



**Auditor of State  
Betty Montgomery**



**FAYETTE COUNTY**  
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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Fayette County  
133 South Main Street  
Suite 303  
Washington Courthouse, 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, 2002, 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 85 percent and 95 percent, respectively, of the assets and revenues of the Enterprise Fund Type. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fayette County Memorial Hospital, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide 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, 2002, 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 26, 2003 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.

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

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

**Betty Montgomery**  
Auditor of State

August 26, 2003

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Fayette County, Ohio  
 Combined Balance Sheet  
 All Fund Types, Account Groups and Discretely Presented Component Unit  
 As of December 31, 2002

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Assets and Other Debits:					
Assets:					
Equity in Pooled					
Cash and Cash Equivalents	\$1,045,620	\$5,155,689	\$524,055	\$134,897	\$765,075
Cash and Cash Equivalents in					
Segregated Accounts	373	8,792	0	0	2,151,394
Investments in Segregated Accounts	0	0	0	0	3,103,456
Receivables:					
Taxes	353,202	20,039	0	0	0
Taxes Collected for other Governments	0	0	0	0	0
Accounts	24,683	272,341	0	0	4,137,471
Special Assessments	0	0	0	0	0
Accrued Interest	0	0	0	0	0
Interfund	17,874	0	0	0	3,684
Third Party Settlements	0	0	0	0	10,538
Due from Other Funds	1,365,791	1,781,008	190,633	0	105,059
Due from Other Governments	450,318	2,911,910	13,597	0	0
Materials and Supplies					
Inventory	36,012	203,219	0	0	267,547
Notes Receivable	0	0	0	0	754,449
Loans Receivable	0	319,115	111,200	0	0
Prepaid Items	45,734	30,402	0	0	177,354
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	12,526,084
Restricted Assets:					
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	0	0	0
Temporarily Restricted by Donor - for Specific Purpose	0	0	0	0	214,013
Other Debits:					
Amount Available in Debt Service					
Fund for Retirement of General Obligation Bonds	0	0	0	0	0
Amount Available in Debt Service					
Fund for Retirement of Special Assessment Bonds	0	0	0	0	0
Amount to be Provided from					
Special Assessments	0	0	0	0	0
Amount to be Provided from					
General Government Resources	0	0	0	0	0
Total Assets and Other Debits	<u>\$3,339,607</u>	<u>\$10,702,515</u>	<u>\$839,485</u>	<u>\$134,897</u>	<u>\$24,216,124</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			
\$2,542,231	\$0	\$0	\$10,167,567	\$78,431	\$10,245,998
332,670	0	0	2,493,229	0	2,493,229
0	0	0	3,103,456	0	3,103,456
2,957,164	0	0	3,330,405	0	3,330,405
19,401,139	0	0	19,401,139	0	19,401,139
0	0	0	4,434,495	41,495	4,475,990
869,340	0	0	869,340	0	869,340
0	0	0	0	0	0
0	0	0	21,558	0	21,558
0	0	0	10,538	0	10,538
499,392	0	0	3,941,883	0	3,941,883
521,561	0	0	3,897,386	0	3,897,386
0	0	0	506,778	16,959	523,737
0	0	0	754,449	0	754,449
0	0	0	430,315	0	430,315
0	0	0	253,490	0	253,490
0	19,948,153	0	32,474,237	19,773	32,494,010
0	0	0	0	0	0
0	0	0	214,013	0	214,013
0	0	519,491	519,491	0	519,491
0	0	4,566	4,566	0	4,566
0	0	404,434	404,434	0	404,434
0	0	3,354,425	3,354,425	0	3,354,425
<u>\$27,123,497</u>	<u>\$19,948,153</u>	<u>\$4,282,916</u>	<u>\$90,587,194</u>	<u>\$156,658</u>	<u>\$90,743,852</u>

Continued

Fayette County, Ohio  
 Combined Balance Sheet  
 All Fund Types, Account Groups and Discretely Presented Component Unit  
 As of December 31, 2002  
 (Continued)

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Liabilities, Fund Equity and Other Credits:					
Accounts Payable	140,747	342,711	0	50	1,455,225
Contracts Payable	0	47,384	0	5,375	0
Accrued Wages and Benefits Payable	28,989	124,773	0	0	1,170,602
Compensated Absences Payable	41,931	30,121	0	0	17,091
Retainage Payable	0	2,200	0	0	0
Interfund Payable	0	10,145	3,684	7,729	0
Due to Other Funds	58	114,320	0	0	1,001
Due to Other Governments	78,671	247,031	0	0	47,341
Deferred Revenue	1,774,621	4,540,319	204,230	0	45,174
Notes Payable	0	97,065	0	297,120	0
Undistributed Monies	0	0	0	0	0
Accrued Interest Payable	0	970	0	8,365	13,850
Special Assessment Debt	0	0	0	0	0
Capital Leases Payable	0	0	0	0	376,180
General Obligation Bonds Payable	0	0	0	0	2,265,000
Landfill Closure and Postclosure Care Payable	0	0	0	0	1,099,340
<b>Total Liabilities</b>	<b>2,065,017</b>	<b>5,557,039</b>	<b>207,914</b>	<b>318,639</b>	<b>6,490,804</b>
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	0	0	0	0	17,511,307
Fund Balance:					
Reserved for Encumbrances	56,615	90,532	0	2,930	0
Reserved for Inventory	36,012	203,219	0	0	0
Reserved for Loans	0	319,115	111,200	0	0
Unreserved (Deficit)	1,181,963	4,532,610	520,371	(186,672)	0
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>1,274,590</b>	<b>5,145,476</b>	<b>631,571</b>	<b>(183,742)</b>	<b>17,725,320</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$3,339,607</b>	<b>\$10,702,515</b>	<b>\$839,485</b>	<b>\$134,897</b>	<b>\$24,216,124</b>

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					
	2,316	0	1,941,049	3,349	1,944,398
	0	0	52,759	0	52,759
	0	0	1,324,364	0	1,324,364
	0	948,977	1,038,120	0	1,038,120
	0	0	2,200	0	2,200
	0	0	21,558	0	21,558
	3,826,504	0	3,941,883	0	3,941,883
	19,900,531	0	20,576,352	0	20,576,352
	255,046	0	6,819,390	0	6,819,390
	0	0	394,185	0	394,185
	3,108,214	0	3,108,214	0	3,108,214
	0	0	23,185	0	23,185
	0	0	409,000	0	409,000
	0	0	67,161	0	443,341
	0	0	2,555,000	0	4,820,000
	0	0	1,099,340	0	1,099,340
	<u>27,092,611</u>	<u>0</u>	<u>46,014,940</u>	<u>3,349</u>	<u>46,018,289</u>
	0	19,948,153	19,948,153	0	19,948,153
	0	0	214,013	0	214,013
	0	0	17,511,307	0	17,511,307
	0	0	150,077	0	150,077
	0	0	239,231	0	239,231
	0	0	430,315	0	430,315
	30,886	0	6,079,158	153,309	6,232,467
	<u>30,886</u>	<u>19,948,153</u>	<u>44,572,254</u>	<u>153,309</u>	<u>44,725,563</u>
	<u>\$27,123,497</u>	<u>\$19,948,153</u>	<u>\$4,282,916</u>	<u>\$156,658</u>	<u>\$90,743,852</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, 2002

	Governmental Fund Types			Capital Projects	Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service		Expensible Trust	
<b>Revenues:</b>						
Taxes	\$1,351,113	\$1,597,041	\$389,294	\$0	\$0	\$3,337,448
Permissive Sales Tax	4,237,478	326,645	0	0	0	4,564,123
Intergovernmental	608,879	9,934,291	0	1,196,567	0	11,739,737
Charges for Services	1,846,509	2,224,657	0	0	0	4,071,166
Licenses and Permits	3,125	52,523	0	0	0	55,648
Fees, Fines and Forfeitures	152,911	145,251	0	0	0	298,162
Special Assessments	0	75,484	34,537	25,834	0	135,855
Interest	220,298	28,546	0	0	243	249,087
Donations and Contributions	0	53,166	0	0	0	53,166
Other	229,498	165,175	0	0	25,386	420,059
<b>Total Revenues</b>	<b>8,649,811</b>	<b>14,602,779</b>	<b>423,831</b>	<b>1,222,401</b>	<b>25,629</b>	<b>24,924,451</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General Government:</b>						
Legislative and Executive	2,738,251	201,051	0	0	0	2,939,302
Judicial	1,492,560	288,625	0	0	0	1,781,185
Public Safety	2,434,461	360,326	0	0	0	2,794,787
Public Works	708,091	3,341,916	0	1,173,584	0	5,223,591
Health	89,156	2,726,472	0	0	0	2,815,628
Human Services	332,817	6,019,012	0	0	24,688	6,376,517
Conservation and Recreation	463,017	56,283	0	0	0	519,300
Economic Development & Assistance	0	573,806	0	0	0	573,806
Urban Redevelopment and Housing	405,167	54,271	0	0	0	459,438
Capital Outlay	129,462	35,987	0	183,927	0	349,376
<b>Debt Service:</b>						
Principal Retirement	10,514	3,756	255,000	0	0	269,270
Interest and Fiscal Charges	2,961	9,624	165,042	12,763	0	190,390
<b>Total Expenditures</b>	<b>8,806,457</b>	<b>13,671,129</b>	<b>420,042</b>	<b>1,370,274</b>	<b>24,688</b>	<b>24,292,590</b>
Excess of Revenues Over (Under) Expenditures	(156,646)	931,650	3,789	(147,873)	941	631,861
<b>Other Financing Sources (Uses):</b>						
Inception of Capital Lease	0	35,987	0	0	0	35,987
Operating Transfers - In	65,000	381,593	197,278	43,779	0	687,650
Operating Transfers - Out to Component Unit	0	(16,397)	0	0	0	(16,397)
Operating Transfers - Out	(613,003)	(26,765)	0	(10,004)	0	(649,772)
<b>Total Other Financing Sources (Uses)</b>	<b>(548,003)</b>	<b>374,418</b>	<b>197,278</b>	<b>33,775</b>	<b>0</b>	<b>57,468</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(704,649)	1,306,068	201,067	(114,098)	941	689,329
Fund Balances (Deficit) at Beginning of Year	1,990,076	3,852,371	430,504	(69,644)	29,945	6,233,252
Increase in Reserve for Inventory	(10,837)	(12,963)	0	0	0	(23,800)
	<u>\$1,274,590</u>	<u>\$5,145,476</u>	<u>\$631,571</u>	<u>(\$183,742)</u>	<u>\$30,886</u>	<u>\$6,898,781</u>

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 and Expendable Trust Funds  
 For the Year Ended December 31, 2002

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$1,348,251	\$1,350,882	\$2,631	\$1,593,924	\$1,597,041	\$3,117
Permissive Sales Tax	4,217,220	4,234,572	17,352	286,600	324,383	37,783
Intergovernmental	521,629	641,390	119,761	9,720,356	9,390,892	(329,464)
Charges for Services	1,917,374	1,837,895	(79,479)	2,081,587	2,160,726	79,139
Licenses and Permits	4,375	3,125	(1,250)	52,523	52,523	0
Fees, Fines and Forfeitures	129,500	149,671	20,171	146,067	143,458	(2,609)
Special Assessments	0	0	0	74,297	74,297	0
Interest	300,000	232,457	(67,543)	27,000	26,497	(503)
Donations and Contributions	0	0	0	59,707	56,444	(3,263)
Other	258,669	229,498	(29,171)	184,094	165,776	(18,318)
<b>Total Revenues</b>	<b>8,697,018</b>	<b>8,679,490</b>	<b>(17,528)</b>	<b>14,226,155</b>	<b>13,992,037</b>	<b>(234,118)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General Government:</b>						
Legislative and Executive	2,769,577	2,758,036	11,541	220,280	201,005	19,275
Judicial	1,497,160	1,486,752	10,408	388,529	290,753	97,776
Public Safety	2,483,441	2,467,294	16,147	392,236	333,576	58,660
Public Works	787,061	759,305	27,756	3,488,674	3,382,061	106,613
Health	96,491	94,730	1,761	3,016,184	2,711,061	305,123
Human Services	371,490	348,417	23,073	6,156,896	5,766,689	390,207
Conservation and Recreation	478,739	470,002	8,737	117,265	60,909	56,356
Economic Development and Assistance	0	0	0	992,335	610,103	382,232
Urban Redevelopment and Housing	456,934	405,391	51,543	63,255	54,271	8,984
Capital Outlay	130,000	129,462	538	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>9,070,893</b>	<b>8,919,389</b>	<b>151,504</b>	<b>14,835,654</b>	<b>13,410,428</b>	<b>1,425,226</b>
<b>Excess Of Revenues Over (Under) Expenditures</b>	<b>(373,875)</b>	<b>(239,899)</b>	<b>133,976</b>	<b>(609,499)</b>	<b>581,609</b>	<b>1,191,108</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Notes	0	0	0	0	0	0
Advances-In	0	132,797	132,797	114,754	116,063	1,309
Advances-Out	0	(45,911)	(45,911)	(8,490)	(163,131)	(154,641)
Operating Transfers-In	200,000	65,000	(135,000)	379,895	381,593	1,698
Operating Transfers-Out to Component Unit	0	0	0	(16,397)	(16,397)	0
Operating Transfers-Out	(645,390)	(613,002)	32,388	(48,603)	(48,603)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(445,390)</b>	<b>(461,116)</b>	<b>(15,726)</b>	<b>421,159</b>	<b>269,525</b>	<b>(151,634)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(819,265)</b>	<b>(701,015)</b>	<b>118,250</b>	<b>(188,340)</b>	<b>851,134</b>	<b>1,039,474</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,380,731</b>	<b>1,380,731</b>	<b>0</b>	<b>3,679,141</b>	<b>3,679,141</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>159,666</b>	<b>159,666</b>	<b>0</b>	<b>165,858</b>	<b>165,858</b>	<b>0</b>
<b>Fund Balances at End of Year</b>	<b>\$721,132</b>	<b>\$839,382</b>	<b>\$118,250</b>	<b>\$3,656,659</b>	<b>\$4,696,133</b>	<b>\$1,039,474</b>

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)
\$407,798	\$403,094	(\$4,704)	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
0	0	0	405,483	1,196,567	791,084	0	0	0
21,839	21,839	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
93,432	60,371	(33,061)	0	0	0	0	0	0
0	0	0	0	0	0	210	210	0
0	0	0	0	0	0	0	0	0
17,200	17,200	0	0	0	0	25,385	25,385	0
540,269	502,504	(37,765)	405,483	1,196,567	791,084	25,595	25,595	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	1,173,584	(1,173,584)	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	24,000	23,711	289
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	767,306	278,549	488,757	0	0	0
323,609	315,803	7,806	0	0	0	0	0	0
179,050	179,270	(220)	0	100	(100)	0	0	0
502,659	495,073	7,586	767,306	1,452,233	(684,927)	24,000	23,711	289
37,610	7,431	(30,179)	(361,823)	(255,666)	106,157	1,595	1,884	289
0	220	220	155,730	155,830	100	0	0	0
5,300	21,585	16,285	2,429	2,429	0	0	0	0
0	(64,113)	(64,113)	0	0	0	0	0	0
197,635	219,116	21,481	43,779	43,779	0	0	0	0
0	0	0	0	0	0	0	0	0
(35,000)	0	35,000	(10,004)	(10,004)	0	0	0	0
167,935	176,808	8,873	191,934	192,034	100	0	0	0
205,545	184,239	(21,306)	(169,889)	(63,632)	106,257	1,595	1,884	289
339,818	339,818	0	92,632	92,632	0	31,255	31,255	0
0	0	0	94,096	94,096	0	0	0	0
\$545,363	\$524,057	(\$21,306)	\$16,839	\$123,096	\$106,257	\$32,850	\$33,139	\$289

Fayette County, Ohio  
 Combined Statement of Revenues,  
 Expenses and Changes in Retained Earnings  
 Proprietary Fund Type  
 For the Year Ended December 31, 2002

	<u>Enterprise Funds</u>
Operating Revenues:	
Charges for Services	\$27,101,396
Tap-in Fees	10,806
Other Operating Revenues	<u>72,985</u>
Total Operating Revenues	<u>27,185,187</u>
 Operating Expenses:	
Personal Services	9,287,070
Fringe Benefits	2,872,153
Contractual Services	5,730,599
Materials and Supplies	3,775,471
Provision for Bad Debts	2,453,418
Depreciation	1,281,295
Other	<u>440,749</u>
Total Operating Expenses	<u>25,840,755</u>
 Operating Income	<u>1,344,432</u>
 Non-Operating Revenues (Expenses):	
Non-Operating Gains	288,602
Interest and Fiscal Charges	<u>(159,220)</u>
Total Non-Operating Revenues (Expenses)	<u>129,382</u>
 Loss Before Operating Transfers	<u>1,473,814</u>
 Operating Transfers - In	0
Operating Transfers - Out	<u>(21,481)</u>
 Net Income	<u>1,452,333</u>
 Retained Earnings at Beginning of Year	<u>16,272,987</u>
 Retained Earnings at End of Year	<u><u>\$17,725,320</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, 2002

	Enterprise Funds		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Charges for Services	\$1,320,824	\$1,311,369	(\$9,455)
Tap-in fees	2,143	10,867	8,724
Other Operating Revenues	9,308	1,655	(7,653)
Total Revenues	<u>1,332,275</u>	<u>1,323,891</u>	<u>(8,384)</u>
Expenses:			
Personal Services	181,048	179,958	1,090
Fringe Benefits	60,357	57,343	3,014
Contractual Services	866,753	763,602	103,151
Materials and Supplies	61,664	51,109	10,555
Other	42,200	39,604	2,596
Debt Retirement:			
Principal Retirement	100,000	100,000	0
Interest and Fiscal Charges	137,547	134,562	2,985
Total Expenses	<u>1,449,569</u>	<u>1,326,178</u>	<u>123,391</u>
Excess of Revenues Over Expenses	(117,294)	(2,287)	115,007
Advances - In	0	3,965	3,965
Advances - Out	0	(3,684)	(3,684)
Operating Transfers - In	54,068	54,067	(1)
Operating Transfers - Out	<u>(75,548)</u>	<u>(75,548)</u>	<u>0</u>
Excess of Revenues Over Expenses, Advances and Operating Transfers	(138,774)	(23,487)	115,287
Fund Balances at Beginning of Year	657,700	657,700	0
Prior Year Encumbrances Appropriated	57,008	57,008	0
Fund Balances at End of Year	<u>\$575,934</u>	<u>\$691,221</u>	<u>\$115,287</u>

See Notes to the General Purpose Financial Statements

Fayette County, Ohio  
Statement of Cash Flows  
Proprietary Fund Type  
For the Year Ended December 31, 2002

	Enterprise Funds
Increases (Decreases) in Cash and Cash Equivalents:	
<u>Cash Flows From Operating Activities:</u>	
Cash Received from Customers	\$24,629,806
Cash Paid for Personal Services	(12,154,707)
Cash Paid to Suppliers	(8,905,619)
Cash Paid for Landfill Closure and Postclosure	(33,679)
Other Operating Revenues	106,194
Other Operating Expenses	(36,904)
Net Cash Provided By Operating Activities	3,605,091
<u>Cash Flows from Noncapital Financing Activities:</u>	
Donations and Other	156,401
Advances - In	3,965
Advances - Out	(3,684)
Operating Transfers - In	6,107
Operating Transfers - Out	(27,588)
Net Cash Provided by Noncapital Financing Activities	135,201
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and Construction of Capital Assets	(1,965,797)
Interest Paid on General Obligation Bonds	(134,562)
Principal Paid on General Obligation Bonds	(100,000)
Capital Lease Payment	(147,672)
Net Cash Used for Capital and Related Financing Activities	(2,348,031)
<u>Cash Flows From Investing Activities:</u>	
Proceeds from Physician Loan Repayments	18,298
Proceeds from Sale of Investments	714,140
Interest Received on Investments	132,201
Purchase of Investments	(4,211,948)
Net Cash Provided by Investing Activities	(3,347,309)
Net Increase in Cash and Cash Equivalents	(1,955,048)
Cash and Cash Equivalents at Beginning of Year	5,085,530
Cash and Cash Equivalents at End of Year	\$3,130,482

(Continued)

Fayette County, Ohio  
Statement of Cash Flows  
Proprietary Fund Type  
For the Year Ended December 31, 2002

	Enterprise Funds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$1,344,432
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	1,281,295
Bad Debt Expense	2,453,418
Forgiveness of Physician Loans	0
Loss of disposal of equipment	33,209
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(2,489,374)
Increase in Inventories	(17,428)
Increase in Due From Other Funds	(27,100)
Decrease in Prepaid Items	417,001
Decrease in Third-Party Settlements	27,918
Increase in Accounts Payable	604,306
Increase in Accrued Wages Payable	556
Increase in Compensated Absences Payable	2,741
Decrease in Deferred Revenue	(4,200)
Decrease in Landfill Postclosure Liability	(33,679)
Increase in Due To Other Funds	122
Increase in Due To Other Governments	11,874
	11,874
Net Cash Provided By Operating Activities	\$3,605,091

See Notes to the General Purpose Financial Statements

Fayette County, Ohio  
Statement of Support and Revenues  
Expenses, and Changes in Fund Balance  
Discretely Presented Component Unit  
For the Year Ended December 31, 2002

Fayette  
Progressive  
Industries, Inc.

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**Support and Revenues:**

Grants:	
Canteen Sales	\$5,959
Contractual Services	314,881
Assesmbly Production	102,025
Total Support and Revenues	<u>422,865</u>

**Expenses:**

Personal Services	375,648
Contractual Services	7,981
Material and Supplies	8,249
Depreciation	9,576
Repairs and Maintenance	5,898
Other	<u>23,759</u>
Total Operating Expenses	<u>431,111</u>

Operating Loss	<u>(8,246)</u>
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**Nonoperating Revenues:**

Investment Income	1,330
Other	<u>(4,839)</u>

Total Nonoperating Revenues (expenses)	<u>(3,509)</u>
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Transfers from Primary Government	<u>16,397</u>
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Net Revenues Over Expenses	<u>4,642</u>
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Equity Fund Balance, January 1, 2002	<u>148,667</u>
Equity Fund Balance, December 31, 2002	<u><u>\$153,309</u></u>

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, 2002

	Fayette Progressive Industries, Inc.
<u>Cash Flows From Operating Activities:</u>	
Cash Received from Customers	\$425,546
Cash Received from Reimbursements and Other	10,886
Cash Payments for Salaries	(378,273)
Cash Payments for Supplies	(17,277)
Cash Payments for Repair and Maintenance	(1,983)
Cash Payments for Transportation	(12,516)
Cash Payments for Reimbursements and Other	(40,031)
	(13,648)
Net Cash Used For Operating Activities	
Cash Flows from Noncapital Financing Activities:	
Cash Received from Transfer In for Primary Government	16,397
	16,397
<u>Cash Flows From Investing Activities:</u>	
Interest	1,320
	1,320
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Purchase of Fixed Assets	(1,180)
Principal Payments - Bank Loans	(3,089)
Interest Expense	(112)
	(4,381)
Net Cash Used from Capital and Related Financing Activities	
	(4,381)
Net Decrease in Cash and Cash Equivalents	
	(312)
Cash and Cash Equivalents at Beginning of Year	
	78,743
Cash and Cash Equivalents at End of Year	
	78,431
<u>Reconciliation of Operating Loss to</u>	
Net Cash Used for Operating Activities:	
Operating Loss	(8,246)
<u>Adjustments to Reconcile Operating Loss to</u>	
Changes in Assets and Liabilities:	
Depreciation	(18,812)
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	(6,240)
Increase in Equipment Inventories	28,041
Decrease in Supplies Inventories	(1,939)
Decrease in Accounts Payable	(3,363)
Decrease in Loans Payable	(3,089)
Net Cash Used for Operating Activities	(\$13,648)

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, 2002**

**NOTE 1 - REPORTING ENTITY**

Fayette County, Ohio (The County), was created in 1810. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, Juvenile/Probate Judge and a Common Pleas Court Judge. Although these elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

***Reporting Entity:***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. For Fayette County, this includes the Fayette County Board of Mental Retardation and Developmental Disabilities, Fayette County Department of Human Services, Fayette County Children Services Board, Fayette County Veterans' Services, Fayette County Memorial Hospital and all departments and activities that are directly operated by the elected County officials.

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

***Discretely Presented Component Unit***

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

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

***Blended Component Unit***

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

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 1 - REPORTING ENTITY (Continued)**

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

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

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activities of the following districts and agencies are presented as agency funds within the County's financial statements.

Fayette Soil and Water Conservation District  
Fayette County Health District

**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 defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financing resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.. An account group, 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 available expendable financial resources.

For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.



**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

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

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

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

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

**Capital Projects Funds** - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

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

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

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

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

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

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

**General Fixed Assets Account Group** - This accounts for all fixed assets of the County, other than those accounted for in the enterprise or trust funds.

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

General Long-Term Obligations Account Group - This accounts for all unmatured long-term obligations of the County that is not a specific liability of the proprietary funds.

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

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for proprietary funds.

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

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

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

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

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

Budgetary information for the Fayette County Memorial Hospital and Fayette Progressive Industries, Inc. (component unit) 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.

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

**Estimated Resources:** The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing 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 set forth in the financial statements represent estimates from the amended certificate in force at the time final appropriations were passed by the Commissioners.

**Appropriations:** A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution may be

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

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

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

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

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

**D. Cash and Cash Equivalents:** Cash balances of the County's funds, except cash held by an escrow or fiscal agent and cash in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Each fund type's share of the pool is presented on the balance sheet in the account "Equity in Pooled Cash and Cash Equivalents."

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

During fiscal year 2002, investments of the County Treasurer were limited to certificates of deposit and a repurchase account. Certificates of deposit and repurchase account are reported at cost. Investments of the hospital included federal bonds which are reported at fair value.

Interest is distributed to the General Fund, Special Revenue Funds, Expendable Trust Funds and the Fayette County Memorial Hospital Enterprise Fund. Interest earned in the general fund during 2002 amounted to \$220,298 which includes \$202,575 assigned from other County funds.

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

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

**E. Charity Care:** The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

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

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

**G. Inventory of Supplies:** Inventories of governmental funds are stated at cost while inventory of the enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the enterprise funds when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. The Hospital's inventories consist of medical and office supplies and pharmaceutical products.

**H. Prepaid Items:** Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

**J. Interfund Assets and Liabilities:** Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Short-term interfund loans or the short-term portion of advances are classified as "Interfund Receivables" or "Interfund Payables."

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

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

**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.

**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
Machinery and Equipment	5-25 years
Vehicles	5 years
Sewer and Water Lines	20 years

**M. Compensated Absences:** Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments.

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

**N. Reserves of Fund Equity:** The County records reservations for those portions of fund balance which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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

which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, inventory of supplies and loans receivable.

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

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

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

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

**R. Total Columns on General Purpose Financial Statements:** Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability:**

Special Revenue Fund - The Child Support Enforcement Agency, Emergency Shelter Grant, Law Enforcement Block Grant and Help Me Grow Special Revenue Funds had deficit fund balances in the amount of \$69,821, \$18,571, \$476, and \$7,848, 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.

Capital Projects Funds - The Johnson Station Ditch Improvement, Wildman Ditch, Clough Ditch Improvement, Central Soya Ditch Improvement, Huff Run Ditch and Haigler-Long Ditch Capital Projects Funds had deficit fund balances in the amounts of \$51,979, \$70,497, \$64,749, \$24,011, \$8,280, and \$272, respectively. The deficits in all of the capital projects funds listed above, except the Huff Run Ditch fund, result from the issuance of short-term bond anticipation notes which are used to finance projects until bonds are issued. These deficits will be eliminated when long-term bonds are issued. The deficit in the Huff Run Ditch fund is due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)**

Enterprise Funds - The Sanitary Revenue Sewer District and the Sanitary Revenue Waste Enterprise Funds had deficit retained earnings of \$437,370 and \$422,361, 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. The County is currently monitoring user charges to see if an increase in rates in the enterprise funds will be necessary.

**B. Compliance:**

The following had expenditures plus encumbrances in excess of appropriations for the fiscal year ended December 31, 2002.

<u>Fund/Function/Account</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<b>DEBT SERVICE FUND:</b>			
Rt 35/I 71 Water System Special Assessment Bonds			
Interest and Fiscal Charges	31,105	31,325	220
<b>CAPITAL PROJECTS FUNDS:</b>			
Federal Grants Fund			
Public Works	0	1,111,566	1,111,566
Prairie Road Bridge Replacement			
Public Works	0	39,725	39,725
OPWC Route 35 Bridge Replacement			
Public Works	0	22,293	22,293

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types, and the Combined Statement of 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, 2002**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (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 for all funds (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);
7. Revenues and expenditures were not presented for non-budgeted funds (budget basis) but were recorded on the operating statements (GAAP basis); and
8. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

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

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	(\$704,649)	\$1,306,068	\$201,067	(\$114,098)	\$941
Revenue Accruals	46,269	(373,825)	78,673	(31,242)	0
Unrecorded Cash	(16,590)	(236,917)	0	5,408	(33)
Expenditure Accruals	43,522	456,694	(14,228)	(70,159)	977
Principal Retirement	10,514	(32,231)	(60,583)	155,830	0
Transfers	0	(21,838)	21,838	0	0
Advances	86,886	(47,068)	(42,528)	2,429	0
Encumbrances	<u>(166,967)</u>	<u>(199,749)</u>	<u>0</u>	<u>(11,800)</u>	<u>0</u>
Budget Basis	<u><u>(\$701,015)</u></u>	<u><u>\$851,134</u></u>	<u><u>\$184,239</u></u>	<u><u>(\$63,632)</u></u>	<u><u>\$1,884</u></u>

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

	Enterprise
GAAP Basis	\$46,457
Revenue Accruals	(47,637)
Expenditure Accruals	(18,618)
Unrecorded Cash	34,792
Principal Retirement	(100,000)
Encumbrances	(69,328)
Advances	281
Depreciation	130,566
Budget Basis	(\$23,487)

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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;
7. The State Treasurer's investment pool (STAROhio);
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 \$309,439 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 \$12,565,370 which includes \$2,365,407 in cash and cash equivalents in segregated accounts and restricted cash and cash equivalents with fiscal and escrow agents related to Fayette County Memorial Hospital. The bank balance of County's deposits, **not including deposits related to Fayette County Memorial Hospital**, was \$10,476,902. Of that bank balance \$413,353 was covered by federal depository insurance and the remaining balance was uninsured, but was collateralized by pooled securities. The bank balance of deposits related to Fayette County Memorial

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

Hospital was \$2,599,748. Of that bank balance, \$314,013 was covered by federal depository insurance and the remaining balance was uninsured.

The carrying amount of Fayette Progressive Industries, Inc. a discretely presented component unit was \$78,431 and the bank balance was \$85,743. All of the bank balance was covered by federal depository insurance.

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

	Investments	Risk Category	Fair Value
Federal Bonds		2	\$3,103,456
Repurchase Agreement		3	233,979
			\$3,337,435

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 "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting."

A reconciliation between classifications of cash and cash equivalents and investments as shown on the County's balance sheet for the primary government per GASB Statement No. 3 follows:

	Cash and Cash Equivalents/ Deposits	Investments
<i>GASB Statement No. 9</i>	\$12,874,809	\$3,103,456
Cash on Hand	(309,439)	0
<i>GASB Statement No. 3</i>	\$12,565,370	\$3,103,456

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

Temporarily restricted by donor - for specific purposes	\$214,013
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**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 6 - NET PATIENT SERVICE REVENUE**

Net patient service revenue consists of the following:

Revenue:	
Inpatient Services:	
Routine Services	\$5,049,572
Ancillary Services	8,724,595
Outpatient Ancillary Services	<u>27,257,669</u>
Total Patient Revenue	<u>41,031,836</u>
Revenue Deductions:	
Provisions for Contractual Allowances	14,657,588
Provision for Charity Care	481,774
Other Allowances	<u>115,353</u>
Total Revenue Deductions	<u>15,254,715</u>
Total Net Patient Service Revenue	<u><u>\$25,777,121</u></u>

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) are for 2002 taxes.

2002 real property taxes are levied after October 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

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. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

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.

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 7 - PROPERTY TAXES (Continued)**

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

The full tax rate for all County operations for the tax year 2002 was \$9.75 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property and Public Utility	\$401,513,230
Public Utility Personal Property	38,785,290
Tangible Personal Property	61,119,950
Total Assessed Value	\$501,418,470

Property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2002 operations. The receivable is therefore offset by a credit to deferred revenue.

**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 the Gas Tax Special Revenue Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Permissive Sales and Use tax revenue for 2002 amounted to \$4,564,123.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2002, consisted of taxes, accounts (billings for user charged services, including unbilled utility services), special assessments, interfund, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables except those of the Fayette County Memorial Hospital Enterprise Fund, are considered collectible in full. The Hospital has accounts receivable in the amount of \$4,015,672, which is net after an allowance for uncollectible accounts and contractual adjustments of \$3,643,000.

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 9 - RECEIVABLES (Continued)**

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

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

A summary of intergovernmental receivables follows:

	Amount
<u>General Fund:</u>	
Municipal Court Fines	\$1,835
Public Defender Reimbursement	2,905
Homestead/Rollback	69,790
Estate Tax Fees	11,414
Permissive Sales Tax	363,010
Housing of Prisoners	369
Permissive Old County Levy	995
Total General Fund	450,318
 <u>Special Revenue Funds:</u>	
Dog and Kennel	150
County Board of MRDD	72,048
Public Assistance	21,223
Motor Vehicle Gas Tax	1,534,687
Municipal Motor Vehicle License	35,786
Commission on Aging	17,354
Drug Law Enforcement	36
Emergency Shelter Grant	69,700
Enforcement and Education	125
Community Development Block Grant	701,100
Recycle Ohio Grant	8,922
Felony Delinquent Care and Custody	11,533
Community Based Corrections Act	31,844
Children's Services	124,127
C.H.I.P.	220,900
Victim Witness	52,035
Economic Development	3,500
CBCA	6,840
Total Special Revenue Funds	2,911,910

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 9 - RECEIVABLES (Continued)**

	Amount
<u>Debt Service Fund:</u>	
Water System Improvement	13,597
 <u>Agency Funds:</u>	
Undivided Tax Fund	472,736
County Hotel Lodging Tax	43,235
Law Library	4,191
Concord Township	1,399
Total Agency Funds	521,561
Grand Total All Funds	\$3,897,386

**NOTE 10 - COST REPORT SETTLEMENTS**

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

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

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

The Medicaid payment system in Ohio is a prospective one, whereby rates for the following state fiscal year beginning July 1 are based upon filed cost reports for the preceding calendar year. The continuity of this system is subject to the uncertainty of the fiscal health of the State of Ohio, which can directly



**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 10 - COST REPORT SETTLEMENTS (Continued)**

impact future rates and the methodology currently in place. Any significant change in rates, or the payment system itself, could have a material impact on the future Medicaid funding to providers.

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:

Net Notes Receivable	\$754,449
Less: Current Portion	<u>(74,953)</u>
Long-Term Portion	<u><u>\$679,496</u></u>

**NOTE 12 - NONOPERATING GAINS**

Nonoperating gains consist of the following:

Donations, gifts and grants	\$40,162
Investment Income	132,201
Other Gains	<u>116,239</u>
Nonoperating Gains	<u><u>\$288,602</u></u>

**NOTE 13 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at December 31, 2002, follows:

Land	\$680,865
Land Improvements	1,172,250
Buildings	10,521,100
Machinery and Equipment	9,515,295
Vehicles	38,625
Sewer and Water Lines	35,424
Construction in Progress	<u>1,415,541</u>
Total Fixed Assets	23,379,100
Less Accumulated Depreciation	<u>(10,853,016)</u>
Net Book Value	<u><u>\$12,526,084</u></u>

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 13 - FIXED ASSETS (Continued)**

A summary of the changes in general fixed assets during 2002 follows:

	Balance <u>12/31/01</u>	Additions	Deletions	Balance <u>12/31/02</u>
Land	\$1,009,431	\$130,000	\$0	\$1,139,431
Land Improvements	230,816	8,638	0	239,454
Buildings	10,727,155	23,021	0	10,750,176
Furniture and Fixtures	740,060	107,422	0	847,482
Machinery and Equipment	3,864,527	305,810	15,282	4,155,055
Vehicles	2,542,121	263,970	177,315	2,628,776
Construction in Progress	<u>8,588</u>	<u>179,191</u>	<u>0</u>	<u>187,779</u>
Total Fixed Assets	<u>\$19,122,698</u>	<u>\$1,018,052</u>	<u>\$192,597</u>	<u>\$19,948,153</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. By participating in the County Risk Sharing Authority (CORSA), a risk sharing pool (See Note 26), for liability, property, auto, and crime insurance, the County has addressed these various types of risk.

CORSA, a non-profit corporation sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property, casualty and crime insurance coverage for its members. CORSA was established May 12, 1987, and has grown to fifty-seven members.

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

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

**NOTE 15 - DEFINED BENEFIT RETIREMENT PLANS**

**A. Ohio Public Employees Retirement System:**

All County employees, other than teachers, participate in the Ohio Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter

**FAYETTE COUNTY, OHIO**  
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**NOTE 15 - DEFINED BENEFIT RETIREMENT PLANS (Continued)**

145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations; law enforcement employees contribute 10.10 percent. The 2002 employer pension contribution rate for the County was 8.55 percent of

covered payroll, a decrease from 9.25 percent in 2001. Also, the law enforcement contribution rate for the County was 11.70 percent of covered payroll, a decrease from 12.40 percent in 2001. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000, \$829,644, \$974,870, and \$550,291, respectively. The full amount has been contributed for 2001 and 2000. 78.58 percent was contributed for 2002 with the remainder being reported as a fund liability and within the general long-term obligations account group. The Hospital's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000, were \$1,192,732, \$1,101,383, and \$755,756, respectively.

**B. State Teachers Retirement System:**

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

For the year ended December 31, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's required contributions for pension obligations to STRS for the years ended December 31, 2002, 2001, and 2000, were \$22,211, \$13,171, and \$12,786, respectively. 100 percent has been paid for 2001 and 2000.

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System:**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll;

**FAYETTE COUNTY, OHIO**  
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**NOTE 16 - POSTEMPLOYMENT BENEFITS (Continued)**

4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 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 402,041. The County's actual contributions for 2002 which were used to fund postemployment benefits were \$463,186 and the Hospital's contribution was \$440,818. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

**B. State Teachers Retirement System:**

The County provides comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. The system is on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit

**FAYETTE COUNTY, OHIO**  
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**NOTE 16 - POSTEMPLOYMENT BENEFITS (Continued)**

recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer

contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$10,521 for 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001 (the latest information available), the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

**NOTE 17 - EMPLOYEE BENEFITS**

**A. Deferred Compensation:**

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

**B. Compensated Absences:**

County employees earn vacation and sick leave at varying rates depending on length of service and departmental policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County. Upon retirement for non-union personnel, unused sick leave is paid for one-fourth days of total sick leave accumulated to a maximum of 30 days paid. Union members are paid up to a maximum of 600 hours.

**NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE**

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

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)**

General fixed assets consisting of equipment furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$140,861. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in 2002 totaled \$10,514 in the general fund and \$3,756 in the special revenue fund.

Future minimum lease payments through 2007 are as follows:

<u>Year</u>	General Long- Term Obligations Account Group	Enterpris e
2003	\$20,432	\$147,672
2004	18,252	143,786
2005	16,285	101,046
2006	13,982	16,841
2007	8,323	0
Total Minimum Lease Payment	77,274	409,345
Less: Amount Representing Interest	(10,113)	(33,165)
Total Present Value of Minimum Lease Payments	\$67,161	\$376,180

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**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 12/31/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/3/02</u>
<b><u>GENERAL LONG-TERM OBLIGATIONS:</u></b>					
<b><u>General Obligation Bonds:</u></b>					
Water Systems Bond (YUSA)	7.70%	\$95,000	\$0	\$10,000	\$85,000
McArthur Road Improvement	4.50%	165,000	0	80,000	85,000
Co. Administration Building	5.45%	288,000	0	8,000	280,000
State Route 41/Carr Road Improvement	5.48%	290,000	0	70,000	220,000
County Building Improvement Bonds	4.10%	1,945,000	0	60,000	1,885,000
Total General Obligations Bonds		<u>2,783,000</u>	<u>0</u>	<u>228,000</u>	<u>2,555,000</u>
<b><u>Special Assessment Bonds:</u></b>					
Route 35/Interstate 71 Water Systems	5.90%	240,000	0	20,000	220,000
Clinton Avenue Sewer Extension Phase I	5.60%	129,000	0	5,000	124,000
Clinton Avenue Phase II	5.57%	67,000	0	2,000	65,000
Total Special Assessments		<u>436,000</u>	<u>0</u>	<u>27,000</u>	<u>409,000</u>
	<u>Interest Rate</u>	<u>Outstanding 12/31/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/02</u>
<b><u>Other Long-Term Obligations:</u></b>					
Compensated Absences		953,508	0	4,531	948,977
Pension Obligation		289,613	302,778	289,613	302,778
Capital Leases Payable		45,444	35,987	14,270	67,161
Total Other Long-Term Obligations		<u>1,288,565</u>	<u>338,765</u>	<u>308,414</u>	<u>1,318,916</u>
Total General Long-Term Obligations		<u>\$4,507,565</u>	<u>\$338,765</u>	<u>\$563,414</u>	<u>\$4,282,916</u>

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 19 - LONG-TERM DEBT (continued)**

ENTERPRISE FUND OBLIGATIONS:

General Obligation Bonds

Rattlesnake Treatment Plant Sewer District	7.50%	\$130,000	\$0	\$10,000	\$120,000
R.S. Sewer WWTP Proj.	5.59%	2,075,000	0	50,000	2,025,000
Landfill Improvement Bond Retirement	4.80%	160,000	0	40,000	120,000
Total General Obligation Bonds		<u>\$2,365,000</u>	<u>\$0</u>	<u>\$100,000</u>	<u>\$2,265,000</u>

Other Long-Term Obligations:

Compensated Absences	14,350	2,741	0	17,091
Pension Obligation	6,379	7,085	6,379	7,085
Capital Leases Payable	498,471	0	122,291	376,180
Landfill Closure and Postclosure	<u>1,133,019</u>	<u>0</u>	<u>33,679</u>	<u>1,099,340</u>
Total Other Long-Term Obligations	<u>1,652,219</u>	<u>9,826</u>	<u>162,349</u>	<u>1,499,696</u>
Total Enterprise Fund Obligations	<u><u>\$4,017,219</u></u>	<u><u>\$9,826</u></u>	<u><u>\$262,349</u></u>	<u><u>\$3,764,696</u></u>

General Obligation Bonds:

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

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

Special Assessment Bonds:

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

Compensated Absences/Pension Obligation:

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



**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**NOTE 19 - LONG-TERM DEBT (Continued)**

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, 2002, are an overall debt margin of \$8,201,335 and a limit on unvoted debt margin of \$2,180,058.

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

<u>General Long-Term Obligations</u>	General Obligation Bonds	Special Assessment Bonds	Total
2003	\$340,580	\$52,391	\$392,971
2004	249,653	50,741	300,394
2005	248,151	49,087	297,238
2006	246,276	48,429	294,705
2007	248,979	46,711	295,690
2008-2012	936,051	217,963	1,154,014
2013-2017	894,401	105,098	999,499
2018-2022	<u>667,856</u>	<u>11,957</u>	<u>679,813</u>
Total Principal and Interest	3,831,947	582,377	4,414,324
Less: Amount Representing Interest	<u>(1,276,947)</u>	<u>(173,377)</u>	<u>(1,450,324)</u>
Total Principal	<u><u>\$2,555,000</u></u>	<u><u>\$409,000</u></u>	<u><u>\$2,964,000</u></u>

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**NOTE 19 - LONG-TERM DEBT (Continued)**

<u>Enterprise Fund Obligations:</u>	General Obligation Bonds
2003	230,804
2004	230,456
2005	224,764
2006	183,949
2007	184,683
2008-2012	856,981
2013-2017	818,188
2018-2022	804,793
2023-2024	<u>326,166</u>
Total Principal and Interest	3,860,785
Less: Amount Representing Interest	<u>(1,595,785)</u>
Total Principal	<u><u>\$2,265,000</u></u>

**NOTE 20 - NOTE TRANSACTIONS**

A summary of the note transactions for the year ended December 31, 2002, follows:

	Interest Rate	Outstandin g 12/31/01	Issued	Retired	Outstanding 12/31/02
<u>Special Revenue Fund:</u>	6.087%	\$133,002	\$0	\$35,937	\$97,065
<u>Capital Projects Funds:</u>	4.80%	<u>165,936</u>	<u>156,050</u>	<u>24,866</u>	<u>297,120</u>
Total Notes Payable		<u><u>\$298,938</u></u>	<u><u>\$156,050</u></u>	<u><u>\$60,803</u></u>	<u><u>\$394,185</u></u>

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

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**NOTE 21 - INTERFUND TRANSACTIONS**

Interfund balances at December 31, 2002, consist of the following individual fund receivables and payables:

<u>Fund Type/Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:	<u>\$1,365,791</u>	<u>\$58</u>	<u>\$17,874</u>	<u>\$0</u>
Special Revenue Funds:				
Dog and Kennel	0	177	0	0
MR/DD	1,637,510	1,073	0	0
Public Assistance	46,688	28,784	0	0
Motor Vehicle Gas Tax	22,550	1,911	0	0
Master Ditch Maintenance	74,260	20,173	0	0
Child Support	0	15,231	0	0
Probate Court	0	175	0	0
Recycle Ohio Grant	0	0	0	9,000
Emergency Management	0	27	0	895
Community Based Corrections Act	0	18	0	0
Children's Services	0	46,724	0	0
Law Enforcement Block Grant	0	0	0	250
Economic Development	<u>0</u>	<u>27</u>	<u>0</u>	<u>0</u>
Total Special Revenue Funds	<u>1,781,008</u>	<u>114,320</u>	<u>0</u>	<u>10,145</u>
General Obligation Debt Service	<u>190,633</u>	<u>0</u>	<u>0</u>	<u>3,684</u>
Capital Projects Funds:				
Wildman Ditch	0	0	0	2,429
Clough Ditch Improvement	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,300</u>
Total Capital Projects Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,729</u>
Enterprise Funds:				
Sewer Fund	83,551	0	3,684	0
Sanitary Revenue Waste	5	1,001	0	0
Sanitary Revenue Waste	<u>21,503</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Enterprise Funds	<u>105,059</u>	<u>1,001</u>	<u>3,684</u>	<u>0</u>
Agency:				
Undivided Tax Fund	0	3,826,504	0	0
Concord Township	<u>499,392</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Agency Funds	<u>499,392</u>	<u>3,826,504</u>	<u>0</u>	<u>0</u>
Total All Funds	<u><u>\$3,941,883</u></u>	<u><u>\$3,941,883</u></u>	<u><u>\$21,558</u></u>	<u><u>\$21,558</u></u>

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**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 2002. 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 \$1,099,340. This liability will be paid from a bond issuance, fees generated from the transfer station and any remaining cost in a particular year will be covered by transfers from the General Fund.

The reporting of the landfill closure and post closure liability follow the guidelines set by the *GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post closure Care Costs."*

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

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

**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, 2002, 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	\$281,361	\$127,323	\$928,052	\$25,848,451	\$27,185,187
Operating Expenses Before Depreciation	152,261	88,874	763,258	23,555,067	24,559,460
Depreciation Expense	54,673	64,857	11,036	1,150,729	1,281,295
Operating Income (Loss)	74,427	(26,408)	153,758	1,142,655	1,344,432
Income from Investments	0	0	0	132,201	132,201
Nonoperating Gains	0	0	0	156,401	156,401
Interest and Fiscal Charges	126,042	0	7,797	25,381	159,220
Operating Transfers - Out	0	21,481	0	0	21,481
Net Income (Loss)	(51,615)	(47,889)	145,961	1,405,876	1,452,333
Net Working Capital	228,522	129,556	482,492	7,443,886	8,284,456

**FAYETTE COUNTY, OHIO**  
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**NOTE 23 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (continued)**

Additions to Property, Plant and Equipment	0	0	1,205	1,964,592	1,965,797
Total Assets	\$1,812,993	\$940,447	\$875,453	\$20,587,231	\$24,216,124
General Obligation Bonds Payable from Revenue	2,145,000	0	120,000	0	2,265,000
Total Equity (includes restricted funds)	(437,370)	938,531	(422,361)	17,646,520	17,725,320
Encumbrances Outstanding at December 31, 2002	\$7,350	\$700	\$61,278	\$0	\$69,328

**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 three months or less at the time of acquisitions.

At year-end, Fayette Progressive Industries, Inc. had deposits with a carrying value of \$78,431 were in four NOW checking accounts.

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**NOTE 24 - FAYETTE PROGRESSIVE INDUSTRIES, INC. (Continued)**

**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, 2002, follows:

Vehicles	\$38,734
Machinery and Equipment	<u>24,052</u>
Total Fixed Assets	62,786
Less Accumulated Depreciation	<u>(43,013)</u>
Net Book Value	<u><u>\$19,773</u></u>

**F. Contributions:**

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

**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.

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 25 - JOINTLY GOVERNED ORGANIZATIONS**

*Paint Valley ADAMHS* - The Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS) of Pike, Fayette, Highland, Pickaway and Ross Counties is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board receives revenue from the participating counties and receives federal and state funding through grant monies which are applied for and received by the Board of Trustees. Fayette County contributed \$288,495 to Paint Valley ADAMHS in 2002.

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 2002, Fayette County contributed \$122,129 to the Center.

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

*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 2002. 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

**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 25 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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 2002.

*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 2002, the County did not contribute any money to the Authority.

**NOTE 26 - RISK SHARING POOL**

*County Risk Sharing Authority, Inc.* - The County Risk Sharing Authority, Inc., is a shared risk pool among fifty-seven 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 Certificates were retired on May 1, 1997. The County has no equity interest in CORSA. The County's payment for insurance to CORSA in 2002 was \$129,835. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.



**FAYETTE COUNTY, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**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.

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

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FAYETTE COUNTY

SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002

<u>Federal Grantor/Pass Through Grantor Program Title:</u>	<u>Federal CFDA Number</u>	<u>Program Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through Ohio Department of Education:</i>			
Nutrition Cluster:			
Food Distribution Program	10.550	n/a	32,316
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant			
Small Cities Program Grant (Formula)	14.228	BF-01-023-1	80,000
Small Cities Program Grant (Discretionary)	14.228	BD-01-023-1	365,125
Small Cities Emergency Shelter Grant - 01	14.231	BL-01-023-1	<u>35,700</u>
Total U.S. Department of Housing and Urban Development			<b>480,825</b>
<b><u>U.S. Department of Justice</u></b>			
<i>Passed Through Ohio Office of Criminal Justice Services</i>			
State Domestic Preparedness Equipment Support Program	16.007	2002-TE-CX-0049	60,614
Universal Hiring Program Cops	16.710	98-UM-WX-2058	11,879
Byrne Formula Grant Program	16.579	2002-RU-R59-9091	75,000
Victim -Witness/VOCA '01-02	16.588	2002VAGENE240	44,573
Victim -Witness/VOCA Expansion '01-02	16.588	2002VAGENE547	1,768
Victim -Witness/VAWA '01-02	16.588	2000-WF-VA5-8411	7,871
Victim -Witness/VAWA '02-03	16.588	2001-WF-VA5-8411	<u>19,328</u>
Total U.S. Department of Justice			<b>221,034</b>
<b><u>U.S. Department of Labor</u></b>			
<i>Passed Through Ohio Department of Jobs and Family Services</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult			
Workforce Investment Act - Adult Administrative			<u>2,582</u>
Workforce Investment Act - Adult Total	17.258	n/a	14,686
Workforce Investment Act - Youth			
Workforce Investment Act - Youth Administrative			<u>14,167</u>
Workforce Investment Act - Youth Total	17.259	n/a	41,242
Workforce Investment Act - Dislocated Workers			
Workforce Investment Act - Dislocated Workers Administrative			<u>18,274</u>
Workforce Investment Act - Dislocated Workers Total	17.260	n/a	<u>65,719</u>
Total Workforce Investment Act Cluster			<u>121,647</u>
Total U. S. Department of Labor			<b>121,647</b>

(Continued)

FAYETTE COUNTY

SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)

**Federal Highway Administration**

*Passed Through Ohio Department of Transportation*

Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	n/a	1,138,111
Total Federal Highway Administration			<u>1,138,111</u>

**U.S. Department of Federal Emergency Management Agency**

*Passed Through Ohio Adjutant General's Emergency*

*Management Agency*

Terrorism Consequence Management Preparedness	83.552	n/a	1,864
Emergency Management Assistance - Performance	83.552	n/a	10,878
Total U. S. Department of Federal Emergency Management			<u>12,742</u>

**U.S. Department of Education**

*Passed Through Ohio Department of Education*

Special Education - Grants to States-Title VI B - 02	84.027	71100-6B-SF-02	8,065
Special Education - Preschool Grant - 01	84.173	71100-PG-S1-01P	4,445
Special Education - Preschool Grant - 02	84.173	71100-PG-S1-02P	4,873
Total Special Education Cluster			<u>17,383</u>
Total U. S. Department of Education			<u>17,383</u>

**U.S. Department of Health and Human Services**

*Passed Through Ohio Department of Aging*

Special Programs for the Aging - Nutrition - Title III-B	93.044	n/a	14,853
Special Programs for the Aging - Nutrition - Title III-C	93.045	n/a	66,453
Total Aging Cluster			<u>81,306</u>

Low-Income Home Energy Assistance Program (LIHEAP) - '02-03	93.568	n/a	1,900
Medical Assistance Program (CAFS) - Title XIX	93.778	n/a	193,454

*Passed Through Ohio Department of Mental Retardation and Developmental Disabilities*

Social Service Block Grant - Title XX	93.667	n/a	21,458
Total U.S. Department of Health and Human Services			<u>298,118</u>

Total Federal Financial Award Expenditures \$2,322,175

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

**FAYETTE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – MATCHING REQUIREMENTS**

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

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## **Auditor of State Betty Montgomery**

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

Fayette County  
133 South Main Street  
Suite 303  
Washington Courthouse, 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, 2002, and have issued our report thereon dated August 26, 2003. 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 2002-001, 2002-002, and 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated August 26, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the County in a separate letter dated August 26, 2003.

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.

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

**Betty Montgomery**  
Auditor of State

August 26, 2003





## Auditor of State Betty Montgomery

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

Fayette County  
133 South Main Street  
Suite 303  
Washington Courthouse, 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, 2002. 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 its major federal programs for the year ended December 31, 2002. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings as Finding 2002-004. We also noted an instance of noncompliance that does not require inclusion in this report that we have reported to management in a separate letter dated August 26, 2003.

#### 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.

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

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

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

**Betty Montgomery**  
Auditor of State

August 26, 2003

**FAYETTE COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CDBG – Small Cities Formula Grants CFDA#14.228 Highway Planning & Construction CFDA # 20.205
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2002-001**

**NonCompliance Citation/Reportable Condition**

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

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

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the order or contract and at the time of the certificate, appropriated and free of any previous encumbrances, the Commissioners may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

**FINDING NUMBER 2002-001  
 (Continued)**

- B. If the amount involved is less than one hundred dollars, the fiscal officer may authorize it to be paid without the affirmation of Commissioners, if such expenditure is otherwise valid.

Twenty-eight percent (28%) 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.

The County should use 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.

**FINDING NUMBER 2002-002**

**Finding for Adjustment - NonCompliance**

ORC, Section 311.29, states that a sheriff may, from time to time, enter into contracts with any municipal corporation, township, township police district, the board of county commissioners of any contiguous county with the concurrence of the sheriff of the other county, and any other entity as listed in the Revised Code to perform any police function. Contracts entered into under this section shall provide for the reimbursement of the county for the costs incurred by the sheriff for providing policing services. All payments pursuant to any such contract in reimbursement of the costs of such policing shall be made to the treasurer of the county to be credited to a special fund known as the "sheriff's policing revolving fund". Any moneys credited to the fund and not obligated at the termination of the contract shall be credited to the county general fund. The County failed to credit the remaining funds of \$19,205 at December 31, 2002 in the sheriff's policing revolving fund to the general fund. The County agreed with the adjustment of \$19,205 from the sheriff's policing revolving fund to the general fund and the adjustment will be made to the County's books.

**FINDING NUMBER 2002-003**

**Non Compliance Citation**

Section 5705.09(F), Revised Code, requires the County to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure, and anticipated expenditures should be included in the County appropriations. The state made payments of "Issue 2" monies to contractors on behalf of the County. The state also made payments of Federal Highway Transportation monies to contractors on behalf of the County. The County did not post these receipts and expenditures totaling \$62,018 for Issue 2 and \$462,362 for Highway Transportation to the required funds. Adjustments have been made to the County's financial statements to record these transactions.

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

Fund	Appropriations	Disbursements	Variance
Jonesboro Road	\$ 0	\$39,795	\$39,795
Old US Rt. 35 Bridge Replacement Fund	0	22,293	22,293
Fayette Street Bridge	0	462,362	462,362
Old Springfield Rod	0	675,749	675,749

**FINDING NUMBER 2002-003  
(Continued)**

We recommend the County follow the guidance on the proper accounting treatment for Issue 2 transactions which is set forth in Auditor of State Bulletin 2002-004. We also recommend the County follow the guidance on the proper accounting treatment for other on behalf of grants as set forth in Auditor of State Bulletin 2000-008.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

**FINDING NUMBER 2002-004**

**Reportable Condition**

Per Office of Management and Budget Circular A-133 § \_\_. 300(d), it is the responsibility of the County to prepare the Schedule of Federal Awards Expenditures. The schedule was not completed for audit. Our audit staff prepared the Schedule, which also entailed an additional cost to the County. An incomplete or inaccurate federal schedule could result in the loss of federal funds. We recommend that the County prepare the federal schedule and reconcile this schedule to the County books.

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FAYETTE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-60624-001	Posting of Issue II funds.	No	Repeated as finding 2002-003.
2001-60624-002	Failure to certify the availability of funds.	No	Repeated as finding 2002-001.







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
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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 30, 2003**