



**FAYETTE COUNTY FINANCIAL CONDITON
FAYETTE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

FAYETTE COUNTY
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REPORT OF INDEPENDENT ACCOUNTANTS

Fayette County
133 S. Main Street
Washington Court House, Ohio 43160

To the Board of County Commissioners:

We have audited the accompanying general purpose financial statements of Fayette County, Ohio (the County), as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of Fayette County Memorial Hospital, which represent 83 percent and 95 percent, respectively, of the assets and revenues of the Enterprise Fund Type. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fayette County Memorial Hospital, is based on the report 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to 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 the cash flows of its proprietary fund types and discretely presented component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2002 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Jim Petro
Auditor of State

August 5, 2002

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Fayette County, Ohio
 Combined Balance Sheet
 All Fund Types, Account Groups and Discretely Presented Component Unit
 As of December 31, 2001

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Assets and Other Debits:					
Assets:					
Equity in Pooled					
Cash and Cash Equivalents	\$1,563,317	\$3,875,064	\$339,816	\$186,729	\$754,026
Cash and Cash Equivalents in Segregated Accounts	134	1,617	0	0	4,117,491
Cash and Cash Equivalents with Investments in Segregated Accounts	0	0	0	0	10,694
Receivables:					
Taxes	755,844	17,777	0	0	0
Taxes Collected for other Governments Accounts	0	0	0	0	0
Special Assessments	26,182	135,242	0	0	4,101,515
Accrued Interest	0	0	0	0	0
Interfund	26,767	0	0	0	0
Patient Accounts	104,760	0	0	0	3,965
Due from Other Funds	0	0	0	0	38,456
Due from Other Governments	1,222,737	1,694,454	296,205	0	77,959
Materials and Supplies	117,357	1,933,032	29,558	0	0
Inventory	46,849	216,182	0	0	250,119
Notes Receivable	0	0	0	0	367,701
Loans Receivable	0	407,846	128,400	0	0
Prepaid Items	40,725	30,467	0	0	594,355
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	11,874,791
Restricted Assets:					
Cash and Cash Equivalents with Fiscal and Escrow Agents Temporarily Restricted by Donor - for Specific Purpose	0	0	0	5,408	0
Other Debits:	0	0	0	0	214,013
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0	0
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds	0	0	0	0	0
Amount to be Provided from Special Assessments	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0
Total Assets and Other Debits	<u>\$3,904,672</u>	<u>\$8,311,681</u>	<u>\$793,979</u>	<u>\$192,137</u>	<u>\$22,405,085</u>

Fiduciary Fund Types	Account Groups		Totals Primary Government (Memorandum Only)	Component Unit	Totals Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-term Obligations			
\$3,119,841	\$0	\$0	\$9,838,793	\$78,735	\$9,917,528
1,055,983	0	0	5,175,225	0	5,175,225
0	0	0	10,694	0	10,694
2,727,280	0	0	3,500,901	0	3,500,901
16,393,354	0	0	16,393,354	0	16,393,354
0	0	0	4,262,939	35,254	4,298,193
590,210	0	0	590,210	0	590,210
0	0	0	26,767	0	26,767
0	0	0	108,725	0	108,725
0	0	0	38,456	0	38,456
139,321	0	0	3,430,676	0	3,430,676
524,965	0	0	2,604,912	0	2,604,912
0	0	0	513,150	15,020	528,170
0	0	0	367,701	0	367,701
0	0	0	536,246	0	536,246
0	0	0	665,547	0	665,547
0	19,122,698	0	30,997,489	32,357	31,029,846
0	0	0	5,408	0	5,408
0	0	0	214,013	0	214,013
0	0	339,152	339,152	0	339,152
0	0	666	666	0	666
0	0	365,334	365,334	0	365,334
0	0	3,802,413	3,802,413	0	3,802,413
<u>\$24,550,954</u>	<u>\$19,122,698</u>	<u>\$4,507,565</u>	<u>\$83,788,771</u>	<u>\$161,366</u>	<u>\$83,950,137</u>

Continued

Fayette County, Ohio
 Combined Balance Sheet
 All Fund Types, Account Groups and Discretely Presented Component Unit
 As of December 31, 2001
 (Continued)

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Liabilities, Fund Equity and Other Credits:					
Accounts Payable	120,445	300,019	0	0	850,919
Contracts Payable	2,375	0	0	88,247	0
Accrued Wages and Benefits Payable	15,185	109,059	0	0	1,170,046
Compensated Absences Payable	11,869	20,041	0	0	14,350
Retainage Payable	0	6,500	0	5,408	0
Interfund Payable	0	57,213	51,512	0	0
Due to Other Funds	603	111,704	0	0	879
Due to Other Governments	80,875	32,930	0	0	35,467
Deferred Revenue	1,683,245	3,687,512	311,963	0	49,374
Notes Payable	0	133,002	0	165,936	0
Undistributed Monies	0	0	0	0	0
Accrued Interest Payable	0	1,330	0	2,190	14,573
Special Assessment Debt	0	0	0	0	0
Capital Leases Payable	0	0	0	0	498,471
General Obligation Bonds Payable	0	0	0	0	2,365,000
Landfill Closure and Postclosure Care Payable	0	0	0	0	1,133,019
Total Liabilities	1,914,597	4,459,310	363,475	261,781	6,132,098
Fund Equity and Other Credits:					
Investment in General Fixed Assets	0	0	0	0	0
Retained Earnings - Restricted	0	0	0	0	214,013
Retained Earnings - Unreserved (Deficit)	0	0	0	0	16,058,974
Fund Balance:					
Reserved for Encumbrances	51,454	64,203	0	49,073	0
Reserved for Inventory	46,849	216,182	0	0	0
Reserved for Loans	0	407,846	128,400	0	0
Unreserved (Deficit)	1,891,772	3,164,140	302,104	(118,717)	0
Total Fund Equity (Deficit) and Other Credits	1,990,075	3,852,371	430,504	(69,644)	16,272,987
Total Liabilities, Fund Equity and Other Credits	\$3,904,672	\$8,311,681	\$793,979	\$192,137	\$22,405,085

See Notes to the General Purpose Financial Statements

Fiduciary Fund Types	Account Groups		Totals Primary Government (Memorandum Only)	Component Unit	Totals Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-term Obligations			
Trust and Agency					
1,339	0	0	1,272,722	6,712	1,279,434
0	0	0	90,622	0	90,622
0	0	0	1,294,290	0	1,294,290
0	0	953,508	999,768	0	999,768
0	0	0	11,908	0	11,908
0	0	0	108,725	0	108,725
3,317,490	0	0	3,430,676	0	3,430,676
16,532,675	0	289,613	16,971,560	0	16,971,560
250,968	0	0	5,983,062	0	5,983,062
0	0	0	298,938	3,089	302,027
4,264,907	0	0	4,264,907	0	4,264,907
0	0	0	18,093	0	18,093
0	0	436,000	436,000	0	436,000
0	0	45,444	543,915	0	543,915
0	0	2,783,000	5,148,000	0	5,148,000
0	0	0	1,133,019	0	1,133,019
<u>24,367,379</u>	<u>0</u>	<u>4,507,565</u>	<u>42,006,205</u>	<u>9,801</u>	<u>42,016,006</u>
0	19,122,698	0	19,122,698	0	19,122,698
0	0	0	214,013	0	214,013
0	0	0	16,058,974	0	16,058,974
0	0	0	164,730	0	164,730
0	0	0	263,031	0	263,031
0	0	0	536,246	0	536,246
183,575	0	0	5,422,874	151,565	5,574,439
<u>183,575</u>	<u>19,122,698</u>	<u>0</u>	<u>41,782,566</u>	<u>151,565</u>	<u>41,934,131</u>
<u>\$24,550,954</u>	<u>\$19,122,698</u>	<u>\$4,507,565</u>	<u>\$83,788,771</u>	<u>\$161,366</u>	<u>\$83,950,137</u>

Fayette County, Ohio
 Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - All Governmental Fund Types and Expendable Trust Funds
 For the Year Ended December 31, 2001

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
Revenues:						
Taxes	\$1,287,091	\$1,480,370	\$115,430	\$0	\$0	\$2,882,891
Permissive Sales Tax	3,950,454	288,863	0	0	0	4,239,317
Intergovernmental	754,903	8,284,305	13,800	856,684	0	9,909,692
Charges for Services	1,522,134	1,540,915	0	0	0	3,063,049
Licenses and Permits	3,235	42,674	0	0	0	45,909
Fees, Fines and Forfeitures	139,954	102,758	0	0	0	242,712
Special Assessments	0	67,460	41,360	1,509	0	110,329
Interest	506,049	33,495	0	0	580	540,124
Other	290,375	382,823	4,886	18,222	19,479	715,785
Total Revenues	8,454,195	12,223,663	175,476	876,415	20,059	21,749,808
Expenditures:						
Current:						
General Government:						
Legislative and Executive	2,594,294	212,136	0	0	0	2,806,430
Judicial	1,275,325	345,372	0	0	0	1,620,697
Public Safety	2,320,202	370,770	0	0	0	2,690,972
Public Works	571,249	3,370,254	0	0	0	3,941,503
Health	84,159	2,979,556	0	0	0	3,063,715
Human Services	245,155	5,602,687	0	0	13,660	5,861,502
Conservation and Recreation	454,646	86,011	0	0	0	540,657
Economic Development & Assistance	0	253,268	0	0	0	253,268
Urban Redevelopment and Housing	425,292	114,432	0	0	0	539,724
Capital Outlay	779,445	0	0	2,545,873	0	3,325,318
Debt Service:						
Principal Retirement	21,454	0	205,000	0	0	226,454
Interest and Fiscal Charges	2,244	6,566	150,208	54,143	0	213,161
Total Expenditures	8,773,465	13,341,052	355,208	2,600,016	13,660	25,083,401
Excess of Revenues Over (Under) Expenditures	(319,270)	(1,117,389)	(179,732)	(1,723,601)	6,399	(3,333,593)
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	0	0	27,820	1,917,180	0	1,945,000
Inception of Capital Lease	34,680	0	0	0	0	34,680
Operating Transfers - In	100,000	429,073	118,481	163,663	0	811,217
Operating Transfers - Out to Component Unit	0	(35,178)	0	0	0	(35,178)
Operating Transfers - Out	(590,920)	(108,000)	(39,784)	(51,734)	0	(790,438)
Total Other Financing Sources (Uses)	(456,240)	285,895	106,517	2,029,109	0	1,965,281
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(775,510)	(831,494)	(73,215)	305,508	6,399	(1,368,312)
Fund Balances (Deficit) at Beginning of Year	2,759,137	4,674,009	503,719	(375,152)	23,546	7,585,259
Increase in Reserve for Inventory	6,448	9,856	0	0	0	16,304
	\$1,990,075	\$3,852,371	\$430,504	(\$69,644)	\$29,945	\$6,233,251

See Accompanying Notes to the General Purpose Financial Statements

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Fayette County, Ohio
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types
 For the Year Ended December 31, 2001

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$1,198,000	\$1,287,202	\$89,202	\$1,537,200	\$1,480,370	(\$56,830)
Permissive Sales Tax	3,500,000	3,926,993	426,993	286,602	289,079	2,477
Intergovernmental	522,170	723,947	201,777	8,884,163	9,022,467	138,304
Charges for Services	1,739,995	1,595,198	(144,797)	1,290,652	1,483,819	193,167
Licenses and Permits	4,375	3,235	(1,140)	56,745	42,674	(14,071)
Fees, Fines and Forfeitures	126,500	133,669	7,169	76,652	102,411	25,759
Special Assessments	0	0	0	69,443	69,443	0
Interest	300,000	568,979	268,979	27,000	36,716	9,716
Other	259,172	290,375	31,203	421,369	378,945	(42,424)
Total Revenues	7,650,212	8,529,598	879,386	12,649,826	12,905,924	256,098
Expenditures:						
Current:						
General Government:						
Legislative and Executive	2,890,730	2,681,193	209,537	242,875	237,566	5,309
Judicial	1,321,979	1,286,647	35,332	480,152	389,383	90,769
Public Safety	2,357,684	2,334,078	23,606	457,912	376,837	81,075
Public Works	650,556	608,761	41,795	3,448,826	3,547,854	(99,028)
Health	88,768	87,126	1,642	3,274,476	3,001,585	272,891
Human Services	286,160	260,048	26,112	5,989,867	5,685,515	304,352
Conservation and Recreation	485,111	463,444	21,667	109,390	92,160	17,230
Economic Development and Assistance	0	0	0	274,066	259,768	14,298
Urban Redevelopment and Housing	448,327	441,475	6,852	13,669	13,669	0
Capital Outlay	750,000	744,925	5,075	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,279,315	8,907,697	371,618	14,291,233	13,604,337	686,896
Excess of Revenues Over (Under) Expenditures	(1,629,103)	(378,099)	1,251,004	(1,641,407)	(698,413)	942,994
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds of Loans	0	0	0	0	0	0
Advances - In	0	48,205	48,205	15,674	204,590	188,916
Advances - Out	0	(144,475)	(144,475)	(8,490)	(155,867)	(147,377)
Operating Transfers - In	140,000	100,000	(40,000)	332,000	407,235	75,235
Operating Transfers - Out to Component Unit	0	0	0	0	(35,178)	
Operating Transfers - Out	(611,500)	(590,920)	20,580	(98,000)	(108,000)	(10,000)
Total Other Financing Sources (Uses)	(471,500)	(587,190)	(115,690)	241,184	312,780	106,774
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,100,603)	(965,289)	1,135,314	(1,400,223)	(385,633)	1,014,590
Fund Balances at						
Beginning of Year	2,193,694	2,193,694	0	3,785,363	3,785,363	0
Prior Year Encumbrances Appropriated	152,326	152,326	0	279,409	279,409	0
Fund Balances at End of Year	\$245,417	\$1,380,731	\$1,135,314	\$2,664,549	\$3,679,139	\$1,014,590

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Funds			Capital Projects Funds			Expendable Trust Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$155,195	\$115,430	(\$39,765)	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
0	0	0	214,928	856,684	641,756	0	0	0
43,677	21,839	(21,838)	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
22,018	42,869	20,851	0	0	0	0	0	0
0	0	0	0	0	0	198	648	450
34,792	22,886	(11,906)	32,441	18,222	(14,219)	10,000	19,479	9,479
255,682	203,024	(52,658)	247,369	874,906	627,537	10,198	20,127	9,929
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	20,000	13,369	6,631
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	2,830,945	3,347,049	(516,104)	0	0	0
2,155,211	2,155,211	0	0	0	0	0	0	0
221,265	249,085	(27,820)	0	0	0	0	0	0
2,376,476	2,404,296	(27,820)	2,830,945	3,347,049	(516,104)	20,000	13,369	6,631
(2,120,794)	(2,201,272)	(80,478)	(2,583,576)	(2,472,143)	111,433	(9,802)	6,758	16,560
1,886,400	1,914,220	27,820	32,780	30,780	(2,000)	0	0	0
117,502	112,914	(4,588)	99,115	99,115	0	0	0	0
0	51,512	51,512	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
120,826	144,907	24,081	122,753	163,663	40,910	0	0	0
(4,081)	(39,784)	(35,703)	0	(56,322)	(56,322)	0	0	0
2,120,647	2,183,769	63,122	254,648	237,236	(17,412)	0	0	0
(147)	(17,503)	(17,356)	(2,328,928)	(2,234,907)	94,021	(9,802)	6,758	16,560
357,321	357,321	0	226,634	226,634	0	24,497	24,497	0
0	0	0	2,100,906	2,100,906	0	0	0	0
\$357,174	\$339,818	(\$17,356)	(\$ 1,388)	\$92,633	\$ 94,021	\$14,695	\$31,255	\$16,560

Fayette County, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 Proprietary Fund Type
 For the Year Ended December 31, 2001

	<u>Enterprise Funds</u>
Operating Revenues:	
Charges for Services	\$25,342,569
Tap-in Fees	1,917
Other Operating Revenues	69,417
Total Operating Revenues	<u>25,413,903</u>
Operating Expenses:	
Personal Services	8,599,149
Fringe Benefits	2,622,929
Contractual Services	5,652,005
Materials and Supplies	3,505,368
Provision for Bad Debts	1,895,703
Depreciation	1,187,386
Other	521,517
Total Operating Expenses	<u>23,984,057</u>
Operating Income	<u>1,429,846</u>
Non-Operating Revenues (Expenses):	
Non-Operating Gains	245,237
Income from Investments	0
Interest and Fiscal Charges	(174,955)
Total Non-Operating Revenues (Expenses)	<u>70,282</u>
Loss Before Operating Transfers	<u>1,500,128</u>
Operating Transfers - In	635
Operating Transfers - Out	<u>(21,414)</u>
Net Income	<u>1,479,349</u>
Retained Earnings at Beginning of Year	<u>14,793,638</u>
Retained Earnings at End of Year	<u><u>\$16,272,987</u></u>

See Notes to the General Purpose Financial Statements

Fayette County, Ohio
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings
 Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type
 For the Year Ended December 31, 2001

	Enterprise Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$1,351,293	\$1,361,905	\$10,612
Tap-in fees	0	1,856	1,856
Other Operating Revenues	378	3,690	3,312
Total Revenues	<u>1,351,671</u>	<u>1,367,451</u>	<u>15,780</u>
Expenses:			
Personal Services	223,240	217,411	5,829
Contractual Services	1,005,137	920,037	85,100
Materials and Supplies	63,114	42,062	21,052
Other	48,500	29,545	18,955
Debt Retirement:			
Principal Retirement	95,000	95,000	0
Interest and Fiscal Charges	146,335	145,948	387
Total Expenses	<u>1,581,326</u>	<u>1,450,003</u>	<u>131,323</u>
Excess of Revenues Over (Under) Expenses	(229,655)	(82,552)	147,103
Advances - Out	0	(3,965)	(3,965)
Operating Transfers - In	635	635	0
Operating Transfers - Out	(21,414)	(21,414)	0
Excess of Revenues Under Expenses, Advances and Operating Transfers	(250,434)	(107,296)	143,138
Fund Balances at Beginning of Year	702,642	702,642	0
Prior Year Encumbrances Appropriated	62,354	62,354	0
Fund Balances at End of Year	<u>\$514,562</u>	<u>\$657,700</u>	<u>\$143,138</u>

Fayette County, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Year Ended December 31, 2001

	Enterprise Funds
Increases (Decreases) in Cash and Cash Equivalents:	
Cash Flows from Operating Revenues:	
Cash Received From Customers	\$23,366,419
Cash Paid for Personal Services	(9,303,077)
Cash Paid to Suppliers	(11,806,589)
Cash Paid for Landfill Closure and Postclosure	(34,259)
Other Operating Revenues	71,976
Other Operating Expenses	(29,545)
Net Cash Provided By Operating Activities	2,264,925
Cash Flows from Noncapital Financing Activities:	
Donations and Other	104,434
Advances - Out	(3,965)
Operating Transfers - In	635
Operating Transfers - Out	(21,414)
Net Cash Provided By Noncapital Financing Activities	79,690
Cash Flows from Capital and Related Financing Activities:	
Proceeds of Bonds	0
Acquisition and Construction of Capital Assets	(671,469)
Interest Paid on General Obligation Bonds	(145,948)
Principal Paid on General Obligation Bonds	(95,000)
Capital Lease Payment	(186,489)
Net Cash Used for Capital and Related Financing Activities	(1,098,906)
Cash Flows from Investing Activities:	
Proceeds from Physician Loan Repayments	30,965
Proceeds from Sale of Investments	10,854
Interest Received on Investments	140,803
Purchase of Investments	(261,203)
Net Cash Used for Investing Activities	(78,581)
Net Increase in Cash and Cash Equivalents	1,167,128
Cash and Cash Equivalents at Beginning of Year	3,918,402
Cash and Cash Equivalents at End of Year	\$5,085,530

(Continued)

Fayette County, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Year Ended December 31, 2001
 (Continued)

	Enterprise Funds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$1,429,846
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	1,187,386
Bad Debt Expense	1,895,703
Forgiveness of Physician Loans	44,950
Loss of disposal of equipment	2,559
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(2,039,944)
Increase in Inventories	(28,219)
Increase in Due From Other Funds	(29,786)
Increase in Prepaid Items	(483,971)
Increase in Third-Party Settlements	61,544
Increase in Accounts Payable	204,649
Increase in Accrued Wages Payable	26,734
Decrease in Compensated Absences Payable	(3,082)
Increase in Deferred Revenue	11,998
Decrease in Landfill Postclosure Liability	(34,259)
Decrease in Due To Other Funds	(19)
Increase in Due To Other Governments	18,836
	18,836
Net Cash Provided By Operating Activities	\$2,264,925

See Notes to the General Purpose Financial Statements

Fayette County, Ohio
Statement of Cash Flows
Discretely Presented Component Unit
For the Year Ended December 31, 2001

	Fayette Progressive Industries, Inc.
<u>Cash Flows From Operating Activities:</u>	
Cash Received from Customers	\$411,315
Cash Received from Reimbursements and Other	10,299
Cash Payments for Salaries	(369,168)
Cash Payments for Supplies	(19,195)
Cash Payments for Repair and Maintenance	(2,883)
Cash Payments for Transportation	(16,308)
Cash Payments for Reimbursements and Other	(20,306)
	(6,246)
<u>Net Cash Used For Operating Activities</u>	
<u>Cash Flows from Noncapital Financing Activities</u>	
Cash Received from Transfer In for Primary Government	35,178
	35,178
<u>Net Cash Provided by Noncapital Financing Activities</u>	
<u>Cash Flows From Investing Activities:</u>	
Interest	1,726
	1,726
<u>Net Cash Provided by Investing Activities</u>	
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Purchase of Fixed Assets	(5,916)
Principal Payments - Bank Loans	(4,388)
Interest Expense	(582)
	(10,886)
<u>Net Cash Used from Capital and Related Financing Activities</u>	
Net Decrease in Cash and Cash Equivalents	19,772
Cash and Cash Equivalents at Beginning of Year	58,963
Cash and Cash Equivalents at End of Year	\$78,735
<u>Reconciliation of Operating Loss to</u>	
<u>Net Cash Used for Operating Activities:</u>	
Operating Loss	(16,478)
<u>Adjustments to Reconcile Operating Loss to</u>	
<u>Changes in Assets and Liabilities:</u>	
Depreciation	9,551
<u>Changes in Assets and Liabilities:</u>	
Decrease in Accounts Receivable	1,251
Increase in Equipment Inventories	(11,255)
Decrease in Supplies Inventories	9,084
Increase in Accounts Payable	5,989
Decrease in Loans Payable	(4,388)
Net Cash Used for Operating Activities	(\$6,246)

See Notes to the General Purpose Financial Statements

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

NOTE 1 - REPORTING ENTITY

Fayette County, Ohio (The County), was created in 1810. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, Juvenile/Probate Judge and a Common Pleas Court Judge. Although these 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:

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. For Fayette County, this includes the Fayette County Board of Mental Retardation and Developmental Disabilities, Fayette County Department of Human Services, Fayette County Children Services Board, Fayette County Veterans' Services, Fayette County Memorial Hospital and all 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 also include organizations that are fiscally dependent on the County in that the County approves the organization's budget, the issuance of its debt or the levying of its taxes.

Discretely Presented Component Unit

Fayette Progressive Industries, Inc. is a legally separate, not-for-profit corporation, served by a self-appointed board of trustees. The workshop, under contractual agreement with the Fayette County Board of Mental Retardation and Developmental Disabilities (MR/DD), provides sheltered employment for mentally and/or physically handicapped adults in Fayette County.

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

NOTE 1 - REPORTING ENTITY (Continued)

The Fayette County Board of MR/DD provides the workshop with staff salaries, transportation, equipment, staff to administer and supervise training programs and other funds necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the mentally and/or physically handicapped adults of Fayette County, the workshop is presented as a component unit of Fayette County. Fayette Progressive Industries, Inc. operates on a fiscal year ending December 31.

Blended Component Unit

Fayette County Memorial Hospital is organized as a County hospital under the provision of the general statutes of the State of Ohio. Members of the Board of Trustees are appointed by the County Commissioners, the Probate Court Judge and the Common Pleas Court Judge.

The County is associated with certain organizations which are defined as Jointly Governed Organizations or Risk Sharing Pools. These organizations are presented in Notes 25 and 26 to the General Purpose Financial Statements. These organizations are:

- Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS)
- South Central Regional Juvenile Detention Center
- Fayette County Emergency Management Agency
- RPHF Joint Solid Waste District
- Fayette-Clinton-Fairfield-Ross-Pickaway Job Training Partnership Act (JTPA)
- Travel and Tourism Bureau
- West Central Ohio Port Authority
- County Risk Sharing Authority, Inc.

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 separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activities of the following districts and agencies are presented as agency funds within the County's financial statements.

- Fayette Soil and Water Conservation District
- Fayette County Health District

FAYETTE COUNTY, OHIO
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 with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its enterprise activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below.

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, 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.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types. The following categories and fund types are used by the County:

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Projects Funds - 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 proprietary funds or trust funds).

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

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

Expendable Trust Funds - These funds account for resources, including both principal and interest earnings, which must be expended according to the provisions of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

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

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

General Fixed Assets Account Group - This accounts for all fixed assets of the County, other than those accounted for in the enterprise or trust funds. These assets do not represent financial resources available for expenditure.

General Long-Term Obligations Account Group - This accounts for all unmatured long-term obligations of the County, except those accounted for in the enterprise funds.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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 and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds' 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, expendable trust and agency funds. The full accrual basis of accounting is followed for proprietary funds.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: sales tax (See Note 8), accounts, interest and federal and state subsidies and grants and state-levied locally shared taxes.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

C. Budgetary Process: The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolutions 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 and the County Hospital, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners.

Advances-in and Advances-out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget: A budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 15th of each year, for the period January 1 to December 31 of the following year. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

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

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

Budgeted Level of Expenditures: Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. 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).

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lapsing of Appropriations: Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding year. Some of these encumbered appropriations will carry forward on the report, but they will not be used. The previous year's appropriations can only be used within 90 days of the next fiscal year, and the amounts show that they were for previous year obligations.

D. Cash and Cash Equivalents: Cash balances of the County's funds, except cash held by an escrow or fiscal agent and cash in segregated accounts, are pooled and invested in short-term investments 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 in Pooled Cash and Cash Equivalents."

Various departments and officials of the County have monies held separate from the County treasury. These depository monies are presented in the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

During fiscal year 2001, investments of the County Treasurer were limited to certificates of deposit, which are reported at cost. Investments of the hospital included municipal bonds which are reported at fair value.

Interest is distributed to the General Fund, Special Revenue Funds, Expendable Trust Funds and the Fayette County Memorial Hospital Enterprise Fund. Interest earned in the general fund during 2001 amounted to \$506,049 which includes \$432,593 assigned from other County funds. The Special Revenue Funds and Expendable Trust Funds also received interest in the amount of \$33,495 and \$580, respectively. The Hospital recognized \$140,803 in investment income.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less within the cash management pool are considered to be cash and cash equivalents.

E. 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 net patient service revenue.

F. Net Patient Service Revenue: The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others. Retroactive adjustments to these estimated amounts are recorded in future periods as final settlements are determined.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

G. Inventory of Supplies: Inventories of governmental funds are stated at cost while inventory of the 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 and as expenses in the enterprise funds when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. The Hospital's inventories consist of medical and office supplies and pharmaceutical products.

H. Prepaid Items: 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 an expenditure/expense is reported in the year in which services are consumed.

I. Restricted Assets: Restricted assets are those limited for retainage payments on construction projects along with assets whose use is temporarily restricted by donor.

J. Interfund Assets and Liabilities: 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. Short-term interfund loans or the short-term portion of advances are classified as "Interfund Receivables" or "Interfund Payables".

K. Accrued and Long-Term Liabilities: In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than thirty-one days after fiscal year-end are considered not to have used current available financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Fixed Assets and Depreciation: The fixed asset values initially were determined at December 31, 1996 assigning original acquisition costs when such information was available. In cases where

**FAYETTE COUNTY, OHIO
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

information supporting original costs was not available, estimated historical costs were developed by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated. The County has established \$500 as the threshold for which fixed assets are to be reported.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

General Fixed Assets: 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. 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.

Enterprise Fund Fixed Assets: Fixed assets associated with the enterprise funds are accounted for in those funds. Depreciation is calculated using the straight-line method over the estimated useful life of each asset. The assets of the enterprise funds, including equipment purchased under capital leases, are depreciated on the following basis:

<u>Descriptions</u>	<u>Estimated Lives</u>
Land Improvements	15-50 years
Buildings	5-50 years
Furniture and Fixtures	10 years
Machinery and Equipment	5-25 years
Vehicles	5 years
Sewer and Water Lines	20 years

M. Compensated Absences: The County follows 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 County will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the County’s past experience of making termination payments.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

N. 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, expendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, inventory of supplies and loans receivable.

O. Income From Operations: For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All remaining interfund transfers are reported as operating transfers.

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

R. 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 or results of operations, 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 unit (see Note 1). The "Totals" column on statements which do not include a component

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

unit have no additional caption.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

Special Revenue Fund - The Public Assistance and Law Enforcement Block Grant Special Revenue Funds had deficit fund balances in the amount of \$262,200 and \$1,285, respectively, as a result of the application of generally accepted accounting principles to the financial reporting to this fund. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Debt Service Fund - The Special Assessment Debt Service Fund had a deficit fund balance in the amount of \$3,300 as a result of the application of generally accepted accounting principles to the financial reporting to this fund. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Capital Projects Funds - The County Administration Building, Clough Ditch, Johnson Station Ditch, Central Soya Ditch and Huff Run Ditch Capital Projects Funds had deficit fund balances in the amounts of \$4,463, \$66,217, \$129, \$25,263, and \$22,144, respectively, as a result of the application of generally accepted accounting principles to the financial reporting to these funds. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Enterprise Funds - The Sanitary Revenue Sewer District and the Sanitary Revenue Waste Enterprise Funds had deficit retained earnings of \$385,755 and \$568,322, respectively, as a result of the application of generally accepted accounting principles to the financial reporting to these funds. The General Fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur.

**FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance

The following had expenditures plus encumbrances in excess of appropriations for the fiscal year ended December 31, 2001.

<u>Fund/Function/Account</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
SPECIAL REVENUE FUNDS:			
Certificate of Title Administration			
Operating Transfers-Out	90,000	100,000	10,000
DEBT SERVICE FUND:			
General Obligation Debt Service			
Interest and Fiscal	182,308	210,128	27,820
Operating Transfers-Out	4,081	39,784	35,703
CAPITAL PROJECTS FUNDS:			
OPWC Rt 35 Bridge Replacement			
Capital Outlay	0	392,320	392,320
OPWC Ford Road Bridge			
Capital Outlay	0	217,705	217,705
OPWC Prairie Road Bridge			
Capital Outlay	0	67,421	67,421
Clough Ditch Improvement			
Operating Transfer-Out	0	4,588	4,588

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings 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

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING, (Continued)

Revenues, Expenses and Changes in Retained Earnings - 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 funds or note disclosure for proprietary 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. Proceeds from and principal payments on bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis);
6. 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); and
7. Revenues and expenditures were not presented for non-budgeted funds (budget basis) but were recorded on the operating statements (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the governmental funds and proprietary funds are as follows:

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING, (Continued)

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Expendable Trust Funds

	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trusts
GAAP Basis	(\$775,510)	(\$831,494)	(\$73,215)	\$305,508	\$6,399
Revenue Accruals	40,723	682,261	27,548	(1,509)	68
Note Proceeds	0	0	1,999,314	(1,787,285)	0
Expenditure Accruals	25,434	(97,427)	(98,876)	(652,937)	291
Principal Retirement	0	0	(1,950,212)	0	0
Transfers	0	(21,838)	26,426	(4,588)	0
Advances	(96,270)	48,723	51,512	0	0
Encumbrances	(159,666)	(165,858)	0	(94,096)	0
Budget Basis	<u>(\$965,289)</u>	<u>(\$385,633)</u>	<u>(\$17,503)</u>	<u>(\$2,234,907)</u>	<u>\$6,758</u>

Net Income/Excess of Revenues
Under Expenses, Advances and Operating Transfers
Proprietary Fund Type

	Enterprise
GAAP Basis	\$1,479,349
Revenue Accruals	(21,987)
Expenditure Accruals	(34,507)
Principal Retirement	(95,000)
Encumbrances	(57,008)
Advances	(3,965)
Depreciation	130,097
Non-budgeted Fund Activity	(1,504,275)
Budget Basis	<u>(\$107,296)</u>

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

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 270 days and in amount not to exceed ten percent of the County's total average portfolio.

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

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

At year end, the County had \$97,858 in undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits. At year end, the carrying amount of the County's deposits was \$15,135,581 which includes \$4,331,504 in cash and cash equivalents in segregated accounts and restricted cash and cash equivalents with fiscal and escrow agents related to Fayette County Memorial Hospital. The bank balance of County's deposits, **not including deposits related to Fayette County Memorial Hospital**, was \$11,230,977. Of that bank balance \$525,679 was covered by federal depository insurance and the remaining balance was uninsured, but was collateralized by pooled securities. The bank balance of deposits related to Fayette County Memorial Hospital was \$4,695,851. Of that bank balance, \$317,013 was covered by federal depository insurance and the remaining balance was uninsured.

The carrying amount of Fayette Progressive Industries, Inc. a discretely presented component unit was \$78,735 and the bank balance was \$85,479. All of the bank balance was covered by federal depository insurance.

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

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments. *GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements"* requires the County to categorize investments to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the County. Category 2 includes uninsured and unregistered investments for which the securities are held in the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name.

	Category 1	Carrying/Fair Value
Municipal Bonds	\$10,694	\$10,694
	\$10,694	\$10,694

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*. Cash and cash equivalents are defined to include investments with original maturities of three months or less. In addition, funds included within the County's cash management pool are classified as cash and cash equivalents on the balance sheet.

A reconciliation of cash and investments as shown on the County's balance sheet for the primary government follows:

	Cash and Cash Equivalents/ Deposits	Investments
<i>GASB Statement No. 9</i>	\$15,233,439	\$10,694
Cash on Hand	(97,858)	0
<i>GASB Statement No. 3</i>	\$15,135,581	\$10,694

Assets Limited as to Use - Assets limited as to use are designated or restricted as follows:

Temporarily restricted by donor - for specific purposes \$214,013

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

NOTE 6 - NET PATIENT SERVICE REVENUE

Net patient service revenue consists of the following:

Revenue:	
Inpatient Services:	
Routine Services	\$4,636,749
Ancillary Services	7,889,692
Outpatient Ancillary Services	<u>24,886,656</u>
Total Patient Revenue	<u>37,413,097</u>
Revenue Deductions:	
Provisions for Contractual Allowances	12,893,292
Provision for Charity Care	444,039
Other Allowances	<u>117,028</u>
Total Revenue Deductions	<u>13,454,359</u>
Total Net Patient Service Revenue	<u><u>\$23,958,738</u></u>

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2001 for real and public utility property taxes represents collections of 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) is for 2001 taxes.

2001 real property taxes are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

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

NOTE 7 - PROPERTY TAXES (Continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

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.

Collections of the taxes and remittance of them to the taxing districts are accounted for in the Undivided General Tax Agency Fund. The collection and distribution of taxes for the County and for all subdivisions within the County is accounted for through the Undivided General Tax Agency Fund. The amount of the County's tax collections which flow through the agency fund is reported as "taxes receivable" on the combined balance sheet. Taxes receivable for individual funds have also been recorded as "taxes receivable".

The full tax rate for all County operations for the tax year 2001 was \$8.50 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:

Real Property and Public Utility	\$384,186,930
Public Utility Personal Property	38,293,850
Tangible Personal Property	<u>58,083,810</u>
Total Assessed Value	<u><u>\$480,564,590</u></u>

Property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next 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.

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

NOTE 8 - PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited to the General Fund and the Motor Vehicle and Gas Tax Special Revenue Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Permissive Sales and Use tax revenue for 2001 amounted to \$4,235,248.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2001 consisted of taxes, accounts (billings for user charged services, including unbilled utility services), special assessments, interest, interfund, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables except those of the Fayette County Memorial Hospital Enterprise Fund, are considered collectible in full. The Hospital has accounts receivable in the amount of \$4,006,413, which is net after an allowance for uncollectible accounts and contractual adjustments of \$3,931,000.

Loans Receivable in the Special Revenue Funds represent loans made available through the Community Housing Improvement Program to eligible individuals for rehabilitation work to their residences. The loans are for five and ten year terms and are forgiven at 20% and 10% per year, respectively, and will only be repaid if the property owner vacates the property during the five or ten year term of the individual loan.

Loans Receivable in the Debt Service Funds represent an agreement between the County, City of Washington Court House and YUSA Corporation to repay the debt which was incurred by the County for the construction of two water service towers.

**FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 9 - RECEIVABLES (Continued)

A summary of intergovernmental receivables follows:

	Amount
<u>General Fund:</u>	
Municipal Court Fines	\$893
Public Defender Reimbursement	2,586
Homestead/Rollback	65,468
Estate Tax Fees	14,643
Indigent Defense Reimbursement	420
Housing of Prisoners	261
City of Washington Miscellaneous Reimbursement	6,580
D.A.R.E. Grant	24,530
Motor Vehicle Permissive Tax	1,976
Total General Fund	117,357
 <u>Special Revenue Funds:</u>	
Dog and Kennel	20
County Board of MRDD	66,074
Motor Vehicle Gas Tax	1,561,545
Municipal Motor Vehicle License	39,832
Commission on Aging	26,579
Child Support Enforcement Agency	4,315
Drug Law Enforcement	50
Enforcement and Education	79
Recycle Ohio Grant	8,490
Felony Delinquent Care and Custody	104,798
CDBG	68,000
Law Enforcement Trust	44,750
Economic Development	8,500
Total Special Revenue Funds	1,933,032
 <u>Debt Service Fund</u>	
Water System Improvement	29,558

**FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 9 - RECEIVABLES (Continued)

Agency Funds:	
Undivided Tax Fund	467,775
County Hotel Lodging Tax	52,020
Women, Infants and Children	2,699
Law Library	<u>2,471</u>
Total Agency Funds	<u>524,965</u>
Grand Total All Funds	<u><u>\$2,604,912</u></u>

NOTE 10 - COST REPORT SETTLEMENTS

Approximately 55 percent of the Hospital's revenues from patient services are received from the Medicare and Medicaid programs. The Hospital has agreements with these payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows.

Medicare - Inpatient, acute-care services rendered to Medicare 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. Some outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement method. Other outpatient services, including ambulatory surgery, radiology and laboratory services are reimbursed on an established fee-for-service methodology. Beginning August 1, 2000, reimbursement for all outpatient services are based on the prospectively determined ambulatory payment classification system. However, the Hospital is held harmless until July 31, 2003, under this new outpatient payment system, should it result in less reimbursement than the payment system in place before August 1, 2000.

Medicaid - Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid inpatients are paid on a cost reimbursement method. The Hospital is reimbursed for outpatient services on an established fee-for-service methodology.

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

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

NOTE 11 - NOTES RECEIVABLE

Notes receivable represent loans to physicians under various cash flow support and loan arrangements. These loans are to be repaid in varying monthly installments including interest at rates ranging from 0 to 6.5 percent, and are unsecured. A portion of the physician notes receivable are forgiven over time under the terms of the physician loan agreement. A summary of these amounts outstanding is as follows:

Total Notes Receivable	\$367,701
Less: Current Portion	<u>(40,335)</u>
Long-Term Portion	<u><u>\$327,366</u></u>

NOTE 12 - NONOPERATING GAINS

Nonoperating gains consist of the following:

Donations, gifts and grants	\$16,424
Investment Income	140,803
Other Gains	<u>88,010</u>
Nonoperating Gains	<u><u>\$245,237</u></u>

NOTE 13 - FIXED ASSETS

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

Land	\$470,865
Land Improvements	1,145,420
Buildings	10,151,672
Machinery and Equipment	9,384,389
Vehicles	38,625
Sewer and Water Lines	35,424
Construction in Progress	<u>1,192,967</u>
Total Fixed Assets	22,419,362
Less Accumulated Depreciation	<u>(10,544,571)</u>
Net Book Value	<u><u>\$11,874,791</u></u>

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

NOTE 13 - FIXED ASSETS (Continued)

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

	Balance <u>12/31/00</u>	Additions	Deletions	Balance <u>12/31/01</u>
Land	\$1,009,431	\$0	\$0	\$1,009,431
Land Improvements	191,357	39,459	0	230,816
Buildings	7,062,071	3,676,597	11,513	10,727,155
Furniture and Fixtures	686,925	58,360	5,225	740,060
Machinery and Equipment	3,463,669	436,736	35,878	3,864,527
Vehicles	2,384,016	158,105	0	2,542,121
Construction in Progress	<u>854,086</u>	<u>8,588</u>	<u>854,086</u>	<u>8,588</u>
Total Fixed Assets	<u><u>\$15,651,555</u></u>	<u><u>\$4,377,845</u></u>	<u><u>\$906,702</u></u>	<u><u>\$19,122,698</u></u>

NOTE 14 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. During 2001, the County contracted with County Risk Sharing Authority (CORSA) for liability, property and crime insurance. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. The County pays all elected officials' bonds by State statute.

The Hospital was exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Hospital has purchased commercial insurance for malpractice, general liability, employee medical and workers' compensation claims.

The Hospital is insured against medical malpractice claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Hospital bears the risk of the ultimate costs of any individual claim exceeding \$1,000,000 or aggregate claims exceeding \$3,000,000 for claims asserted in the policy year. This policy expired December 31, 2001, and was replaced by an occurrence-based policy, whereby claims are covered if the Hospital was insured during the year that the incident occurred. The Hospital has purchased tail coverage for the previous claims-made policy.

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

NOTE 14 - RISK MANAGEMENT (Continued)

There are several pending claims against the Hospital. There is insurance coverage, but it is possible that the liability for the claims may exceed the aggregate insurance coverage. Management intends to vigorously defend these claims. Presently, it is not possible to determine the resolution of the claims or amount of liability, if any. There were no settlements which exceeded insurance coverage for each of the last three years. There have been no significant reductions in coverage from the prior year.

NOTE 15 - DEFINED BENEFIT RETIREMENT PLANS

A. Public Employees Retirement System:

All County employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations; law enforcement employees contribute 10.1 percent. The 2001 employer pension contribution rate for the County was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. Also, the law enforcement contribution rate for the County was 12.4 percent of covered payroll, an increase from 11.4 percent in 2000. For 2000, PERS instituted a temporary employer rate rollback for state and local governments. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 \$974,870, \$550,291, and \$819,419, respectively. The full amount has been contributed for 2000 and 1999. 79.94 percent was contributed for 2001 with the remainder being reported as a fund liability and within the general long-term obligations account group. The Hospital's required contributions to PERS for the years ended December 31, 2001, 2000 and 1999 were \$1,101,383, \$755,756, and \$898,371, respectively.

B. State Teachers Retirement System:

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

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

NOTE 15 - DEFINED BENEFIT RETIREMENT PLANS (Continued)

For the year ended December 31, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's required contributions for pension obligations to STRS for the years ended December 31, 2001, 2000, and 1999 were \$13,171, \$12,786, and \$15,101, respectively. 100 percent has been paid for all years.

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System:

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. 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 Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

The number of active contributing participants was 411,076. The County's actual contributions for 2001 which were used to fund postemployment benefits were \$437,179 and the Hospital's contribution was \$353,849. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

For 2001, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS' actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

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

NOTE 16 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System:

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

Benefits are funded on a pay-as-you-go basis. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$17,561 for 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund at June 30, 2000, was \$3.419 billion. For the year ended June 30, 2000, (the latest information available) net health care costs paid by STRS were \$283,137,000 and there were 99,011 eligible benefit recipients.

NOTE 17 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation:

Fayette County employees may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Employees of Fayette County participate in the Ohio Public Employees Deferred Compensation Program. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. The deferred pay and income earned on it is not subject to taxation until it is received by the employee. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

B. Compensated Absences

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 with the County. Upon retirement for non-union personnel, unused sick leave is paid for one-fourth days of total sick leave accumulated to a maximum of 30 days paid. Union members are paid up to a maximum of 600 hours.

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

NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE

During the year, and in prior years, the County has entered into capitalized leases for reproduction equipment. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13 "Accounting for Leases"*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the general purpose financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. For enterprise funds the capital lease payment is reflected as a reduction in the enterprise fund liability.

General fixed assets consisting of equipment furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$103,074. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in 2001 totaled \$21,454 in the general fund.

Future minimum lease payments through 2007 are as follows:

<u>Year</u>	General Long- Term Obligations <u>Account Group</u>	<u>Enterprise</u>
2002	\$13,475	\$147,672
2003	12,943	147,672
2004	10,763	143,786
2005	8,796	101,046
2006	6,493	16,841
2007	833	0
Total Minimum Lease Payment	<u>53,303</u>	<u>557,017</u>
Less: Amount Representing Interest	<u>(7,859)</u>	<u>(58,546)</u>
Total Present Value of Minimum Lease Payments	<u><u>\$45,444</u></u>	<u><u>\$498,471</u></u>

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

NOTE 19 - LONG-TERM DEBT

Changes in the County's long-term obligations during the year consisted of the following:

	<u>Interest Rate</u>	<u>Outstanding 12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/3/01</u>
<u>GENERAL LONG-TERM OBLIGATIONS:</u>					
<u>General Obligation Bonds:</u>					
Water Systems Bond (YUSA)	7.70%	\$105,000	\$0	\$10,000	\$95,000
Clark-Fayette Port Authority	6.00%	15,000	0	15,000	0
McArthur Road Improvement	4.50%	240,000	0	75,000	165,000
Co. Administration Building	5.45%	296,000	0	8,000	288,000
State Route 41/Carr Road Improvement	5.48%	360,000	0	70,000	290,000
County Building Improvement Bonds	4.10%	0	1,945,000	0	1,945,000
Total General Obligations Bonds		<u>1,016,000</u>	<u>1,945,000</u>	<u>178,000</u>	<u>2,783,000</u>
<u>Special Assessment Bonds:</u>					
Route 35/Interstate 71 Water Systems	5.90%	260,000	0	20,000	240,000
Clinton Avenue Sewer Extension Phase I	5.60%	134,000	0	5,000	129,000
Clinton Avenue Phase II	5.57%	69,000	0	2,000	67,000
Total Special Assessments		<u>463,000</u>	<u>0</u>	<u>27,000</u>	<u>436,000</u>
<u>Other Long-Term Obligations:</u>					
Compensated Absences		880,594	72,914	0	953,508
Pension Obligation		150,082	289,613	150,082	289,613
Capital Leases Payable		32,218	34,680	21,454	45,444
Total Other Long-Term Obligations		<u>1,062,894</u>	<u>397,207</u>	<u>171,536</u>	<u>1,288,565</u>
Total General Long-Term Obligations		<u>\$2,541,894</u>	<u>\$2,342,207</u>	<u>\$376,536</u>	<u>\$ 4,507,565</u>
<u>ENTERPRISE FUND OBLIGATIONS:</u>					
<u>General Obligation Bonds</u>					
Rattlesnake Treatment Plant Sewer District	7.50%	\$140,000	\$0	\$10,000	\$130,000
R.S. Sewer WWTP Proj.	5.59%	2,120,000	0	45,000	2,075,000
Landfill Improvement Bond Retirement	4.80%	200,000	0	40,000	160,000
Total General Obligation Bonds		<u>\$2,460,000</u>	<u>\$0</u>	<u>\$95,000</u>	<u>\$2,365,000</u>

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

NOTE 19 - LONG-TERM DEBT (Continued)

	<u>Interest Rate</u>	<u>Outstanding 12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/01</u>
<u>Other Long-Term Obligations:</u>					
Compensated Absences		17,432	0	3,082	14,350
Capital Leases Payable		655,251	0	156,780	498,471
Landfill Closure and Postclosure		<u>1,167,278</u>	<u>0</u>	<u>34,259</u>	<u>1,133,019</u>
Total Other Long-Term Obligations		<u>1,839,961</u>	<u>0</u>	<u>194,121</u>	<u>1,645,840</u>
Total Enterprise Fund Obligations		<u>\$4,299,961</u>	<u>\$0</u>	<u>\$289,121</u>	<u>\$4,010,840</u>

General Obligation Bonds:

All general obligation bonds are supported by the full faith and credit of the County. General obligation bonds presented as a liability in the general long term-obligations account group will be paid from an unvoted property tax charged against residents of the County. The General Fund receives the tax money, then transfers it to the Debt Service Fund.

The enterprise general obligation bonds are supported by the revenues of the sewer and the sanitary revenue waste enterprise funds.

Special Assessment Bonds:

Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefitted from the project. Special assessment monies will be received in and the debt will be retired from the Debt Service Fund. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet the annual principal and interest payments.

Compensated Absences/Pension Obligation:

Compensated absences and the pension obligation will be paid from the funds from which the employee's salaries are paid.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations described above at December 31, 2001 are an overall debt margin of \$7,336,002 and a limit on unvoted debt margin of \$1,627,528.

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

NOTE 19 LONG-TERM DEBT (Continued)

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

<u>General Long-Term Obligations</u>	General Obligation Bonds	Special Assessment Bonds	Total
2002	\$368,204	\$51,937	\$420,141
2003	340,580	52,391	392,971
2004	249,653	50,741	300,394
2005	248,151	49,087	297,238
2006	246,276	48,429	294,705
2007-2011	1,005,642	222,985	1,228,627
2012-2016	896,658	140,887	1,037,545
2017-2021	844,987	17,857	862,844
Total Principal and Interest	4,200,151	634,314	4,834,465
Less: Amount Representing Interest	(1,417,151)	(198,314)	(1,615,465)
Total Principal	<u>\$2,783,000</u>	<u>\$436,000</u>	<u>\$3,219,000</u>

<u>Enterprise Fund Obligations:</u>	General Obligation Bonds
2002	\$230,883
2003	230,804
2004	230,456
2005	224,764
2006	183,949
2007-2011	878,400
2012-2016	818,500
2017-2021	807,725
2022-2026	486,183
Total Principal and Interest	4,091,664
Less: Amount Representing Interest	(1,726,664)
Total Principal	<u>\$2,365,000</u>

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

NOTE 20 - NOTE TRANSACTIONS

A summary of the note transactions for the year ended December 31, 2001 follows:

	Interest Rate	Outstanding 12/31/00	Issued	Retired	Outstanding 12/31/01
<u>Special Revenue Fund:</u>	6.087%	\$169,720	\$0	\$36,718	\$133,002
<u>Debt Service Fund:</u>		0	\$112,914	112,914	0
<u>Capital Projects Funds:</u>	4.80%	1,867,400	99,115	1,800,579	165,936
Total Notes Payable		<u>\$2,037,120</u>	<u>\$212,029</u>	<u>\$1,950,211</u>	<u>\$298,938</u>

The notes being paid from the capital project funds are eight year notes with sixteen level, semi-annual payments. The note being paid from the Special Revenue Fund is a five year note with ten level, semi-annual payments. All of the notes are backed by the full faith and credit of Fayette County. The note liability is reflected in the fund which received the proceeds.

NOTE 21 - 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	Interfund Receivable	Interfund Payable
General Fund:	<u>\$1,222,737</u>	<u>\$603</u>	<u>\$104,760</u>	<u>\$0</u>
Special Revenue Funds:				
Dog and Kennel	0	236	0	0
MR/DD	1,532,280	765	0	0
Public Assistance	63,582	16,714	0	0
Motor Vehicle Gas Tax	21,299	2,753	0	0
Master Ditch Maintenance	77,293	18,987	0	0
Emergency Medical Services	0	192	0	0
Child Support	0	26,733	0	0
CBCA	0	0	0	1486
Recycle Ohio Grant	0	0	0	8,490
Children Services	0	45,307	0	0
Victim/Witness	0	0	0	1,008
Law Enforcement Block Grant	0	0	0	45,334
Economic Development	0	17	0	0
Emergency Management	0	0	0	895
Total Special Revenue Funds	<u>\$1,694,454</u>	<u>\$111,704</u>	<u>\$0</u>	<u>\$57,213</u>

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

NOTE 21 - INTERFUND TRANSACTIONS (Continued)

<u>Fund Type/Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Obligation Debt Service	\$296,205	\$0	\$0	\$51,512
Enterprise Funds:				
Sewer Fund	59,723	186	3,965	0
Water Fund	17,668	65	0	0
Sanitary Revenue Waste	568	628	0	0
Total Enterprise Funds	<u>77,959</u>	<u>879</u>	<u>3,965</u>	<u>0</u>
Agency:				
Taxing Districts	139,321	0	0	0
Undivided Tax Fund	0	3,317,490	0	0
Total Agency Funds	<u>139,321</u>	<u>3,317,490</u>	<u>0</u>	<u>0</u>
Total All Funds	<u>\$3,430,676</u>	<u>\$3,430,676</u>	<u>\$108,725</u>	<u>\$108,725</u>

NOTE 22 - LANDFILL CLOSURE AND POST CLOSURE CARE

During 1993, the County stopped receiving refuse in its public landfill. State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for thirty years after closure. This amount is based on what it would cost to perform all post closure care in 2001. The Ohio Environmental Protection Agency officially certified the closure of the landfill in 1993. Any remaining costs associated with the closure of the landfill were paid during 1995. The remaining post closure liability recorded in the Refuse Fund is \$1,133,019. This liability will be paid from a bond issuance, fees generated from the transfer station and any remaining cost in a particular year will be covered by transfers from the General Fund. The reporting of the landfill closure and post closure liability follow the guidelines set by the *GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post closure Care Costs."*

State and Federal laws and regulations require the County to provide financial assurance for the landfill closure and post closure care costs. The County has complied with this requirement by issuing a \$400,000 Landfill Improvement bond in May of 1996 for the purpose of constructing certain landfill improvements. These proceeds have been receipted into the Sanitary Revenue Waste Enterprise Fund.

Currently, the County contracts with a private collection service to handle the solid waste collection and disposal activities for the County.

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

NOTE 23 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains four enterprise funds which are intended to be self-supported through user fees charged for services provided to customers for sewer, water, revenue waste services and the Hospital. Financial segment information for the year ended December 31, 2001, is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Sanitary Revenue Waste</u>	<u>Fayette County Memorial Hospital</u>	<u>Total</u>
Operating Revenues	\$452,461	\$100,306	\$836,671	\$24,024,465	\$25,413,903
Operating Expenses Before Depreciation	353,442	92,522	672,278	21,678,429	22,796,671
Depreciation Expense	54,673	64,629	10,795	1,057,289	1,187,386
Operating Income (Loss)	44,346	(56,845)	153,598	1,288,747	1,429,846
Income from Investments	0	0	0	140,803	140,803
Nonoperating Gains	0	0	0	104,434	104,434
Interest and Fiscal Charges	135,490	0	9,756	29,709	174,955
Operating Transfers - In	635	0	0	0	635
Operating Transfers - Out	0	(21,414)	0	0	(21,414)
Net Income (Loss)	(90,509)	(78,259)	143,842	1,504,275	1,479,349
Net Working Capital	284,425	111,924	392,256	6,946,067	7,734,672
Additions to Property, Plant and Equipment	0	0	0	671,469	671,469
Total Assets	1,897,802	1,006,876	787,046	18,713,361	22,405,085
General Obligation Bonds Payable from Revenue	2,205,000	0	160,000	0	2,365,000
Total Equity (includes restricted funds)	(385,755)	986,420	(568,322)	16,026,631	16,058,974
Encumbrances Outstanding at December 31, 2001	9,005	2,099	45,904	0	57,008

NOTE 24 - FAYETTE PROGRESSIVE INDUSTRIES, INC.

A. Measurement Focus and Basis of Accounting

The Fayette Progressive Industries, Inc. of Fayette County uses fund accounting to report on their operations and uses the full accrual basis of accounting as set forth in Statement of Position 78-10 for non-profit corporations.

B. Budgetary Basis of Accounting

Budgetary information for the Fayette Progressive Industries, Inc. is not presented because it is not included in the entity for which the "appropriated budget" is adopted and does not maintain separate budgetary financial records.

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

NOTE 24 - FAYETTE PROGRESSIVE INDUSTRIES, INC. (Continued)

C. Deposits and Investments

Cash and cash equivalents held by the Fayette Progressive Industries, Inc. of Fayette County are classified as "Cash and Cash Equivalents in Segregated Accounts". For purpose of the statements of cash flows, cash and cash equivalents are considered to be all unrestricted highly liquid investment with maturities of three months or less at the time of acquisitions.

At year-end, Fayette Progressive Industries, Inc. had deposits with a carrying value of \$78,735 were in two NOW checking accounts and a certificate of deposit totaling \$85,479.

D. Receivables

Accounts receivable consist of amounts due from customers for trade activities. No allowance for uncollectible accounts was set up as management deems all accounts to be collectible.

E. Fixed Assets

Property and equipment for the Fayette Progressive Industries, Inc. are stated at historical cost and are updated for the cost of additions and retirements during the year. The assets for the Fayette Progressive Industries, Inc. of Fayette County are depreciated on a straight-line basis using five to ten year estimated useful lives. Routine maintenance, repairs and renewals are charged to income as incurred. Renewals and betterments which substantially increase the life of an asset are capitalized. At retirement or sale, the cost of assets, less the related accumulated depreciation, is removed from the accounts and resulting gains or losses are included in income.

A summary of the Fayette Progressive Industries, Inc. fixed assets at December 31, 2001 follows:

Vehicles	\$55,294
Machinery and Equipment	<u>90,993</u>
Total Fixed Assets	146,287
Less Accumulated Depreciation	<u>(113,930)</u>
Net Book Value	<u><u>\$32,357</u></u>

F. Contributions

Contributions, if any, are considered to be available for unrestricted use unless specifically restricted by the donor. Donated services, materials and facilities are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. An equivalent expense is also recognized.

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

NOTE 24 - FAYETTE PROGRESSIVE INDUSTRIES, INC. (Continued)

G. Income Taxes

The company is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code, and does not currently conduct any activities which management believes would result in the imposition of the unrelated business income tax.

NOTE 25 - JOINTLY GOVERNED ORGANIZATIONS

Paint Valley ADAMHS - The Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS) of Pike, Fayette, Highland, Pickaway and Ross Counties is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board receives revenue from the participating counties and receives federal and state funding through grant monies which are applied for and received by the Board of Trustees. Fayette County contributed \$285,796 to Paint Valley ADAMHS in 2001.

Fayette County cannot significantly influence operations of the Board, who has sole budgetary authority and controls surpluses and deficits. Fayette County has no ongoing financial interest or responsibility. Complete financial statements can be obtained from the Paint Valley ADAMHS Board, June Frey who serves as Finance Director, 1394 Chestnut Street, Chillicothe, Ohio 45601.

South Central Regional Juvenile Detention Center - The South Central Regional Juvenile Detention Center was created as a holding place for juvenile offenders waiting for disposition by the respective Juvenile Courts of the member counties. The current members include Fayette, Pike, Pickaway, Ross, Jackson, Hocking, Athens, Vinton and Highland Counties. The Center's Board consists of one member from each participating county that is appointed by the Juvenile Court Judge or a County Commissioner from each county. The joint Board selects the superintendent as the Center's administrator.

The Center's revenue is from per diem charges for inmates to the respective counties and a percent of the county tax base to the total base. Ross County is the fiscal officer of the Center. Fayette County does not have any financial interest or responsibility. During 2001, Fayette County contributed \$653,109 to the Center.

Fayette County Emergency Management Agency - Fayette County Emergency Management Agency (EMA) is a joint venture between the County, Townships and Villages. The executive committee consists of a county commissioner, seven chief executives from municipalities and ten townships with money provided by the members which is reimbursed by the State. The degree of control is limited to the individual representation on the board.

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

NOTE 25 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

RPHF Joint Solid Waste District - The RPHF Joint Solid Waste District is a jointly governed organization among Pickaway, Ross, Highland and Fayette Counties. Each of these governments supports the District. The County made no contributions during 2001. The degree of control exercised by any participating County is limited to its representation on the Board. The Board of Directors consists of twelve members, the three County Commissioners of each of the four counties. The District does not have any outstanding debt. The District is self-sufficient, operating entirely on collected fees.

Fayette-Clinton-Fairfield-Ross-Pickaway Job Training Partnership Act (JTPA) - JTPA is a jointly governed organization among five counties in Ohio. The consortium conducts an employment and training administration program under the provisions of JTPA of 1982 and the Job Training Reform Amendments of 1992. The three County Commissioners from each of the four counties comprise the Consortium Board of Governors. The consortium has no outstanding debt. No contributions were made by the County in 2001.

Travel and Tourism Bureau - The Travel and Tourism Bureau (The Bureau) is a jointly governed organization among the County, two townships and three villages. The Board is made up of six trustees, one from each of the following entities: Fayette County, Village of Jeffersonville, Jefferson Township, City of Washington, Union Township and Octa Village. Trustees are elected on a self-nomination basis. Revenues to operate the Bureau are derived solely from the hotel/motel tax. There is currently no outstanding debt.

West Central Ohio Port Authority - The West Central Ohio Port Authority was established under Section 4582.21 of the Ohio Revised Code. Under the Revised Code, the Port Authority is a legally separate entity. The Board of the Authority is comprised of seven members: two members from Champaign County, three from Clark County, and two from Fayette County. The members are appointed by the County Commissioners of each respective county. Fayette County does not approve its budget, nor is it responsible for the Authority's debt. During 2001, the County did not contribute any money to the Authority.

NOTE 26 - RISK SHARING POOL

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

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

NOTE 26 - RISK SHARING POOL (Continued)

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

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The Certificates were retired on May 1, 1997. The County has no equity interest in CORSA. The County's payment for insurance to CORSA in 2001 was \$126,258. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

NOTE 27 - CHANGES IN ACCOUNTING PRINCIPLES

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 Revenues,"* which change how the County recognizes certain types of revenues. GASB Statement No. 33 also requires that, beginning in 2001, capital contributions to proprietary funds be recognized as revenues.

The implementation of the GASB pronouncements caused no material changes to the prior year's ending balances.

NOTE 28 - CONTINGENT LIABILITIES

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

Several claims and lawsuits are pending against the County. Management intends to vigorously defend these cases. Presently, it is not possible to determine the resolution of these cases or amount of liability, if any. In the opinion of the County Prosecuting Attorney, any potential liability would not have a material effect on the general purpose financial statements.

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FAYETTE COUNTY

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

Federal Grantor/Pass Through Grantor Program Title:	Federal CFDA Number	Program Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant			
Small Cities Program Grant (CHIP)	14.228	BF-98-023-1	7,020
Small Cities Program Grant (CHIP)	14.228	BF-99-023-1	67,372
Small Cities Program Grant (CHIP)	14.228	BF-00-023-1	75,000
Small Cities Emergency Shelter Grant - 01	14.231	BL-01-023-1	35,700
Small Cities Emergency Shelter Grant - 00	14.231	BL-00-023-1	35,600
			<hr/>
Total U.S. Department of Housing and Urban Development			220,692
<u>U.S. Department of Justice</u>			
<i>Passed Through Ohio Office of Criminal Justice Services</i>			
Juvenile Diversion Program	16.540	00-JJ-DP2-0626	2,738
Juvenile Diversion Program	16.540	99-JJ-DP2-0626	203
Universal Hiring Program Cops	16.710	98-UM-WX-2058	18,874
Local Law Enforcement Block Grant	16.592	00-LE-LEB-3470	27,500
Local Law Enforcement Block Grant	16.592	99-LE-LEB-3476	17,500
Local Law Enforcement Block Grant	16.592	97-LE-LEB-3054	2,377
Byrne Formula Grant Program	16.579	1999-DG-G01-9070	74,070
Victim -Witness/VAWA	16.588	01-WF-VA5-8411	27,141
Victim -Witness/VAWA	16.588	00-WF-VA5-8411	30,951
			<hr/>
Total U.S. Department of Justice			201,354
<u>U.S. Department of Federal Emergency Management Agency</u>			
<i>Passed Through Ohio Adjutant General's Emergency Management Agency</i>			
Terrorism Consequence Management Preparedness	83.552	n/a	2,000
Emergency Management Assistance - 00	83.552	n/a	8,155
			<hr/>
Total U. S. Department of Federal Emergency Management			10,155
<u>U.S. Department of Education</u>			
<i>Passed Through Ohio Department of Education</i>			
Special Education - Grants to States-Title VI B - 00	84.027	71100-6B-SF-00P	2,862
Special Education - Preschool Grants - 02	84.173	71100-PG-S1-02P	4,644
Special Education - Preschool Grant - 01	84.173	71100-PG-S1-01P	9,148
Special Education - Preschool Computer Grant	84.173	71100-PG-SC-00P	1,150
			<hr/>
Total Special Education Cluster			17,804
Total U. S. Department of Education			17,804
<u>U.S. Department of Health and Human Services</u>			
<i>Passed Through Ohio Department of Aging</i>			
Special Programs for the Aging - Nutrition - Title III-B	93.044	n/a	5,787
Special Programs for the Aging - Nutrition - Title III-C	93.045	n/a	14,893
			<hr/>
Total Aging Cluster			20,680
Medical Assistance Program (CAFS) - Title XIX	93.778	n/a	180,708
Social Service Block Grant - Title XX	93.667	n/a	21,871
			<hr/>
Total U.S. Department of Health and Human Services			223,259
Total Federal Financial Award Expenditures			<hr/> <hr/> \$673,264

The Notes to the Schedule of Federal Award Expenditures are an integral part of this schedule.

FAYETTE COUNTY

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

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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



STATE OF OHIO
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**REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Fayette County
133 S. Main Street
Washington Court House, Ohio 43160

To the Board of County Commissioners:

We have audited the financial statements of Fayette County, Ohio (the County), as of and for the year ended December 31, 2001, and have issued our report thereon dated August 5, 2002. 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. We did not audit the financial statements of Fayette County Memorial Hospital. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fayette County Memorial Hospital, is based on the report of the other auditors.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-60624-001 and 2001-60624-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated August 5, 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-60624-002.

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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the County in a separate letter dated August 5, 2002.

This report is intended for the information and use of the County elected officials, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

August 5, 2002



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Fayette County
133 S. Main Street
Washington Court House, Ohio 43160

To the Board of County Commissioners:

Compliance

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

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

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

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.

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

This report is intended for the information and use of the County elected officials, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

August 5, 2002

FAYETTE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CDBG – Small Cities Formula Grants CFDA#14.228 Emergency Shelter Grants CFDA#14.231
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-60624-001

NonCompliance Citation

Section 5705.09(F), Revised Code requires the County to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure, and anticipated expenditures should be included in the County appropriations. The state made payments of "Issue 2" monies to contractors on behalf of the County. The County did not post these receipts and expenditures totaling \$677,445.91 to the required funds. Adjustments have been made to the County's financial statements to record these transactions.

Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. Contrary to this, disbursements were greater than appropriations in the following funds:

**FINDING NUMBER 2001-60624-001
 (Continued)**

Fund	Appropriations	Disbursements	Variance
Ford Road Bridge Replacement Fund	\$ 0	\$217,705	\$217,705
Prairie Road Bridge Replacement Fund	0	67,421	67,421
Old US Rt. 35 Bridge Replacement Fund	0	392,320	392,320

We recommend the County follow the guidance on the proper accounting treatment for Issue 2 transactions which is set forth in Auditor of State Bulletin 2002-004.

FINDING NUMBER 2001-60624-002

NonCompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41(D), prohibits a subdivision or taxing unit from making any contract or order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the order or contract and at the time of the certificate, appropriated and free of any previous encumbrances, the Commissioners may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one hundred dollars, the fiscal officer may authorize it to be paid without the affirmation of Commissioners, if such expenditure is otherwise valid.

Fifteen percent (15%) of the purchases tested were initiated without obtaining the prior certification of the County Auditor and were not subsequently approved by the County Commissioners within the aforementioned 30 day time period.

Effort should be made by the County to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. During our search for unrecorded liabilities, we found that the County had not always obtained purchase orders and encumbered for services provided at the end of the year audited. Failure to properly encumber could result in overspending funds and negative cash fund balances. The County should obtain purchase orders, which contain the Auditor's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

FAYETTE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-60624-001	No supervisor review of vouchers paid.	No	Partially Corrected, repeated as a management letter comment.
2000-60624-002	Failure to encumber	No	Repeated as finding 2001-60624-002.
2000-60624-003	Actual receipts exceed estimated receipts.	No	Partially Corrected, repeated as a management letter comment.
2000-60624-004	Total appropriations exceed estimated resources.	Yes	
2000-60624-005	Disbursements exceed appropriations.	No	Repeated as finding 2001-60624-001.
2000-60624-006	Municipal Securities annual information.	Yes	
2000-60624-007	Fayette Progressive Industries accounting procedures.	Yes	



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FINANCIAL CONDITION

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 3, 2002