



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

FAYETTE COUNTY
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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANTS' REPORT

Fayette County
110 East Court 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, 2000, 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 82 percent and 93 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, 2000, 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 15, 2001, 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the County, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of 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. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

August 15, 2001

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Fayette County, Ohio
 Combined Balance Sheet
 All Fund Types, Account Groups and Discretely Presented Component Unit
 As of December 31, 2000

	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	\$2,361,997	\$4,221,314	\$357,319	\$2,327,540	\$983,669
Cash and Cash Equivalents in Segregated Accounts	194	1,542	0	0	2,934,733
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	0	29,804	0
Investments in Segregated Accounts	0	0	0	0	21,548
Receivables:					
Taxes	326,835	17,993	0	0	0
Taxes Collected for other Governments	0	0	0	0	0
Accounts	83,146	123,766	0	0	3,957,274
Special Assessments	0	0	0	0	0
Accrued Interest	83,694	0	0	0	0
Interfund	8,490	0	0	0	0
Patient Accounts	0	0	0	0	100,000
Due from Other Funds	1,227,699	2,266,977	212,212	0	48,173
Due from Other Governments	21,554	452,217	0	0	0
Materials and Supplies					
Inventory	40,401	206,326	0	0	221,900
Notes Receivable	0	0	0	0	182,413
Loans Receivable	0	508,609	146,400	0	0
Prepaid Items	27,910	24,786	0	0	110,384
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	12,393,267
Other Debits:					
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds					
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>\$4,181,920</u>	<u>\$7,823,530</u>	<u>\$715,931</u>	<u>\$2,357,344</u>	<u>\$20,953,361</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			
\$1,634,922	\$0	\$0	\$11,886,761	\$58,963	\$11,945,724
1,769,626	0	0	4,706,095	0	4,706,095
0	0	0	29,804	0	29,804
0	0	0	21,548	0	21,548
3,264,555	0	0	3,609,383	0	3,609,383
17,213,393	0	0	17,213,393	0	17,213,393
0	0	0	4,164,186	36,506	4,200,692
399,589	0	0	399,589	0	399,589
0	0	0	83,694	0	83,694
0	0	0	8,490	0	8,490
0	0	0	100,000	0	100,000
71,059	0	0	3,826,120	0	3,826,120
282,091	0	0	755,862	0	755,862
0	0	0	468,627	24,103	492,730
0	0	0	182,413	0	182,413
0	0	0	655,009	0	655,009
0	0	0	163,080	0	163,080
0	15,651,555	0	28,044,822	30,653	28,075,475
		355,926	355,926		355,926
0	0	1,393	1,393	0	1,393
0	0	391,605	391,605	0	391,605
0	0	1,792,970	1,792,970	0	1,792,970
<u>\$24,635,235</u>	<u>\$15,651,555</u>	<u>\$2,541,894</u>	<u>\$78,860,770</u>	<u>\$150,225</u>	<u>\$79,010,995</u>

Continued

Fayette County, Ohio
 Combined Balance Sheet
 All Fund Types, Account Groups and Discretely Presented Component Unit
 As of December 31, 2000
 (Continued)

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Liabilities, Fund Equity and Other Credits:					
Accounts Payable	104,514	394,540	0	202	646,270
Contracts Payable	0	0	0	795,120	0
Accrued Wages and Benefits Payable	61	88,066	0	0	1,143,312
Compensated Absences Payable	13,146	20,116	0	0	17,432
Retainage Payable	0	4,700	0	29,804	0
Interfund Payable	0	8,490	0	0	0
Due to Other Funds	98	160,975	0	5	898
Due to Other Governments	109,964	110,931	0	0	16,631
Deferred Revenue	1,195,000	2,220,445	212,212	0	37,376
Notes Payable	0	169,720	0	1,867,400	0
Undistributed Monies	0	0	0	0	0
Accrued Interest Payable	0	1,722	0	39,965	15,275
Special Assessment Debt	0	0	0	0	0
Capital Leases Payable	0	0	0	0	655,251
General Obligation Bonds Payable	0	0	0	0	2,460,000
Landfill Closure and Postclosure Care Payable	0	0	0	0	1,167,278
Total Liabilities	1,422,783	3,179,705	212,212	2,732,496	6,159,723
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	14,579,625
Fund Balance:					
Reserved for Encumbrances	140,193	248,838	0	1,305,579	0
Reserved for Inventory	40,401	206,326	0	0	0
Reserved for Loans	0	508,609	146,400	0	0
Unreserved (Deficit)	2,578,543	3,680,052	357,319	(1,680,731)	0
Total Fund Equity and Other Credits	2,759,137	4,643,825	503,719	(375,152)	14,793,638
Total Liabilities, Fund Equity and Other Credits	\$4,181,920	\$7,823,530	\$715,931	\$2,357,344	\$20,953,361

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					
1,048	\$0	0	1,146,574	818	\$1,147,392
0	0	0	795,120	0	795,120
0	0	0	1,231,439	0	1,231,439
0	0	880,594	931,288	0	931,288
0	0	0	34,504	0	34,504
0	0	0	8,490	0	8,490
3,664,144	0	0	3,826,120	0	3,826,120
17,284,452	0	150,082	17,672,060	0	17,672,060
0	0	0	3,665,033	0	3,665,033
0	0	0	2,037,120	7,478	2,044,598
3,662,044	0	0	3,662,044	0	3,662,044
0	0	0	56,962	0	56,962
0	0	463,000	463,000	0	463,000
0	0	32,218	687,469	0	687,469
0	0	1,016,000	3,476,000	0	3,476,000
0	0	0	1,167,278	0	1,167,278
<u>24,611,688</u>	<u>0</u>	<u>2,541,894</u>	<u>40,860,501</u>	<u>8,296</u>	<u>40,868,797</u>
0	15,651,555	0	15,651,555	0	15,651,555
0	0	0	214,013	0	214,013
0	0	0	14,579,625	0	14,579,625
343	0	0	1,694,953	0	1,694,953
0	0	0	246,727	0	246,727
0	0	0	655,009	0	655,009
23,204	0	0	4,958,387	141,929	5,100,316
<u>23,547</u>	<u>15,651,555</u>	<u>0</u>	<u>38,000,269</u>	<u>141,929</u>	<u>38,142,198</u>
<u>\$24,635,235</u>	<u>\$15,651,555</u>	<u>\$2,541,894</u>	<u>\$78,860,770</u>	<u>\$150,225</u>	<u>\$79,010,995</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, 2000

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Taxes	\$1,143,450	\$1,470,011	\$273,193	\$0	\$0	\$2,886,654
Permissive Sales Tax	3,963,925	294,561	0	0	0	4,258,486
Intergovernmental	733,855	8,748,020	21,276	430,641	0	9,933,792
Charges for Services	1,485,232	1,374,303	0	0	0	2,859,535
Licenses and Permits	3,226	44,595	0	0	0	47,821
Fees, Fines and Forfeitures	133,898	101,391	0	0	0	235,289
Special Assessments	0	67,186	29,538	0	0	96,724
Interest	728,651	55,046	0	0	563	784,260
Other	288,142	282,174	0	557,954	19,132	1,147,402
Total Revenues	8,480,379	12,437,287	324,007	988,595	19,695	22,249,963
Expenditures:						
Current:						
General Government:						
Legislative and Executive	2,341,338	310,144	0	0	0	2,651,482
Judicial	1,110,133	308,716	0	0	0	1,418,849
Public Safety	2,329,498	356,331	0	0	0	2,685,829
Public Works	521,434	3,430,807	0	0	0	3,952,241
Health	76,735	3,240,221	0	0	0	3,316,956
Human Services	219,726	4,778,342	0	0	32,800	5,030,868
Conservation and Recreation	458,699	55,607	0	0	0	514,306
Economic Development & Assistance	0	171,879	0	0	0	171,879
Urban Redevelopment and Housing	393,128	122,563	0	0	0	515,691
Capital Outlay	79,228	0	0	1,959,042	0	2,038,270
Other Expenditures	0	0	0	0	0	0
Debt Service:						
Principal Retirement	20,084	0	204,000	0	0	224,084
Interest and Fiscal Charges	2,933	8,202	100,984	39,965	0	152,084
Total Expenditures	7,552,936	12,782,812	304,984	1,999,007	32,800	22,672,539
Excess of Revenues Over (Under) Expenditures	927,443	(345,525)	19,023	(1,010,412)	(13,105)	(422,576)
Other Financing Sources (Uses):						
Inception of Capital Lease	16,521	0	0	0	0	16,521
Operating Transfers - In	140,000	324,503	44,628	460,412	0	969,543
Operating Transfers - Out	(854,713)	(140,001)	0	(20,431)	0	(1,015,145)
Total Other Financing Sources (Uses)	(698,192)	184,502	44,628	439,981	0	(29,081)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	229,251	(161,023)	63,651	(570,431)	(13,105)	(451,657)
Fund Balances at Beginning of Year -						
Restatement (Note 30)	2,514,315	4,790,658	440,068	195,279	36,652	7,976,972
Increase in Reserve for Inventory	15,571	14,190	0	0	0	29,761
Fund Balances (Deficit) at End of Year	\$2,759,137	\$4,643,825	\$503,719	(\$375,152)	\$23,547	\$7,555,076

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, 2000

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$1,093,000	\$1,144,218	\$51,218	\$1,537,200	\$1,470,011	(\$67,189)
Permissive Sales Tax	3,000,000	3,990,933	990,933	286,602	291,290	4,688
Intergovernmental	558,584	735,264	176,680	9,248,984	8,431,043	(817,941)
Charges for Services	1,450,358	1,372,550	(77,808)	1,412,985	1,374,512	(38,473)
Licenses and Permits	4,375	3,226	(1,149)	45,000	44,595	(405)
Fees, Fines and Forfeitures	115,500	134,798	19,298	77,434	100,831	23,397
Special Assessments	0	0	0	71,965	67,186	(4,779)
Interest	300,000	650,969	350,969	27,000	54,268	27,268
Other	141,200	288,822	147,622	247,776	283,746	35,970
Total Revenues	6,663,017	8,320,780	1,657,763	12,954,946	12,117,482	(837,464)
Expenditures:						
Current:						
General Government:						
Legislative and Executive	2,547,371	2,382,192	165,179	356,174	345,167	11,007
Judicial	1,204,649	1,145,510	59,139	493,306	262,857	230,449
Public Safety	2,357,850	2,326,654	31,196	452,174	378,259	73,915
Public Works	599,170	559,922	39,248	3,413,208	3,551,049	(137,841)
Health	80,253	80,701	(448)	3,627,388	3,225,662	401,726
Human Services	230,798	214,785	16,013	4,986,047	4,600,638	385,409
Conservation and Recreation	491,729	476,950	14,779	107,450	88,212	19,238
Economic Development and Assistance	0	0	0	302,305	164,053	138,252
Urban Redevelopment and Housing	411,148	410,611	537	34,096	50,168	(16,072)
Capital Outlay	63,411	62,707	704	0	0	0
Other Expenditures	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	72,315	(72,315)
Interest and Fiscal Charges	0	0	0	0	2,887	(2,887)
Total Expenditures	7,986,379	7,660,032	326,347	13,772,148	12,741,267	1,030,881
Excess of Revenues Over (Under) Expenditures	(1,323,362)	660,748	1,984,110	(817,202)	(623,785)	193,417
Other Financing Sources (Uses):						
Proceeds from Sale of Notes	0	0	0	186,917	186,917	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds of Loans	0	0	0	0	0	0
Advances - In	0	75,779	75,779	8,490	69,490	61,000
Advances - Out	0	(69,490)	(69,490)	0	(75,780)	(75,780)
Operating Transfers - In	92,000	140,000	48,000	319,497	324,503	5,006
Operating Transfers - Out	(847,333)	(854,740)	(7,407)	(95,000)	(140,000)	(45,000)
Total Other Financing Sources (Uses)	(755,333)	(708,451)	46,882	419,904	365,130	(54,774)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,078,695)	(47,703)	2,030,992	(397,298)	(258,655)	138,643
Fund Balances at Beginning of Year						
	2,133,720	2,133,720	0	3,717,081	3,717,081	0
Prior Year Encumbrances Appropriated						
	107,677	107,677	0	326,932	326,932	0
Fund Balances at End of Year	\$162,702	\$2,193,694	\$2,030,992	\$3,646,715	\$3,785,358	\$138,643

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)
\$174,633	\$273,193	\$98,560	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
20,000	41,276	21,276	95,136	430,641	335,505	0	0	0
1,838	1,838	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
17,482	29,538	12,056	0	0	0	0	0	0
0	0	0	0	0	0	0	529	529
35,000	35,000	0	550,000	557,954	7,954	17,000	19,132	2,132
248,953	380,845	131,892	645,136	988,595	343,459	17,000	19,661	2,661
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	37,800	33,841	3,959
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	3,114,955	3,268,952	(153,997)	0	0	0
1,518	0	1,518	0	0	0	0	0	0
221,197	221,197	0	0	0	0	0	0	0
105,625	105,625	0	0	0	0	0	0	0
328,340	326,822	1,518	3,114,955	3,268,952	(153,997)	37,800	33,841	3,959
(79,387)	54,023	133,410	(2,469,819)	(2,280,357)	189,462	(20,800)	(14,180)	6,620
0	0	0	1,867,400	1,867,400	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
77,870	44,628	(33,242)	445,419	460,412	14,993	0	0	0
0	0	0	(20,431)	(20,431)	0	0	0	0
77,870	44,628	(33,242)	2,292,388	2,307,381	14,993	0	0	0
(1,517)	98,651	100,168	(177,431)	27,024	204,455	(20,800)	(14,180)	6,620
258,670	258,670	0	189,870	189,870	0	38,677	38,677	0
0	0	0	9,740	9,740	0	0	0	0
\$257,153	\$357,321	\$100,168	\$22,179	\$226,634	\$204,455	\$17,877	\$24,497	\$6,620

Fayette County, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 Proprietary Fund Type
 For the Year Ended December 31, 2000

	Enterprise Funds
Operating Revenues:	
Charges for Services	22,112,914
Tap-in Fees	375
Other Operating Revenues	76,351
Total Operating Revenues	<u>22,189,640</u>
Operating Expenses:	
Personal Services	9,667,300
Fringe Benefits	37,708
Contractual Services	5,372,981
Materials and Supplies	2,757,899
Provision for Bad Debts	1,714,101
Depreciation	1,107,892
Interest Paid	15,880
Other	816,879
Total Operating Expenses	<u>21,490,640</u>
Operating Income	<u>699,000</u>
Non-Operating Revenues (Expenses):	
Non-Operating Gains	566,199
Interest and Fiscal Charges	<u>(138,307)</u>
Total Non-Operating Revenues (Expenses)	<u>427,892</u>
Loss Before Operating Transfers	1,126,892
Operating Transfers - In	66,685
Operating Transfers - Out	<u>(21,083)</u>
Net Income	1,172,494
Retained Earnings at Beginning of Year	<u>13,407,131</u>
Retained Earnings at End of Year	<u><u>\$14,579,625</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, 2000

	Enterprise Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$1,545,823	\$1,458,640	(\$87,183)
Tap-in fees	40,120	375	(39,745)
Other Operating Revenues	3,162	4,918	1,756
Total Revenues	1,589,105	1,463,933	(125,172)
Expenses:			
Personal Services	200,651	195,142	5,509
Contractual Services	1,111,844	1,549,265	(437,421)
Materials and Supplies	54,270	38,643	15,627
Other	48,427	36,771	11,656
Debt Retirement:			
Principal Retirement	141,092	60,000	81,092
Interest and Fiscal Charges	172,584	172,584	0
Total Expenses	1,728,868	2,052,405	(323,537)
Excess of Revenues Over Expenses	(139,763)	(588,472)	(448,709)
Operating Transfers - In	67,747	66,685	(1,062)
Operating Transfers - Out	(21,083)	(21,083)	0
Excess of Revenues Over Expenses, Advances and Operating Transfers	(93,099)	(542,870)	(449,771)
Fund Balances at Beginning of Year	679,928	679,928	0
Prior Year Encumbrances Appropriated	565,584	565,584	0
Fund Balances at End of Year	\$1,152,413	\$702,642	(\$449,771)

See Notes to the General Purpose Financial Statements

Fayette County, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Year Ended December 31, 2000

	Enterprise Funds
Increases (Decreases) in Cash and Cash Equivalents:	
Cash Flows from Operating Revenues:	
Cash Received From Customers	\$21,201,368
Cash Paid for Personal Services	(9,517,835)
Cash Paid to Suppliers	(9,240,536)
Cash Paid for Landfill Closure and Postclosure	(72,247)
Other Operating Revenues	126,949
Other Operating Expenses	(51,351)
Net Cash Provided By Operating Activities	2,446,348
Cash Flows from Noncapital Financing Activities:	
Donations and Other	414,998
Operating Transfers - In	66,685
Operating Transfers - Out	(21,083)
Net Cash Provided By Noncapital Financing Activities	460,600
Cash Flows from Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(1,762,831)
Interest Paid on General Obligation Bonds	(172,584)
Principal Payments on Long-Term Debt	(88,604)
Principal Paid on General Obligation Bonds	(60,000)
Net Cash Used for Capital and Related Financing Activities	(2,084,019)
Cash Flows from Investing Activities:	
Proceeds from Physician Loan Repayments	88,264
Proceeds from Sale of Investments	27,023
Interest Received on Investments	165,726
Purchase of Investments	(42,120)
Net Cash Provided by Investing Activities	238,893
Net Increase in Cash and Cash Equivalents	1,061,822
Cash and Cash Equivalents at Beginning of Year	2,856,580
Cash and Cash Equivalents at End of Year	\$3,918,402

(Continued)

Fayette County, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Year Ended December 31, 2000
 (Continued)

	Enterprise Funds
Reconciliation of Operating Income to Net Cash Used For Operating Activities:	
Operating Income	\$699,000
Adjustments to Reconcile Operating Income to Net Cash Used For Operating Activities:	
Depreciation	1,107,892
Bad Debt Expense	1,714,101
Forgiveness of Physician Loans	27,532
Loss of disposal of equipment	49,698
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(810,140)
Increase in Inventories	(19,608)
Increase in Due From Other Funds	(4,263)
Increase in Prepaid Items	(47,079)
Increase in Third-Party Settlements	(100,000)
Increase in Accounts Payable	12,984
Increase in Accrued Wages Payable	157,404
Increase in Compensated Absences Payable	1,524
Decrease in Retainage Payable	(54,946)
Decrease in Contracts Payable	(218,007)
Increase in Deferred Revenue	2,259
Decrease in Landfill Postclosure Liability	(72,247)
Decrease in Due To Other Funds	(1,542)
Increase in Due To Other Governments	1,786
	\$2,446,348
Net Cash Provided By Operating Activities	\$2,446,348

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, 2000

	Fayette Progressive Industries, Inc.
<u>Cash Flows From Operating Activities:</u>	
Cash Received from Customers	\$389,275
Cash Received from Reimbursements and Other	5,744
Cash Payments for Services	0
Cash Payments for Insurance	(138)
Cash Payments for Salaries	(340,624)
Cash Payments for Supplies	(13,877)
Cash Payments for Equipment Inventory	(3,516)
Cash Payments for Repair and Maintenance	(8,028)
Cash Payments for Administration	(7,360)
Cash Payments for Transportation	(7,994)
Cash Payments for Reimbursements and Other	(9,419)
Net Cash Used For Operations	4,063
<u>Cash Flows From Investing Activities:</u>	
Interest	1,623
Net Cash Provided By Investing Activities	1,623
Cash flows from capital and related financing activities:	
Purchase of fixed assets	(15,998)
Principal payments - bank loans	(4,112)
Interest expense	(859)
Net Decrease in Cash and Cash Equivalents	(20,969)
Cash and Cash Equivalents at Beginning of Year	74,246
Cash and Cash Equivalents at End of Year	\$58,963
<u>Reconciliation of Operating Income to</u>	
<u>Net Cash Provided by Operating Activities:</u>	
Operating Income (loss)	(\$4,676)
<u>Adjustments to Reconcile Operating Income to</u>	
<u>Changes in Assets and Liabilities:</u>	
Depreciation	8,711
<u>Changes in Assets and Liabilities:</u>	
Increase in Accounts Receivable	(5,705)
Increase in Equipment Inventories	3,357
Increase in Supplies Inventories	7,035
Decrease in Loans Payable	(4,114)
Decrease in Accounts Payable	(545)
Net Change in Cash and Cash Equivalents	\$4,063

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, 2000

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

The County adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity,"* under which the financial statements include all the organizations, activities, functions and component units for which the County (Primary Government) is financially accountable.

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, 2000

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 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
- 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, 2000

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 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 measurement focus is upon determination of financial position and changes in financial position. 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, 2000

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 measurement focus is upon determination of net income, financial position, and changes in financial position. 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 proprietary 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, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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 are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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 (e.g., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used for reporting purposes by the governmental fund types, expendable trust funds and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the period. The available period for the County is thirty-one days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: earnings on investments, permissive sales tax (see Note 9), federal and state grants, entitlements, charges for services and fines and forfeitures. Major revenue sources not susceptible to accrual include licenses and permits which are not considered measurable until received.

The County reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Special assessments are recorded as deferred revenues because they do not meet the availability criteria. Property taxes measurable as of December 31, 2000 which are intended to finance 2001 operations and delinquent property taxes whose availability is indeterminable, have been recorded as deferred revenue.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period employees earn them. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The proprietary funds are reported using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized at the time they are incurred. Unbilled service charges receivable are recognized as revenue at year end.

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.

Tax Budget: A budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. 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. Budgetary information for the Crawford, Eyman and Vesey Expendable Trust Funds are not reported because they are not included in the entity for which the "appropriated budget" is adopted and they do not maintain separate budgetary records.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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 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 2000.

Appropriations: By January 1, the annual appropriation resolution must be legally enacted by the Commissioners at the object level within departments for expenditures. Prior to the passage of the annual appropriation measure, the County may pass a temporary appropriation measure to meet the ordinary expenditures of the County. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total appropriations within a fund, must be approved by the Commissioners. The Commissioners may pass supplemental appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Amended Certificate of Estimated Resources.

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.

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. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the object level within each department.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents: Cash balances of the County's funds, except cash held by a fiscal and escrow agents, are pooled and invested in short-term investments in order to provide improved cash management. Each fund'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 2000, investments of the County Treasurer were limited to certificates of deposit. Nonparticipating investment contracts such as certificates of deposit are reported at cost. Investments of the hospital included municipal bonds and bank cash management funds which are reported at fair value.

Interest is distributed to the General Fund, Special Revenue Funds, and the Fayette County Memorial Hospital Enterprise Fund. Interest earned in the general fund during 2000 amounted to \$728,651, which includes \$55,607 assigned from other County funds. The special revenue fund and expendable trusts funds also received interest in the amount of \$55,046, and \$562, respectively, while the Hospital recognized \$14,524 in investment income.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the Treasurer's cash management pool are considered to be cash and cash equivalents. In addition, individual fund investments with original maturities of three months or less 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 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.

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. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory of Supplies: Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds 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 supplies.

H. Prepaid Items: Payments made to vendors for services that will benefit periods beyond December 31, 2000, 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. Assets Limited as to Use: Assets limited as to use include 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 Liabilities and Long-Term Obligations: 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 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.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
Power Mains and 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.

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.

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.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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

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, loans receivable and inventory of supplies.

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: During the course of normal operations, the County has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

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

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, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

When the title of a statement indicates that a component unit is included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "Reporting Entity" and includes the activity and operations of the County's legally separate discretely presented component unit (see Note 1). The "Totals" column on statements which do not include a component unit have no additional caption.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability - Fund Equity Deficits

Special Revenue Fund - There is a deficit in the Emergency Shelter Grant and Victim Witness Special Revenue Funds in the amounts of \$35,600 and \$1,812, 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.

Capital Project Fund - There is a deficit in the County Administration Building and Clough Ditch Improvement Capital Project Funds in the amounts of \$805,942 and \$365, 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.

Enterprise Fund - The Sanitary Sewer Revenue and the Sanitary Revenue Waste Enterprise Funds had deficit retained earnings of \$295,246 and \$712,164, 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.

B. Compliance

The following had expenditures plus encumbrances in excess of appropriations for the fiscal year ended December 31, 2000.

<u>Fund/Function/Account</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
GENERAL FUNDS:			
Health	\$80,253	\$80,701	\$448
Operating Transfers Out	847,334	854,740	7,407
SPECIAL REVENUE FUNDS:			
MVGT			
Public Works	3,318,208	3,419,176	100,968
Certificate of Title Administration			
Operating Transfers Out	95,000	140,000	45,000

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

<u>Fund/Function/Account</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
DEBT SERVICE FUNDS:			
General Obligation Debt Service			
Operating Transfers Out	0	34,013	34,013

NOTE 4 - BUDGET TO GAAP RECONCILIATION

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 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.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 4 - BUDGET TO GAAP RECONCILIATION, (Continued)

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).

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 4 - BUDGET TO GAAP RECONCILIATION, (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	\$229,251	(\$161,023)	\$63,651	(\$570,431)	(\$13,105)
Revenue Accruals	(176,120)	(308,279)	56,838	0	(34)
Note Proceeds	0	186,917	0	1,867,400	0
Expenditure Accruals	45,230	320,954	(4,641)	830,961	(1,041)
Principal Retirement	0	0	(17,197)	0	0
Transfers	(27)	0	0	0	0
Advances	6,289	(6,289)	0	0	0
Non-budgeted fund Activity	0	(11,526)	0	0	0
Encumbrances	(152,326)	(279,409)	0	(2,100,906)	0
Budget Basis	<u>(\$47,703)</u>	<u>(\$258,655)</u>	<u>\$98,651</u>	<u>\$27,024</u>	<u>(\$14,180)</u>

Net Loss/Excess of Revenues
Over Expenses, Advances and Operating Transfers
Proprietary Fund Type

	Enterprise
GAAP Basis	\$1,172,494
Revenue Accruals	465
Expenditure Accruals	(355,488)
Principal Retirement	(60,000)
Encumbrances	(62,354)
Depreciation	92,674
Capital Outlay	(557,606)
Non-budgeted Fund Activity	(773,055)
Budget Basis	<u>(\$542,870)</u>

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies means an amount of 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. Monies held by the County which are not considered active are classified as inactive.

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.

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 security 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, 2000

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 \$183,146 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 \$13,504,781 and the bank balance was \$17,639,923. Of the bank balance \$1,102,768 was covered by federal depository insurance. The Fayette County Memorial Hospital had \$3,280,185 in uninsured and uncollateralized deposits. The remaining \$13,256,970 of the Counties deposits were collateralized by pooled securities.

The carrying amount of Fayette Progressive Industries, Inc. a discretely presented component unit was \$58,963 and the bank balance was \$72,152. 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, 2000

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments. *GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements"* requires that local governments disclose the carrying amounts and market value of investments, classified by risk. Category 1 includes investments that are insured or registered or which are held by the County or the County's agent in the County's name. 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. Bank Cash Management Funds are unclassified since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Carrying/Fair Value
Municipal Bonds	\$21,548	\$21,548
Bank Cash Management Funds	0	2,934,733
Total	\$21,548	\$2,956,281

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>	\$16,622,660	\$21,548
Bank Cash Management	(2,934,733)	2,934,733
Cash on Hand	(183,146)	0
<i>GASB Statement No. 3</i>	\$13,504,781	\$2,956,281

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

Temporarily restricted by donor - for specific purposes	<u>\$214,013</u>
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NOTE 6 - NET PATIENT SERVICE REVENUE

Net patient service revenue consists of the following:

Revenue:

Inpatient Services:

Routine Services	\$3,726,865
Ancillary Services	6,264,469
Outpatient Ancillary Services	<u>21,424,266</u>
Total Patient Revenue	<u>31,415,600</u>

Revenue Deductions:

Provisions for Contractual Allowances	\$10,030,655
Provision for Charity Care	549,558
Other Allowances	<u>181,548</u>
Total Revenue Deductions	<u>10,761,761</u>
Total Net Patient Service Revenue	<u>\$20,653,839</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 2000 for real and public utility property taxes represents collections of 1999 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) is for 2000 taxes.

2000 real property taxes are levied after October 1, 2000 on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2000 real property taxes are collected in and intended to finance 2001.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 7 - PROPERTY TAXES (Continued)

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. 2000 public utility property taxes became a lien December 31, 1999, are levied after October 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after October 1, 1999, on the value as of December 31, 1998. Collections are made in 2000. Tangible personal property assessments are 25 percent of true value.

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. The full tax rate for all County operations for the tax year 2000 was \$8.45 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Real Property and Public Utility	\$385,903,810
Public Utility Personal Property	46,297,760
Tangible Personal Property	<u>56,749,276</u>
Total Assessed Value	<u><u>\$488,950,846</u></u>

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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. Sales and Use tax revenue for 2000 amounted to \$4,258,486.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2000 consisted of taxes, interest, special assessments, interfund, accounts (billings for user charged services, including unbilled utility services), 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 \$3,849,834, which is net after an allowance for uncollectible accounts and contractual adjustments of \$3,689,000.

Loans Receivable (Special Revenue Fund) represent loans made available through the Community Housing Improvement Program to eligible individuals for rehabilitation work to their residences. The loans are forgiven at 20% per year and will only be repaid if the property owner vacates the property during the first five years.

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

A summary of intergovernmental receivables follows:

	Amount
<u>General Fund:</u>	
Municipal Court Fines	\$1,072
Salary Reimbursements	1,422
Indigent Defense Reimbursement	177
Housing of Prisoners	11,970
City of Washington Miscellaneous Reimbursement	5,962
County Levy	951
Total General Fund	21,554

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 9 - RECEIVABLES (Continued)

Special Revenue Funds:

Motor Vehicle and Gas Tax	\$168,112
Municipal Motor Vehicle License	4,365
Children Services	68,681
EMS Grant	5,200
Enforcement and Education	160
Mental Retardation and Developmental Disabilities Grants	60,569
Senior Nutrition Grants	43,449
Drug Law Enforcement	200
Recycle Ohio Grant	8,490
Victim/Witness	1,125
CDBG Grants	35,600
Felony Delinquent Care and Custody	2,086
Family Court Grant	54,180
Total Special Revenue Funds	<u>452,217</u>

Agency Funds:

Undivided Tax Fund	232,219
Township	2,798
County Hotel Lodging Tax	44,303
Law Library	2,771
Total Agency Funds	<u>282,091</u>
Grand Total All Funds	<u><u>\$755,862</u></u>

NOTE 10 - COST REPORT SETTLEMENTS

Approximately 56 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.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 10 - COST REPORT SETTLEMENTS (Continued)

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 new 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.

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	\$182,413
Less: Current Portion	49,470
Long-Term Portion	\$132,943

NOTE 12 - NONOPERATING GAINS

Nonoperating gains consist of the following:

Donations, gifts and grants	\$345,717
Investment Income	151,201
Other Gains	69,281
Nonoperating Gains	\$566,199

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 13 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at December 31, 2000, follows:

Land	\$470,865
Land and Land Improvements	1,145,420
Buildings	9,752,688
Machinery and Equipment	8,298,961
Vehicles	38,625
Construction in Progress	2,016,096
Sewer and Water Lines	35,424
Total Fixed Assets	<u>21,758,079</u>
Less Accumulated Depreciation	<u>9,364,812</u>
Net Book Value	<u><u>\$12,393,267</u></u>

A summary of the changes in general fixed assets during 2000 follows:

	Balance 12/31/99	Additions	Deletions	Balance 12/31/00
Land	\$1,009,431	\$0	\$0	\$1,009,431
Land Improvements	230,629	7,705	46,977	191,357
Building	7,005,911	89,677	33,517	7,062,071
Furniture and Fixtures	668,878	18,047	0	686,925
Machinery and Equipment	3,135,098	352,001	23,430	3,463,669
Vehicles	2,009,475	454,600	80,059	2,384,016
Construction in Progress	89,677	854,086	89,677	854,086
Total Fixed Assets	<u>\$14,149,099</u>	<u>\$1,776,116</u>	<u>\$273,660</u>	<u>\$15,651,555</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 2000, 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 is 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.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 14 - RISK MANAGEMENT (Continued)

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.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.

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. There are also pending claims against the Hospital that are not insured. 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.

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 defined benefit pension plan 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 that 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 9 percent. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. For plan members, other than those engaged in law enforcement, the County was required to contribute 6.54 percent of covered salary for 2000, a reduction from 9.35 percent for 1999. The County contribution for law enforcement employees for 2000 was 11.4 percent, down from 12.5 percent for 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$550,291, \$819,419, and \$829,313, respectively; 82.59 percent has been contributed for 2000 and 100 percent has been contributed for 1999 and 1998. The unpaid contribution for 2000 is recorded as a liability in the respective funds and the general long-term obligations account group. The Hospital's required contributions to PERS for the years ended December 31, 2000, 1999 and 1998 were \$755,756, \$898,371, and \$890,857, respectively.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 15 - DEFINED BENEFIT RETIREMENT PLANS (Continued)

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 administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary to fund pension obligations and the County is required to contribute 6 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions to STRS for the years ended December 31, 2000, 1999, and 1998 were \$12,786, \$15,101, and \$29,956, respectively; 85.98 percent has been contributed for 2000 and 100 percent has been contributed for 1999 and 1998. The unpaid contribution for 2000 is recorded as a liability in the respective fund.

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 and primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2000 was 10.84 percent of covered payroll for employees not engaged in law enforcement; 4.3 percent was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2000 was 15.7 percent; 4.3 percent was used to fund health care.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 16 - POSTEMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, 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 401,339. The County's actual contributions for 2000 which were used to fund postemployment benefits were \$327,222 and the Hospital's contribution was \$299,808. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

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 \$17,048 for 2000.

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, net health care costs paid by STRS were \$283,137,000 and there were 99,011 eligible benefit recipients.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 17 - OTHER EMPLOYEE BENEFITS

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.

NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years the County has entered into capitalized leases. 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.

Future minimum lease payments through 2005 are as follows:

<u>Year</u>	General Long-Term Obligations <u>Account Group</u>	<u>Enterprise</u>
2001	\$22,014	\$190,596
2002	5,241	149,624
2003	3,877	147,672
2004	2,586	143,785
2005	1,509	101,047
Thereafter	0	16,841
Total Minimum Lease Payment	<u>35,227</u>	<u>749,565</u>
Less: Amount Representing Interest	<u>3,009</u>	<u>94,314</u>
Total Present Value of Minimum Lease Payments	<u>\$32,218</u>	<u>\$655,251</u>

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 12/31/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/00</u>
<u>GENERAL LONG-TERM OBLIGATIONS:</u>					
<u>General Obligation Bonds:</u>					
Water Systems Improvement (Jeffersonville)	6.60%	\$20,000	\$0	\$20,000	\$0
Water Systems Bond (YUSA)	7.70%	110,000	0	5,000	105,000
Clark-Fayette Port Authority	6.00%	30,000	0	15,000	15,000

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 19 LONG-TERM DEBT (Continued)

	Interest Rate	Outstanding 12/31/99	Additions	Reductions	Outstanding 12/31/00
McArthur Road Improvement	4.50%	310,000	0	70,000	240,000
Co. Administration Building	5.45%	300,000	0	4,000	296,000
State Route 41/Carr Road Improvement	5.48%	425,000	0	65,000	360,000
Total General Obligations Bonds		<u>1,195,000</u>	<u>0</u>	<u>179,000</u>	<u>1,016,000</u>

Special Assessment Bonds:

Route 35/Interstate 71 Water Systems	5.90%	280,000	0	20,000	260,000
Clinton Avenue Sewer Extension Phase I	5.60%	138,000	0	4,000	134,000
Clinton Avenue Phase II	5.57%	70,000	0	1,000	69,000
Total Special Assessments		<u>488,000</u>	<u>0</u>	<u>25,000</u>	<u>463,000</u>

Other Long-Term Obligations:

Compensated Absences		780,564	100,030	0	880,594
Pension Obligation		235,810	150,082	235,810	150,082
Capital Leases Payable		35,781	16,521	20,084	32,218
Total Other Long-Term Obligations		<u>1,052,155</u>	<u>266,633</u>	<u>255,894</u>	<u>1,062,894</u>
Total General Long-Term Obligations		<u>\$2,735,155</u>	<u>\$266,633</u>	<u>\$459,894</u>	<u>\$2,541,894</u>

ENTERPRISE FUND OBLIGATIONS:

General Obligation Bonds

Rattlesnake Treatment Plant Sewer District	7.50%	\$150,000	\$0	\$10,000	\$140,000
R.S. Sewer WWTP Proj.	5.59%	2,130,000	0	10,000	2,120,000
Landfill Improvement Bond Retirement	4.80%	240,000	0	40,000	200,000
Total General Obligation Bonds		<u>2,520,000</u>	<u>0</u>	<u>60,000</u>	<u>2,460,000</u>

Other Long-Term Obligations:

Compensated Absences		15,908	1,524	0	17,432
Capital Leases Payable		306,827	348,424	0	655,251
Landfill Closure and Postclosure		1,239,525	0	72,247	1,167,278
Total Other Long-Term Obligations		<u>1,562,260</u>	<u>0</u>	<u>72,247</u>	<u>1,839,961</u>
Total Enterprise Fund Obligations		<u>\$4,082,260</u>	<u>\$1,524</u>	<u>\$132,247</u>	<u>\$4,299,961</u>

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 19 LONG-TERM DEBT (Continued)

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

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, 2000 are an overall debt margin of \$8,027,970 and a limit on unvoted debt margin of \$2,193,707.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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 <u>Bonds</u>	Special Assessment <u>Bonds</u>	<u>Total</u>
2001	\$235,366	\$53,480	\$288,846
2002	215,701	51,937	267,638
2003	185,537	52,391	237,928
2004	92,276	50,741	143,017
2005	93,644	49,087	142,731
2006-2010	297,935	228,827	526,762
2011-2015	124,894	163,566	288,460
2016-2020	101,994	37,766	139,760
Total Principal and Interest	1,347,347	687,795	2,035,142
Less: Amount Representing Interest	331,347	224,795	556,142
Total Principal	<u>\$1,016,000</u>	<u>\$463,000</u>	<u>\$1,479,000</u>

<u>Enterprise Fund Obligations:</u>	General Obligation <u>Bonds</u>
2001	\$230,485
2002	230,883
2003	230,804
2004	230,456
2005	224,764
2006-2010	900,074
2011-2015	817,200
2016-2020	808,813
2021-2025	648,671
Total Principal and Interest	4,322,150
Less: Amount Representing Interest	1,862,150
Total Principal	<u>\$2,460,000</u>

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 20 - NOTE TRANSACTIONS

A summary of the note transactions for the year ended December 31, 2000 follows:

	Interest Rate	Outstanding 12/31/99	Issued	Retired	Outstanding 12/31/00
<u>Capital Projects Funds:</u>	4.80%	\$0	\$1,867,400	\$0	\$1,867,400
<u>Special Revenue Fund:</u>	6.087%	0	186,917	17,197	169,720
Total Notes Payable		<u>\$0</u>	<u>\$2,054,317</u>	<u>\$0</u>	<u>\$2,037,120</u>

The note being paid from the capital projects fund is a bond anticipation note. 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, 2000, 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>\$1,227,699</u>	<u>\$98</u>	<u>\$8,490</u>	<u>\$0</u>
Special Revenue Funds:				
Dog and Kennel	0	94	0	0
MR/DD	2,074,393	1,170	0	0
Public Assistance	99,513	4,838	0	0
Motor Vehicle Gas Tax	24,025	1,791	0	0
Master Ditch Maintenance	69,046	20,970	0	0
Emergency Medical Services	0	208	0	0
Child Support	0	158	0	0
CBCA	0	47	0	0
CDBG/DEOP	0	1,549	0	0
C.H.I.P.	0	0	0	0
Recycle Ohio Grant	0	0	0	8,490
Children Services	0	99,513	0	0
Victim/Witness	0	30,541	0	0
Law Enforcement Block Grant	0	0	0	0

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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>
Economic Development	0	77	0	0
Emergency Management	0	19	0	0
Total Special Revenue Funds	<u>2,266,977</u>	<u>160,975</u>	<u>0</u>	<u>8,490</u>
Debt Service Fund:				
General Obligation Debt Service	212,212	0	0	0
Total Debt Service Fund	<u>212,212</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital Project Fund:				
County Administration Office Building	0	5	0	0
Total Capital Project Funds	<u>0</u>	<u>5</u>	<u>0</u>	<u>0</u>
Enterprise Funds:				
Sewer Fund	31,251	115	0	0
Water Fund	16,302	167	0	0
Sanitary Revenue Waste	620	616	0	0
Total Enterprise Funds	<u>48,173</u>	<u>898</u>	<u>0</u>	<u>0</u>
Agency:				
Taxing Districts	71,059	0	0	0
Undivided Tax Fund	0	3,664,144	0	0
Total Agency Funds	<u>71,059</u>	<u>3,664,144</u>	<u>0</u>	<u>0</u>
Total All Funds	<u><u>\$3,826,120</u></u>	<u><u>\$3,826,120</u></u>	<u><u>\$8,490</u></u>	<u><u>\$8,490</u></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 2000. 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 \$1,167,278. 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."*

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 22 - LANDFILL CLOSURE AND POST CLOSURE CARE (Continued)

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.

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, 2000, 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	\$445,540	\$115,923	\$902,005	\$20,726,172	\$22,189,640
Operating Expenses Before Depreciation	149,082	89,127	640,441	19,488,218	20,366,868
Depreciation Expense	18,030	63,849	10,795	1,015,218	1,107,892
Operating Income (Loss)	278,428	(37,053)	250,769	222,736	714,880
Income from Investments	0	0	0	151,201	151,201
Nonoperating Gains	0	0	0	414,998	414,998
Interest and Fiscal Charges	126,590	0	11,717	15,880	154,187
Operating Transfers - In	14,805	0	51,880	0	66,685
Operating Transfers - Out	0	(21,083)	0	0	(21,083)
Net Income (Loss)	166,642	(58,136)	290,932	773,055	1,172,493
Net Working Capital	392,659	126,115	313,632	5,359,273	6,191,679
Additions to Property, Plant and Equipment	541,453	16,153	0	1,205,225	1,762,831
Total Assets	2,029,941	1,083,708	700,634	17,139,078	20,953,361
General Obligation Bonds Payable from Revenue	2,260,000	0	200,000	0	2,460,000
Total Equity (includes restricted funds)	(295,246)	1,064,679	(712,164)	14,736,369	14,793,638
Encumbrances Outstanding at December 31, 2000	18,245	1,645	42,464	0	62,354

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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.

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 3 months or less at the time of acquisitions.

At year end, Fayette Progressive Industries, Inc. deposits with a carrying value of \$58,963 were in one NOW checking account totaling \$72,152.

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, 2000 follows:

Vehicles	\$55,294
Machinery and Equipment	<u>79,738</u>
Total Fixed Assets	135,032
Less Accumulated Depreciation	<u>104,379</u>
Net Book Value	<u><u>\$30,653</u></u>

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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

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.

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 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 2000, Fayette County contributed \$78,907 to the Center.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 25 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

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 2000. 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 2000.

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 2000, the County did not contribute any money to the Authority.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

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.

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 County has no equity interest in CORSA. The County's payment for insurance to CORSA in 2000 was \$113,975. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

NOTE 27 - 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.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 28 - CONTINGENCY

In June 1993, the Office of the Inspector General of the Department of Health and Human Services requested information from Quorum in connection with an investigation involving Quorum's procedures for preparing Medicare cost reports. In January 1995, the U.S. Department of Justice issued a Civil Investigative Demand which also requested information from Quorum in connection with that same investigation. As part of the government's investigation, several former and current employees of Quorum were interviewed. Quorum cooperated fully with the investigation. Quorum received no communication from the government on this matter from approximately June 1996 until August 1998.

In August 1998, the government informed Quorum that the investigation was prompted by allegations made by a former employee of a hospital managed by Quorum. The allegations concern the preparation of cost reports for Medicare and other government payment programs for hospitals owned or managed by Quorum since January 1, 1984. In October 1998, the government commenced litigation under the False Claims Act. Quorum intends to cooperate with the government's inquiry, and, if appropriate, will try to reach a settlement of this case.

The Hospital has been managed by Quorum, and thus is a potential defendant in the case, along with hundreds of other hospitals owned and managed by Quorum. The Hospital has not been identified as a specific defendant in the litigation and has not been served in the case. Whether the Hospital will ever be named as a party defendant in the litigation is unclear. Even if the Hospital were at some point to be brought into the case as a party defendant, it is unclear whether the Hospital would be subject to fines, penalties, damages or other actions or whether any such action or liability would have a material adverse effect on the Hospital's financial condition or results of operations.

NOTE 29 - CHILD SUPPORT ENFORCEMENT AGENCY

The County is responsible for collecting and distributing child support payments. Collections and payments during 2000 were approximately \$5,477,631. To comply with the 1988 Federal Family Support Act, the Ohio Department of Human Services (ODHS) assumed responsibility for developing the Support Enforcement Tracking System (SETS) software all counties must use to account for child support activity. ODHS is responsible for all costs (which are significantly reimbursed by Federal matching dollars) and programming for SETS development.

Fayette County CSEA discontinued use of their existing child support system and fully converted to the SETS system September 30, 2000. On October 2, 2000, all monies were deposited with BancOne who is now responsible for all reconciliations from that date forward.

FAYETTE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 30 - RESTATEMENT OF FUND BALANCE

In 1999, the notes receivable were incorrectly reported in the special revenue funds. The correction had the following effect on fund balance.

	Special Revenue Funds
Balance previously reported at 12/31/99	<u>\$4,549,429</u>
Restatement for Notes Receivable	<u>241,229</u>
Fund balance restated at 1/01/00	<u><u>\$4,790,658</u></u>

FAYETTE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Program Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant			
Small Cities Program Grant (CHIP)	14.228	BF-98-023-1	\$75,981
Small Cities Program Grant (CHIP)	14.228	BF-99-023-1	12,628
Total Small Cities Program Grant (CHIP)			<u>88,609</u>
Small Cities Program Home Grant (CHIP)	14.239	BC-97-023-2	50,168
Small Cities Emergency Shelter Grant -99	14.231	BL-99-023-1	34,700
Small Cities Emergency Shelter Grant -00	14.231	BL-00-023-1	<u>35,600</u>
Total U.S. Department of Housing and Urban Development			<u>209,077</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Office of Criminal Justice Services:</i>			
Juvenile Diversion Program	16.540	98-JJ-DP2-0626	21,085
Juvenile Diversion Program	16.540	99-JJ-DP2-0626	1,417
Total Juvenile Diversion Program			<u>22,502</u>
Universal Hiring Program COPS	16.710	98-UM-WX-2058	67,076
Local Law Enforcemnt Block Grant	16.592	97-LE-LEB-3054	300
Bryne Formula Grant Program	16.579	77-TT-TMV-3904	6,902
Ohio Juvenile Accountability and Incentive Block Grant	16.523	98-JB-013-A095	7,990
Victim Witness/VAWA	16.588	99-WF-VA5-8411	4,911
Victim Witness/VAWA	16.588	00-WF-VA5-8411	<u>1,493</u>
Total U.S. Department of Justice			111,174
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed Through Ohio Adjutant General's Emergency Management Agency:</i>			
Emergency Management Assistance -99	83.552	N/A	<u>8,155</u>
Total U.S. Department of Federal Emergency Management			8,155
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States-Title VI B -00	84.027	71100-6B-SF-00P	5,311
Special Education - Grants to States-Title VI B -99	84.027	71100-6B-SF-99P	5,523
Special Education - Preschool Grants	84.173	71100-PG-F1-99P	12,018
Total Special Education Cluster			<u>22,852</u>
Total U.S. Department of Education			<u>22,852</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES JUSTICE			
<i>Passed Through Ohio Department of Aging:</i>			
Aging Cluster:			
Special Programs for the Aging - Nutrition - Title III-C	93.045	N/A	<u>4,450</u>
Total Aging Cluster			4,450
Food Distribution (USDA)	10.550	N/A	24,265
Home Energy Agency Program (HEAP)	93.568	XC8-19572-001	1,900
Medical Assistance Program (CAFS) - Title XIX	93.778	N/A	128,775
Social Service Block Grant - Title XX	93.667	N/A	<u>20,332</u>
Total U.S. Department of Health and Human Services			<u>179,722</u>
TOTAL FEDERAL FINANCIAL AWARDS EXPENDITURES			<u>\$530,980</u>

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
DECEMBER 31, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

Fayette County
110 East Court 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, 2000, and have issued our report thereon dated August 15, 2001. 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 2000-60624-002, 2000-60624-003, 2000-60624-004, 2000-60624-005, and 2000-60624-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated August 15, 2001.

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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying schedule of findings as items 2000-60624-001, 2000-60624-002, and 2000-60624-007.

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, of the reportable conditions described above, we consider item 2000-60624-007 to be 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 15, 2001.

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

Jim Petro
Auditor of State

August 15, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
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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
110 East Court 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, 2000. 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, 2000.

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

Fayette County
Report on Compliance with Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance
In Accordance with OMB Circular A-133
Page 2

be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated August 15, 2001.

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

Jim Petro
Auditor of State

August 15, 2001

FAYETTE COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	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):	Small Cities Program (CHIP) #14.228 COPS #16.710
(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 2000-60624-001

Reportable Condition

Thirty-five percent of disbursement transactions tested were missing department head approvals on the corresponding vouchers. Failure to gain such department supervisor approval increases the risk that improper expenditures could be made which could result in a finding for recovery against the County Commissioners. We recommend that all department heads upon their review and approval should appropriately sign their respective vouchers.

FINDING NUMBER 2000-60624-002

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:

1. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was 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.
2. 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.

Twenty percent (20%) 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. The accompanying financial statements were adjusted to include unrecorded encumbrances existing at December 31, 2000.

This citation was also applicable in the prior audit report.

FINDING NUMBER 2000-60624-003

Noncompliance Citation

Ohio Rev. Code, Section 5705.36, provides, in part, that upon determination by the fiscal officer that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer shall certify the amount of the deficiency or excess to the budget commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess. Contrary to this, estimated receipts exceeded actual receipts in the following fund at December 31, 2000:

<u>Fund</u>	<u>Actual Receipts</u>	<u>Estimated Receipts</u>	<u>Variance</u>
Family Court Pilot Project	\$56,438	\$200,000	\$143,562

This deficiency reduced available resources below the level of current appropriations; however, the County did not expend in excess of available resources.

FINDING NUMBER 2000-60624-004

Noncompliance Citation

Ohio Rev. Code, Sections 5705.36 and 5705.39, state in part that total appropriations from each fund shall not exceed the total of the estimated revenue available. Also, upon determination by the fiscal officer that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer shall certify the amount of the deficiency or excess to the budget commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess. Contrary to this, the appropriations exceeded estimated resources; however, actual receipts plus January 1, 2000 fund balances were sufficient to permit obtaining an amended certificate in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Rattlesnake Treatment Plant Capital Improvement Bond Retirement	\$ 0	\$ 21,237	\$ 21,237

Also, appropriations exceeded estimated resources, and actual receipts plus January 1, 2000 fund balances were not sufficient to permit obtaining an amended certificate in the following fund:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Victim Witness/VAWA	\$ 22,813	\$ 24,331	\$ 1,518
Victim Witness '99-00	4,911	6,410	1,499
Rt. 35/I71 Water System	0	36,520	36,520
McArthur Road Improvement	0	16,000	16,000

FINDING NUMBER 2000-60624-005

Noncompliance Citation

Ohio Rev. Code, 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:

<u>Fund</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
Certificate of Title Administration	\$95,000	\$140,000	\$45,000
McArthur Road Improvement Bond Retirement	119,350	136,428	17,078
Capital Improvement Bond Retirement	0	16,935	16,935

FINDING NUMBER 2000-60624-006

Noncompliance Citation

17 Code of Federal Regulations, Section 240.15c2-12, states in part that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent:

FINDING NUMBER 2000-60624-006
(Continued)

- A. To each Nationally Recognized Municipal Securities Information Repository and to the appropriate State Information Depository, if any, annual financial information for each obligated person for whom financial information or operating data is presented in the final official statement, or, for each obligated person meeting the objective criteria specified in the undertaking and used to select the obligated persons for whom financial information or operating data is presented in the final official statement, except that, in the case of pooled obligations, the undertaking shall specify such objective criteria;
- B. If not submitted as part of the annual financial information, then when and if available, to each Nationally Recognized Municipal Securities Information Repository and to the appropriate State Information Depository, audited financial statements for each obligated person covered by paragraph (b)(5)(i)(A) of this section;
- C. In a timely manner, to each Nationally Recognized Municipal Securities Information Repository or to the Municipal Securities Rulemaking Board, and to the appropriate State Information Depository, if any, notice of any of the following events with respect to the securities being offered in the Offering, if material:
- Principal and interest payment delinquencies;
 - Non-payment related defaults;
 - Unscheduled draws on debt service reserves reflecting financial difficulties;
 - Unscheduled draws on credit enhancements reflecting financial difficulties;
 - Substitution of credit or liquidity providers, or their failure to perform;
 - Adverse tax opinions or events affecting the tax-exempt status of the security;
 - Modifications to rights of security holders;
 - Bonds calls;
 - Defeasances;
 - Release, substitution, or sale of property securing repayment of the securities;
 - Rating changes; and
- D. In a timely manner, to each Nationally Recognized Municipal Securities Information Repository or to the Municipal Securities Rulemaking Board, and to the appropriate State Information Depository, if any, notice of a failure of any person specified in paragraph (b)(5)(i)(A) of this section to provide required annual financial information, on or before the date specified in the written agreement or contract.

In August of 1999, a Bond Purchase agreement was entered into between McDonald Investments Inc., Columbus Ohio (the Underwriter) and Fayette County (the Issuer). Bonds with a par value of \$2,500,000 were sold in denominations of \$5,000 with the final issuance maturing in 2019. Contrary to above, the County Auditor did not submit annual financial information and operating data, timely material event notices, and/or audited financial statements to the Nationally Recognized Municipal Securities Information Repository, the Municipal Securities Rulemaking Board or to the appropriate State Information Depository.

FINDING NUMBER 2000-60624-007

Material Weakness

Through review and testing of Fayette Progressive Industries' statements (Balance sheet, Statement of Revenues, Expenses, and Changes in Cash Balance, and Statement of Cash Flows) presented for inclusion in Fayette County's financial report, we noted the following items:

FINDING NUMBER 2000-60624-007
(Continued)

- Bank reconciliations did not reconcile to the Cash Journal at December 31, 2000,
- The bank account had not been reconciled since March 2000,
- The outstanding check listing as of December 31, 2000 provided by the entity was incomplete and did not include a final total,
- Posting errors between the actual check transaction amounts and the posted amounts,
- There were inconsistencies noted between the actual check numbers and the check numbers reported in the computer system,
- Large timing variances were noted between the date of transactions and the date of posting to the cash journal,
- Interest earnings on the checking account for October, November, and December 2000 were not posted to the check book register as of December 31, 2000,
- Unposted interest earnings on the Certificate of Deposits,
- Unrecorded or incorrectly posted deposits. One deposit dated October 6, 2000 was not posted to the check book register as of December 31, 2000,
- Payroll deduction transactions were not posted, posted incorrectly, were not consistent with the amounts from the Vertex Payroll System, and/or did not have any supporting check or Automatic Clearing House (ACH) transaction number,
- Numerous small clerical errors were noted in the running balance of the check book register,
- One uncorrected variance was noted between the check stub amount and the actual check/clearing amount as of December 31, 2000,
- Unreconciled variances and inconsistencies between line item postings and balances at December 31, 2000 between the Independent Accountant's Quickbooks computer generated reports and Fayette Progressive Industries Quickbooks computer generated reports. Also, exceptions were noted between the General Journal and the two computer reports,
- Unrecognized variance was noted in the Book Value of Total Fixed Assets at December 31, 2000, and
- Audit adjustments from the prior audit remained unposted as of December 31, 2000.

The above items could result in negative fund balances and loss of assets. Also, these could result in a qualification of the audit opinion in future audit reports if not corrected. We recommend that:

- All accounting records and transactions should be maintained on one central computer, which should be backed up daily,
- All cash, fixed asset, and journal transactions should be supported by appropriate detailed documentation, schedules, and reports,
- A reconciliation of pay period payroll transactions should be reviewed and reconciled to all available payroll and deduction reports, and actual check disbursements prior to downloading into the Quickbooks System,
- A complete backup of the Quickbooks System should be performed prior to downloading the pay period information from the Vertex Payroll System,
- All downloaded transactions should be reviewed and reconciled to the reconciled payroll and deduction reports, and the actual check disbursements. All reconciling variances should be addressed with the necessary software support before any other transactions are posted to the system,
- A cash to bank reconciliation should be performed monthly, and
- Management should request and review on no less than a monthly basis a reconciliation of the Cash Balances and should note their review by signing the reconciliation and/or documenting their review in the minutes.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

FAYETTE COUNTY 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 25, 2001