



Dave Yost • Auditor of State



**FAYETTE COUNTY**  
**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Governmental-wide Financial Statements:	
Statement of Net Assets – Cash Basis as of December 31, 2010.....	17
Statement of Activities – Cash Basis For the Year Ended December 31, 2010.....	18
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	20
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance - Governmental Funds .....	21
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance Budget and Actual – Budget Basis -General Fund .....	22
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance Budget and Actual - Budget Basis - County Board of Developmental Disabilities Fund .....	23
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance Budget and Actual - Budget Basis - Job and Family Services Fund .....	24
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance Budget and Actual - Budget Basis - Motor Vehicle and Gas Tax Fund.....	25
Statement of Fund Net Assets - Cash Basis - Proprietary Funds.....	26
Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Cash Disbursements, and Changes in Cash Basis - Enterprise Funds .....	27
Statement of Fiduciary Net Assets - Cash Basis .....	28
Notes to Basic Financial Statements .....	29
Schedule of Federal Awards Expenditures.....	49
Notes to Schedule of Federal Awards Expenditures .....	52
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	53
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.....	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings.....	61

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Fayette County  
133 South Main Street  
Washington Court House, Ohio 43160

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fayette County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

The financial statements do not include financial data for the County's only legally separate discretely presented component unit, Fayette Progressive Industries, Inc (the Workshop). Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the reporting entity that includes the component unit's financial data. The County has not issued reporting entity financial statements. We cannot determine the amounts of assets, liabilities, net assets, revenues and expenditures that the accompanying statements should present for the omitted discretely-presented component unit in order to comply with accounting principles generally accepted in the United States of America.

Management has not included the Fayette County Memorial Hospital Fund, the County's blended component unit, in the County's financial statements. Accounting principles generally accepted in the United States of America require the Fayette County Memorial Hospital Fund to be presented as a major enterprise fund and financial information about the Fayette County Memorial Hospital Fund to be part of the business-type activities, thus increasing the business-type activities' assets, net assets, cash receipts and disbursements and changing its net assets. We cannot reasonably determine the amount by which this departure would affect the assets, net assets, cash receipts and disbursements of the business-type activities and the omitted major fund.

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In our opinion, because of the omission of the Fayette County Memorial Hospital Fund, the financial statements referred to above do not present fairly, in conformity with the basis of accounting Note 2 describes, the cash financial position of the Fayette County Memorial Hospital Fund of Fayette County, Ohio, as of December 31, 2010, or its changes in financial position or cash flows thereof for the year then ended.

Further, in our opinion, except for the effects of not including financial information for the Fayette County Memorial Hospital Fund, as part of the business-type activities, as discussed above, the financial statements referred to above present fairly, in all material respects, the cash financial position of the business-type activities of Fayette County, Ohio, as of December 31, 2010, and the changes in financial position thereof for the year then ended conformity with the basis of accounting Note 2 describes.

In our opinion, because of the omission of the discretely-presented component unit (the Workshop) as discussed above in paragraph four, the financial statements referred to above do not present fairly in conformity with the basis of accounting Note 2 describes, the cash financial position of the discretely-presented component unit of Fayette County, Ohio as of December 31, 2010, and the changes in its cash financial position and cash flows for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund except the Fayette County Memorial Hospital, and the aggregate remaining fund information of Fayette County, Ohio, as of December 31, 2010, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General, Board of Developmental Disabilities, Job and Family Services and Motor Vehicle Gas Tax funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2011, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the County's financial statements taken as a whole. The Federal Awards Expenditure Schedule provides additional information and is 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 basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

September 6, 2011

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**FAYETTE COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

As Management of Fayette County (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2010. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review notes to the financial statements to enhance their understanding of the County's performance.

- . In total, net cash assets increased \$1,237,261.
- . Net cash assets of governmental activities increased \$1,040,294 which represents a 9.00% increase from 2009. Net cash assets of business-type activities increased \$196,967 which represents a 9.49% increase from 2009.
- . At the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$12,153,076. Approximately 93.00%, \$11,368,670, is available for spending at the government's discretion. Business-type Funds reported a combined ending fund balance of \$2,272,568. Approximately 94.00%, \$2,144,803, is available for spending.
- . There were additions to the County's total long-term debt during the current fiscal year in the amount of \$1,850,000 due to addition of Courthouse Renovation amortized over 20 years, and \$300,000 in loans to the Job Ready Site. Reductions in long-term debt during 2010 amounted to \$440,468.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the County's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the County as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the County as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**FAYETTE COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The County has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the County's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the County did financially during 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the County's general receipts.

These statements report the County's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the County's financial health. Over time, increases or decreases in the County's cash position is one indicator of whether the County's financial health is improving or deteriorating. When evaluating the County's financial condition, you should also consider other nonfinancial factors as well such as the County's property tax base, the condition of the County's capital assets and infrastructure, the extent of the County's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we report the County's governmental activities. Both of the government-wide financial statements identify functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, judicial, public safety, public works, health, human services, economic development and assistance, miscellaneous, and debt service.

**FAYETTE COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

Both of the government-wide financial statements distinguishes functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include executive/legislative, judicial, public safety, public works, health, human services, conservation and recreation, economic development and assistance, and urban redevelopment and housing. The business-type activities of the County include a sanitary sewer, sanitary waste, and water district.

The government-wide financial statements can be found on pages 13-15 of the report.

**Reporting the County's Most Significant Funds**

Fund financial statements provide detailed information about the County's major funds – not the County as a whole. The County establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the County are split into three categories: governmental, proprietary, and fiduciary.

Governmental Funds - Most of the County's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the County's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the County's programs. The County's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The County's major governmental funds include the General Fund, Job and Family Services Fund, Motor Vehicle and Gas Tax Fund, the Developmental Disabilities Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The County adopts an annual appropriated budget for its general fund and the other major funds as well as all other governmental funds. A budgetary comparison statement has been provided for the general and the other major special revenue funds to demonstrate compliance with this budget.

The cash basis governmental fund financial statements can be found on pages 16-17 of this report.

**FAYETTE COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

Proprietary funds - The County maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its sanitary sewer, sanitary waste, and water districts.

Proprietary funds provide the same type of information as the government-wide financial statements. The County's major Enterprise Fund is the Water District Revenue Fund, the other funds are presented as Other Proprietary funds.

The cash basis proprietary fund financial statements can be found on pages 21-22 of this report.

Fiduciary fund – Fiduciary funds account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support The County's own programs. The County's only fiduciary funds are agency funds which account for monies held for outside agencies in a fiscal agent capacity. Because agency funds are custodial in nature, the County does not include a financial statement on change in net assets.

The cash basis fiduciary fund financial statements can be found on pages 23 of this report.

**Budgetary Comparison Statements.** The County's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the General fund and all annually budgeted major Special Revenue funds are presented to demonstrate the County's compliance with annually adopted budgets. The budgetary comparison statements can be found on pages 18-20 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-47 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets-cash basis may serve over time as a useful indicator of a government's financial position. The County has chosen to report on the *Other Comprehensive Basis of Accounting* in a format similar to that required by Government Accounting Statement No. 34. This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis (MD&A) section.

**FAYETTE COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

**The Government as a Whole**

	Governmental Activities 2010	Governmental Activities 2009
Cash	\$12,609,051	\$11,568,757
Total Assets	12,609,051	11,568,757
Restricted for:		
Special Revenue	7,639,150	7,117,271
Capital Projects	111,994	895,904
Debt Service	962,215	988,709
Unrestricted	3,895,692	2,566,873
Total Net Assets	<u>\$12,609,051</u>	<u>\$11,568,757</u>

	Business-type Activities 2010	Business-type Activities 2009
Cash	\$2,272,568	\$2,075,601
Total Assets	2,272,568	2,075,601
Unrestricted	2,272,568	2,075,601
Total Net Assets	<u>\$2,272,568</u>	<u>\$2,075,601</u>

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net cash assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

For governmental activities, total assets increased \$1,040,294 or (9.00%). There was a substantial change from 2009 to 2010 in total assets. This is due in part to a 7.06% increase in Sales Tax. For business-type activities, total assets increased \$196,967 or 9.00%. The increase was due to a large reduction in contract services.

**FAYETTE COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

**FAYETTE COUNTY'S CHANGES IN GOVERNMENTAL ACTIVITY NET ASSETS-**

	Governmental Activities 2010	Governmental Activities 2009
Receipts:		
Program Receipts:		
Charges for Services	\$4,292,725	\$4,385,378
Operating grants and contributions	7,102,568	8,060,006
Capital grants and contributions	2,578,041	2,025,674
General receipts:		
Property Taxes	3,001,315	2,845,468
Sales and other taxes	7,187,552	6,731,226
MVGT Fuel Tax	3,471,962	4,085,660
State and Local Government	428,642	0
Unrestricted investment earnings	140,821	314,292
Grants and contributions not		
Restricted to specific programs	424,714	330,161
Other	1,470,473	1,099,671
Total receipts	30,098,813	29,877,536
Disbursements:		
General government	3,707,738	3,450,050
Judicial	2,089,512	2,156,758
Public Safety	2,661,425	2,668,500
Public Works	5,126,295	5,157,526
Health	3,207,655	3,164,358
Human Services	6,208,265	7,668,309
Conservation and Recreation	594,879	589,653
Economic Development & Assist.	73,162	72,947
Urban Redevelopment & Housing	1,399,200	869,091
Other Expenditures	171,814	303,723
Capital Outlay	3,583,447	3,640,929
Debt Service	2,590,641	2,384,150
Total Disbursements	31,414,030	32,331,619
Increase/Decrease in net assets	(1,315,217)	(2,454,083)
Transfers	193,061	(735,024)
Refunding Escrow Agent		(214,525)
Advances		(117,597)
Proceeds of Loans	300,000	2,806,737
Proceeds of Bonds	1,850,000	225,000
Change in net assets	1,027,844	(489,492)
Net assets End of Prior Year	11,125,232	11,614,724
Net assets End of Current Year	<u>\$12,153,076</u>	<u>\$11,125,232</u>

The County's governmental receipts are mainly from property and sales tax and operating grants and contributions. These receipts comprise 57.00% of the County's receipts for governmental activities. These revenue sources remained fairly consistent with modest increases from 2009 in property tax and Sales Tax and a large decreases in Operating Grants and Contributions. Charges for services comprise 14.00% of total

**FAYETTE COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

governmental revenue. Operating Grants and contributions decreased due to loss of daycare grant and smaller TANF Allocation.

The majority of the County's disbursements for governmental activities changed from 2009 by only modest amounts. Human Services comprise 19.7% of disbursements decreased due to loss of daycare grant and smaller TANF Allocation. Urban Redevelopment & Housing increased considerably due to Neighborhood Stabilization Funds and represent 4.44% of total government activities disbursements.

**FAYETTE COUNTY'S CHANGES IN BUSINESS TYPE NET ASSETS-**

	<u>Business-Type Activities 2010</u>	<u>Business-Type Activities 2009</u>
Receipts:		
Program Receipts:		
Charges for Services	\$2,342,050	\$2,437,382
Other Operating Receipts	0	11,238
Total receipts	\$2,342,050	\$2,429,620
Disbursements:		
Sanitary Sewer Revenue	289,169	245,347
Sanitary Revenue Waste	1,189,644	1,304,179
Water District Revenue	473,209	465,024
Total Disbursements	1,952,022	2,014,550
Increase/Decrease in net assets	390,028	415,070
Transfers	(193,061)	735,024
Advances	0	117,597
Proceeds of Refunding bonds		1,645,000
Bond Issuance Cost		(76,816)
Refunding Escrow Agent		(1,568,184)
Change in net assets	196,967	1,267,691
Net assets End of Prior Year	2,075,601	788,910
Net assets End of Current Year	<u>\$2,272,568</u>	<u>\$2,075,601</u>

Business-type activities derive their receipts from charges for services. These revenue sources did not decrease significantly from 2009. Disbursements for business-type activities derive from three activities: sanitary sewer, sanitary waste, and water. Disbursements from sanitary waste accounts for 60.90% of total enterprise fund disbursements. This fund increased disbursements. The decrease in expenditures was due to the completion of projects started in prior years.

**FAYETTE COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

**Financial Analysis of the Government's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the County's *governmental funds* is to provide information on cash basis inflows, outflows and balances. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's cash basis resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund cash balances of \$12,153,076 an increase of \$1,040,294 in comparison with the prior year. Approximately \$11,368,670 constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

Ending fund cash balances increased due to increases in receipts.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$3,377,390 with receipts of \$11,598,180 and disbursements of \$9,717,735.

**Proprietary funds.** The County's proprietary funds provide the same type of information found in the government-wide financial statements.

At the end of the current fiscal year, the County's proprietary funds reported combined ending fund cash balances of \$2,272,568, an increase of \$196,967 in comparison with the prior year. Approximately \$2,144,803 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

Ending fund cash balances increased significantly.

**Governmental Activities**

If you look at the Statement of Activities on pages 14 and 15, you will see that the first column lists the major services provided by the County. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and human services which account for 16 and 19 percent of all governmental disbursements, respectively. General government and public health also represent a significant cost, about 11 percent and 10 percent respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by



**FAYETTE COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in the table below.

	<b>Governmental Activities</b>			
	Total Cost	Total Cost	Net Cost	Net Cost
	Of Services	Of Services	Of Services	Of Services
	2010	2009	2010	2009
General Government	\$ 3,707,738	\$ 3,450,050	\$ 2,698,942	\$ 2,528,397
Judicial	2,089,512	2,156,758	1,431,896	1,497,459
Public Safety	2,661,425	2,668,500	2,032,828	2,089,527
Public Works	5,126,292	5,157,526	2,372,378	2,179,107
Health	3,207,655	3,164,358	1,308,400	1,165,023
Human Services	6,208,265	7,668,309	2,593,406	2,897,058
Conservation and Recreation	594,879	589,653	459,560	468,163
Economic Development and Assistance	73,162	72,947	29,168	25,976
Urban Redevelopment and Housing	1,399,200	869,091	743,763	500,096
Other	171,814	303,723	171,814	303,723
Capital Outlay	3,583,447	3,640,929	995,450	1,616,257
Principal Retirement	2,348,789	2,384,150	2,348,789	2,384,150
Interest and Fiscal Charges	241,852	205,625	241,852	205,625
<b>Total Expenses</b>	<b>\$ 31,414,030</b>	<b>\$ 32,331,619</b>	<b>\$ 17,428,246</b>	<b>\$ 17,860,561</b>

The dependence upon property and sales tax receipts is apparent as over 55 percent of governmental activities are supported through these general receipts.

**Business-type Activities**

The sewer and waste district operation of the County is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The water revenue fund is experiencing higher receipts due to the water contract with the new ethanol plant.

**The Government's Funds**

Total governmental funds had receipts of \$30,111,265 and disbursements of \$31,414,030.

General Fund receipts were more than disbursements by \$1,880,445 indicating that the General Fund is in a positive spending situation. The General Fund also saw a significant increase of \$1,328,921 due to the continued increase of sales tax revenue.

**FAYETTE COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

An additional .5% sales tax was imposed as of January 2008, accounting for the increase over the past 3 years.

### **General Fund Budgetary Highlights**

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The difference between the original budget and final amended budget was an increase of \$612,676. The program differences are as follows:

- . Legislative and Executive increased by \$407,187
- . Judicial decreased by \$25,950
- . Public Safety increased by \$173,910
- . Conservation and Recreation increased by \$21,336
- . Public Works increased by \$56,601
- . Public Health decreased by \$10,000
- . Human Services had no changes
- . Urban Redevelopment increased by \$5,603
- . Capital Projects increased by \$73,989

All programs spent less than budget.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

The County currently keeps track of its capital assets through an inventory system maintained at the department level, any tracking of infrastructure would be through the Engineers department. However, neither is reported on this cash basis report.

#### **Debt**

At December 31, 2010 the County's outstanding debt included \$3,835,500 in general obligation bonds issued for improvements to buildings, structures and roads; \$6,718,920 in enterprise general obligation bonds for improvements in water and sewer facilities and landfill; \$176,000 in special assessment bonds for improvements in water systems and storm sewers. For further information regarding the Government's debt, refer to Notes 5 and 6 to the basic financial statements.

**FAYETTE COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

**Economic Factors and Next Year's Budget and Rates**

The Unemployment rate for the County at December 31, 2010 was 10.00%, compared to 13.1% a year earlier. This drop of 3.1% is attributed to the general improvement in the economy and some local companies rehiring.

The Ethanol Plant is now operating at full capacity and employs approximately 60 people. Johnson Controls, located in a neighboring county has reopened and will be hiring some Fayette County residents.

Heartland Steel is operating with about 10 employees. The new Cross Roads Hotel at State Route 62 and Us Route 35 opened in June of 2010 and has approximately 6 fulltime and 14 part time employees. Cox Paving has opened a new facility in early 2010 with 12 employees. Also two new small businesses, Obsidian Corp. (Ohio Truck Parts) and O'Reilly Auto Parts have opened with 6 and 2-6 employees respectively.

We have also seen the opening of three new locally owned, non-chain restaurants: Oscars, The Willow and The Rusty Keg. We feel that these types of restaurants are good for the local economy as all monies stay in our community.

Anticipated in 2011 is the opening of CAT Ohio with 8-10 employees. Also two new long-term care facilities are planned for the area.

The vacancy rate of the County's central business district is not tracked, however, much of the district is utilized by service entities such as government offices, banks, insurance offices, restaurants, etc. The County also has two malls which have the potential to generate sales tax income for the county. The mall on State Route 41 continues to struggle but was sold in May 2010. It has experienced some growth, mostly of smaller businesses, due to the change. The other mall on Old Route 35 is showing 100% occupancy with a waiting - list. The change in sales tax revenue during the past two years has actually had a positive impact on county receipts. The County Sales tax revenue increased by 7.06% in 2010 and has greatly improved cash flow for County Government Services. Continued retail growth in the New Route 35 area is expected which gives some hope of increasing future receipts.

Washington City School district has built new facilities which opened during the 2009-2010 school year. The new Miami Trace Elementary School opened for the school year 2008-2009 and a New Middle School was approved for construction, it should be ready for school year 2010-2011.

Each of these factors was considered in preparing the County's budget for the 2011 year.

**FAYETTE COUNTY**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

Request for information

This financial report is designed to provide a general overview of The County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michael D. Smith, Fayette County Auditor, 133 S. Main Street, Suite 303, Washington C.H., Ohio 43160.

**FAYETTE COUNTY, OHIO**  
**Statement of Net Assets-Cash Basis**  
**December 31, 2010**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$12,142,639	\$2,272,568	\$14,415,207
Cash with Fiscal Agent	466,412		466,412
TOTAL ASSETS	<u>\$12,609,051</u>	<u>\$2,272,568</u>	<u>\$14,881,619</u>
<b>NET ASSETS</b>			
Restricted for:			
Special Revenue	\$7,639,150		\$7,639,150
Capital Projects	111,994		111,994
Debt Service	962,215		962,215
Unrestricted	3,895,692	2,272,568	6,168,260
TOTAL NET ASSETS	<u>\$12,609,051</u>	<u>\$2,272,568</u>	<u>\$14,881,619</u>

See accompanying notes to the basic financial statements.

FAYETTE COUNTY, OHIO  
Statement of Activities - Cash Basis  
for the Year Ending December 31, 2010

	Cash Disbursements	Program Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions, and Interest
Governmental activities:				
Executive and Legislative	\$ (3,707,738)	\$ 734,608	\$ 273,730	\$ 458
Judicial	(2,089,512)	400,403	256,753	460
Public Safety	(2,661,425)	541,872	86,612	113
Public Works	(5,126,292)	808,381	1,941,826	3,707
Health	(3,207,655)	478,975	1,417,562	2,718
Human Services	(6,208,265)	938,244	2,659,071	17,544
Conservation and Recreation	(594,879)	121,909	13,397	13
Economic Development and Assistance	(73,162)	10,822	33,108	64
Urban Redevelopment and Housing	(1,399,200)	235,321	419,322	794
Other Expenditures	(171,814)			
Capital Outlay	(3,583,447)	22,190	1,187	2,564,620
Debt Service				
Principal	(2,348,789)			
Interest	(241,852)			
Total Governmental Activities	<u>(31,414,030)</u>	<u>4,292,725</u>	<u>7,102,568</u>	<u>2,590,491</u>
Business Type Activities				
Sanitary Sewer Revenue	(289,169)	368,378		
Sanitary Revenue Waste	(1,189,644)	1,179,653		
Water District Revenue	(473,209)	794,019		
Total Business Type Activities	<u>(1,952,022)</u>	<u>2,342,050</u>		
General Receipts:				
Taxes				
Property				
Sales				
MVGT Fuel Tax				
State and Local Government				
Unrestricted investment earnings				
Grants and contributions not restricted to specific programs				
Miscellaneous				
Proceeds of Loans				
Proceeds of Bonds				
Net Transfers				
Total General Receipts				
Increase (Decrease) in net assets				
Net assets - beginning of year				
Net assets - end of year				

See accompanying notes to the financial statements.

Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities	Net (Disbursements) Receipts and Changes in Net Assets Business-type Activities	Total (Memorandum Only)
\$ (2,698,942)		\$ (2,698,942)
(1,431,896)		(1,431,896)
(2,032,828)		(2,032,828)
(2,372,378)		(2,372,378)
(1,308,400)		(1,308,400)
(2,593,406)		(2,593,406)
(459,560)		(459,560)
(29,168)		(29,168)
(743,763)		(743,763)
(171,814)		(171,814)
(995,450)		(995,450)
(2,348,789)		
(241,852)		
(17,428,246)		(17,428,246)
	79,209	79,209
	(9,991)	(9,991)
	320,810	320,810
	390,028	390,028
3,001,315		3,001,315
7,187,552		7,187,552
3,471,962		3,471,962
428,642		428,642
140,821		140,821
424,714		424,714
1,470,473		1,470,473
300,000		300,000
1,850,000		1,850,000
193,061	(193,061)	-
18,468,540	(193,061)	18,275,479
1,040,294	196,967	1,237,261
11,568,757	2,075,601	13,644,358
\$ 12,609,051	\$ 2,272,568	\$ 14,881,619

FAYETTE COUNTY, OHIO  
Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2010

<b>ASSETS</b>	General Fund	CBMR/DD Fund	Job & Family Svs. Fund	MVGT Fund	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 3,885,255	\$ 2,120,867	\$ 261,548	\$ 1,432,149	\$ 4,442,820	\$ 12,142,639
Cash and Cash Equivalents with Fiscal Agent	10,437	455,975				\$ 466,412
<b>Total Assets</b>	<b><u>\$ 3,895,692</u></b>	<b><u>\$ 2,576,842</u></b>	<b><u>\$ 261,548</u></b>	<b><u>\$ 1,432,149</u></b>	<b><u>\$ 4,442,820</u></b>	<b><u>\$ 12,609,051</u></b>
 <b>FUND BALANCE:</b>						
Reserved for Encumbrances	\$ 507,865	\$ -	\$ -	\$ 132,505	\$ 133,599	\$ 773,969
Reserved for SOCOG		455,975				455,975
Designated for EPA	10,437					10,437
Designated for Retainage	-					-
Unreserved, Undesignated, Reported In:						
General Fund	3,377,390					3,377,390
Special Revenue Funds		2,120,867	261,548	1,299,644	3,253,744	6,935,803
Capital Projects Funds					93,262	93,262
Debt Services Funds					962,215	962,215
<b>Total Fund Balance</b>	<b><u>\$ 3,895,692</u></b>	<b><u>\$ 2,576,842</u></b>	<b><u>\$ 261,548</u></b>	<b><u>\$ 1,432,149</u></b>	<b><u>\$ 4,442,820</u></b>	<b><u>\$ 12,609,051</u></b>

See accompanying notes to the financial statements.



FAYETTE COUNTY, OHIO  
 State of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances  
 Governmental Funds  
 As of and For the Year Ended December 31, 2010

	General Fund	CBMR/DD Fund	Job & Family Svs. Fund	MVG Fund	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts:</b>						
Taxes						
Property	\$ 1,407,054	\$ 1,493,251			\$ 101,010	\$ 3,001,315
Sales	6,862,191	-		325,361	-	7,187,552
Charges for Services	1,858,602	92,231	95,731	390,478	1,411,533	3,848,575
Fees	-			39,965	-	39,965
Intergovernmental	960,704	1,394,208	1,792,903	3,471,962	6,303,783	13,923,560
Fines and Forfeitures	144,029			-	256,540	400,569
Licences and Permits	2,669			-	-	2,669
Miscellaneous	221,163	1,006	728,248	-	106,114	1,056,531
Special Assessments	947			-	388,532	389,479
Interest	140,821	12,450		13,235	185	166,691
Donations		10,668			83,691	94,359
<b>Total Cash Receipt</b>	<b>11,598,180</b>	<b>3,003,814</b>	<b>2,616,882</b>	<b>4,241,001</b>	<b>8,651,388</b>	<b>30,111,265</b>
<b>Cash Disbursements</b>						
Legislative and Executive	3,180,491				527,247	3,707,738
Judicial	1,560,230				529,282	2,089,512
Public Safety	2,531,835				129,590	2,661,425
Public Works	856,190			4,099,836	170,266	5,126,292
Health	77,040	2,992,247			138,368	3,207,655
Human Services	340,628		2,761,205		3,106,432	6,208,265
Conservation and Recreation	579,420				15,459	594,879
Economic Development and Assistance	-				73,162	73,162
Urban Redevelopment and Housing	484,417				914,783	1,399,200
Other Expenses					171,814	171,814
Capital Outlay	107,484				3,475,963	3,583,447
Debt Service						
Principal Retirement	-				2,348,789	2,348,789
Interest and Fiscal Charges	-				241,852	241,852
<b>Total Cash Disbursements</b>	<b>9,717,735</b>	<b>2,992,247</b>	<b>2,761,205</b>	<b>4,099,836</b>	<b>11,843,007</b>	<b>31,414,030</b>
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	1,880,445	11,567	(144,323)	141,165	(3,191,619)	(1,302,765)
<b>Other Financing sources (Uses):</b>						
Operating Transfers - In	282,954			59,000	1,308,776	1,650,730
Proceeds of Loans					300,000	300,000
Proceeds of Bonds					1,850,000	1,850,000
Advances - In	19,152	-		-	278,720	297,872
Operating Transfers - Out	(822,665)	-			(635,006)	(1,457,671)
Advances - Out	(30,965)	-		-	(266,907)	(297,872)
<b>Total Other Financing Sources (Uses)</b>	<b>(551,524)</b>	<b>-</b>	<b>-</b>	<b>59,000</b>	<b>2,835,583</b>	<b>2,343,059</b>
Excess (Deficiency) of Cash Receipts and Other Financing Sources Over Cash disbursements and Other financing Use	1,328,921	11,567	(144,323)	200,165	(356,036)	1,040,294
<b>Cash Basis Fund Balances - Beginning of Year</b>	<b>2,566,771</b>	<b>2,565,275</b>	<b>405,871</b>	<b>1,231,984</b>	<b>4,798,856</b>	<b>11,568,757</b>
<b>Cash Basis Fund Balance - End of Year</b>	<b>\$ 3,895,692</b>	<b>\$ 2,576,842</b>	<b>\$ 261,548</b>	<b>\$ 1,432,149</b>	<b>\$ 4,442,820</b>	<b>\$ 12,609,051</b>

See accompanying notes to the financial statements.

**Fayette County**  
**Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance**  
**Budget and Actual - Budget Basis**  
**General Fund**  
**For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under) Positive (Negative)
<b><u>Receipts</u></b>				
Property Tax	\$ 1,310,250	\$ 1,407,054	\$ 1,407,054	\$ -
Sales Tax	6,150,000	6,862,191	6,862,191	-
Charges for services	1,610,728	1,849,489	1,858,603	9,114
Intergovernmental	713,000	956,906	960,704	3,798
Licenses	2,650	2,494	2,669	175
Fines and Forfeitures	170,000	144,029	144,029	-
Other Income	212,300	209,208	221,162	11,954
Interest	400,000	140,821	140,821	-
<b>Total Receipts</b>	<b>10,568,928</b>	<b>11,572,192</b>	<b>11,597,233</b>	<b>25,041</b>
<b><u>Disbursements</u></b>				
General Government				
Executive/Legislative	3,097,143	3,504,330	3,425,286	79,044
Judicial	1,834,317	1,808,367	1,569,006	239,361
Public Safety	2,586,429	2,760,339	2,706,981	53,358
Public Health	134,274	124,274	86,040	38,234
Conservation and Recreation	563,575	584,911	584,959	(48)
Public Works	852,347	908,948	906,905	2,043
Human Services	373,773	373,773	353,845	19,928
Urban Redevelopment	479,084	484,687	484,417	270
Capital Projects	36,012	110,001	108,161	1,840
<b>Total Disbursements</b>	<b>9,956,954</b>	<b>10,659,630</b>	<b>10,225,600</b>	<b>434,030</b>
Excess of receipts over (under) disbursements	611,974	912,562	1,371,633	459,071
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers - in	240,000	282,954	282,954	-
Advances - in	25,000	20,099	20,099	-
Operating transfers - out	(876,975)	(841,461)	(822,665)	18,796
Advances - out	-	-	(30,965)	(30,965)
Total other financing sources (uses)	(611,975)	(538,408)	(550,577)	(12,169)
Excess of receipts and other financing sources over (under) disbursements and other financing uses	(1)	374,154	821,056	446,902
Fund cash balance - beginning of year	2,435,736	2,435,736	2,435,736	-
Reserve for Prior Year Encumbrances	131,035	131,035	131,035	-
Unexpended prior year encumbrances	-	14,529	-	(14,529)
	-	-	-	-
<b>Fund cash balance - end of year</b>	<b>\$ 2,566,770</b>	<b>\$ 2,955,454</b>	<b>\$ 3,387,827</b>	<b>\$ 432,373</b>

See accompanying notes to the financial statements.

**Fayette County**  
**Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance**  
**Budget and Actual - Budget Basis**  
**County Board of Developmental Disabilities Fund**  
**For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b><u>Receipts</u></b>				
Property Tax	\$ 1,270,120	\$ 1,493,252	\$ 1,493,251	\$ (1)
Charges for services	16,500			-
Intergovernmental	956,853	1,393,995	1,394,208	213
Donation		10,668	10,668	-
Other Income	113,500	91,627	93,237	1,610
<b>Total Receipts</b>	<u>2,356,973</u>	<u>2,989,542</u>	<u>2,991,364</u>	<u>1,822</u>
<b><u>Disbursements</u></b>				
Public Health	3,021,048	3,118,060	2,992,247	125,813
<b>Total disbursements</b>	<u>3,021,048</u>	<u>3,118,060</u>	<u>2,992,247</u>	<u>125,813</u>
Excess of receipts over (under) disbursements	<u>(664,075)</u>	<u>(128,518)</u>	<u>(883)</u>	<u>127,635</u>
Other financing sources (uses)				
Advances - in	-	-	-	-
Operating transfers - out				-
Advances - out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess of receipts and other financing sources over (under) disbursements and other financing uses	(664,075)	(128,518)	(883)	127,635
Fund cash balance - beginning of year	2,121,750	2,121,750	2,121,750	
<b>Fund cash balance - end of year</b>	<u>1,457,675</u>	<u>1,993,232</u>	<u>2,120,867</u>	<u>127,635</u>

See accompanying notes to the financial statements.

**Fayette County**  
**Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance**  
**Budget and Actual - Budget Basis**  
**Job and Family Services Fund**  
**For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b><u>Receipts</u></b>				
Charges for services	\$ 247,862	\$ 820,342	\$ 821,080	\$ 738
Intergovernmental	3,300,000	1,792,903	1,792,903	-
Other Income	-	2,899	2,899	-
<b>Total receipts</b>	<b>3,547,862</b>	<b>2,616,144</b>	<b>2,616,882</b>	<b>738</b>
 <b><u>Disbursements</u></b>				
Human Services	3,612,150	3,019,942	2,761,205	258,737
<b>Total Disbursements</b>	<b>3,612,150</b>	<b>3,019,942</b>	<b>2,761,205</b>	<b>258,737</b>
Excess of receipts over (under) disbursements	(64,288)	(403,798)	(144,323)	259,475
Fund cash balance - beginning of year	405,871	405,871	405,871	-
Fund cash balance - end of year	<u>\$ 341,583</u>	<u>\$ 2,073</u>	<u>\$ 261,548</u>	<u>\$ 259,475</u>

See accompanying notes to the financial statements.

**Fayette County**  
**Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance**  
**Budget and Actual - Budget Basis**  
**Motor Vehicle and Gas Tax Fund**  
**For the Year Ended December 31, 2010**

	Budgeted Amount		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
<b><u>Receipts</u></b>				
Sales Tax	\$ 318,500	\$ 325,361	\$ 325,361	\$ -
Charges for services	304,000	386,079	390,478	4,399
Intergovernmental	3,440,500	3,339,981	3,471,962	131,981
Special Assessment				-
Fines and Forfeitures	25,000	39,965	39,965	-
Other Income				-
Interest	34,500	13,235	13,235	-
<b>Total Receipts</b>	<b>4,122,500</b>	<b>4,104,621</b>	<b>4,241,001</b>	<b>136,380</b>
<b><u>Disbursements</u></b>				
Public Works	4,174,872	4,174,872	4,232,339	(57,467)
<b>Total disbursements</b>	<b>4,174,872</b>	<b>4,174,872</b>	<b>4,232,339</b>	<b>(57,467)</b>
Excess of receipts over (under) disbursements	(52,372)	(70,251)	8,663	57,467
Other Financing Sources (uses)		-	-	-
Operating transfers - in	59,000	59,000	59,000	-
Advances - in		-	-	-
<b>Total other financing sources (uses)</b>	<b>59,000</b>	<b>59,000</b>	<b>59,000</b>	<b>78,913</b>
Excess of receipts and other financing sources over (under) disbursements and other financing uses	6,628	(11,251)	67,663	78,913
Fund cash balance - beginning of year	957,837	957,837	957,837	-
Reserved for Prior Year Encumbrances	274,145	274,145	274,145	-
Unexpended prior year encumbrances	-	133,866	-	(133,866)
<b>Fund cash balance - end of year</b>	<b>\$ 1,238,610</b>	<b>\$ 1,354,597</b>	<b>\$ 1,299,644</b>	<b>\$ (54,953)</b>

See accompanying notes to the financial statements.

**FAYETTE COUNTY, OHIO**  
**Statement of Fund Net Assets - Cash Basis**  
**Proprietary Funds**  
**December 31, 2010**

	<u>Water District Revenue</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,298,470</u>	<u>\$ 974,098</u>	<u>\$ 2,272,568</u>
Total Assets	<u>1,298,470</u>	<u>974,098</u>	<u>2,272,568</u>
<b>Net Assets:</b>			
Unrestricted	<u>1,298,470</u>	<u>974,098</u>	<u>2,272,568</u>
Total Net Assets	<u>\$ 1,298,470</u>	<u>\$ 974,098</u>	<u>\$ 2,272,568</u>

See accompanying notes to the basic financial statements.

FAYETTE COUNTY, OHIO  
Statement of Cash Basis Assets and Fund Balances and  
Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances - Enterprise Funds  
As of and For the Year Ended December 31, 2010

	Water Dist. Revenue 1263	Total nonmajor Enterprise funds	Total Enterprise Funds
<b>RECEIPTS</b>			
Charges for Services	\$ 790,844	\$ 1,548,031	\$ 2,338,875
Other Operating Receipts	3,175	-	3,175
TOTAL RECEIPTS	794,019	1,548,031	2,342,050
<b>EXPENSES</b>			
Personal Services	112,490	300,885	413,375
Contract Services	148,615	780,595	929,210
Materials & Supplies	27,429	54,423	81,852
Other Operating Exp.	34,707	209,605	244,312
Debt Service			-
Principal Retirement		70,000	70,000
TOTAL EXPENSES	323,241	1,415,508	1,738,749
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENSES	470,778	132,523	603,301
<b>NON-OPERATING RECEIPTS AND EXPENSES</b>			
Advances - In	35,000	-	35,000
Interest and Fiscal Charges	-	(213,273)	(213,273)
Bond Issuance Cost	-	-	-
Proceeds of Refunding Bonds	-	-	-
Refunding Escrow Agent	-	-	-
Advances - Out	-	(35,000)	(35,000)
Transfers - In	-	133,305	133,305
Transfers - Out	(186,128)	(140,238)	(326,366)
TOTAL NON-OPERATING RECEIPTS AND EXPENSES	(151,128)	(255,206)	(406,334)
CASH BASIS FUND BALANCE-Beginning of Year	978,820	1,096,781	2,075,601
CASH BASIS FUND BALANCE-End of Year	1,298,470	974,098	2,272,568
<b>CASH BASIS ASSETS - End of year</b>			
Cash	1,298,470	974,098	2,272,568
Cash Equivalants	1,298,470	974,098	2,272,568
<b>CASH BASIS FUND BALANCE - End of year</b>			
Reserved for encumbrances	7,335	120,430	127,765
Unreserved:			
Designated for capital asset replacement			
Undesignated	1,291,135	853,668	2,144,803
	\$ 1,298,470	\$ 974,098	\$ 2,272,568

See accompanying notes to the basic financial statements.

**FAYETTE COUNTY, OHIO**  
**Statement of Fiduciary Net Assets - Cash Basis**  
**Fiduciary Funds**  
**December 31, 2010**

	<u>Agency Funds</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 4,218,770
Equity in Cash in Segregated Accounts	654,036
	<hr/>
Total Assets	<u>\$ 4,872,806</u>
<b>Net Assets:</b>	
Unrestricted	<u><u>\$ 4,872,806</u></u>

See accompanying notes to the basic financial statements.



**FAYETTE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 1 - REPORTING ENTITY**

Fayette County, Ohio (the County), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The county operates under the direction of a three-member Board of County Commissioners. The County Auditor is responsible for the fiscal controls of the resources of the County which are maintained in the funds described herein. The County Treasurer is the custodian of funds and the investment officer. The voters of the County elect all of these officials. Other elected officials of the County that manage various segments of county operations are the Recorder, Clerk of Courts, Coroner, Engineer, Prosecutor, Sheriff, a Common Pleas Court Judge, and a Probate/Juvenile Judge. Services provided by the County include general government, public safety, health, public works, human services, conservation-recreation services, maintenance of highways and roads, economic development, and urban redevelopment and housing.

Although 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.

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 Jobs and Family Services, Fayette County Children Services Board, Fayette County Veterans' Services, Fayette County Commission On Aging, Fayette County Senior Nutrition, Fayette County Memorial Hospital, and all departments and activities that are directly operated by the elected County officials.

Fayette County provides services and/or subsidies to the District Board of Health, and Soil and Water Conservation District. These are separate reporting entities. The County Auditor is the fiscal agent for the District Board of Health and the Soil and Water Conservation District, and the receipts and disbursements of these entities are accounted for in the Agency Funds of the County.

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 of the County in that the County approved the organization's budget, the issuance of its debt or the levying of its taxes.

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 Developmental Disabilities provides sheltered employment for mentally and/or physically handicapped adults in Fayette County.

The Fayette County Board of DD provided 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 considered a component unit of Fayette County, however, Fayette Progressive Industries is not presented as a component unit in these financial

**FAYETTE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

statements. Separately issued financial statements can be obtained from Fayette Progressive Industries, Inc., 1330 Robinson Road SE, Washington C.H., Ohio 43160.

The County is associated with certain organizations which are defined as jointly governed organizations, joint ventures, or Risk Sharing Pools. 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.  
Southern Ohio Council of Governments  
County Commissioners' Association of Ohio Workers' Compensation Group Rating Program

***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 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 received revenue from the participating counties and received federal and state funding through grant monies which are applied for and received by the Board of Trustees. Fayette County contributed \$261,975 to Paint Valley ADAMHS in 2010.

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 is a jointly governed organization. It 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 2010, Fayette County contributed \$138,095 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

**FAYETTE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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

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 contribution during 2010. The degree of control exercised by any participating County is limited to its representation on the Board. The Board of Directors consists of twelve members, the three County Commissioners of each of the four counties. The District does not have any outstanding debt. The District is self-sufficient, operating entirely on collected fees.

***Fayette-Clinton-Fairfield-Ross-Pickaway Job Training Partnership Act (JTPA)*** – JTPA is a jointly governed organization among five counties in Ohio. The consortium conducts an employment and training administration program under the provisions of JTPA of 1982 and the Job Training Reform Amendments of 1992. The three County Commissioners from each of the four counties comprise the Consortium Board of Governors. The consortium has no outstanding debt. No contributions were made by the County in 2010.

***Travel and Tourism Bureau*** – The Travel and Tourism Bureau (The Bureau) is a jointly governed organization among the County, two townships and two villages and one city. 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 Court House, 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 is a jointly governed organization. It 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 2010, the County did not contribute any money to the Authority.

***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 official's 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.

**FAYETTE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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

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 2010 was \$193,855. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

County Commissioners' Association of Workers' Compensation Group Rating Program – The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association of Ohio (CCAO) is a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates; approving the selection of a third party administrator; reviewing and approving proposed third party fees; fees for risk management services, and general management fees; determining ongoing responsibility of each participant; and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and the treasurer of the CCAOSC; the remaining five members are elected for ensuing year by the participants at a meeting held in the month of December each year.

No participant can have more than one member on the group executive committee in any year, and each elected member shall be a county commissioner.

Southern Ohio council of governments – The County is a member of the southern Ohio council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a fifteen member board with each participating County represented by its Director of its Board of Development Disabilities (BDD). Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence Meigs, Pickaway, Pike, Ross Scioto and Vinton Counties. The Council acts as a fiscal agent for the Athens County BDD's supportive living program monies. The County had a \$455,975 balance on hand with the Council which included investments at cost. Financial statements can be obtained by writing to the Southern Ohio Council of Governments, VA Medical Center, Building 8, 17273 State Route 104, Chillicothe, Ohio 45601.

Management believes the financial statements included in this report represent all of the funds and activities for which the County is financially accountable, except for Fayette Progressive Industries, Inc and Fayette Memorial Hospital.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2A, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The County does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the County's accounting policies.

**FAYETTE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

A. Basis of Accounting -- Although required by Ohio Administrative Code, Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements and notes on the basis of cash receipts and disbursements. The cash receipts and disbursements basis is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance, of the governmental and business-type activities of the County at year end. The statement of activities compares disbursements and program receipts for each program or function of the County's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program.

Receipts which are not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the County.

Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**FAYETTE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**C. Fund Accounting**

The County uses funds to maintain its financial records during the year. Fund accounting is a concept development to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The County classifies each fund as either governmental, proprietary, or fiduciary.

**Governmental:** The County classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the County's major governmental funds:

General Fund – The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purposes provided it is expended or transferred according to Ohio law.

County Board of Developmental Disabilities Fund – This fund accounts for various federal and state grants used to provide assistance and training to mentally retarded and developmentally disabled individuals.

Jobs and Family Services Fund – This fund accounts for various federal and state grants as well as transfers from the General Fund used to provide public assistance to general relief recipients, pay their providers of medical assistance, and for certain public social services.

Motor Vehicle Gas Tax Fund – This fund accounts for monies received from state gasoline tax and motor vehicle registration fees designated for maintenance and repair of roads and bridges.

**Proprietary:** Certain County funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The County classifies these as enterprise funds. The County's had one major enterprise fund in 2010.

Water Fund – This fund accounts for monies used to provide water services to customers in the county.

**Fiduciary Funds:** Fiduciary funds account for cash and investments where the County is acting as trustee or fiscal agent for other entities. The following is the County's significant fiduciary fund:

Agency Funds – Agency funds are used to account for assets held by a governmental unit as an agent for individuals, other governmental units, and/or other funds.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The County had chosen to not budget and appropriate for advances. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may

**FAYETTE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level for all funds. Encumbrances do not lapse at year end.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

E. Equity in Pooled Cash - 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.

Various departments and officials of the County have monies held separate from the County treasury.

Interest is distributed to the General Fund and Special Revenue Funds based upon the Ohio Revised Code.

F. Inventory and Prepaid Items – The County reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave - In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's cash basis of accounting.

I. Inter-fund Receivables/Payables – The County reports advances-in and advances-out for inter-fund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Employer Contributions to Cost-Sharing Pension Plans – The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-term Obligations - Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**FAYETTE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

L. Net Assets - Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The County first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Designations and Reserves - The County reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Fund balance designations have been established for EPA projects. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

N. Inter-fund Activity - Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements. Inter-fund transfers within governmental activities and within business type activities are eliminated from the government-wide statement of net assets.

**NOTE 3 - COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

**NOTE 4 - EQUITY IN POOLED CASH**

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 demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the County which are not considered active are classified as inactive. Beginning June 15, 2004, inactive monies could be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;



**FAYETTE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 4 - EQUITY IN POOLED CASH (continued)**

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers' acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the County had \$5,000 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$18,383,977 of the County's bank balance of \$19,020,178 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

The County had no investments during 2010.

**FAYETTE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source of use (budgetary basis) rather than an interfund receivable or payable (cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$507,865
Major Special Revenue Funds:	
Motor Vehicle and Gasoline Tax	132,505
Job and Family Services	0
Board of Developmental Disabilities	0

**NOTE 6 – LONG-TERM DEBT**

The County's long-term debt activity for the year ended December 31, 2010, was as follows:

**FAYETTE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
<b>General Obligation Bonds:</b>						
County Building Improvement	4.650%	\$1,365,000		\$85,000	\$1,280,000	\$90,000
<b>Various Purpose Bonds, Series 2003:</b>						
Commission On Aging	3.300%	175,000		9,000	166,000	9,000
W. Lancaster Road	3.300%	312,000		17,000	295,000	17,000
<b>Various Refunding Bonds, Series 2008:</b>						
County Buildings	5.350%	213,000		17,000	196,000	16,000
USDA Sheriff Vehicles	4.375%	95,000		46,500	48,500	48,500
Courthouse Renovation	4.125%	0	1,850,000		1,850,000	61,300
<b>Total General Obligation Bonds</b>		<b>2,160,000</b>	<b>1,850,000</b>	<b>174,500</b>	<b>3,835,500</b>	<b>241,800</b>
<b>Governmental Activities Special Assessment Bonds:</b>						
Route 35/I71 Water	5.900%	80,000		20,000	60,000	20,000
Clinton Avenue Phase I	5.600%	76,000		9,000	67,000	9,000
<b>Various Refunding Bonds, Series 2008:</b>						
Clinton Avenue Phase II	5.350%	52,000		3,000	49,000	4,000
<b>Total Governmental Activities Special Assessment Bonds</b>		<b>208,000</b>	<b>0</b>	<b>32,000</b>	<b>176,000</b>	<b>33,000</b>
<b>Enterprise Bonds:</b>						
<b>Various Refunding Bonds, Series 2008:</b>						
Rattlesnake Sewer WWTP	5.250%	1,790,000		70,000	1,720,000	75,000
<b>Total Enterprise Bonds</b>		<b>1,790,000</b>	<b>0</b>	<b>70,000</b>	<b>1,720,000</b>	<b>75,000</b>
<b>OWDA Loans:</b>						
Madison Mills Water	3.000%	4,998,920	0	0	4,998,920	0
Culpepper Water	4.750%	150,000		150,000	0	0
<b>Total OWDA Loans</b>		<b>5,148,920</b>	<b>0</b>	<b>150,000</b>	<b>4,998,920</b>	<b>0</b>
<b>Other Long-Term Obligations:</b>						
West Lancaster Road OPWC Loan	0.000%	77,500		5,000	72,500	5,000
Johnson Station Ditch Loan	5.375%	19,286		4,822	14,464	4,822
Rt. 22 Waterline Loan	6.250%	62,190		4,146	58,044	4,146
Job Ready Site Loan	5.250%	500,000	300,000	0	800,000	0
<b>Total Other Long-Term Obligations</b>		<b>658,976</b>	<b>300,000</b>	<b>13,968</b>	<b>945,008</b>	<b>13,968</b>
<b>Total Long-Term Obligations</b>		<b>\$9,965,896</b>	<b>\$2,150,000</b>	<b>\$440,468</b>	<b>\$11,675,428</b>	<b>\$363,768</b>

The following is a summary of the County's future annual debt service requirements for governmental activities:

**FAYETTE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

Year	General Obligation Bonds		OPWC Loans	Long-Term Notes	
	Principal	Interest	Principal	Principal	Interest
2011	\$241,800	\$168,118	\$5,000	\$8,968	\$4,073
2012	205,900	158,021	5,000	8,967	3,555
2013	216,500	148,956	5,000	4,146	3,089
2014	224,200	139,513	5,000	4,146	2,824
2015	238,100	129,679	5,000	4,146	2,561
2016-2020	1,320,600	481,228	25,000	20,730	8,876
2021-2025	777,800	209,640	22,500	16,584	2,364
2026-2030	610,600	77,638	0	0	0
<b>Total</b>	<b>\$3,835,500</b>	<b>\$1,512,793</b>	<b>\$72,500</b>	<b>\$67,687</b>	<b>\$27,342</b>

Year	OWDA Loans		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2011	\$0	\$149,968	\$33,000	\$8,814
2012	0	149,968	35,000	6,916
2013	0	149,968	36,000	5,063
2014	216,182	149,968	16,000	3,142
2015	442,141	140,190	18,000	2,401
2016-2020	2,419,423	492,234	38,000	3,045
2021-2025	1,921,174	116,986	0	0
<b>Total</b>	<b>\$4,998,920</b>	<b>\$1,349,282</b>	<b>\$176,000</b>	<b>\$29,381</b>

Enterprise Bonds		
Year	Principal	Interest
2011	\$75,000	\$59,630
2012	105,000	55,617
2013	110,000	93,255
2014	110,000	50,505
2015	120,000	47,755
2016-2020	620,000	184,513
2021-2025	580,000	61,898
<b>Total</b>	<b>\$1,720,000</b>	<b>\$553,173</b>

The County also has two loans from the Ohio Rotary Commission totaling \$387,593. These loans are not due until the property is sold. The Job Ready Site is not included above as no amortization schedule has been prepared as the project is not yet complete.

**FAYETTE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 7 – SHORT-TERM DEBT**

A summary of the short-term note transactions for the year-ended December 31, 2010 follows:

	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
<u>Short-Term Liabilities</u>					
Wildman Ditch	\$36,859	\$0	\$5,206	\$31,653	\$31,653
Haigler-Long Ditch	44,054	0	9,102	34,952	34,952
Morgan Group Drainage	31,197	0	0	31,197	31,197
Marchant Ditch	73,156	0	64,013	9,143	9,143
Courthouse Renovation	1,900,000	0	1,900,000	0	0
Total Short-Term Liabilities	<u>\$36,859</u>	<u>\$0</u>	<u>\$1,905,206</u>	<u>\$31,653</u>	<u>\$31,653</u>

**NOTE 8 - PROPERTY TAX**

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 2006.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended December 31, 2009 was \$10.75 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$7.09 per \$1,000 of assessed valuation of real property classified as residential/agricultural and \$7.43 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

The tax rate applied to tangible personal property for the fiscal year ended December 31, 2010 was \$10.75 per \$1,000 of assessed valuation.

Real Property – 2010 Valuation	
Residential/Agricultural	\$552,330,480
Commercial/Industrial	
Public Utilities	114,187,420
Tangible Personal Property – 2010 Valuation	
General	<u>770,780</u>
Total Valuation	\$667,288,680

The Fayette County Treasurer collects property tax on behalf of all taxing districts within the County. The Fayette County Auditor periodically remits to the taxing districts their portions of the taxes collected.

**FAYETTE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 8 - PROPERTY TAX (Continued)**

Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

**NOTE 9 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft, 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 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.

Under the CORSA program for general liability, auto liability, error and omission for public officials, and law enforcement liability, the County has \$5,000,000 of total liability coverage. The limit applies to any one occurrence of loss, with no annual aggregate except for the Error and Omissions for Public Officials and General Liability on Products and Completed Operations Limit, which both have the same per occurrence and annual aggregate limit. For the General Liability (coverage other than products and completed operations limit), Law Enforcement and Auto Liability, there is no annual aggregate. Property damage is on a replacement cost basis.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in coverage from last year.

Employee, dishonesty, money and securities inside and out, money orders and counterfeit, and depositor's forgery are covered in the amount of \$1,000,000 aggregate.

Worker's Compensation benefits are provided through the Ohio Bureau of Workers' Compensation. In 2010, the County participated in the County Commissioner's Association of Ohio Workers' Compensation Group Rating Program (CCAO). A workers' compensation group purchasing pool (See Note 1). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate.

In order to allocate the savings derived by formation of the CCAO and to maximize the number of participants in the CCAO, annually the CCAO's executive committee calculates the total savings which accrued to the CCAO through its formation. This savings is then compared to the overall savings percentage of the CCAO. The CCAO's executive committee then collects rate contributions from, or pays equalization rebates to the various participants. Participation in the CCAO is limited to counties that can meet the CCAO's selection criteria. The firm of CompManagement Inc. provides administrative cost control and actuarial services to the CCAO. Each year, the County pays an enrollment fee to the CCAO to cover the cost of administering the CCAO.

The County may withdraw from the CCAO if written notice is provided sixty days prior to the prescribed applicant deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the CCAO prior to withdrawal, and any participant leaving the CCAO allows representatives of the CCAO to access loss experience for four years following the last year of participation.

**FAYETTE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 10 – DEFINED BENEFIT RETIREMENT PLANS**

**Ohio Public Employees Retirement System**

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS Administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment if self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town St., Columbus, OH 43215-4642 or by calling (614)222-6705.

For the year ended December 31, 2010, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.00 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 11.1 percent of the annual covered salary. The County's contribution rate for pension benefits for 2010 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 17.87 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$1,504,417, \$1,458,210, and \$1,459,440, respectively. 100 percent has been contributed for 2010, 2009, and 2008.

**State Teachers Retirement System**

Certified teachers, employed by the school for Developmental Disabilities and the Alternative School under the jurisdiction of the Juvenile Court, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS, Ohio, 275 E Broad Street, Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit Plan (DB), and Defined Contribution Plan (DC), and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DC Plan allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The Combined Plan offers features of both the CB Plan and DC Plan. In the Combined Plan, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth

**FAYETTE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 10 – DEFINED BENEFIT RETIREMENT PLANS (Continued)**

year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the year ended December 31, 2010, plan members were required to contribute 10 percent of their annual covered salary and the County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The County's required contributions for pension obligations for the DB Plan for the years ended December 31, 2010, 2009, and 2008 were \$30,379, \$29,946, and \$29,675, respectively. 100 percent has been contributed for 2010, 2009, and 2008.

**NOTE 11 – POST EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its Eligible members and beneficiaries. Authority to establish and amend benefits is provided in chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.



**FAYETTE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 11 – POST EMPLOYMENT BENEFITS (Continued)**

- B. The Ohio Revised Code provides the statutory authority requiring public employer units to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, 2009, and 2008, local government employer units contributed at 14.0%, 14.0% and 14.0%, respectively, of covered payroll, and public safety and law enforcement employer units contributed at 17.87%, 17.63% and 17.4% respectively. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 29, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits for the years ended December 31, 2010, 2009, and 2008 were 492,280, 897,514, and 717,304 respectively. The full amount has been contributed for 2010, 2009, and 2008.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1, or each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**State Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provided access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll free (888) 227-7877.

**FAYETTE COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 11 – POST EMPLOYMENT BENEFITS (Continued)**

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the fiscal years ended December 31, 2010, 2009, and 2008. For the County these amounts equaled \$2,170, \$2,139, and \$2,120, respectively, for fiscal years 2010, 2009, and 2008, respectively; 100 percent has been contributed for 2010, 2009, and 2008.

**NOTE 12 - COUNTY SALES TAX**

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

Proceeds of the tax are credited to the General Fund and the Motor Vehicle and Gas Tax Special Revenue Fund. Permissive Sales and Use tax revenue for 2010 amounted to \$7,187,552.

**NOTE 13 - CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, the County Commissioners believe such refunds, if any, would not be material.

**NOTE 14 - ACCUMULATED UNPAID VACATION, PERSONAL, COMPENSATORY TIME AND SICK LEAVE**

Accumulated unpaid vacation, personal, compensatory time and sick leave are not accrued under the cash basis of accounting described in Note 2. All leave will either be absorbed by time off from work, or within certain limitation, be paid to the employees. The liability is not recorded on the financial statements under the basis of accounting the County uses.

**NOTE 15 - 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. 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.

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 requirement by issuing a \$400,000 Landfill Improvement bond in May of 1996 to construct certain landfill improvements associated with post-closure activity. 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 at another landfill site.

**FAYETTE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 16 – INTERFUND TRANSACTIONS**

Inter-fund cash transfers and advances for the year ended December 31, 2010, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Advances In</u>	<u>Advances Out</u>
<b>MAJOR FUNDS:</b>				
General	\$ 282,954	\$ 822,665	\$ 19,152	\$ 30,965
MVGT	59,000	0	0	0
CB/DD	0	0	0	0
Water District	0	186,128	35,000	0
<b>NON-MAJOR FUNDS:</b>				
Special Revenue	738,105	282,954	21,800	12,000
Debt Service	545,113	318,887	235,797	235,755
Capital Projects	25,560	33,165	21,123	19,152
Enterprise	<u>133,305</u>	<u>140,238</u>	<u>0</u>	<u>35,000</u>
Total	<u>\$1,784,037</u>	<u>\$1,784,037</u>	<u>\$332,872</u>	<u>\$332,872</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Monies were also transferred from other governmental funds into the General Fund as required by a court order and from Capital Projects Funds to Debt Service Funds. Transfers between non-major funds were for the purpose of supporting like-kind activities as well as to cover debt payments made from debt service funds.

Advances were made from the General Fund to various funds to subsidize operations until anticipated revenues were received. Advances were also made between related non-major special revenue funds, capital projects funds, and enterprise funds to support projects or operations until anticipated funding were received.

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**FAYETTE COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Direct from Federal Government			
<b>Community Facilities Loans and Grants</b>	N/A	<b>10.766</b>	445,798
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services			
Food Assistance	G-1011-11-5034	10.561	203,183
ARRA - Supplemental Nutrition Assistance Program (Administrative Costs)	G-1011-11-5034	10.561	11,533
DOD SNAP	G-1011-11-5034	10.561	45,292
FAET	G-1011-11-5034	10.561	9,315
<b>Total CFDA Number 10.561</b>			<b>269,323</b>
<b>Total U.S. Department of Agriculture</b>			<b>715,121</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Ohio Department Developmental Disabilities:</i>			
Board of Developmental Disabilities			
Social Services Block Grant - Title XX	N/A	93.667	19,144
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services			
Social Services Block Grant - Title XX	G-1011-11-5034	93.667	210,598
<b>Total CFDA Number 93.667</b>			<b>229,742</b>
<i>Passed Through Ohio Department Developmental Disabilities:</i>			
Board of Developmental Disabilities			
Medical Assistance Program - CAFS	N/A	93.778	4,680
Medical Assistance Program - Title XIX (Level 1 efmap)	N/A	93.778	2,559
Medical Assistance Program - Title XIX (TCM efmap)	N/A	93.778	13,117
Medical Assistance Program - Title XIX (I/O efmap)	N/A	93.778	31,653
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services			
Medical Assistance Program - NET	G-1011-11-5034	93.778	87,511
Medical Assistance Program - Title XIX	G-1011-11-5034	93.778	139,057
<b>Total CFDA Number 93.778</b>			<b>278,577</b>
Child Care Services TANF	G-1011-11-5034	93.558	165,383
TANF - Admin	G-1011-11-5034	93.558	123,470
TANF	G-1011-11-5034	93.558	348,156
<b>Total CFDA Number 93.558</b>			<b>637,009</b>
<b>TANF - Summer Youth</b>	G-1011-11-5034	<b>93.714</b>	<b>145,204</b>
<b>Total TANF Cluster</b>			<b>782,213</b>
Job and Family Services			
Child Care Services CCDF		93.575	0
Quality Child Care	G-1011-11-5034	93.575	4,204
<b>Total CFDA Number 93.575</b>			<b>4,204</b>
Child Care Services CCDF	G-1011-11-5034	93.596	0
County Child Care Adm.	G-1011-11-5034	93.596	13,788
<b>Total CFDA Number 93.596</b>			<b>13,788</b>
<b>Total Child Care Cluster</b>			<b>17,992</b>
<b>State Children's Health Insurance Program (SCHIP)</b>	N/A	<b>93.767</b>	<b>610</b>

(Continued)

**FAYETTE COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(Continued)**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Job and Family Services			
Child Support	G-1011-11-5034	93.563	335,331
Child Support Stimulus	G-1011-11-5034	93.563	217,627
<b>Total CFDA Number 93.563</b>			<b>552,958</b>
Children's Services Board			
<b>Child Welfare Services - IV-B</b>	G-1011-11-5034	<b>93.645</b>	<b>31,206</b>
<b>Child Abuse and Neglect</b>	G-1011-11-5034	<b>93.669</b>	<b>1,936</b>
<b>Chafee Foster Care Independence Program</b>	G-1011-11-5034	<b>93.674</b>	<b>690</b>
<b>Foster Care</b>	G-1011-11-5034	<b>93.658</b>	<b>110,443</b>
Adoption Assistance	G-1011-11-5034	93.659	68,669
Non-Recurring Adoption	G-1011-11-5034	93.659	3,377
<b>Total CFDA Number 93.659</b>			<b>72,046</b>
<b>Promoting Safe and Stable Families</b>	G-1011-11-5034	<b>93.556</b>	<b>64,000</b>
<i>Passed Through Ohio Department of Aging:</i>			
<b>Special Programs for the Aging - Nutrition - Title III-B</b>	EL009909	<b>93.044</b>	<b>18,136</b>
<b>Special Programs for the Aging - Nutrition - Title III-C</b>	EL009909	<b>93.045</b>	<b>86,654</b>
<b>Total Aging Cluster</b>			<b>104,790</b>
<b>Low-Income Home Energy Assistance Program</b>	ED039817	<b>93.568</b>	<b>1,900</b>
<b>Nutrition Services Incentive Program</b>	EL009909	<b>93.053</b>	<b>44,990</b>
<b>Total U.S. Department of Health and Human Services</b>			<b>2,294,093</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through the Ohio Department of Development:</i>			
Community Development Block Grants	B-F-08-033-1	14.228	42,153
Neighborhood Stabilization Program	B-Z-08-023-1	14.228	836,071
<b>Total CFDA Number 14.228</b>			<b>878,224</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>878,224</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Grants to States:			
Special Education Cluster:			
Special Education - Preschool Grants	7110-PGS1	84.173	9,498
<b>Total Special Education Cluster</b>			<b>9,498</b>
<b>Total U.S. Department of Education</b>			<b>9,498</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>			
Victim Witness - VOCA	2010VAGENE240 / 2011VAGENE240	16.588	42,001
Victim Witness - SVAA	2010SAGENE240	16.588	4,460
<b>Total CFDA Number 16.588</b>			<b>46,461</b>

(Continued)

**FAYETTE COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(Continued)**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>OTSO HVEO Grant</b>	2010-HVEO-0214-00	<b>20.600</b>	<b>24,365</b>
<b>Total U.S. Department of Justice</b>			<b>70,826</b>
<b>FEDERAL AGENCY DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed Through the Ohio Emergency Management Agency</i>			
<b>Emergency Management Performance Grants</b>	DPSFE138 / DPSFE102	<b>97.042</b>	<b>34,210</b>
<b>Total Federal Agency Department of Homeland Security</b>			<b>34,210</b>
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult	N/A	17.258	84,519
Workforce Investment Act - Adult Administration	N/A		5,745
Workforce Investment Act - Adult Stimulus	N/A		20,726
Workforce Investment Act - Adult One Stop Resource Sharing	N/A		116
<b>Total CFDA Number 17.258</b>			<b>111,106</b>
Workforce Investment Act - Youth	N/A	17.259	51,300
Workforce Investment Act - Youth Stimulus	N/A		0
<b>Total CFDA Number 17.259</b>			<b>51,300</b>
Workforce Investment Act - Dislocated Workers	N/A	17.260	-2,148
Workforce Investment Act - Dislocated Workers Administration	N/A		4,428
Workforce Investment Act - Dislocated Workers Stimulus	N/A		4,468
Workforce Investment Act - NEG OH-18 Wilmington	N/A		108,277
Workforce Investment Act - NEG OH -19 Ohio Auto	N/A		150,448
Workforce Investment Act - National Emergency Grant	N/A		-6,415
Workforce Investment Act - Rapid Response Stimulus	N/A		283,421
<b>Total CFDA Number 17.260</b>			<b>542,479</b>
<b>Total WIA Cluster</b>			<b>704,885</b>
<b>Employment Service Cluster:</b>			
<b>One stop Resource Sharing</b>	N/A	<b>17.207</b>	<b>16,532</b>
<b>One stop Resource Sharing</b>	N/A	<b>17.801</b>	<b>4,428</b>
<b>One stop Resource Sharing</b>	N/A	<b>17.804</b>	<b>264</b>
<b>Total Employment Service Cluster</b>			<b>21,224</b>
<b>WIA Dislocated Worker Formula Grants</b>		<b>17.278</b>	<b>77,285</b>
<b>Total U.S. Department of Labor</b>			<b>803,394</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed Through the Federal Aviation Administration</i>			
Direct from Federal Government			
<b>FAA Reimbursement of Construction Projects</b>	AIP-3-39-0040-0708	<b>20.106</b>	<b>19,650</b>
<i>Passed through the Ohio Department of Transportation</i>			
<b>Highway Planning and Construction Cluster</b>	FAYCR18-2.75 / FAYCR34-1.3 / FAYVaries-21GR / 87270	<b>20.205</b>	<b>534,142</b>
<b>Total U.S. Department of Transportation</b>			<b>553,792</b>
<b>U.S. ELECTION ASSISTANCE COMMISSION</b>			
<i>Passed Through the Ohio Secretary of State:</i>			
HAVA Title II - Voter Verification Mailing	SOS 2010-56	90.401	366
<b>Total CFDA Number 90.401</b>			<b>366</b>
<b>Total U.S. Election Assistance Commission</b>			<b>366</b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$5,359,524</b>

See the accompanying notes to the schedule of federal awards expenditures.

**FAYETTE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - COMMUNITY FACILITIES LOAN PROGRAM**

During 2009, the County expended \$1,454,202 in federal financial expenditures under the Community Facilities Loan Program. These expenditures were not reported on the 2009 federal schedule.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE D – CHILD CARE CLUSTER**

The Ohio Department of Job and Family Services (ODJFS) sub-awarded to Fayette County, Federal funding from the U.S. Department of Health and Human Services. Although these programs were administered at the County level, in July 2010 ODJFS adjusted some of the County's child care expenditures to align them with available funding sources. ODJFS' adjustments were retroactive to the beginning of the grant period (October 1, 2009). Therefore, these July 2010 adjustments affect 2009 calendar-year program expenditures previously reported as follows:

Child Care Cluster	CFDA #	Pass through #	2009 Federal Expenditures Reported	July 2010 Adjustment	Adjusted 2009 Federal Expenditures Reported
Child Care and Development Block Grant	93.575	G-1011-11-5034	\$139,950		\$139,950
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1011-11-5034	375,337	(162,539)	212,798
ARRA – Child Care and Development Block Grant	93.713	G-1011-11-5034	125,000		125,000
Total			\$640,287	(\$162,539)	\$477,748





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Fayette County  
133 South Main Street  
Washington Court House, Ohio 43160

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 6, 2011, wherein we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles and that the County's cash basis financial statements do not include amounts related to their blended component unit, Fayette County Memorial Hospital, which should be presented as a major enterprise fund and be part of the business-type activities. In addition, we also noted the County did not include their only legally separate discretely-presented component unit, Fayette Progressive Industries, Inc. (the Workshop). 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-002 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 6, 2011.

We intend this report solely for the information and use of management, the audit committee, Board of Commissioners, and federal awarding agencies and pass-through entities, and others within the County. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

September 6, 2011



# Dave Yost • Auditor of State

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

Fayette County  
133 South Main Street  
Washington Court House, Ohio 43160

To the Board of 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 could directly and materially affect each of Fayette County's major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, Fayette County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2010-003.

### Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could directly and materially affect a major federal program, 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, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-003 to be a material weakness.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 6, 2011.

We intend this report solely for the information and use of the audit committee, management, board of commissioners, others within the entity federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

September 6, 2011

**FAYETTE COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2010**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<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(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #10.766 Community Facilities Loan Program CFDA #93.558 and 93.714 TANF Cluster CFDA #93.563 CSEA CFDA #17.258, 17.259, 17.260 WIA Cluster CFDA #14.228 Neighborhood Stabilization Grant CFDA #20.205 Highway Planning and Construction Grant
<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>	No

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

**FINDING NUMBER 2010-001**

NONCOMPLIANCE

**Ohio Rev. Code, Section 117.38**, provides, in part, that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Revised Code 117.38.

**Ohio Admin. Code Section 117-2-03(B)** requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. The County prepared its financial statements in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while presumably material, cannot be reasonably determined at this time.

The County can be fined and various other administrative remedies may be taken against the County, as such, we recommend the County take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

**Officials' Response:**

We did not receive a response from officials to this finding.

**FINDING NUMBER 2010-002**

Material Weakness

The County lacked management oversight in the proper reporting of funds on hand at the Southern Ohio Council of Governments for the benefit of the County's Developmental Disabilities department. These funds were not accounted for on the County ledger's or on the County's financial statements resulting in an adjustment of \$455,975.

Audit adjustments were made to the County's financial statements and accounting records to properly account for the above errors.

All public officials shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance related legal and contractual requirements and prepare financial statements required by Ohio Administrative Code rule 117-2-03. In addition, management of each local public office is responsible for the assertions underlying the information in the public office's financial statements.

**FINDING NUMBER 2010-002  
 (Continued)**

Failure to properly post and report transactions could result in material errors in the County's financial statements and reduces the County's ability and the ability of individual departments within the County to monitor financial activity and to make sound decisions which effect the overall available cash position of the County. We recommend officials review the chart of accounts to assure that items are being posted to the proper account codes.

Furthermore, we recommend the County implement additional procedures over the completeness and accuracy of financial information recorded in the accounting records and reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

**Officials' Response:**

We did not receive a response from officials to this finding.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**FINDING NUMBER 2010-003**

<b>Finding Number</b>	2010-003
<b>CFDA Title and Number</b>	10.766 Community Facilities Loan Program
<b>Federal Award Number / Year</b>	2009
<b>Federal Agency</b>	United States Department of Agriculture
<b>Pass-Through Agency</b>	None

NONCOMPLIANCE AND MATERIAL WEAKNESS

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, (the Circular), sets forth standards for the audit of non-Federal entities expending Federal awards. Section .300(a) of the Circular states the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Section .310(b) states, in part, the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements.

**FINDING NUMBER 2010-003  
(Continued)**

The County does not have a system in place to identify and monitor the federal award expenditures. The County relies on the various departments that manage each award to provide expenditure data and grant agreements to the accounting firm which compile the information for the schedule. The procedures utilized to prepare the County's *Schedule of Expenditures of Federal Awards* were inadequate, as such, the County's Schedule of Federal Awards Expenditures presented for audit did not list all federal expenditures expended by the County. The schedule did not include the loans received from the United States Department of Agriculture for the Community Facilities Loan Program in the amount of \$1,454,202. The prior year *Schedule of Expenditures of Federal Awards* was not adjusted. Failure to identify federal awards and accurately prepare a federal awards expenditures schedule resulted in noncompliance with the Circular, inaccurate reporting of Federal awards activity and may compromise the County's ability to obtain federal awards in the future.

We recommend that the County develop a system to identify federal award expenditures and monitor its agreements for federal programs periodically during the year to ensure that all federal funds are being properly reported on the schedule.

**Officials' Response:**

We did not receive a response from officials to this finding.



FAYETTE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 OMB CIRCULAR A -133 § .315 (b)  
 DECEMBER 31, 2010

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>
2009-1	Noncompliance Finding/Significant Deficiency – Failure to Properly Encumber Funds.	No	Partially corrected, moved to management letter.
2009-2	Noncompliance Finding – Failure to File Annual Financial Report on Required Accounting Basis.	No	Repeated as Finding 2010-1
2009-3	Significant Deficiency – Commission on Aging Activity.	No	Moved to management letter.

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# Dave Yost • Auditor of State

FAYETTE COUNTY

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 27, 2011