		(9,693,780)
Cash Payments for Employee		(,,,,,,,,		(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		(,,,,,,,,,,
Services and Benefits		(37,352)		(9,836,064)		(9,873,416)
Cash Payments for Other Operating Expenses		(6,141)		(26,213)		(32,354)
Net Cash Provided by Operating Activities		48,921		1,215,600		1,264,521
Cash Flows from Noncapital Financing Activities:						
Operating Transfers Out		(361)		-		(361)
Interest Payments		-		(421)		(421)
Transfers to Affiliates		_		(319,101)		(319,101)
Other Nonoperating Revenues		5,415		609,222		614,637
Net Cash Provided by Noncapital Financing Activities		5,054		289,700		294,754
The cust Heridea by Honeaphan Hambing Heritage		2,001		20,,,00		271,701
Cash Flows from Capital and						
Related Financing Activities: Bond and Note Principal Payments		(6,200)		(256,390)		(262,590)
Bond and Note Interest Payments		(27,323)		(358,126)		(385,449)
Capital Lease Payments		-		(422,872)		(422,872)
Capital Outlay		-		(1,875,275)		(1,875,275)
Net Cash Used for Capital and		,				
Related Financing Activities		(33,523)		(2,912,663)		(2,946,186)
Cook Flows from Investing Activities						
Cash Flows from Investing Activities: Decrease in Investments, Net		_		996,595		996,595
Increase in Other Receivables		_		20,202		20,202
Interest on Investments		-		117,350		117,350
Net Cash Provided by Investing Activities		-		1,134,147		1,134,147
Net Increase (Decrease) in Cash						
and Cash Equivalents		20,452		(273,216)		(252,764)
Cash and Cash Equivalents at Beginning of Year		56,532		1,508,840		1,565,372
Cash and Cash Equivalents at End of Year		\$76,984	_	\$1,235,624		\$1,312,608
					(Con	tinued)

COMBINED STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS FOR THE YEAR ENDED DECEMBER 31, 2001

(Continued)

		Primary Government Enterprise		Component Units		Totals (Memorandum Only) Reporting Entity	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating Income (Loss)	\$	(11,100)	\$	825,293	\$	814,193	
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation and Amortization		64,824		1,060,625		1,125,449	
Provision for Bad Debts		04,624		1,156,252		1,156,252	
1 TOVISION FOR BAC DEDIS		-		1,130,232		1,130,232	
Changes in Assets and Liabilities:							
(Increase)/ Decrease in Accounts							
Receivable		300		(1,495,187)		(1,494,887)	
(Increase)/ Decrease in Inventory		-		(48,698)		(48,698)	
(Increase)/ Decrease in Prepaids		_		(6,441)		(6,441)	
(Increase)/ Decrease in Other Assets		_		(1,684)		(1,684)	
(Increase)/ Decrease in Third Party Settlements		_		(306,214)		(306,214)	
Increase/(Decrease) in Accounts				(500,211)		(500,211)	
Payable/Contracts Payable		190		(512,096)		(511,906)	
Increase /(Decrease) in Deposits Held and		170		(012,000)		(511,500)	
Due to Others		_		(2,039)		(2,039)	
Increase/ (Decreae) in Due to Other Governments		(355)		(=,===)		(355)	
Increase/(Decrease) in Accrued Wages		(322)				(355)	
and Benefits		(1,587)		545,789		544,202	
Increase/ (Decrease) in Due to Other Funds		(3,351)		-		(3,351)	
mercuse (Beercuse) in Bue to other rands		(3,351)			-	(5,551)	
Total Adjustments		60,021		390,307		450,328	
Net Cash Provided by (Used for)							
Operating Activities	_\$	48,921	\$	1,215,600	\$	1,264,521	
. 8						•	

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

Hocking County, Ohio (The County), was organized on March 1, 1818. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, Municipal Court Judge, a Probate/Juvenile Judge and a Common Pleas Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

Reporting Entity: The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Hocking County, this includes the Hocking County Board of Mental Retardation and Development Disabilities, Hocking County Children Services Board, Hocking County Child Support Enforcement Agency, and departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt or levying of taxes.

<u>Discretely Presented Component Units:</u> The component units column in the general purpose financial statements identify the combined financial data of the County's component units, Hocking Valley Industries, Inc. and Hocking Valley Community Hospital. Note 20 provides condensed financial information by individual component unit. Notes 21 and 22 provide component unit disclosures for Hocking Valley Community Hospital and Hocking Valley Industries, Inc., respectively. They are reported separately from the primary government to emphasize that they are legally separate from the County.

<u>Hocking Valley Industries, Inc.</u> - Hocking Valley Industries, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. Hocking Valley Industries, Inc., under contractual agreement with the Hocking County Board of Mental Retardation and Developmental Disabilities, provides habilitation services for the mentally and physically handicapped adults in Hocking County. Hocking Valley Industries, Inc. operates on a fiscal year ending December 31.

The Hocking County Board of Mental Retardation and Developmental Disabilities provides Hocking Valley Industries with staff salaries and other funds and support necessary for the operation of Hocking Valley Industries, Inc. Based on the significant services and resources provided by the County to Hocking Valley Industries, Inc. and the non-profit organization's sole purpose of providing assistance to the mentally and physically handicapped adults of Hocking County, Hocking Valley Industries, Inc. is presented as a component unit of Hocking County. Separately issued audited financial statements can be obtained from Hocking Valley Industries, Inc., 1369 East Front Street, Logan, Ohio 43138.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION - Continued

Discretely Presented Component Units: - Continued

Hocking Valley Community Hospital - Hocking Valley Community Hospital is organized as a county hospital under provisions of the general statutes of the State of Ohio. The Board of Trustees are appointed by the county commissioners and the probate and common pleas court judges. The Hospital began operations in 1966 and has a 61-bed acute care unit and a 30-bed skilled nursing unit. Hocking Valley Community Hospital operates on a fiscal year ending December 31. The County has issued debt on behalf of the Hospital using the County's general taxing authority and the Hospital pays the debt service on this debt. Because the Hospital is a county hospital as defined under the Ohio Revised Code and the County does use their taxing authority to issue debt on behalf of the Hospital, the Hospital is presented as a component unit of Hocking County. Separately issued audited financial statements can be obtained from Hocking Valley Community Hospital, 601 State Route 664 North, Logan, Ohio 43138.

The County is associated with certain organizations, which are defined as a Joint Venture or Jointly Governed Organizations. These organizations are presented in Note 17 and 18 to the General Purpose Financial Statements. These organizations are:

- · Corrections Commission of Southeastern Ohio
- Athens-Hocking-Vinton Alcohol, Drug Addiction and Mental Health District
- · Athens-Hocking Joint Solid Waste Management District
- · Buckeye Joint-County Self-Insurance Council

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the districts listed below, the County serves as fiscal agent, but the districts are not fiscally dependent on the County. Accordingly, the activity of the following districts and agencies are presented as agency funds within the County's financial statements.

- Hocking County Soil and Water Conservation District
- · Hocking County General Health District

<u>Basis of Presentation - Fund Accounting:</u> The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes herein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

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

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION - Continued

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

<u>Special Revenue Funds</u> These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

<u>Debt Service Funds</u> These funds are used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs and special assessment long-term debt principal, interest and related costs.

<u>Capital Projects Funds</u> These 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 enterprise funds).

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

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

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

<u>Agency Funds</u> These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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

<u>General Fixed Assets Account Group</u> The General Fixed Assets Account Group is used to account for all fixed assets of the County, other than those fixed assets accounted for in the enterprise funds.

<u>General Long-Term Obligations Account Group</u> The General Long-Term Obligations Account Group is used to account for all long-term debt of the County, except that accounted for in the enterprise funds.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. Condensed financial information on the County's discretely presented component units can be found in Note 20 to the general purpose financial statements. Notes 21 and 22 provide component unit disclosures for Hocking Valley Community Hospital and Hocking Valley Industries, Inc., respectively.

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

All enterprise 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. Enterprise fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Revenues 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, revenues are recognized in the fiscal year in which the resources are measurable and become available. Measurable means the amount of the transaction can be determined. Available means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the County is sixty days after year-end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, permissive sales taxes, local government, local government revenue assistance, homestead/rollback, gasoline tax, motor vehicle license tax, undivided library, and federal and state grants. On the modified accrual basis of accounting the property taxes are recognized as receivables in the year in which the tax was levied. The permissive sales taxes, local government, local government revenue assistance, homestead/rollback, gasoline tax, motor vehicle license tax, and undivided library taxes are recognized as receivables based on the amounts remaining to be paid to the County at year end from the appropriations established by the State of Ohio for their fiscal year that ends June 30, 2002. Revenues from grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements included timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The County reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance 2002 operations, have been recorded as deferred revenue. In addition permissive sales taxes, local government, local government revenue assistance, gasoline tax, motor vehicle license tax, and undivided library taxes received after the sixty-day availability period have been recorded as deferred revenue.

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

The enterprise funds are reported using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized at the time they are incurred, if measurable. Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting", the County has elected not to apply Financial Accounting Standards Boards Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

<u>Budgetary Process</u>: The budgetary process is prescribed by provisions of the Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, legally are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners.

<u>Tax Budget</u>: A budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources: The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the Commissioners. The County Commissioners legally enacted several supplemental appropriation resolutions during the year. The budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

<u>Budgeted Level of Expenditures</u>: Administrative control is maintained through the establishment of detailed lineitem budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Commissioners' appropriations are made to fund, department and object level (i.e., General Fund - Commissioners - personal services, fringe benefits, supplies and materials, contractual services and other expenditures).

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

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

Cash and Cash Equivalents: The County previously adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools; however, the County did not have any investments during 2001, so there was no impact on the financial statements. Cash balances of the County's funds, except cash held by a trustee or fiscal agent and in segregated accounts, are pooled and invested in interest bearing accounts and short-term certificates of deposit in order to provide improved cash management. Each fund type's share of the pool is presented on the balance sheet in the account "Equity with County Treasurer." For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents. Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts." Interest is distributed to the General Fund, the Motor Vehicle Gas Tax Fund, and the Sheriff LEBG Fund. Interest earned during 2001 amounted to \$438,770. Of this amount, \$362,788 represents interest assigned from other funds to the General Fund.

Nonparticipating investment contracts such as certificates of deposit are reported at cost.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

<u>Inventory of Supplies</u>: Inventories of governmental funds are stated at cost while inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds that indicates that it does not constitute available expendable resources even though it is a component of net current assets.

<u>Prepaid Items</u>: Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure is reported in the year in which services are consumed. As of December 31, 2001, the County did not have any significant prepaid items.

<u>Interfund Assets and Liabilities</u>: Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

Fixed Assets and Depreciation: In the case of land, buildings, and certain Enterprise Fund assets, the fixed asset values initially were determined at December 31, 1995, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at estimated fair value on the date donated. For all other assets, fixed assets were recorded at original cost. The County has implemented a comprehensive inventory management system over the past several years to monitor and track fixed assets and related depreciation. Effective January 1, 2001 the County established a new capitalization policy of \$1,000 as the threshold for which fixed assets are to be reported; \$500 was the prior threshold. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements that extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

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

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the County. The County does not include the assets related to Hocking Valley Community Hospital nor the Hocking Valley Industries, Inc. in the General Fixed Assets Account Group. Such assets are reported as part of the component unit.

<u>Enterprise Fund Fixed Assets</u>: Fixed assets reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	Estimated Lives
Sewer treatment plants	25
Sewer lines and related assets	40-50

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

<u>Compensated Absences</u>: The County uses the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

County employees earn vacation and sick leave at varying rates depending on length of service and departmental policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service. Accumulated, unused sick leave is paid up to a maximum of 240 hours depending on the length of service.

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

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

Capital contributions received after 2000 are recorded as revenue and are reported as increases in retained earnings based on guidelines established by GASB Statement No. "Accounting and Financial Reporting for Nonexchange Transactions". No capital contributions were received in 2001.

<u>Contributed Capital</u>: Contributed capital represents resources from other funds, other governments, private sources, and tap-in fees, to the extent they exceed the cost of physical connection to the system, which have been provided to the enterprise funds and are not subject to repayment. Because the County, prior to 1996, had not prepared financial statements in accordance with generally accepted accounting principles, the exact amount of contributed capital pertaining to years prior to 1996 could not always be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying general purpose financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings.

Reserves of Fund Equity: The County records reservations for those portions of fund balance, which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, debt service, and inventory of supplies.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

<u>Long-Term Debt</u>: Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

Interfund Transactions: During the course of normal operations, the County has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers. Nonrecurring and non-routine transfers of equity between funds and the transfer of residual balances of discontinued funds or projects to the general fund or capital projects funds are classified as residual equity transfers.

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

<u>Estimates</u>: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Total Columns on General Purpose Financial Statements: Total columns on the general purpose financial statements are captioned "Totals (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 generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates that a component unit is included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "Reporting Entity" and includes the activity and operations of the County's legally separate discretely presented component units (see Note 1). The "Total" columns on statements that do not include a component unit have no additional caption.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

<u>Legal Compliance</u>: The following funds had expenditures plus encumbrances in excess of appropriations at December 31, 2001:

Special Revenue Funds	
Marriage License Fund - Health	10,746
Lodging Tax Fund	
General Government- Legislative & Executive	54,506
CDBG Fund	
Economic Development & Assistance	206

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - Continued

The following funds had appropriations in excess of estimated receipts at December 31, 2001:

Special Revenue Funds
Hocking County Municipal Drug Court Fund
CDBG Fund
VOCA Grant Fund
Children's Services Fund

NOTE 4 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- 1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis). Material encumbrances are disclosed in the notes for the enterprise funds (GAAP basis).
- 4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- 5. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Government Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$(30,055)	\$148,232	\$221	\$(113,111)
Increase (Decrease) Due To:				
Revenue Accruals	198,431	(592,600)	-	-
Expenditure Accruals	(164,425)	282,079	-	(12,434)
Advances In	369,500	5,000	-	-
Advances Out	(369,500)	(5,000)	-	-
Encumbrances	(60,163)	(635,710)		
Budget Basis	\$(56,212)	\$(797,999)	\$221	\$(125,545)

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 4 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS - Continued

Net Loss/Excess of Revenues Over (Under) Expenses Proprietary Fund Type

	Enterprise
GAAP Basis	\$(33,369)
Increases (Decreases) Due To:	
Revenue Accruals	300
Expense Accruals	(5,103)
Depreciation	64,824
Note Principal Payment	(6,200)
Encumbrances	(1,183)
Budget Basis	\$19,269

NOTE 5 - DEPOSITS AND INVESTMENTS

<u>Policies and Procedures</u>: The County has adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. However, at December 31, 2001, the County did not hold any investments. State Statute classifies moneys held by the County into two categories. Active moneys means an amount of 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.

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

- Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
- 2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
- 3. Written repurchase and reverse repurchase agreements in the securities listed above;
- 4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State or its political subdivisions;
- 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; and
- 7. The State Treasurer's investment pool (STAR Ohio).

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS - Continued

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.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

<u>Deposits.</u> At year-end, the carrying amount of the County's deposits was \$10,134,737. The County had \$141,518 of cash on hand at year-end and the bank balance was \$10,244,086. Of the bank balance, \$427,537 was covered by federal depository insurance. The remaining amounts were considered uninsured and uncollateralized. Although all Ohio statutory requirements for the collateralization of deposits had been followed, non-compliance with federal requirements could potentially prevent the County from exercising a successful claim as a secured creditor against the FDIC and render them a general creditor for the uncollateralized amount.

<u>Investments.</u> Statutory provisions require that the County Treasurer hold all securities acquired by the County or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and fair value of investments classified by risk. Category 1 includes investments that are insured or registered for which the County holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held in the counter party's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department but not in the County's name. The County held no investments as of December 31, 2001.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Because there are no differences between investments per GASB Statement No. 9 and GASB Statement No. 3, no reconciliation is necessary.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years. The last reappraisal was completed in 1998. Real property taxes are payable annually or semiannually. The first payment is due February 14, with the remainder payable by July 18.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 6 - PROPERTY TAXES - Continued

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

Accrued property taxes receivables represent delinquent taxes outstanding and real, tangible personal, and public utility taxes that were measurable and unpaid as of December 31, 2001. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2001 operations. The receivable is therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2001, was \$11.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$243,701,690
Commercial/Industrial	35,876,340
Public Utilities	102,630
Minerals	1,179,780
Tangible Personal Property	
General	29,763,777
Public Utility	51,059,290
Total Property Taxes	\$361,683,507

NOTE 7 - PERMISSIVE SALES TAX

In prior years, the County Commissioners, by resolution, imposed a one percent tax on certain retail sales, made in the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the general fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Sales and use tax revenue for 2001 amounted to \$1,663,792.

In 1998, a 911 Sales Tax in the amount of one quarter of one percent on certain retail sales made in the County was imposed. The proceeds from this tax are credited to the Hocking County 911 Fund and are used for 911 purposes. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. The 911 sales and use tax revenue for 2001 amounted to \$383,378.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at December 31, 2001, are as follows:

	E	Enterprise
Land	\$	39,401
Sewer Plants and Buildings		305,301
Sewer Lines and Related Assets		2,479,028
Total Fund Fixed Assets		2,823,730
Less: Accumulated Depreciation		(834,991)
Total Fund Fixed Assets (net of		_
accumulated depreciation)	\$	1,988,739

A summary of the changes in general fixed assets during 2001 is as follows:

Asset Category	Year Ended 12/31/00 Additions Disposals		Year Ended 12/31/01			
Land & Land Improvements	\$	360,591	\$ -	\$ -	\$	360,591
Buildings		1,271,449	-	-		1,271,449
Machinery & Equipment		2,495,030	75,784	24,230		2,546,584
Vehicles		2,561,249	 441,100	 71,110		2,931,239
Totals	\$	6,688,319	\$ 516,884	\$ 95,340	\$	7,109,863

The beginning balances for Buildings and Machinery & Equipment have been restated due to the change in capitalization policy from \$500 to \$1,000. The beginning balances for Buildings decreased from \$1,272,369 to \$1,271,449 and the beginning balances for Machinery & Equipment decreased from \$2,739,089 to \$2,495,030.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 9 - INTERGOVERNMENTAL RECEIVABLES (DUE FROM OTHER GOVERNMENTS)

A summary of the principal items of intergovernmental receivables is as follows:

Fund Type/Fund	Amount
General Fund	
Grants	\$10,718
Local Government & Local Government	
Revenue Assistance	275,000
Homestead/Rollback	63,000
Jail confinement	4,592
Other	298
Total General Fund	353,608
Special Revenue Funds	
License, Gasoline, and Permissive Taxes	1,256,000
Grants and Entitlements	113,120
Homestead/Rollback	107,231
Other	7,482
Total Special Revenue Funds	1,483,833
Agency Funds	
License, Gasoline, and Permissive Taxes	382,500
Undivided Library Tax	500,000
Local Government & Local Government	
Revenue Assistance	525,000
Total Agency Funds	1,407,500
Total All Funds	\$3,244,941

NOTE 10 - RISK MANAGEMENT

The Buckeye Joint-County Self Insurance Council is jointly governed organization that serves Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, Vinton and Washington counties, and was formed as an Ohio non-profit corporation for the purpose of establishing an insurance pool to obtain general liability, law enforcement, professional and fleet insurance. Member counties provide operating resources to the corporation based on actuarially determined rates.

The degree of control exercised by any participating government is limited to its representation on the Board. The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers that include a President, Vice President, Second Vice-President and two Governing Board members. The Governing Board must approve the expenditures and investments of funds by the officer unless the Governing Board has set specific limits.

In the event of losses, the member will pay the first \$250 to \$1,000 of any valid claim depending on the type of loss. The next payment, with a maximum pay ranging from \$100,000 to \$1,000,000 per occurrence, will come from the self-insurance pool based on the member's percentage of contribution. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments. Hocking County does not have any ongoing financial interest or responsibility.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 10 - RISK MANAGEMENT - Continued

The agreement between the County and the Council indicates that a voluntary withdrawal or termination by the county shall constitute a forfeiture of any pro-rata share of the Council reserve fund.

In the event of the termination of the Council, current members shall be paid in an amount they have contributed to the Council as of the last month of the Council's existence. Current calculation of this potential residual interest is, therefore, not possible. During 2001, Hocking County paid \$50,501 to the Council for insurance coverage. This jointly governed organization is a cost-sharing pool.

The County pays the State Bureau of Worker's Compensation System a premium based on a rate per \$100 salary. This rate is calculated based upon accident history and administrative costs. The County pays all elected officials' bonds by statute.

NOTE 11- DEFINED BENEFIT RETIREMENT PLAN

<u>Public Employees Retirement System:</u> All Hocking County full-time employees, participate in the Public Employees Retirement System of Ohio (the "System"), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The 2001 employer contribution rate was 13.55% of covered payroll for employees other than law enforcement. The law enforcement employer rate was 16.70% of covered payroll. The employee contribution rates are 8.5% 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%. Hocking County's contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$1,638,347, \$1,371,083, and \$1,343,708, respectively; 92.2% has been contributed for 2001 and 100% for years 2000 and 1999. Of the 2001 amount, \$126,977 was unpaid at December 31, 2001 and is recorded as a liability within the respective funds.

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System have an option to choose social security or the Public Employees Retirement System/State Teachers Retirement System. As of December 31, 2001, none of the elected officials had elected social security.

NOTE 12 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System: The Public Employees Retirement System of Ohio (the "System") provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the System is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer rate for employees other than law enforcement personnel was 13.55% of covered payroll; 4.3% was the portion that was used to fund health care for 2001. The law enforcement employer rate was 16.70% and 4.3% was used to fund health care for the year. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 12 - POSTEMPLOYMENT BENEFITS - Continued

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

OPEB are advance-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The County contributions actually made to fund postemployment benefits during fiscal year 2001 were \$314,202. \$11,735.9 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2000 (the most recent data available). The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

NOTE 13 - OTHER EMPLOYEE BENEFITS

<u>Deferred Compensation Plans</u>: The County offers the Ohio Public Employees Deferred Compensation Plan and the County Commissioners Association of Ohio Deferred Compensation Plan to its employees and elected officials. The plans were established in accordance with Internal Revenue Code 457, as well as ORC Sections 145.73 and 145.74. Participation in either plan is on a voluntary payroll deduction basis. These plans permit the deferral of compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or for an unforeseeable emergency. Both plans have implemented GASB Statement No. 32 in prior years. In accordance with the pronouncement, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

HOCKING COUNTY, OHIO
Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 14 - LONG-TERM DEBT

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

Types/Issues	Outstanding 12/31/00	Increases	Decreases	Outstanding 12/31/01
General Long-Term Obligations				
General Obligation Bonds:				
1998 - 3.8 - 5.35% Consolidated County Building Bonds	\$ 655,000	\$ -	\$ 35,000	\$ 620,000
1995 - 8.5%	Ψ 000,000	Ψ	Ψ 00,000	Ψ 020,000
County Annex Bonds	63,328		21,342	41,986
Total General Obligation Bonds	718,328	-	56,342	661,986
Long-Term Notes				
1999 - 5.5%				
Road Equipment Series Notes 2000 - 6.85%	25,000	-	25,000	-
Road Equipment Series Notes	50,000	_	25,000	25,000
2001 - 7.0%	,			
Land Mortgage Note		118,800		118,800
Total Long-Term Notes	75,000	118,800	50,000	143,800
Special Assessment Bonds:				
1996 - 5.5%				
Rockbridge Sewer Special Assessment Bonds 1991 - 5.875%	48,200	-	2,000	46,200
Haydenville FmHA Special Assessment Bonds	35,600	-	2,400	33,200
1985 - 5.0%				
West Logan Water FmHA Special Assessment Bonds	15,390	-	3,100	12,290
Total Special Assessment Bonds	99,190	-	7,500	91,690
Obligations Under Capital Leases	-	227,334	47,019	180,315
Compensated Absences	652,667	74,513		727,180
Total General Long-Term Obligations	\$ 1,545,185	\$ 420,647	\$ 160,861	\$ 1,804,971
Enterprise Fund				
1996 - 4.5%				
Rockbridge Sanitary Sewer Revenue Bonds	\$ 329,500	\$ -	\$ 3,600	\$ 325,900
1991 - 5.875%	040 700		0.000	040 400
Haydenville Sewer FmHA Revenue Bonds	212,700		2,600	210,100
Total Enterprise Fund	\$ 542,200	<u> </u>	\$ 6,200	\$ 536,000

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 14 - LONG-TERM DEBT - Continued

The General Obligation Bonds will be paid from the Debt Service Funds. The Road Equipment Series Notes and the Land Mortgage Note will be paid from the Auto Gas Fund (a Special Revenue Fund). The Special Assessment Bonds will be paid through special assessments levied on the benefiting property owners. In the event that a property owner would fail to pay the assessment, the County would make payment. Operating revenues generated from sewer fees will pay the Enterprise Fund Sanitary Sewer Revenue Bonds. The compensated absences liability will be paid from the fund from which the employees are paid. Additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the County to determine these amounts separately.

As more fully described in Note 21, Hocking Valley Community Hospital is responsible for the debt service on the 1993 Hospital Refunding and Improvement Bonds and the 1997 County Hospital Improvement Bond Anticipation Note. The County is not reporting this debt as part of the County's Primary Government. The Hospital is responsible for paying off this debt; therefore, the debt is being reported within the Hocking Valley Community Hospital, a discretely presented component unit of the County. In the event that the Hospital would fail to pay the debt, the County would be responsible for making payment.

The following is a summary of the County's future principal and interest requirements for long-term debt obligations, including \$864,873 of interest:

	Co	nsolidated					5	Sanitary	
		County	(County		Special		Sewer	
		Building		Annex	As	ssessment	R	levenue	
		Bonds		Bonds		Bonds Bonds		Bonds	 Total
2002	\$	71,228	\$	25,906	\$	12,144	\$	33,509	\$ 142,787
2003		74,426		19,429		12,258		33,479	139,592
2004		72,358		-		11,945		33,533	117,836
2005		70,242		-		11,816		33,567	115,625
2006		73,082		-		8,592		33,481	115,155
2007-2011		311,726		-		43,061		167,628	522,415
2012-2016		141,832		-		20,590		167,440	329,862
2017-2021		54,013		-		4,076		167,499	225,588
2022-2026		-		-		-		167,566	167,566
2027-2031		-		-		-		167,384	167,384
2032-2036		-		-		-		92,242	92,242
2037-2038		_		_				18,497	 18,497
Totals	\$	868,907	\$	45,335	\$	124,482	\$	1,115,825	\$ 2,154,549

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 14 - LONG-TERM DEBT - Continued

The Road Equipment Series Notes and Land Mortgage Notes (including interest of \$37,247) are payable as follows:

	Road	Land
	Equipment	Mortgage
	Notes	Notes
2002	\$26,741	\$22,044
2003	=	22,044
2004	=	22,044
2005	=	22,043
2006	=	22,044
2007	=	22,044
2008	<u> </u>	22,043
Totals	\$26,741	\$154,306

NOTE 15 - CAPITAL LEASE OBLIGATIONS

The County entered into agreements to lease a copier and a Terex 40-ton crane during fiscal year 2001. The terms of the agreements provide options to purchase the equipment at the end of the lease. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. The equipment was for the Auto Gas Fund. The total amount of the capital lease obligation in the amount of \$227,334 was recorded as capital outlay expenditures and inception of capital lease in the Special Revenue Fund in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types. For these leases, principal and interest payments made during fiscal year 2001 were \$47,019 and \$10,405, respectively. For the leased assets acquired by the Auto Gas Fund, general fixed assets acquired by leases have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The County's future minimum lease payments under capital lease obligations as of December 31, 2001 are as follows:

Fiscal Year	Term Acc	neral Long- obligations ount Group oital Leases
2002	\$	53,797
2003		53,797
2004		53,797
2005		50,169
Total minimum lease payments	\$	211,560
Less: amount representing interest		31,245
Present value of minimum lease payments	\$	180,315

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 16 - INTERFUND TRANSACTIONS

Interfund balances at December 31, 2001, consist of the following individual fund receivables and payables:

Fund Type/Fund	Due From Other Funds	Due To Other Funds
General Fund	\$38,897	\$1,621
Special Revenue Funds		
Auto Gas Fund	5,002	-
Hocking County DHS/CSEA Fund	-	595
Dog & Kennel Fund	-	70
Human Services Fund	-	101,950
Marriage License Fund	639	=
Probate Court Business Fund	14 32	-
Drug Law Enforcement Fund	32 390	-
Indigent Guardianship Fund Drug Law Enforcement – Sheriff Fund	47	_
Real Estate Assessment Fund	-	13
Mental Retardation Fund	17,166	528
Emergency Medical Services Fund	15,371	92
Senior Citizens Fund	-	237
Indigent Drivers Alcohol Treatment Fund	532	-
Enforcement & Education Fund	221	-
Computerized Legal Research Fund	108	-
Municipal Court Legal Research Fund	936	-
Municipal Clerk's Computer Fund	3,336	-
Hocking County Integrated Intervention Fund	-	15
Children's Services Fund	83,884	-
Certificate of Title Administrative Fund	8,801	-
Juvenile Court Computer Fund	637 370	-
Probate Court Computer Fund Common Pleas Clerk Computer Fund	600	-
Lodging Tax Fund	-	3,026
Early Start Fund	21,000	3,020
Family & Children First Fund	24,264	50,257
Total Special Revenue Funds	183,450	156,783
·		
Enterprise Fund		00
Hocking County Sewer Fund	-	98
Agency Funds		
Soil & Water Conservation Fund	-	69
Board of Health Fund	909	-
No Regrets Fund	4,884	-
Law Library Fund	3,653	2 220
Probate Court Fund	-	3,339
Sheriff Fund	-	4,982
EMS Agency Fund Clerk of Courts Fund	44	15,371 15,852
Juvenile Court Fund	553	2,922
Municipal Court Fund	-	21,568
Prosecutor Fund	-	9,785
Total Agency Funds	10,043	73,888
Total All Funds	\$232,390	\$232,390

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 16 - INTERFUND TRANSACTIONS - Continued

	Interfund	Interfund
Fund Type/Fund	Receivable	Payable
General Fund	\$1,000	-
Special Revenue Fund		
Hocking County Integrated Intervention Fun	nd -	1,000

NOTE 17 - JOINT VENTURE

Corrections Commission of Southeastern Ohio

The County is a participant with Athens, Morgan and Perry counties in the Corrections Commission of Southeastern Ohio (the Commission) which is a joint venture of the participating counties. The purpose of the Commission is to augment the county jail programs and facilities. The operation of the Commission allows for the humane and constitutional detention of persons who cannot be released to less restrictive alternatives. The Commission was established by the participating Boards of County Commissioners. The Commission is directed by the Sheriff of each participating county, the presiding Judge of the Court of Common Pleas of each participating county, and the current president of each participating Board of County Commissioners. Each county is obligated to provide financial support to this entity through per diem charges and assessments which are based on the number of beds contractually assigned to each county in proportion to the total number of beds of all participating counties. The County has an ongoing financial responsibility for this entity and, during 2001, contributed \$456,323 toward the operating and capital costs of this facility. However the County has no explicit equity interest in the Commission. Complete financial statements of the joint venture can be obtained from the Corrections Commission of Southeastern Ohio, 16678 Wolfe Bennett Road, Nelsonville, Ohio 45764.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Athens-Hocking-Vinton Alcohol, Drug Addiction and Mental Health District

The County is a member of the Athens-Hocking-Vinton Alcohol, Drug Addiction and Mental Health District, which is a jointly governed organization of these three counties. The purpose of the District is to provide alcohol, drug addiction and mental health services to residents of each of these three counties. Each participating county has agreed to levy a tax within their county to assist in the operation of the District, whose passage requires a majority in the total three county district.

This entity is governed by an eighteen member board that is responsible for its own financial matters and operates autonomously from Hocking County. The Athens County Auditor serves as fiscal agent for the activities of the Board. Nine of the board members are appointed by the Ohio Department of Alcohol and Drug Addiction Service and the other four members are appointed by the Ohio Department of Mental Health. The District derives its revenue from local property taxes, intergovernmental grants and reimbursements, and other miscellaneous revenue. Hocking County has no ongoing financial interest or responsibility in this District.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Athens/Hocking Joint Solid Waste Management District

The County is a member of the Athens/Hocking Joint Solid Waste Management District, which is a jointly governed organization of these two counties. The purpose of the District is to make disposal of waste in the two-county area more comprehensive in terms of recycling, incinerating, and land filling. The District's sole revenue source is derived from a waste disposal fee for in-district and out-of-district waste. Although the counties contributed amounts to the District at the time of its creation, all contributions have since been returned to the respective counties and no future contributions by the counties are anticipated. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

Buckeye Joint-County Self Insurance Council

The Buckeye Joint-County Self Insurance Council is a jointly governed organization that serves Athens, Hocking, Jackson, Meigs, Monroe, Morgans, Noble, Perry, Pike, Vinton, and Washington Counties and was formed as an insurance pool for the purpose of providing general liability, law enforcement, professional and fleet insurance. Member counties provide operating resources to the organization base on actuarially determined rates. The degree of control exercised by any participating government is limited to its representation on the Board. Hocking County does not have any ongoing interest or responsibility in the organization.

NOTE 19 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains one enterprise fund for reporting purposes. This fund is intended to be self-supporting through user fees charged for services provided to consumers for sewage services. The component units, Hocking Valley Community Hospital and Hocking Valley Industries, Inc. were excluded because detailed financial information on these component units is presented in Note 20. Financial segment information as of and for the year ended December 31, 2001, is as follows:

	Hocking County Sewer Fund	
Operating Revenues	\$ 170,687	
Operating Expenses Before Depreciation	116,963	
Depreciation Expense	64,824	
Operating Loss	(11,100)	
Nonoperating Revenues (Expenses):		
Interest and Fiscal Charges	(27,323)	
Other Nonoperating Revenues	5,415	
Operating Transfers Out	(361)	
Net Loss	(33,369)	
Net Working Capital	77,295	
Total Assets	2,072,923	
Revenue Bonds Payable	536,000	
Total Fund Equity	1,530,034	
Encumbrances Outstanding at		
December 31, 2001	1,183	

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 20 - CONDENSED FINANCIAL INFORMATION FOR DISCRETELY PRESENTED COMPONENT UNITS

A. Balance Sheet

	Hocking Valley Community Hospital	Hocking Valley Industries, Inc.	Total
Assets:	rioopitai		10141
Cash and Cash Equivalents in			
Segregated Accounts	\$1,104,081	\$131,544	\$1,235,625
Investments in Segregated Accounts	420,714	-	420,714
Accounts Receivable	4,518,107	-	4,518,107
Materials and Supplies Inventory	189,682	13,409	203,091
Prepaid Items	18,038	-	18,038
Deferred Financing Charges	101,290	-	101,290
Other Assets	-	2,684	2,684
Third Party Settlements	217,497	-,	217,497
Assets Whose Use is Limited – Under	,		
Bond Indenture Agreement	330,000	-	330,000
Other Receivables	15,699	-	15,699
Fixed Assets (Net of Accumulated	•		•
Depreciation)	9,540,828	80,264	9,621,092
· · · · · · · · · · · · · · · · · · ·		· · · · · · · · · · · · · · · · · · ·	-
Total Assets	\$16,455,936	\$227,901	\$16,683,837
Liabilities and Fund Balances:	_		
Liabilities:			
Accounts Payable	\$1,362,204	\$ -	\$1,362,204
Accrued Wages and Benefits	1,533,585	-	1,533,585
Deposits Held and Due to Others	-	76	76
Capital Leases Payable	1,337,532	-	1,337,532
County Hospital Bonds & Long-Term Notes	4,086,427	-	4,086,427
Total Liabilities	8,319,748	76	8,319,824
Fund Balances – Undesignated	8,136,188	227,825	8,364,013
Total Liabilities and Fund Balances	\$16,455,936	\$227,901	\$16,683,837

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 20 - CONDENSED FINANCIAL INFORMATION FOR DISCRETELY PRESENTED COMPONENT UNITS - Continued

B. Statement of Revenues, Expenses and Changes in Fund Balances

	Hocking Valley	Hocking Valley	
	Community Hospital	Industries, Inc.	Total
Operating Revenues:	rioopitai		
Charges for Services	\$ -	\$744,595	\$774,595
Patient Service Revenues	21,594,279	-	21,594,279
Other Operating Revenues	111,290	14,320	125,610
Contributed Services from County	<u>-</u>	267,141	267,141
Total Operating Revenues	21,705,569	1,056,056	22,761,625
Operating Expenses:			
Personal Services	9,758,589	621,224	10,379,813
Donated Services	-	267,141	267,141
Contractual Services	3,844,430	49,038	3,893,468
Materials and Supplies	5,028,278	124,542	5,152,820
Provisions for Bad Debts	1,156,252	=	1,156,252
Other Operating Expenses	<u>-</u>	26,213	26,213
Depreciation and Amortization	1,030,070	30,555	1,060,625
Total Operating Expenses	20,817,619	1,118,713	21,936,332
Operating Income (Loss)	887,950	(62,657)	825,293
Nonoperating Revenues (Expenses):			
Investment Income	113,063	4,287	117,350
Interest and Fiscal Charges	(358,126)	(421)	(358,547)
Transfer to Affiliates	(319,101)	-	(319,101)
Other Nonoperating Revenues	609,222		609,222
Total Nonoperating Revenues (Expenses)	45,058	3,866	48,924
Excess of Revenues Over (Under) Expenses	933,008	(58,791)	874,217
Fund Balance at 1/1/01	7,203,180	286,616	7,489,796
Fund Balance at 12/31/01	\$8,136,188	\$227,825	\$8,364,013

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL

As indicated in Note 1 to the General Purpose Financial Statements, the following disclosures are made on behalf of Hocking Valley Community Hospital:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Hocking Valley Community Hospital (Hospital), located in Hocking County, Logan, Ohio, is organized as a county hospital under provisions of the general statues of the State of Ohio requiring no specific articles of incorporation. The organization is exempt from Federal income taxes. The Board of Trustees, appointed by the county commissioners and the probate and common pleas court judges, is charged with the management and operation of the Hospital, its finances and staff. The Hospital, which began operations in 1966, has a 61-bed acute care unit and a 30-bed skilled nursing unit.

Basis of Presentation - The financial statements have been presented in conformity with generally accepted accounting principles as recommended in the Audit Guide (Audits of Providers of Health Care Services) published by the American Institute of Certified Public Accountants. The significant accounting policies conform to Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Hospital also applies the Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to the extent that they do not contradict or conflict with GASB pronouncements.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affected the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary Fund Accounting - The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis.

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. As a part of previous financing related to its current hospital facilities, the Hospital received grants from the Hill-Burton Agency of the Federal government. Attached to the grants are certain restrictions requiring the Hospital to provide an annual amount of uncompensated care to indigent patients. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The amount of charity care not recorded as revenue was approximately \$822,668 and in 2001.

Net Patient Service Revenue - Normal billing rates for patient services are included in patient service revenue. Patient accounts receivable are adjusted for contractual allowances that are reported on the basis of preliminary estimates of the amounts to be received from third party payors. Final adjustments are recorded in the period such amounts are finally determined. In 2001, approximately 50% of the Hospital's total patient revenue was derived from Medicare payments while 12% was derived from Medicaid payments. The remaining revenue was derived primarily from commercial insurance payments and individual self-payments.

Investments - The Hospital's policy is to invest available funds in obligations of the U.S. Government, certificates of deposit, mutual funds and money market funds. Marketable equity securities owned by the Hospital were received through donations. The portfolio is carried at fair value at December 31, 2001.

Assets Whose Use is Limited - Assets whose use is limited consists of certificates of deposit restricted by the Trustee for maintenance of a minimum operating reserve in connection with the Hospital's Refunding and Improvement Bonds (see item 6 of this Note 21). The certificates are carried at fair value which approximates cost.

Inventory - Inventories are stated at the lower of cost (first-in, first-out) or market.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

Property, Plant and Equipment - Property, plant and equipment are reported on the basis of cost, except for donated items that are recorded at fair value at the date of the donation. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Depreciation is computed using the straight-line method over the lesser of the expected useful lives of depreciable assets. Equipment under capital leases is amortized using the straight-line method over the lesser of the lease term or the estimated useful life of the equipment.

Deferred Financing Costs - Deferred financing costs primarily consist of underwriter fees and other costs related to the issuance of the bonds (see item 6 of this Note 21) and are being amortized over the life of the bonds on the straight-line method. Accumulated amortization as of December 31, 2001 was \$13,222.

Cash and Cash Equivalents - The Hospital considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Risk Management - The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance is purchased for claims arising from such matters. Settled claims have not exceeded this coverage.

2. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payment to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries are paid at
 prospectively determined rates-per-discharge. These rates vary according to a patient classification
 system that is based on clinical, diagnostic and other factors; and
- Certain other costs applicable to the Medicare and Medicaid programs, primarily depreciation and other
 defined capital costs, skilled nursing costs and certain outpatient costs for the Medicare program, and
 outpatient costs for the Medicaid program are paid under a cost reimbursement methodology. As a result,
 final payment for these services will be determined after submission the Hospital's cost reports and
 audits by the third-party payors (see item 5 of this Note 21).

Effective August 1,2000, Medicare initiated the Outpatient Prospective Payment System, whereby most outpatient services will be paid on a prospective basis. There are certain provisions that allow for transitional payments through 2004 if payment under the prospective method falls below what would have been paid on the cost method. Differences between the total program billed charges and the interim payments are reflected as deductions from revenues.

Gross patient service revenue and the allowances to reconcile to net patient service revenue for the year ended December 31, 2001 is as follows:

	2001
Gross patient service revenues Less third-party allowances	\$33,743,246 12,148,967
Net patient service revenues	\$21,594,279

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL- Continued

3. DEPOSITS AND INVESTMENTS

The classification of cash and cash equivalents, assets whose use is limited and investments in the financial statements differs from criteria set forth in GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Agreements". A reconciliation between the general fund classifications of cash and cash equivalents, assets whose use is limited and investments per GASB Statement No. 3 is as follows:

		December 31, 2001	
	Cash and	Assets	
	Cash	Whose Use	
	Equivalents	Is Limited	Investments
Financial statements	\$1,104,081	\$330,000	\$420,714
Government securities	=	-	(113,634)
Mutual funds and equities	-	-	(100,989)
StarOhio	(27,897)	-	-
Merrill Lynch cash management account	(3,454)	-	-
Advest money market account	(716,417)	-	-
Cash on hand	(750)		
GASB Statement No. 3 deposits	\$355,563	\$330,000	\$206,091

Deposits - At December 31, 2001, the carrying amount of the Hospital's bank deposits for all funds is \$891,654 as compared to a bank balance of \$1,187,500. The difference in carrying amounts and bank balances are caused by outstanding checks and deposits in-transit. Of the bank balances, \$120,291 is covered by Federal insurance programs and \$1,067,209 is collateralized with securities held by the financial institution or by its trust department or agent but not in the Hospital's name.

Investments - The Hospital's investments for GASB Statement 3 purposes are categorized below to give an indication of the level of risk assumed by the entity. Risk Category 1 includes those investments that meet any one of the following criteria: a) Insured; b) Registered; or c) Held by the Hospital or its agent in the Hospital's name.

Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Hospital's name. Category 3 includes investments held by a) the counterparty, or b) the counterparty's trust department (or agent), but not in the Hospital's name.

	1	<u> </u>	Category 2	3	Carrying Amount
Government securities Star Ohio, Merrill Lynch and Advest Mutual funds and equities	\$	- - -	\$ - 747,768 -	\$ 113,634 - 100,989	\$ 113,634 747,768 100,989
Total	\$	-	\$ 747,768	\$ 214,623	\$ 962,391

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

Land improvements	\$243,665
Building and improvements	10,472,453
Equipment	7,636,488
Equipment under capital lease obligations	2,422,841
Total	20,775,447
Less accumulated depreciation	11,234,619
Net Total	\$9,540,828

5. MEDICARE AND MEDICAID THIRD-PARTY SETTLEMENTS

Reimbursement for Medicare and Medicaid patients is subject to audit and final settlements by the respective intermediaries. Final settlements have been reached with Medicare through 1998 and with Medicaid through 1996. The amounts reported in the financial statements represent the estimated settlements outstanding at December 31, 2001, which Hospital management believes will approximate final settlements after audit by the respective agencies.

6. LONG-TERM DEBT AND LEASES

Long-term debt consists of the following:

County Hospital Refunding and Improvement Bonds, dated July 15, 1993: Serial bonds, principal due each December 1 through 2003 ranging from \$150,000 to \$185,000, interest due each June 1 and December 1 with rates ranging from 3.95% to 4.8%. 360,000 Term bonds, 5.35%, due December 1, 2008, mandatory annual redemption beginning December 1, 2004 in installments ranging from \$195,000 to \$235,000, plus interest. 1,075,000 Term bonds, 5.45%, due December 1, 2013, mandatory annual redemption beginning December 1, 2009 in installments ranging from \$50,000 to \$65,000, plus interest. 290,000

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

6. LONG-TERM DEBT AND LEASES - CONTINUED

County Hospital Improvement Bonds, dated March 3, 1999:

Serial bonds, rates ranging from 3.3% to 4.65% principal due each December 1 through 20013, ranging from \$90,000 to \$145,000, with interest due each June 1 and December 1.

1,405,000

Term bonds, 4.75%, due December 1, 2019, mandatory annual redemption beginning December 1, 2014 in installments ranging From \$150,000 to \$185,000, plus interest.

1,025,000

Less – bond discount 68,573
Total 4,086,427

Less current portion 270,000

Long-term debt, excluding current portion \$3,816,427

In 1993, the Hospital received \$3,300,000 in proceeds from the issuance of Hocking County Hospital Refunding and Improvement Bonds), which was used to repay \$2,040,000 Hocking County Hospital Refunding Bonds (Refunding Bonds) before their scheduled maturity, repay a capital lease and construct certain Hospital improvements. The Hospital has agreed with the Hocking County Commissioners, as Trustee for the Refunding and Improvement Bonds, to maintain a minimum operating reserve of \$330,000.

The Hospital leases equipment under capital lease agreements that generally require the Hospital to pay insurance and maintenance costs. These capital leases are due in monthly installments including interest at rates ranging from approximately 6.3% to 12.2%. They expire at various dates through March 2006 and are collateralized by the equipment leased.

Cost of equipment under capital lease	\$ 2,422,841
Accumulated amortization	1,014,492
Net carrying amount	\$1,408,349

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

6. LONG-TERM DEBT AND LEASES - CONTINUED

Minimum payments on these obligations to maturity as of December 31, 2001 follows:

	Debt	Leases	Total
Year:			
2002	\$ 270,000	\$ 474,033	\$ 744,033
2003	280,000	447,122	727,122
2004	100,000	413,109	513,109
2005	105,000	221,691	326,691
2006	110,000	39,026	149,026
Thereafter	3,290,000	<u>-</u>	3,290,000
Subtotal	4,155,000	1,594,981	5,749,981
Less interest	-	257,449	257,449
Less bond discount	68,573	<u> </u>	68,573
Total	4,086,427	1,337,532	5,423,959
Less current portion	270,000	359,422	629,422
Long-term portion	\$ 3,816,427	\$ 978,110	\$ 4,794,537

7. PENSION PLAN

Plan Description - All Hospital employees are required to participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, health care benefits and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provision. PERS issues a publicly available comprehensive annual financial report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or (800)222-PERS (7377).

Funding Policy - The Hospital and employees contributed at actuarially determined rates for 2001, 13.55% and 8.5%, respectively, of covered employee payroll to PERS. The Hospital's contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$1,043,601, \$781,737, and \$881,636, respectively.

PERS also provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB). The Ohio Revised Code provides statutory authority for employer contributions. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. For the year ended December 31, 2001, that portion was 4.3%.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions are expected to be sufficient to sustain the program indefinitely. As of December 31, 2000 the unaudited estimated net assets available for future OPEB payments were \$11,735.9 million. The number of benefit recipients eligible for OPEB at December 31, 2000, was 411,076.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

8. PROFESSIONAL LIABILITY INSURANCE

The Hospital has professional liability insurance with a commercial carrier. Coverage is \$1,000,000 per occurrence and \$3,000,000 in the aggregate. In addition, the Hospital has umbrella coverage of \$1,000,000 per occurrence and \$1,000,000 in the aggregate. The policy also requires that certain members of the medical staff carry professional liability coverage of no less than \$1,000,000 per occurrence and \$1,000,000 in the aggregate. The Hospital's coverage is on a claims made basis.

9. DEFERRED COMPENSATION

Employees of the Hospital may elect to participate in the Ohio Public Employees Deferred Compensation Program (Program), a deferred compensation plan under Internal Revenue Code Section 457. Under the Program, employees may elect to defer a portion of their pay until a later date, usually after retirement. The deferred pay and any income earned thereon is not subject to Federal and state income taxes until actually received by the employee. The Program has implemented GASB Statement No. 32 in prior years. In accordance with the pronouncement, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

10. RELATED PARTIES

In January 1980, the Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation) was organized as a separate not-for-profit membership corporation. The purpose of the Foundation is to solicit gifts for the benefit of the Hospital. The Foundation's members elect the Board of Directors of the Foundation. The accompanying financial statements do not include the assets, obligations, revenues or expenses of the Foundation.

In May 1995, Hocking Valley Health Services (HVHS), a not-for-profit membership corporation located in Logan, Ohio, was formed. The purpose of HVHS is to provide health care and physician services and to own, lease, operate and/or provide health care facilities for the promotion of health in the area served by the Hospital. Additionally, HVHS is to conduct strategic health care planning and otherwise operated exclusively for the benefit and support of the Board of Governors of the Hospital. The Board of Trustees of HVHS are elected by HBHS's members of which fifty percent of the voting rights are controlled by the Board of Governors of the Hospital.

In March 1996, Hocking Valley Medical Group, Inc. (HVMG) was organized as a separate not-for-profit stock professional corporation. The purpose of HVMG is to engage in the practice, and to render the professional services, of medicine and to further the charitable purposes of the Foundation and the Hospital. At December 31, 2001 the sole shareholder of HVMG has entered an agreement with the Foundation and HVMG that states the shares of HVMG will be voted as directed by the Foundation. The accompanying financial statements do not include the assets, obligations, revenues or expenses of HVMG.

During 2001, the Hospital transferred \$319,101 to HVMG. This transfer is reflected in the changes in fund balance.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 21 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY COMMUNITY HOSPITAL - Continued

10. RELATED PARTIES - CONTINUED

On September 24, 1999 the Hospital entered into a 10-year non-cancelable lease with the Foundation for the Medical Arts Building. The Hospital is responsible for utilities, taxes, maintenance and insurance in addition to the rental payments of \$6,256 per month. Future minimum rental payments are as follows for the years ending December 31:

2002	\$75,075
2003	75,075
2004	75,075
2005	75,075
2006	75,075
Thereafter	206,456
Total minimum lease payments	\$581,831

11. COMMITMENTS AND CONTINGENCIES

At December 31, 2001, the Hospital is committed to construction contracts to construct and renovate certain surgery and labatory projects totaling approximately \$2.7 million.

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC.

As indicated in Note 1 to the General Purpose Financial Statements, the following disclosures are made on behalf of Hocking Valley Industries, Inc.:

1. ORGANIZATION AND OPERATIONS

Hocking Valley Industries, Inc. (the Agency) is incorporated in the State of Ohio. The Organization provides habilitation services for the mentally and physically handicapped.

2. ACCOUNTING POLICIES

Equipment is stated at cost and includes expenditures for new equipment and those that significantly extend the useful lives of existing equipment. Maintenance, repairs and renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and allowances for depreciation are removed from the respective accounts and any gain or loss is included in the statement of income.

Depreciation is computed using the accelerated cost recovery system and the modified accelerated depreciation system as appropriate. The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets.

Basis of accounting - The accompanying financial statements have been prepared on the cash basis. Consequently, certain revenues and expenses are recognized in the determination of income in different reporting periods than they would be if the financial statements were prepared in conformity with generally accepted accounting principles.

Inventory is priced at lower of cost or market, principally using the first-in, first-out method.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2001

NOTE 22 - COMPONENT UNIT DISCLOSURES - HOCKING VALLEY INDUSTRIES, INC. - Continued

3. TAX STATUS

The Agency is a nonprofit voluntary agency, exempt from income tax under Section 501 (c) (3) of the U.S. Internal Revenue Code. The nonprofit corporation is in compliance with the Internal Revenue Code in its respective filings of Form 990, Return of Organization Exempt from Income Tax.

4. LEASES

The Agency is leasing its premises from Hocking County Board of Mental Retardation and Developmental Disabilities. Effective for the three-year period July 1, 1999 through June 30, 2002, these payments were to be \$850 per month. Lease expense (rent) for the year ended December 31, 2001 was \$5,950. During 2001, the lease was renegotiated and for the period of August 1, 2001 through December 31,2001 no rent was required. The Hocking County Board of Mental Retardation and Developmental Disabilities also pays the salaries of certain supervisory personnel.

The following is a schedule of remaining lease payments on the above operating lease:

2002 \$ 5,100

Total lease payments \$ 5,100

5. CONCENTRATIONS OF CREDIT RISK

The Agency maintains its cash balances in financial institutions located in Logan, Ohio. At December 31, 2001, all of the cash balances are insured by the Federal Deposit Insurance Corporation.

6. IN-KIND CONTRIBUTIONS

In-kind contributions represent the value of salaries, administrative services, facilities rent and capital costs provided by Hocking County and amounted to \$267,141 for the fiscal year 2001. This amount is taken from the In-Kind Contribution Report submitted by the County Board and has not been independently verified.

NOTE 23 - CHANGE IN ACCOUNTING PRINCIPLES - IMPLEMENTATION OF GASB 33 AND GASB 36

For fiscal year 2001, the County has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Transactions." The implementation of these statements did not result in any significant fund balance adjustments as of January 1, 2001.

HOCKING COUNTY, OHIO SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2001

Federal Grantor / Pass through Grantor / Program Title	Pass through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Health and Human Services			
Passed through Ohio Department of Job and Family Services:			
Temporary Assistance for Needy Families	N/A	93.558	\$35,428
Passed through Ohio Department of Mental Retardation:			
Social Services Block Grant, Title XX	37-90-4058	93.667	30,740
Medical Assistance Program	48-90-4058	93.778	196,878
Total U.S. Department of Health and Human Services			263,046
U.S. Department of Education			
Passed through Ohio Department of Health: Special Education - Grants for Infants and Families with Disabilities	PL-102-119	84.181	29,038
Total U.S. Department of Education	1 L-102-11)	04.101	29,038
-			,,,,,
U.S. Department of Justice			
Direct from the Federal Government:	NT/A	16 505	11.010
Drug Court Discretionary Grant Program	N/A	16.585	11,010
Passed through Ohio Office of Attorney General:			
Crime Victim Assistance Grant	37-220T	16.575	40,933
Passed through Ohio Office of Criminal Justice Services:			
Byrne Formula Grant Program	99-LE-LEB3034	16.579	2,377
Edward Byrne Memorial State and Local Law Enforcement			
Assistance Discretionary Grant Program	00-DG-F02-7336	16.580	59,929
Total U.S. Department of Justice			114,249
U.S. Department of Housing and Urban Development			
Passed through Ohio Department of Development:	D F 00 024 01	14.000	45.000
Small Cities - Formula Grant	B-F-00-034-01	14.228	45,000
Total U.S. Department of Housing and Urban Development			45,000
U.S. Department of Labor			
Passed through Ohio Department of Job and Family Services:	27/1		400.00
Workforce Investment Act Program	N/A	17.255	409,270
Total U.S. Department of Labor			409,270
Federal Emergency Management Agency			
Passed through Ohio Department of Public Safety -			
Emergency Management Agency:	27/4	02.552	0.622
Emergency Management - Performance Grant	N/A	83.552	9,632
Total Federal Emergency Management Agency			9,632
Total Federal Awards Expenditures			\$870,235
-			

HOCKING COUNTY, OHIO SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2001

Note 1 - Significant Accounting Policies

The County prepares its schedule of federal awards expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

Note 2 - Federal Funds Not Reported

Certain federal funds received by the Hocking County Department of Job and Family Services are not included in this schedule due to the fact that the funds are both reported and audited at the State of Ohio level of government.

Note 3 - Workforce Investment Act Program

The Workforce Investment Act (WIA) Program, CFDA #17.255, was inadvertently omitted from the schedule of federal awards expenditures as initially reported on June 26, 2002. WIA has been added to this schedule and tested as a major program as of January 24, 2003.



CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Commissioners Hocking County 1 East Main Street Logan, Ohio 43138

We have audited the financial statements of Hocking County (the County), as of and for the year ended December 31, 2001, and have issued our report thereon dated June 26, 2002. We did not audit the financial statements of the County's discretely presented component units, Hocking Valley Community Hospital and Hocking Valley Industries, Inc. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Hocking Valley Community Hospital and Hocking Valley Industries, Inc., is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted several instances of noncompliance that we have reported to the management of the County in a separate letter dated June 26, 2002.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the County in a separate letter dated June 26, 2002.

Board of Commissioners Hocking County Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

This report is intended for the information and use of the Financial Report Review Committee, Commissioners, management, 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.

J. L. Uhrig and Associates, I nc.

J. L. UHRIG AND ASSOCIATES, INC.

June 26, 2002



CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Commissioners Hocking County 1 East Main Street Logan, Ohio 43138

Compliance

We have audited the compliance of Hocking County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2001-001.

Internal Control over Compliance

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

Board of Commissioners Hocking County Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2001-002.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended for the information and use of the Financial Report Review Committee, Commissioners, management, 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.

The accompanying schedule of findings and questioned costs has been revised to include the Workforce Investment Act (WIA) program, CFDA #17.255, as a major program, which was inadvertently omitted from the schedule initially reported on June 26, 2002.

J. L. Uhrig and Associates, I nc.

J. L. UHRIG AND ASSOCIATES, INC.

June 26, 2002, except for the last paragraph, which is dated January 24, 2003

Hocking County, Ohio Schedule of Findings and Questioned Costs For the Year Ended December 31, 2001

A. SUMMARY OF AUDITOR'S RESULTS

1.	Type of Financial Statement Opinion	Unqualified
1.	Type of Financial Statement Opinion	Onquanned
2.	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
3.	Were there any other reportable internal control weak- nesses reported at the financial statement level (GAGAS)?	No
4.	Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
5.	Were there any material internal control weaknesses reported for major federal programs?	No
6.	Were there any other reportable internal control weaknesses reported for major federal programs?	Yes
7.	Type of Major Program Compliance Opinion	Unqualified
8.	Are there any reportable findings under § .510?	Yes
9.	Major Programs (list):	Medical Assistance Program - CFDA #93.778 Workforce Investment Act Program - CFDA #17.255
10.	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Other Programs
11.	Low Risk Auditee?	Yes

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

Hocking County, Ohio Schedule of Findings and Questioned Costs For the Year Ended December 31, 2001

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no questioned costs for the federal programs. However, there were findings relating to the Workforce Investment Act program as follows:

Finding Number	2001-001
CFDA Title and Number	Workforce Investment Act Program, CFDA #17.255
Federal Award Number / Year	FY 2001
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

Program Income and Cash Management

Condition: Interest income was not allocated to the Workforce Investment Act (WIA) program during 2001 as required by WIA Regulations. Additionally, WIA revenues were commingled with other revenues of the Hocking County Job and Family Services which makes any allocation of interest cumbersome. Furthermore, we were unable to determine if WIA fund advances were made only for the immediate needs of the program as required by WIA Regulations.

Criteria: WIA Regulations require the addition method, described by 29 CFR 97.25 (g)(2), be used for all program income earned under the WIA Title I grants. When the cost of generating program income has been charged to the program, the gross amount earned must be added to the WIA program. However, the cost of generating program income must be subtracted from the amount earned to establish the net amount of program income available for use under the grants when these costs have not been charged to the WIA program. Furthermore, 29 CFR 97.20 (a)(7) and 31 CFR 205 require that the time elapsing between the advance and disbursement of funds be minimized so that cash advances are limited to the immediate cash needs of the program.

Effect: The Hocking County Job and Family Services did not comply with the program income and cash management requirements of the WIA program. No interest allocations were made to the balance of WIA funds on hand and we were not able to determine whether WIA funds were being held in excess of the immediate needs of the WIA program.

Recommendation: We recommend that a process be implemented that will enable management to track WIA balances on hand on any given day (i.e. separate fund or line items). Program income, as calculated using the addition method, should be allocated according to the balance on hand. This process should also be utilized by management to determine whether the time elapsing between the advance and disbursement of funds is being minimized so that cash advances are limited to the immediate needs of the WIA program.

Hocking County, Ohio Schedule of Findings and Questioned Costs For the Year Ended December 31, 2001

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2001-002
CFDA Title and Number	Workforce Investment Act Program, CFDA #17.255
Federal Award Number / Year	FY 2001
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

Internal Controls - Individual Training Accounts

Condition: The Hocking County Job and Family Services did not maintain individual training accounts (ITA's) for dislocated workers or individual spending limits for any participants in the WIA program during 2001.

Criteria: ITA's and individual spending limits are used to provide control over the accuracy of activities reported for each individual that participates in the WIA program. The debits to the ITA's (i.e. amounts approved for payment) should be reconciled to the WIA fund disbursements. The credits to the ITA's (i.e. amounts the individual is permitted to spend) should not exceed the spending limits established by the Tri-County Workforce Policy Board.

Effect: There was a weakness in the internal controls over the accuracy of amounts reported as activities allowed for the WIA program due to the fact that there were no ITA's maintained for dislocated workers or spending limits established for any of the participants.

Recommendation: We recommend that ITA's be maintained and spending limits be established for all participants in the WIA program. The debits to the ITA's should be reconciled each month to the WIA fund disbursements. The Tri-County Workforce Policy Board should establish spending limits for the participants in the program and the credits to the ITA's should not exceed those limits.

Hocking County, Ohio Corrective Action Plan For the Year Ended December 31, 2001

Finding Number	Planned Corrective Action	Anticipated Completion Date	Contact Person
2001-001	The County is working on a system of breaking down the WIA fund balances for purposes of allocating interest and managing cash on hand to meet the immediate needs of the WIA program.	The County plans to have a system in place by March 31, 2003.	Robert Smith, Director; Vicky Leffler, Fiscal Officer; and Ken Wilson, County Auditor
2001-002	The County is already maintaining ITA's and has established spending limits for all individuals participating in the WIA program.	Completed	Robert Smith, Director; and Elizabeth Winegar, WIA Coordinator



88 East Broad Street P.O. Box 1140 Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

HOCKING COUNTY HOCKING 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.

CLERK OF THE BUREAU

Susan Babbitt

CERTIFIED FEBRUARY 27, 2003