



Dave Yost • Auditor of State

CLINTON COUNTY
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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clinton County
46 S. South St.
Wilmington, Ohio 45177

To the Clinton County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2011, 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. Because the Port Authority, one of the discretely presented Component Units, financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely presented component units of the Clinton County, Ohio, as of and for the year ended December 31, 2011.

Except as discussed in the following paragraph, 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.

We were engaged to audit the financial statements of the Clinton County Port Authority as part of our audit of the County's basic financial statements. The Port Authority's financial activities are included in the County's basic financial statements as a discretely presented component unit. The Port Authority does not have subsidiary records to support the amounts presented as assets and net assets which represent 99% and 99% respectively of the aggregate component unit, and we were unable to determine what amounts should be presented in the financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had Port Authority's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparisons for the General Fund, Children Services Board Fund, County Board of Developmental Disabilities Fund, Motor Vehicle and Gas Tax Fund, Public Assistance Fund, and Workforce Development Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 3, during 2011 Clinton County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2012, 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 basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the 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. 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.



Dave Yost
Auditor of State

September 24, 2012

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

The management's discussion and analysis of Clinton County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- General revenues accounted for \$18,225,234 or 53.14% of total governmental activities revenue. Program specific revenues accounted for \$16,069,286 or 46.86% of total governmental activities revenue.
- The County had \$32,415,123 in expenses related to governmental activities; \$16,069,286 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$18,225,234 were adequate to provide for these programs.
- The County has six major governmental funds. The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$13,276,399 in 2011. The general fund had expenditures and other financing uses of \$13,192,087 in 2011. The general fund also received \$1,914,046 in proceeds from the sale of the Former County Hospital and \$1,075,988 in proceeds from a legal settlement, resulting in an increase in fund balance of \$3,074,346.
- The children services board, a County major fund, had revenues of \$2,848,987 in 2011. The children services board had expenditures of \$2,631,950 in 2011. The children services board fund balance increased \$217,037 from 2010 to 2011.
- The County Board of Developmental Disabilities (DD) fund, a County major fund, had revenues of \$4,813,112 and expenditures of \$3,844,472 in 2011. The County Board of DD fund balance increased \$968,640 from 2010 to 2011.
- The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,340,301 in 2011. Expenditures totaled \$4,771,547 in 2011 and the fund balance decreased \$431,246 from 2010 to 2011.
- The public assistance fund, a County major fund, had revenues and other financing sources of \$3,819,876 and expenditures and other financing uses of \$3,953,832 in 2011. The public assistance fund balance decreased \$133,956 from 2010 to 2011.
- The workforce development fund, a County major fund, had revenues of \$1,662,204 and expenditures of \$1,719,832 in 2011, resulting in a decrease in fund balance of \$57,628.
- The Former County Hospital fund, which comprises the County's business-type activities, experienced nonoperating expenses of \$357,874 and earned investment income of \$13,922. Net assets of business type activities fell \$343,952 from 2010.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

Using the Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the County as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column. In the case of the County, there are six major governmental funds. The general fund is the largest major fund.

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2011?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the County is divided into two distinct kinds of activities:

Governmental activities - Most of the County's programs and services are reported here including human services, health, public safety, public works and general government. These services are funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

Reporting the County's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, children services board, County board of DD, motor vehicle and gas tax, public assistance and workforce development. The County's major enterprise fund is the Former County Hospital. The analysis of the County's major governmental and proprietary funds begins on page 10.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 18-30 of this report.

Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for wind-down expenses of the Former County Hospital. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a self-funded health insurance program for employees of the County and several governmental units within the County. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 31-33 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 35-36 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. These notes to the basic financial statements can be found on pages 37-74 of this report.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets for 2011 and 2010. Net asset classifications for 2010 have been restated in the governmental activities to conform to 2011 presentation in accordance with GASB Statement No. 54.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>Restated 2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>Restated 2010</u>
<u>Assets</u>						
Current and other assets	\$ 76,059,184	\$ 73,656,315	\$ 3,072,484	\$ 5,686,654	\$ 79,131,668	\$ 79,342,969
Capital assets, net	<u>51,023,710</u>	<u>50,435,565</u>	<u>-</u>	<u>-</u>	<u>51,023,710</u>	<u>50,435,565</u>
Total assets	<u>127,082,894</u>	<u>124,091,880</u>	<u>3,072,484</u>	<u>5,686,654</u>	<u>130,155,378</u>	<u>129,778,534</u>
<u>Liabilities</u>						
Long-term liabilities	12,085,828	12,494,488	-	-	12,085,828	12,494,488
Other liabilities	<u>7,791,349</u>	<u>7,561,106</u>	<u>1,108,073</u>	<u>3,378,291</u>	<u>8,899,422</u>	<u>10,939,397</u>
Total liabilities	<u>19,877,177</u>	<u>20,055,594</u>	<u>1,108,073</u>	<u>3,378,291</u>	<u>20,985,250</u>	<u>23,433,885</u>
<u>Net assets</u>						
Invested in capital assets, net of related debt	40,385,370	39,232,128	-	-	40,385,370	39,232,128
Restricted	20,406,635	17,044,424	-	-	20,406,635	17,044,424
Unrestricted	<u>46,413,712</u>	<u>47,759,734</u>	<u>1,964,411</u>	<u>2,308,363</u>	<u>48,378,123</u>	<u>50,068,097</u>
Total net assets	<u>\$ 107,205,717</u>	<u>\$ 104,036,286</u>	<u>\$ 1,964,411</u>	<u>\$ 2,308,363</u>	<u>\$ 109,170,128</u>	<u>\$ 106,344,649</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the County's assets exceeded liabilities by \$109,170,128.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At December 31, 2011, capital assets represented 39.20% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, software, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$40,385,370. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the County's net assets, \$20,406,635 or 19.04%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets for the County as a whole is \$48,378,123, \$46,413,712 of which is related to the County's governmental activities. During 2011 unrestricted net assets decreased \$1,346,022 for the County's governmental activities and \$1,689,974 for the County as a whole from 2010 unrestricted net assets, as restated.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

The table below shows the changes in net assets for 2011 and 2010.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 3,854,703	\$ 4,305,773	\$ -	\$ 87,725,805	\$ 3,854,703	\$ 92,031,578
Operating grants and contributions	11,767,491	13,192,263	-	-	11,767,491	13,192,263
Capital grants and contributions	447,092	417,680	-	-	447,092	417,680
General revenues:						
Property taxes	7,460,671	7,358,053	-	-	7,460,671	7,358,053
Sales tax	7,335,234	6,206,100	-	-	7,335,234	6,206,100
Unrestricted grants	1,584,769	1,632,037	-	-	1,584,769	1,632,037
Investment earnings	471,812	126,335	13,922	-	485,734	126,335
Other	1,372,748	1,382,044	-	1,248,293	1,372,748	2,630,337
Total revenues	<u>34,294,520</u>	<u>34,620,285</u>	<u>13,922</u>	<u>88,974,098</u>	<u>34,308,442</u>	<u>123,594,383</u>
<u>Expenses</u>						
Program expenses:						
General government	9,088,593	9,177,173	-	-	9,088,593	9,177,173
Public safety	4,484,107	4,653,320	-	-	4,484,107	4,653,320
Public works	5,211,403	5,731,107	-	-	5,211,403	5,731,107
Health	4,198,318	3,965,762	-	-	4,198,318	3,965,762
Human services	7,933,027	9,684,594	-	-	7,933,027	9,684,594
Conservation and recreation	94,030	21,833	-	-	94,030	21,833
Economic development and assistance	310,852	312,332	-	-	310,852	312,332
Other	661,869	549,812	-	-	661,869	549,812
Interest and fiscal charges	432,924	453,152	-	-	432,924	453,152
Former County Hospital	-	-	357,874	101,005,125	357,874	101,005,125
Total expenses	<u>32,415,123</u>	<u>34,549,085</u>	<u>357,874</u>	<u>101,005,125</u>	<u>32,772,997</u>	<u>135,554,210</u>
Change in net assets before special item	1,879,397	71,200	(343,952)	(12,031,027)	1,535,445	(11,959,827)
<u>Special items</u>						
Gain on sale of hospital	-	-	-	4,685,114	-	4,685,114
Transfer of proceeds from sale of hospital	-	44,483,322	-	(44,483,322)	-	-
Proceeds from sale of hospital	214,046	-	-	-	214,046	-
Proceeds from legal settlement	1,075,988	-	-	-	1,075,988	-
Change in net assets	3,169,431	44,554,522	(343,952)	(51,829,235)	2,825,479	(7,274,713)
Net assets at beginning of year	<u>104,036,286</u>	<u>59,481,764</u>	<u>2,308,363</u>	<u>54,137,598</u>	<u>106,344,649</u>	<u>113,619,362</u>
Net assets at end of year	<u>\$107,205,717</u>	<u>\$104,036,286</u>	<u>\$ 1,964,411</u>	<u>\$ 2,308,363</u>	<u>\$109,170,128</u>	<u>\$106,344,649</u>

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

Governmental Activities

Net assets of governmental activities increased \$3,169,431 during 2011, partially due to proceeds from the sale of the Former County Hospital of \$214,046 and proceeds from a legal settlement of \$1,075,988. The increase in net assets in excess of these amounts is attributable to a decrease in expenses during 2011.

Operating grants and contributions consisted of State and federal government contributions to the County of \$11,267,491 and \$447,092 in capital grants and contributions, in addition to \$500,000 in operating grants and contributions for economic development received from RegionalCare Hospital Partners as part of the hospital purchase agreement. These revenues are restricted to a particular program or purpose. Of the operating grants and contributions of \$11,767,491, \$5,359,919, or 45.55% subsidized human services programs, compared to \$6,732,862 or 51.04% in 2010. This decrease is due to decreased activity in the County's workforce development fund. \$3,708,886 or 31.52% of the total operating grants and contributions subsidized public works programs, while another \$1,199,276 or 10.19% subsidized health programs. Capital grants and contributions increased slightly due to additional funding for permanent improvements within the County.

General revenues totaled \$18,225,234, and amounted to 53.14% of total revenues. These revenues primarily consist of property and sales tax revenue of \$14,795,905 or 81.18% of total general revenues in 2011. Property tax revenue increased slightly from 2011, while sales tax revenue increased \$1,129,134 or 18.19%. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which makes up \$1,584,769 or 8.70% of total general revenues.

The County experienced minor increases and decreases in several categories of expenses during 2011. Overall, however, expenses were \$2,133,962 or 6.18% lower than in 2010, which is due to considerably lower expenses for the County's human services programs which fell by 18.09%.

General government expenses include legislative and executive and judicial programs, and totaled \$9,088,593 or 28.04% of total governmental expenses. General government expenses were covered by \$1,590,921 of direct charges to users in 2011, which is comprised primarily of auditor's fees and rental income, and operating grants and contributions of \$129,610.

Public works expenses totaled \$5,211,403 in 2011, or 16.08% of total governmental expenses. These expenses were funded primarily by operating grants and contributions, capital grants and contributions, and charges to users of \$3,708,886, \$447,092, and \$688,165, respectively.

Human services expense supports the operations of public assistance, workforce development and the children services board, and accounts for \$7,933,027, or 24.47% of the total governmental expenses of the County. These expenses were primarily funded by operating grants and contributions in the amount of \$5,359,919. The remainder of these expenses is covered by charges for services and general revenues. The decrease in both the expenses and operating grants and contributions is due primarily to the activity of the County's workforce development program.

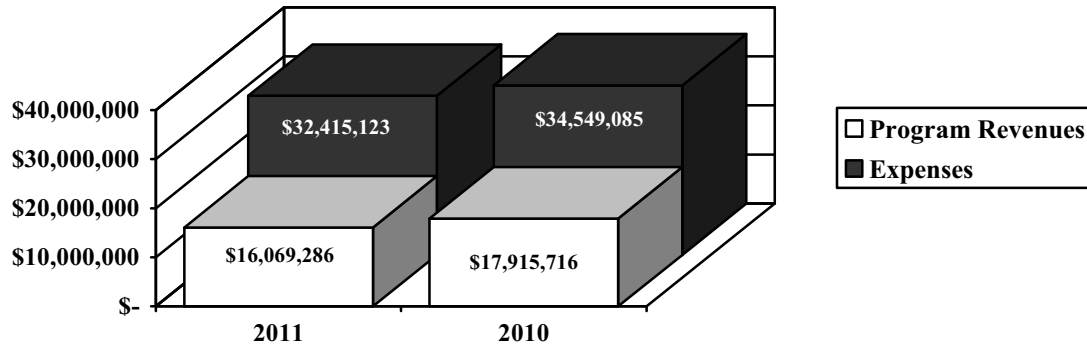
Expenses for health programs, which for the County is mainly the County Board of Developmental Disabilities program, were \$4,198,318 in 2011. The County's public safety programs, primarily the sheriff's department, had expenses of \$4,484,107 in 2011.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2011 and 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

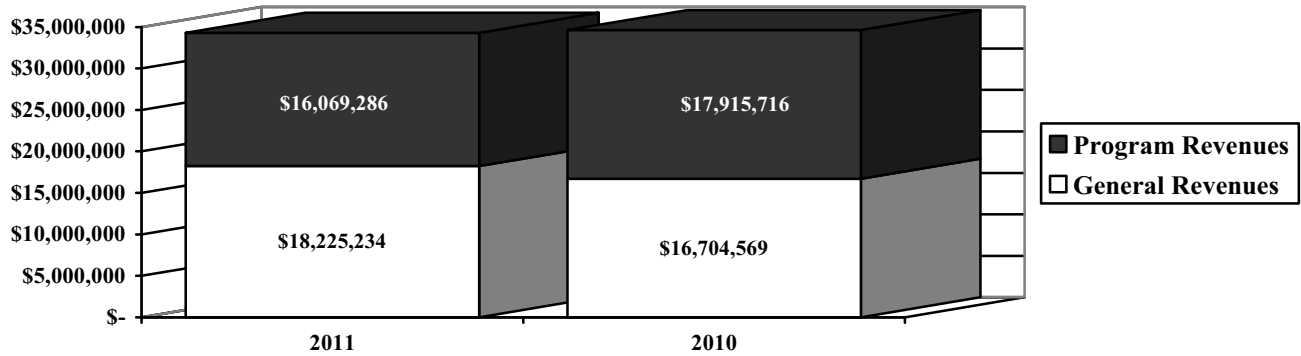
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Expenses:				
General government	\$ 9,088,593	\$ 7,368,062	\$ 9,177,173	\$ 7,290,259
Public safety	4,484,107	3,168,358	4,653,320	2,915,093
Public works	5,211,403	367,260	5,731,107	852,337
Health	4,198,318	2,776,322	3,965,762	1,821,437
Human services	7,933,027	2,145,003	9,684,594	2,777,439
Conservation and recreation	94,030	(78,907)	21,833	12,369
Economic development and assistance	310,852	(484,071)	312,332	(34,654)
Other	661,869	650,886	549,812	545,937
Interest and fiscal charges	432,924	432,924	453,152	453,152
Total expenses	\$ 32,415,123	\$ 16,345,837	\$ 34,549,085	\$ 16,633,369

The dependence upon general revenues for governmental activities is apparent, with 50.43% and 48.14% of expenses supported through taxes and other general revenues during 2011 and 2010, respectively.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

Governmental Activities - General and Program Revenues



Business-Type Activities

The Former County Hospital fund is the County's major enterprise fund. For 2011, net assets of the Former County Hospital (the "Hospital") fell \$343,952 due to nonoperating expenses of \$357,874 and investment income of \$13,922.

In 2010, the Hospital was sold to RegionalCare Hospital Partners. In accordance with the asset purchase agreement, a portion of the Hospital's assets, consisting primarily of cash and investments, are retained to be used for anticipated wind down costs. At December 31, 2011, assets of \$3,072,484 and liabilities of \$1,108,073 were reported, leaving net assets of \$1,964,411 in the enterprise fund.

Financial Analysis of the County's Funds

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 near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at year-end.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

The County's governmental funds (as presented on the balance sheet on pages 18-19) reported a combined fund balance of \$48,050,387 which is \$3,914,012 higher than last year's total of \$44,136,375. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2011 for all major and nonmajor governmental funds. Fund balances at December 31, 2010, have been restated to show the effect of fund reclassifications in accordance with GASB Statement No. 54 (see Note 3.B).

	Fund Balance	Restated Fund Balance	Increase
	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>(Decrease)</u>
Major Funds:			
General	\$ 20,626,285	\$ 17,551,939	\$ 3,074,346
Children Services Board	1,289,983	1,072,946	217,037
County Board of DD	7,210,151	6,241,511	968,640
Motor Vehicle and Gas Tax	2,289,081	2,720,327	(431,246)
Public Assistance	380,409	514,365	(133,956)
Workforce Development	342,768	400,396	(57,628)
Other Nonmajor Governmental Funds	<u>15,911,710</u>	<u>15,634,891</u>	<u>276,819</u>
Total	<u>\$ 48,050,387</u>	<u>\$ 44,136,375</u>	<u>\$ 3,914,012</u>

The fund balance of the general fund increased \$3,074,346 primarily due to proceeds received from the sale of the Former County Hospital and proceeds from a legal settlement, as are reported as special items in the basic financial statements, as well as increased property and sales tax revenues during 2011. The fund balance of the County Board of DD fund increased \$968,640 primarily due to higher State and federal grant revenues and lower human services expenses. Additionally, the Motor Vehicle and Gas Tax fund received lower intergovernmental revenue during the year, while public works expenditures increased, resulting in a decrease in fund balance of \$431,246.

General Fund

The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$13,276,399 in 2011. The general fund had expenditures and other financing uses of \$13,192,087 in 2011. The general fund also received \$1,914,046 in proceeds from the sale of the hospital and \$1,075,988 in proceeds from a legal settlement, resulting in an increase in fund balance of \$3,074,346.

Children Services Board Fund

The children services board, a County major fund, had revenues of \$2,848,987 in 2011. The children services board had expenditures of \$2,631,950 in 2011. The children services board fund balance increased \$217,037 from 2010 to 2011.

County Board of DD

The County Board of Developmental Disabilities (DD) fund, a County major fund, had revenues of \$4,813,112 and expenditures of \$3,844,472 in 2011. The County Board of DD fund balance increased \$968,640 from 2010 to 2011.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,340,301 in 2011. Expenditures totaled \$4,771,547 in 2011 and the fund balance decreased \$431,246 from 2010 to 2011.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

Public Assistance Fund

The public assistance fund, a County major fund, had revenues and other financing sources of \$3,819,876 and expenditures and other financing uses of \$3,953,829 in 2011. The public assistance fund balance decreased \$133,956 from 2010 to 2011.

Workforce Development Fund

The workforce development fund, a County major fund, had revenues of \$1,662,204 and expenditures of \$1,719,832 in 2011, resulting in a decrease in fund balance of \$57,628.

General Fund Budgeting Highlights

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

In the general fund, there were slight changes between the original and final budget. Final budgeted revenues, other financing sources and special items were \$2,498,170 higher than original budgeted revenues and special items. Actual revenues, other financing sources and special items of \$15,700,679 were \$1,081,798 higher than in the final budget. Original budgeted expenditures and other financing uses of \$12,948,733 were increased to \$13,576,413 in the final budget. Actual expenditures and other financing uses were \$646,528 less than the final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of 2011, the County had \$51,023,710 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, software, equipment, vehicles and infrastructure.

The County's largest governmental capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 66.01% of the County's total governmental capital assets.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

The following table shows 2011 balances compared to 2010:

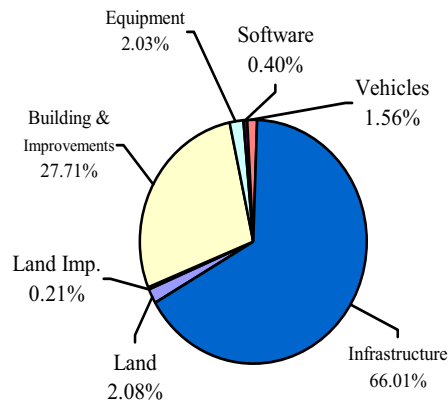
**Capital Assets at December 31,
(Net of Depreciation)**

	Governmental Activities 2011	Governmental Activities 2010
Land	\$ 1,061,880	\$ 871,880
Land improvements	104,635	103,919
Building and improvements	14,139,426	14,533,772
Equipment	1,033,879	1,107,492
Software	203,653	63,697
Vehicles	798,008	738,245
Infrastructure	33,682,229	32,885,310
Construction in progress	-	131,250
Total	\$ 51,023,710	\$ 50,435,565

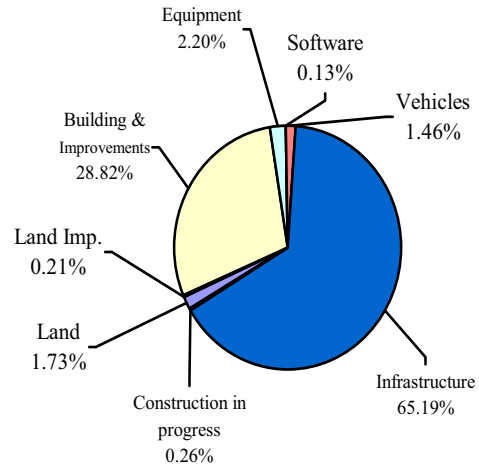
See Note 9 to the basic financial statements for further detail on capital assets.

The following graphs show the breakdown of governmental capital assets by category for 2011 and 2010.

**Capital Assets - Governmental Activities
2011**



**Capital Assets - Governmental Activities
2010**



Debt Administration

At December 31, 2011, governmental activities had \$12,103,176 in general obligation bonds, special assessment bonds, special assessment notes, loans, compensated absences and capital leases outstanding. Of this total, \$1,271,267 is due within one year and \$10,831,909 is due in more than one year.

CLINTON COUNTY, OHIO

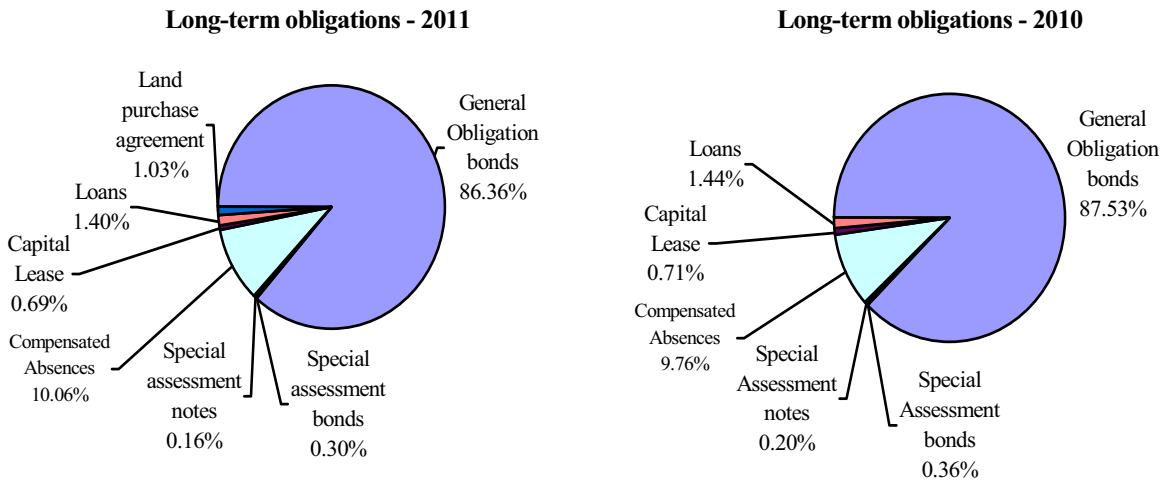
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

The following table summarizes the debt obligations outstanding.

Long-Term Obligations	Outstanding Debt at Year End	
	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
General obligation bonds	\$ 10,451,670	\$ 10,955,600
Special assessment bonds	36,607	45,000
Special assessment notes	18,907	24,596
Loans payable	170,000	180,000
Land purchase agreement	124,285	-
Compensated absences	1,217,659	1,221,455
Capital leases	84,048	89,352
Total	\$ 12,103,176	\$ 12,516,003

See Note 12 to the basic financial statements for detail on outstanding debt.

A comparison of the governmental long-term obligations by category is depicted in the charts that follow:



Economic Factors and Next Year's Budgets and Rates

The County's population is an estimated 43,058. At the close of 2011, the County's unemployment rate was 11.1%, compared to the 8.1% State average and the 8.5% national average.

These economic factors were considered in preparing the County's budget for 2012. Budgeted revenues and other financing sources in the general fund for the 2012 budget are approximately \$14,293,747. With the continuation of conservative budgeting practices, the County's financial position should remain stable in future years.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Honorable Terence Habermehl, Clinton County Auditor, at 46 S. South Street, Wilmington, Ohio 45177-2296.

CLINTON COUNTY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
Assets:					
Equity in pooled cash and investments	\$ 31,506,374	\$ 1,123,438	\$ 32,629,812	\$ 320,393	\$ 1,043,701
Cash with escrow agent	15,000,607	-	15,000,607	-	-
Cash with fiscal agent	528,878	-	528,878	-	-
Investments	-	1,949,046	1,949,046	-	-
Receivables:					
Sales taxes	1,774,056	-	1,774,056	-	-
Real and other taxes	7,079,657	-	7,079,657	-	-
Accounts	120,849	-	120,849	15,851	48,229
Notes	15,300,000	-	15,300,000	-	-
Special assessments	106,749	-	106,749	-	-
Accrued interest	101,023	-	101,023	-	-
Due from other governments	4,249,375	-	4,249,375	-	-
Prepayments	94,297	-	94,297	-	4,019
Materials and supplies inventory	23,004	-	23,004	-	-
Unamortized bond issue costs	174,315	-	174,315	-	-
Capital assets:					
Non-depreciable capital assets	1,061,880	-	1,061,880	-	19,088,500
Depreciable capital assets, net	49,961,830	-	49,961,830	11,518	54,560,886
Total capital assets, net	51,023,710	-	51,023,710	11,518	73,649,386
Total assets	127,082,894	3,072,484	130,155,378	347,762	74,745,335
Liabilities:					
Accounts payable	641,478	1,108,073	1,749,551	1,174	-
Contracts payable	43,750	-	43,750	-	-
Accrued wages and benefits payable	490,725	-	490,725	8,424	-
Due to other governments	356,656	-	356,656	-	3,504
Unearned revenue	6,154,380	-	6,154,380	-	-
Accrued interest payable	25,919	-	25,919	-	-
Amount to be repaid to claimants	78,441	-	78,441	-	-
Deposits held and due to others	-	-	-	-	21,348
Property taxes payable	-	-	-	-	374,447
Other accrued expenses	-	-	-	191	-
Long-term liabilities:					
Due within one year	1,271,267	-	1,271,267	-	502
Due in more than one year	10,814,561	-	10,814,561	-	1,234,391
Total liabilities	19,877,177	1,108,073	20,985,250	9,789	1,634,192
Net assets:					
Invested in capital assets, net of related debt	40,385,370	-	40,385,370	11,518	72,414,493
Restricted for:					
Capital projects	2,992,173	-	2,992,173	-	-
Debt service	4,544	-	4,544	-	-
Human services programs	3,460,594	-	3,460,594	-	-
Public works	4,122,636	-	4,122,636	-	-
Health programs	7,658,841	-	7,658,841	-	-
Other purposes	2,167,847	-	2,167,847	-	-
Unrestricted	46,413,712	1,964,411	48,378,123	326,455	696,650
Total net assets	\$ 107,205,717	\$ 1,964,411	\$ 109,170,128	\$ 337,973	\$ 73,111,143

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Legislative and executive.	\$ 6,565,205	\$ 1,095,705	\$ -	\$ -
Judicial	2,523,388	495,216	129,610	-
Public safety	4,484,107	921,214	394,535	-
Public works	5,211,403	688,165	3,708,886	447,092
Health.	4,198,318	222,720	1,199,276	-
Human services.	7,933,027	428,105	5,359,919	-
Conservation and recreation	94,030	-	172,937	-
Economic development and assistance.	310,852	-	794,923	-
Other	661,869	3,578	7,405	-
Interest and fiscal charges	432,924	-	-	-
Total governmental activities.	<u>32,415,123</u>	<u>3,854,703</u>	<u>11,767,491</u>	<u>447,092</u>
Business-type activities:				
Former County Hospital.	357,874	-	-	-
Total business-type activities.	<u>357,874</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 32,772,997</u>	<u>\$ 3,854,703</u>	<u>\$ 11,767,491</u>	<u>\$ 447,092</u>
Component units:				
ORION Rehabilitation Center	\$ 238,188	\$ 239,481	\$ 1,025	\$ -
Port Authority	8,256,598	5,171,152	840,000	-
Total component units.	<u>\$ 8,494,786</u>	<u>\$ 5,410,633</u>	<u>\$ 841,025</u>	<u>\$ -</u>

General revenues:

Property taxes levied for:

General fund.	
Legislative and executive - Real Estate Assessment	
Legislative and executive - Other Purposes	
Health - County Board of DD	
Human Services - Children Services.	
Debt service - Fairground/Public Service Agency Buildings.	
Debt service - Bypass Jail/Bond.	
Debt service - Martinsville-Midland Project.	
Public works - Permanent Improvement.	
Sales and other taxes	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
Total general revenues	

Special items:

Proceeds from sale of hospital	
Proceeds from legal settlement.	
Total general revenues and special items	
Change in net assets	
Net assets at beginning of year	
Net assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
\$ (5,469,500)	\$ -	\$ (5,469,500)	\$ -	\$ -
(1,898,562)	-	(1,898,562)	-	-
(3,168,358)	-	(3,168,358)	-	-
(367,260)	-	(367,260)	-	-
(2,776,322)	-	(2,776,322)	-	-
(2,145,003)	-	(2,145,003)	-	-
78,907	-	78,907	-	-
484,071	-	484,071	-	-
(650,886)	-	(650,886)	-	-
(432,924)	-	(432,924)	-	-
<u>(16,345,837)</u>	<u>-</u>	<u>(16,345,837)</u>	<u>-</u>	<u>-</u>
-	(357,874)	(357,874)	-	-
-	(357,874)	(357,874)	-	-
<u>(16,345,837)</u>	<u>(357,874)</u>	<u>(16,703,711)</u>	<u>-</u>	<u>-</u>
			2,318	-
			-	(2,245,446)
			<u>2,318</u>	<u>(2,245,446)</u>
1,820,752	-	1,820,752	-	-
595,317	-	595,317	-	-
79,678	-	79,678	-	-
3,206,657	-	3,206,657	-	-
1,180,111	-	1,180,111	-	-
279,885	-	279,885	-	-
232,116	-	232,116	-	-
63,867	-	63,867	-	-
2,288	-	2,288	-	-
7,335,234	-	7,335,234	-	-
1,584,769	-	1,584,769	-	-
471,812	13,922	485,734	1,647	-
1,372,748	-	1,372,748	741	942,763
<u>18,225,234</u>	<u>13,922</u>	<u>18,239,156</u>	<u>2,388</u>	<u>942,763</u>
214,046	-	214,046	-	-
1,075,988	-	1,075,988	-	-
<u>19,515,268</u>	<u>13,922</u>	<u>19,529,190</u>	<u>2,388</u>	<u>942,763</u>
3,169,431	(343,952)	2,825,479	4,706	(1,302,683)
104,036,286	2,308,363	106,344,649	333,267	74,413,826
<u>\$ 107,205,717</u>	<u>\$ 1,964,411</u>	<u>\$ 109,170,128</u>	<u>\$ 337,973</u>	<u>\$ 73,111,143</u>

CLINTON COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of DD</u>	<u>Motor Vehicle & Gas Tax</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 4,377,010	\$ 1,320,113	\$ 6,731,538	\$ 1,923,066
Cash with escrow agent	15,000,607	-	-	-
Cash with fiscal agent	-	-	528,878	-
Receivables:				
Sales taxes	1,771,528	-	-	2,528
Real and other taxes	2,261,214	1,430,732	3,387,711	-
Accounts	56,957	6,900	107	16,122
Notes	15,300,000	-	-	-
Special assessments	-	-	-	-
Interfund receivable	1,747	-	-	-
Accrued interest	101,005	-	18	-
Due from other funds	22,842	4,341	-	13,243
Due from other governments	516,584	271,772	215,630	1,851,710
Loans to other funds	403,905	-	-	-
Prepayments	83,245	-	1,897	-
Materials and supplies inventory	15,697	-	-	-
Total assets	<u>\$ 39,912,341</u>	<u>\$ 3,033,858</u>	<u>\$ 10,865,779</u>	<u>\$ 3,806,669</u>
Liabilities:				
Accounts payable	\$ 122,909	\$ 128,488	\$ 50,517	\$ 166,253
Contracts payable	-	-	-	-
Accrued wages and benefits payable	261,175	-	62,320	56,708
Compensated absences payable	1,665	-	-	-
Interfund loans payable	-	-	-	-
Due to other funds	11,253	-	-	-
Due to other governments	233,698	-	36,271	29,169
Loans from other funds	-	-	-	-
Deferred revenue	16,611,230	371,645	561,567	1,265,458
Unearned revenue	1,965,685	1,243,742	2,944,953	-
Amount to be repaid to claimants	78,441	-	-	-
Total liabilities	<u>19,286,056</u>	<u>1,743,875</u>	<u>3,655,628</u>	<u>1,517,588</u>
Fund balances:				
Nonspendable	502,847	-	1,897	-
Restricted	-	1,289,983	7,208,254	2,289,081
Committed	114,632	-	-	-
Assigned	598,582	-	-	-
Unassigned (deficit)	19,410,224	-	-	-
Total fund balances	<u>20,626,285</u>	<u>1,289,983</u>	<u>7,210,151</u>	<u>2,289,081</u>
Total liabilities and fund balances	<u>\$ 39,912,341</u>	<u>\$ 3,033,858</u>	<u>\$ 10,865,779</u>	<u>\$ 3,806,669</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	Workforce Development	Other Governmental Funds	Total Governmental Funds
\$ 354,974	\$ 365,665	\$ 16,318,322	\$ 31,390,688
-	-	-	15,000,607
-	-	-	528,878
-	-	-	1,774,056
-	-	-	7,079,657
3,609	-	31,907	115,602
-	-	-	15,300,000
-	-	106,749	106,749
-	-	-	1,747
-	-	-	101,023
-	-	144	40,570
165,873	995,697	232,109	4,249,375
-	-	-	403,905
6,530	-	2,625	94,297
4,797	-	2,510	23,004
<u>\$ 535,783</u>	<u>\$ 1,361,362</u>	<u>\$ 16,694,366</u>	<u>\$ 76,210,158</u>
\$ 26,598	\$ 57,582	\$ 88,006	\$ 640,353
-	-	43,750	43,750
82,197	-	27,089	489,489
-	-	-	1,665
-	-	1,747	1,747
414	-	28,903	40,570
41,209	-	15,477	355,824
-	-	403,905	403,905
4,956	961,012	173,779	19,949,647
-	-	-	6,154,380
-	-	-	78,441
<u>155,374</u>	<u>1,018,594</u>	<u>782,656</u>	<u>28,159,771</u>
11,327	-	5,135	521,206
369,082	342,768	3,239,856	14,739,024
-	-	12,786,685	12,901,317
-	-	3,806	602,388
-	-	(123,772)	19,286,452
<u>380,409</u>	<u>342,768</u>	<u>15,911,710</u>	<u>48,050,387</u>
<u>\$ 535,783</u>	<u>\$ 1,361,362</u>	<u>\$ 16,694,366</u>	<u>\$ 76,210,158</u>

CLINTON COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011

Total governmental fund balances	\$	48,050,387
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		51,023,710
Other long-term receivables are not available to pay for current period expenditures and therefore are deferred in the funds.		
Sales taxes	\$ 678,996	
Real and other taxes	734,754	
Special assessments	106,749	
Intergovernmental revenues	3,114,392	
Interest	14,756	
Note receivable - sale of hospital	15,300,000	
Total		19,949,647
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		111,653
On the statement of net assets interest is accrued on outstanding bonds and loans payable, whereas in the governmental funds, interest is accrued when due.		(25,919)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(10,451,670)	
Special assessments	(55,514)	
Compensated absences	(1,209,907)	
Loans payable	(170,000)	
Land purchase agreement	(124,285)	
Capital leases payable	(84,048)	
Total		(12,095,424)
Unamortized premiums on the issuance of bonds are not recognized in the funds.		(66,159)
Unamortized deferred charges on bond refundings are not recognized in the funds.		83,507
Unamortized bond issuance costs are not recognized in the funds.		174,315
Net assets of governmental activities	\$	107,205,717

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of DD</u>	<u>Motor Vehicle & Gas Tax</u>
Revenues:				
Real and other taxes	\$ 1,741,967	\$ 1,173,380	\$ 3,190,678	\$ -
Sales taxes	6,589,777	-	-	66,461
Charges for services	1,891,912	46,374	65,807	-
Licenses and permits	3,100	-	-	-
Fines and forfeitures	110,463	-	-	174,985
Intergovernmental	1,136,142	1,627,585	1,533,795	3,693,749
Special assessments	-	-	-	-
Investment income	453,366	-	15,555	-
Rental income	286,223	-	-	-
Contributions and donations	-	-	-	-
Other	873,449	1,648	7,277	388,960
Total revenues	<u>13,086,399</u>	<u>2,848,987</u>	<u>4,813,112</u>	<u>4,324,155</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	5,462,445	-	-	-
Judicial	2,383,008	-	-	-
Public safety	3,969,376	-	-	-
Public works	70,571	-	-	4,757,045
Health	87,705	-	3,844,472	-
Human services	312,912	2,631,950	-	-
Conservation and recreation	-	-	-	-
Economic development and assistance	-	-	-	-
Other	621,290	-	-	-
Capital outlay	190,000	-	-	14,214
Debt service:				
Principal retirement	85,040	-	-	193
Interest and fiscal charges	7,808	-	-	95
Total expenditures	<u>13,190,155</u>	<u>2,631,950</u>	<u>3,844,472</u>	<u>4,771,547</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(103,756)</u>	<u>217,037</u>	<u>968,640</u>	<u>(447,392)</u>
Other financing sources (uses):				
Proceeds from land purchase agreement	190,000	-	-	-
Capital lease transaction	-	-	-	14,214
Transfers in	-	-	-	1,932
Transfers out	(1,932)	-	-	-
Other financing sources	-	-	-	-
Other financing (uses)	-	-	-	-
Total other financing sources (uses)	<u>188,068</u>	<u>-</u>	<u>-</u>	<u>16,146</u>
Special items:				
Proceeds from sale of hospital	1,914,046	-	-	-
Proceeds from legal settlement	1,075,988	-	-	-
Total special items	<u>2,990,034</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,074,346	217,037	968,640	(431,246)
Fund balances at beginning of year (restated)	<u>17,551,939</u>	<u>1,072,946</u>	<u>6,241,511</u>	<u>2,720,327</u>
Fund balances at end of year	<u>\$ 20,626,285</u>	<u>\$ 1,289,983</u>	<u>\$ 7,210,151</u>	<u>\$ 2,289,081</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	Workforce Development	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,320,597	\$ 7,426,622
-	-	-	6,656,238
-	-	750,485	2,754,578
-	-	12,067	15,167
-	-	118,085	403,533
2,185,480	1,662,204	2,092,130	13,931,085
-	-	151,733	151,733
-	-	3,757	472,678
-	-	237,871	524,094
-	-	500,000	500,000
3,549	-	97,865	1,372,748
<u>2,189,029</u>	<u>1,662,204</u>	<u>5,284,590</u>	<u>34,208,476</u>
-	-	866,677	6,329,122
-	-	137,350	2,520,358
-	-	351,450	4,320,826
-	-	568,551	5,396,167
-	-	181,674	4,113,851
2,322,985	1,719,832	889,758	7,877,437
-	-	94,030	94,030
-	-	310,675	310,675
-	-	15,720	637,010
-	-	650,268	854,482
-	-	528,012	613,245
-	-	413,606	421,509
<u>2,322,985</u>	<u>1,719,832</u>	<u>5,007,771</u>	<u>33,488,712</u>
<u>(133,956)</u>	<u>(57,628)</u>	<u>276,819</u>	<u>719,764</u>
-	-	-	190,000
-	-	-	14,214
-	-	-	1,932
-	-	-	(1,932)
1,630,847	-	-	1,630,847
(1,630,847)	-	-	(1,630,847)
<u>-</u>	<u>-</u>	<u>-</u>	<u>204,214</u>
-	-	-	1,914,046
-	-	-	1,075,988
-	-	-	2,990,034
<u>(133,956)</u>	<u>(57,628)</u>	<u>276,819</u>	<u>3,914,012</u>
514,365	400,396	15,634,891	44,136,375
<u>\$ 380,409</u>	<u>\$ 342,768</u>	<u>\$ 15,911,710</u>	<u>\$ 48,050,387</u>

CLINTON COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - total governmental funds	\$	3,914,012
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Capital asset additions	\$	2,694,445
Current year depreciation		<u>(2,069,238)</u>
Total		625,207
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(37,062)
Proceeds of debt obligations are recorded an other financing source in the funds; however, in the statement of activities they are not reported as revenue as they increase liabilities on the statement of net assets		(190,000)
Issuances of capital lease obligations are recorded as an other financing source in the funds; however; in the statement of activities they are not reported as revenue as they increase liabilities on the statement of net assets.		(14,214)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes		678,996
Real and other taxes		34,049
Special assessments		5,598
Intergovernmental revenues		(631,733)
Interest		(866)
Sale of hospital		<u>(1,700,000)</u>
Total		(1,613,956)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		613,245
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Accrued interest		8,709
Bond premium		6,271
Deferred charges on refunding		(10,438)
Bond issuance costs		<u>(15,958)</u>
Total		(11,416)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(53,131)
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.		<u>(63,254)</u>
Change in net assets of governmental activities	\$	<u><u>3,169,431</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Real and other taxes.	\$ 1,604,052	\$ 1,682,477	\$ 1,682,477	\$ -
Sales taxes.	5,311,495	6,557,805	6,561,305	3,500
Charges for services.	1,172,698	1,447,864	1,448,637	773
Licenses and permits	2,510	3,098	3,100	2
Fines and forfeitures.	90,977	112,324	112,384	60
Intergovernmental.	970,909	1,198,726	1,199,366	640
Investment income.	304,636	376,117	376,318	201
Rental income	238,942	295,009	295,166	157
Other.	724,492	894,490	894,967	477
Total revenues.	<u>10,420,711</u>	<u>12,567,910</u>	<u>12,573,720</u>	<u>5,810</u>
Expenditures:				
Current:				
General government:				
Legislative and executive.	5,332,949	5,817,054	5,421,393	395,661
Judicial	2,435,276	2,498,813	2,422,189	76,624
Public safety	3,933,722	3,889,389	3,761,603	127,786
Public works	74,132	73,598	71,660	1,938
Health.	88,000	89,712	87,705	2,007
Human services.	422,368	361,693	319,581	42,112
Other	552,286	545,550	545,150	400
Total expenditures.	<u>12,838,733</u>	<u>13,275,809</u>	<u>12,629,281</u>	<u>646,528</u>
Excess of expenditures over revenues.	<u>(2,418,022)</u>	<u>(707,899)</u>	<u>(55,561)</u>	<u>652,338</u>
Other financing sources (uses):				
Transfers out	(110,000)	(236,932)	(236,932)	-
Advances in.	-	136,925	136,925	-
Advances out	-	(63,672)	(63,672)	-
Total other financing sources (uses)	<u>(110,000)</u>	<u>(163,679)</u>	<u>(163,679)</u>	<u>-</u>
Special items:				
Proceeds from sale of hospital	1,700,000	1,914,046	1,914,046	-
Proceeds from legal settlement.	-	-	1,075,988	1,075,988
Total special items	<u>1,700,000</u>	<u>1,914,046</u>	<u>2,990,034</u>	<u>1,075,988</u>
Net change in fund balances	(828,022)	1,042,468	2,770,794	1,728,326
Fund balances at beginning of year (restated)	268,199	268,199	268,199	-
Prior year encumbrances appropriated.	308,733	308,733	308,733	-
Fund balance at end of year (deficit)	<u>\$ (251,090)</u>	<u>\$ 1,619,400</u>	<u>\$ 3,347,726</u>	<u>\$ 1,728,326</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

CHILDREN SERVICES BOARD
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Real and other taxes.	\$ 1,004,688	\$ 1,152,118	\$ 1,152,118	\$ -
Charges for services.	38,519	44,332	44,329	(3)
Intergovernmental.	1,415,181	1,628,768	1,628,646	(122)
Other.	1,317	1,516	1,516	-
Total revenues.	<u>2,459,705</u>	<u>2,826,734</u>	<u>2,826,609</u>	<u>(125)</u>
Expenditures:				
Current:				
Human services	2,739,250	3,109,469	2,573,714	535,755
Total expenditures	<u>2,739,250</u>	<u>3,109,469</u>	<u>2,573,714</u>	<u>535,755</u>
Net change in fund balances	(279,545)	(282,735)	252,895	535,630
Fund balances at beginning of year	1,030,611	1,030,611	1,030,611	-
Fund balance at end of year	<u>\$ 751,066</u>	<u>\$ 747,876</u>	<u>\$ 1,283,506</u>	<u>\$ 535,630</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF DEVELOPMENTAL DISABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Real and other taxes	\$ 2,977,000	\$ 3,140,321	\$ 3,140,319	\$ (2)
Charges for services	74,192	65,324	65,807	483
Intergovernmental	1,991,546	1,753,495	1,766,463	12,968
Investment income.	750	660	665	5
Other	8,084	7,117	7,170	53
Total revenues	<u>5,051,572</u>	<u>4,966,917</u>	<u>4,980,424</u>	<u>13,507</u>
Expenditures:				
Current:				
Health	4,449,328	4,214,328	3,946,314	268,014
Total expenditures	<u>4,449,328</u>	<u>4,214,328</u>	<u>3,946,314</u>	<u>268,014</u>
Net change in fund balances	602,244	752,589	1,034,110	281,521
Fund balances at beginning of year	<u>5,516,205</u>	<u>5,516,205</u>	<u>5,516,205</u>	<u>-</u>
Fund balance at end of year	<u>\$ 6,118,449</u>	<u>\$ 6,268,794</u>	<u>\$ 6,550,315</u>	<u>\$ 281,521</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

MOTOR VEHICLE AND GAS TAX
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Sales taxes.	\$ 68,966	\$ 68,885	\$ 68,885	\$ -
Fines and forfeitures	172,688	172,485	172,485	-
Intergovernmental	3,679,507	3,675,185	3,675,184	(1)
Other.	394,907	394,443	394,443	-
Total revenues.	<u>4,316,068</u>	<u>4,310,998</u>	<u>4,310,997</u>	<u>(1)</u>
Expenditures:				
Current:				
Public works.	5,503,162	5,903,162	4,840,840	1,062,322
Total expenditures.	<u>5,503,162</u>	<u>5,903,162</u>	<u>4,840,840</u>	<u>1,062,322</u>
Excess of expenditures over revenues.	(1,187,094)	(1,592,164)	(529,843)	1,062,321
Other financing sources:				
Transfers in	1,932	1,932	1,932	-
Total other financing sources	<u>1,932</u>	<u>1,932</u>	<u>1,932</u>	<u>-</u>
Net change in fund balances	(1,185,162)	(1,590,232)	(527,911)	1,062,321
Fund balances at beginning of year	2,037,935	2,037,935	2,037,935	-
Prior year encumbrances appropriated . . .	238,090	238,090	238,090	-
Fund balance at end of year	<u>\$ 1,090,863</u>	<u>\$ 685,793</u>	<u>\$ 1,748,114</u>	<u>\$ 1,062,321</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 PUBLIC ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 2,351,977	\$ 2,124,883	\$ 2,125,266	\$ 383
Other	1,315	1,188	1,188	-
Total revenues	<u>2,353,292</u>	<u>2,126,071</u>	<u>2,126,454</u>	<u>383</u>
Expenditures:				
Current:				
Human services	2,545,543	2,691,322	2,338,507	352,815
Total expenditures	<u>2,545,543</u>	<u>2,691,322</u>	<u>2,338,507</u>	<u>352,815</u>
Excess of expenditures over revenues.	<u>(192,251)</u>	<u>(565,251)</u>	<u>(212,053)</u>	<u>353,198</u>
Other financing sources (uses):				
Other financing sources	1,806,567	1,632,135	1,632,429	294
Other financing uses	<u>(1,806,567)</u>	<u>(1,632,135)</u>	<u>(1,632,429)</u>	<u>(294)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(192,251)	(565,251)	(212,053)	353,198
Fund balances at beginning of year	<u>567,027</u>	<u>567,027</u>	<u>567,027</u>	<u>-</u>
Fund balance at end of year	<u>\$ 374,776</u>	<u>\$ 1,776</u>	<u>\$ 354,974</u>	<u>\$ 353,198</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

WORKFORCE DEVELOPMENT
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 486,576	\$ 1,602,765	\$ 1,751,278	\$ 148,513
Total revenues	<u>486,576</u>	<u>1,602,765</u>	<u>1,751,278</u>	<u>148,513</u>
Expenditures:				
Current:				
Human services.	486,000	1,976,000	1,765,254	210,746
Total expenditures	<u>486,000</u>	<u>1,976,000</u>	<u>1,765,254</u>	<u>210,746</u>
Net change in fund balances	576	(373,235)	(13,976)	359,259
Fund balances at beginning of year	<u>379,641</u>	<u>379,641</u>	<u>379,641</u>	<u>-</u>
Fund balance at end of year	<u>\$ 380,217</u>	<u>\$ 6,406</u>	<u>\$ 365,665</u>	<u>\$ 359,259</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2011

	Business-Type	
	Activity - Former County Hospital Enterprise Fund	Governmental Activities - Health Insurance Depository Fund
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents . . .	\$ 1,123,438	\$ 115,686
Investments.	1,949,046	-
Receivables:		
Accounts.	-	5,247
	<hr/>	<hr/>
Total assets	3,072,484	120,933
	<hr/>	<hr/>
Liabilities:		
Current liabilities:		
Accounts payable.	1,108,073	1,125
Accrued wages and benefits payable	-	1,236
Due to other governments	-	832
Compensated absences payable.	-	6,087
	<hr/>	<hr/>
Total liabilities	1,108,073	9,280
	<hr/>	<hr/>
Net assets:		
Unrestricted	1,964,411	111,653
	<hr/>	<hr/>
Total net assets	\$ 1,964,411	\$ 111,653
	<hr/> <hr/>	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-Type	
	Activity - Former County Hospital Enterprise Fund	Governmental Activities - Health Insurance Depository Fund
Operating revenues:		
Charges for services	\$ -	\$ 3,775,663
Other operating revenues	-	296,008
	<hr/>	<hr/>
Total operating revenues.	-	4,071,671
	<hr/>	<hr/>
Operating expenses:		
Personal services	-	60,725
Contract services.	-	3,569
Insurance.	-	4,054,601
Administrative costs.	-	14,825
Other	-	1,205
	<hr/>	<hr/>
Total operating expenses.	-	4,134,925
	<hr/>	<hr/>
Operating loss	-	(63,254)
	<hr/>	<hr/>
Nonoperating revenues (expenses):		
Investment income.	13,922	-
Nonoperating expenses	(357,874)	-
	<hr/>	<hr/>
Change in net assets	(343,952)	(63,254)
	<hr/>	<hr/>
Net assets at beginning of year.	2,308,363	174,907
	<hr/>	<hr/>
Net assets at end of year	\$ 1,964,411	\$ 111,653
	<hr/>	<hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-Type Activity- Former County Hospital Enterprise Fund	Governmental Activities - Health Insurance Depository Fund
Cash flows from operating activities:		
Cash received from service charges.	\$ -	\$ 3,781,314
Cash received from other receipts, net	-	290,799
Cash payments for personal services	-	(63,591)
Cash payments for goods and services	-	(3,606)
Cash payments for claims.	-	(4,058,220)
Cash payments for administrative costs.	-	(15,012)
Cash payments for other expenses	-	(1,205)
	<hr/>	<hr/>
Net cash used in operating activities	-	(69,521)
Cash flows from capital and related financing activities:		
Other nonoperating expenses	(612,948)	-
	<hr/>	<hr/>
Net cash used in capital and related financing activities	(612,948)	-
Cash flows from investing activities:		
Change in investments, net	(116,646)	-
Interest received.	13,922	-
	<hr/>	<hr/>
Net cash used in investing activities	(102,724)	-
Net decrease in cash and cash equivalents	(715,672)	(69,521)
Cash and cash equivalents at beginning of year	1,839,110	185,207
Cash and cash equivalents at end of year.	<u>\$ 1,123,438</u>	<u>\$ 115,686</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ -	\$ (63,254)
Changes in assets and liabilities:		
Decrease in accounts receivable.	-	442
Decrease in accounts payable	-	(3,523)
Decrease in accrued wages and benefits.	-	(1,442)
Decrease in due to other governments.	-	(525)
Decrease in compensated absences payable.	-	(1,219)
	<hr/>	<hr/>
Net cash used in operating activities	<u>\$ -</u>	<u>\$ (69,521)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CLINTON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 DECEMBER 31, 2011

	<u>Private-Purpose Trust</u>	<u>Agency</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents.	\$ 10,865	\$ 4,311,047
Cash in segregated accounts.	-	673,097
Receivables:		
Accounts	-	55,158
Real and other taxes.	-	33,655,100
Special assessments.	-	350,728
Due from other governments	-	2,033,437
	<hr/>	<hr/>
Total assets	10,865	\$ 41,078,567
	<hr/>	<hr/>
Liabilities:		
Due to other governments	-	\$ 2,251,261
Deposits held and due to others	-	38,827,306
	<hr/>	<hr/>
Total liabilities.	-	\$ 41,078,567
	<hr/>	<hr/>
Net assets:		
Held in trust for other purposes.	10,865	
	<hr/>	
Total net assets.	\$ 10,865	
	<hr/>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Private-Purpose Trust
Additions:	
Interest	\$ 52
Gifts and contributions	20,000
Total additions	20,052
Deductions:	
Benefits	19,964
Change in net assets	88
Net assets at beginning of year.	10,777
Net assets at end of year	\$ 10,865

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1 - DESCRIPTION OF THE COUNTY

Clinton County, Ohio (the "County") was created in 1812. The County is governed by a Board of three commissioners elected by the voters of the County. The County Commissioners serve as the taxing authority, the contracting body, and the chief administrators of public services for the County. Other officials elected by the voters of the County that manage various segments of the County's operations are: the county auditor, county treasurer, recorder, clerk of courts, coroner, engineer, prosecuting attorney, sheriff, two common pleas court judges, a probate court judge and a county municipal court judge.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided it does not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB guidance issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation.

The Former County Hospital (the "Hospital") enterprise fund's financial information is presented in conformity with generally accepted accounting principles as recommended by the Audit Guide (Health Care Organizations) published by the American Institute of Certified Public Accountants. The Hospital applies the provisions of all relevant pronouncements, including those issued after November 30, 1989.

The most significant of the County's accounting policies are described below.

A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's Board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County. GASB Statement No. 39 amends GASB Statement No. 14 to include PCU's that raise and hold economic resources for the direct benefit of the County as a component unit. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the financial statements incomplete or misleading.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

Based on the foregoing criteria, the financial activities of the following PCU's have been reflected in the accompanying basic financial statements as:

BLENDED COMPONENT UNITS

Certain funds are legally separate from the County; however, their activity is so intertwined with that of the County that they are reported as part of the County. The following funds have been included or blended into the County's basic financial statements:

Local Emergency Planning Commission (LEPC) - The LEPC is a legally separate entity from the County. The County Commissioners do not appoint a voting majority of the LEPC's Board. The LEPC is fiscally independent from the County; however, it would be misleading to exclude the LEPC's operations from that of the County since the LEPC provides services entirely for the benefit of the County. The operations of the LEPC are accounted for as a separate special revenue fund.

Clinton County Solid Waste District (District) - The District is a legally separate entity from the County. By state statute, the County Commissioners comprise the District's entire Board. The County is able to impose its will upon the District as the County Commissioners approve and/or modify the District's budget. The District's Board is substantively the same as the County's. The operations of the District are accounted for as a separate special revenue fund.

DISCRETELY PRESENTED COMPONENT UNITS

ORION Rehabilitation Center, Inc. - The ORION Rehabilitation Center, Inc. (the "Workshop") is a legally separate, nonprofit corporation, served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Clinton County Board of Developmental Disabilities (DD), provides sheltered employment for adults with developmental disabilities in Clinton County. The Clinton County Board of DD provides the Workshop staff, salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as 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 developmentally disabled adults of Clinton County, the Workshop is reflected as a component unit of the County. It is reported separately to emphasize that it is legally separate from the County.

Clinton County Port Authority - The Clinton County Port Authority (the "Authority") was created by the Clinton County Board of Commissioners in September 2004 to enhance economic development in Clinton County. The Authority is created in accordance with Section 4582.22 of the Ohio Revised Code. The purpose of the Authority is to undertake projects that create or preserve jobs and employment opportunities; that improve and sustain the economic welfare of Clinton County and its residents, and that enhance, aid and promote transportation, housing, recreation, education, governmental operations and culture within the territory served. The Authority is considered a component unit of the County as the County can impose its will on the Authority through the appointment of the members of the Board of Directors.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

RELATED ORGANIZATIONS

County officials are also responsible for appointing the members of the Boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments of the following organizations:

Clinton County Regional Planning Commission - The Board of County Commissioners appoints 11 of the 20 board members.

Clinton County Regional Airport Authority - The Board of County Commissioners appoints all nine of the Board members.

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent and custodian, but is not accountable as defined in GASB Statement No. 14; therefore, the operations of the following PCU's have been excluded from the County's BFS, but the funds held on behalf of these PCU's in the County Treasury are included in the agency funds.

Clinton County Emergency Management
Clinton County Soil and Water Conservation District
Clinton County Board of Health
Clinton County Regional Planning Commission
Clinton County Law Library

Information in the notes to the BFS is applicable to the primary government. When information is provided relative to component units, it is specifically identified.

JOINTLY GOVERNED ORGANIZATION

The County is a member of the Southern Ohio Council of Governments (the SOCOG), which is a jointly governed organization 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 Developmental Disabilities (DD). Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto and Vinton Counties. The SOCOG acts as fiscal agent for the Clinton County Board of DD's supportive living program monies. During 2011, the SOCOG received no supportive living monies from Clinton County and as of December 31, 2011, the County had a \$528,878 balance on hand with the SOCOG. Financial statements can be obtained from the SOCOG at 126 E. Second St., Suite C, Chillicothe, Ohio, 45601.

JOINT VENTURE WITHOUT EQUITY INTEREST

Warren/Clinton Counties Community Alcoholism, Drug Addiction and Mental Health Services Board (ADAMHS Board) - The County is a member of the Warren/Clinton Counties Community Alcoholism, Drug Addiction and Mental Health Services Board (ADAMHS Board), which is a joint venture between Warren and Clinton Counties. The purpose of the Board is to provide aid, support and education for alcohol and drug dependent citizens, as well as those who are mentally handicapped.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

The Warren/Clinton Counties ADAMHS Board is governed by a Board appointed by the Ohio Director of Alcohol and Drug Addiction Services, the Ohio Director of Mental Health Services, and Clinton and Warren Counties. The main sources of revenue for this Board are grants from the two previously named state departments and a property tax levy in each of the counties. Outside agencies are contracted by the Board to provide services for the Board. Financial records are maintained by the Warren County Auditor and Treasurer. Pursuant to Section 340.016 of the Ohio Revised Code, any withdrawing county would be required to submit a comprehensive plan that provides for the equitable adjustment and division of debts and obligations of the Joint County District to the State Director of Mental Health.

RISK POOL

County Risk Sharing Authority, Inc. (CORSA) - CORSA is jointly governed by 63 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 losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the 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. 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. This program is more fully described in Note 13.

B. Basis of Presentation

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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. The policy of the County is to not allocate indirect expenses to functions in the statement of activities. Program revenues 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. Revenues, which are not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

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 fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the County's proprietary funds are charges for services. Operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Children Services Board - This fund accounts for revenue received from a countywide tax levy, grants and charges for services to provide for the care of children of the County.

County Board of Developmental Disabilities (DD) - This fund accounts for the operation of a school and the costs of administering a workshop for the developmentally disabled. Revenue sources include a countywide property tax levy and federal and State grants.

Motor Vehicle and Gas Tax - This fund accounts for monies received by the County for State gasoline tax and vehicle registration fees used for County road and bridge maintenance, construction and improvements.

Public Assistance - This fund accounts for various federal and State grants used to provide public assistance to general relief recipients, pay their providers for medical assistance, and for certain public social services.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Workforce Development - This fund accounts for various federal grants under the Workforce Investment Act, used to finance programs designed to improve the quality of the workforce and enhance productivity.

Other governmental funds of the County are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following are the County's proprietary fund types:

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The County has presented the following major enterprise fund:

Former County Hospital - This fund accounts for the wind-down costs of the former Clinton Memorial Hospital.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund accounts for a self-funded health insurance program for employees of the County and several governmental units within the County.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's fiduciary funds are private-purpose trust and agency funds.

Component Units - Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of the relationships with the County are such that exclusion would cause the County's financial statement to be misleading or incomplete. The County considers Orion Rehabilitation Center and the Clinton County Port Authority to be separate discretely presented component units of the County.

D. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the statement of net assets.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. Government-wide financial statements are prepared using the full accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the full accrual basis of accounting. Differences in the full accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On a full accrual basis, revenue from sales taxes is recognized in the year in which the sales are made. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from all other nonexchange transactions must also be available before it can be recognized.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: sales tax (See Note 7), interest, federal and State grants and subsidies, State-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance 2012 operations, and other revenues received in advance of the year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2011 are recorded as deferred revenue in the governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expense/Expenditures - On the full accrual basis of accounting, expenses are recognized at the time they are incurred.

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

F. Budgetary Data

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

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

Budgetary information for the Workshop and certain other funds is not reported because it is not included in the entity for which the "appropriated budget" is adopted and separate budgetary financial records are not maintained.

Tax Budget - A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted. The purpose of the Tax Budget is to reflect the need for existing (or increased) tax rates.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the projected revenue of each fund.

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the final amended certificate issued during 2011.

Appropriations - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2011 are included in the final budget amounts in the budget-to-actual comparisons.

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

G. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash investments" on the basic financial statements.

During 2011, investments were limited to U.S. Government money market mutual funds, federal agency securities, U.S. Treasury notes and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2011 amounted to \$453,366 which includes \$415,712 assigned from other County funds.

The County has segregated bank accounts for monies held separately from the County's central bank account. These interest-bearing depository accounts are presented on the combined balance sheet as "cash in segregated accounts" since they are not required to be deposited into the County treasury.

For presentation on the basic financial statements, investments of the cash management pool and investments are considered to be cash equivalents.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

An analysis of the Treasurer's investment account at year end is provided in Note 4.

H. Inventories of Materials and Supplies

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

I. Capital Assets

Governmental capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$5,000. The County's infrastructure consists of roads, bridges, culverts, and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in process. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
<u>Land Improvements</u>	<u>-</u>	<u>15 years</u>
Buildings and Improvements	70 years	40 years
Machinery and Equipment	4 - 20 years	7-10 years
Software	5 - 8 years	-
Infrastructure	30 - 50 years	-
Vehicles	8 years	-

The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

J. Compensated Absences

Compensated absences of the County consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2011, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

County employees earn vacation at varying rates ranging from two to five weeks per year. Sick leave is accumulated at the rate of three weeks per year. Vacation and sick leave is accumulated on an hours worked basis. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. The County does not accrue a liability for non-vested sick leave or vacation benefits.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the accounts "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

M. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Issuance costs are recorded as deferred charges.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt reported in the proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction from the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

N. Interfund Transactions

During the normal course of operations, the County has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the County are treated similarly when involving other funds of the County.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. All other outstanding balances outstanding between funds are reported as "due to/from other funds." These amounts are eliminated on the statement of net assets.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Commissioners (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Commissioners.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Q. Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. On November 30, 2010, the Clinton Memorial Hospital was sold to RegionalCare Hospital Partners. Proceeds from the sale are receivable as annual payments through 2012, a portion of which has been reported as a special item in the basic financial statements. The County also received proceeds from a legal settlement related to the fraudulent reinvestment of the County's tax-exempt securities by J.P. Morgan Securities, LLC, which has been reported as a special item in the basic financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2011, the County has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the County.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the County’s governmental fund balances as previously reported:

	<u>General</u>	<u>Other Major Governmental</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 17,342,042	\$ 10,949,545	\$ 15,844,788	\$ 44,136,375
Fund reclassifications:				
Indigent Application Fee	23,016	-	(23,016)	-
Certificate of Title Administration	225,944	-	(225,944)	-
Sick Leave and Vacation Payout	875	-	(875)	-
County Recorder Equipment	<u>(39,938)</u>	<u>-</u>	<u>39,938</u>	<u>-</u>
Total fund reclassifications	<u>209,897</u>	<u>-</u>	<u>(209,897)</u>	<u>-</u>
Restated fund balance at January 1, 2011	<u>\$ 17,551,939</u>	<u>\$ 10,949,545</u>	<u>\$ 15,634,891</u>	<u>\$ 44,136,375</u>

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years the general fund included certain funds that are legally budgeted in separate funds on a budgetary basis. The County has elected to report only the legally budgeted general fund and major special revenue funds in the budgetary statements; therefore, a restatement to the beginning budgetary balances is required. The restatement of the general fund’s budgetary-basis fund balance at December 31, 2010 is as follows:

	<u>General Fund</u>
Balance at December 31, 2010	\$ 651,953
Funds budgeted elsewhere	<u>(383,754)</u>
Restated balance at January 1, 2011	<u>\$ 268,199</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Deficit Fund Balances

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Dog and kennel	\$ 30,204
Law enforcement trust	1,747
U.S. 68 corridor study grant	18,950
Martinsville-Midland sanitary project	72,871

All funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

7. The State Treasurer's Asset Reserve of Ohio Investment Pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in 1 or 2 above or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the County had \$86,832 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

B. Cash in Segregated Accounts

At year end, the County had \$673,097 in cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the carrying amount of the County's deposits.

C. Cash with Escrow Agent

At year end, the County had \$15,000,607 in cash and cash equivalents on deposit in escrow accounts with Bank of America and National Bank and Trust. This amount has been excluded from the total amount of deposits below as it is not part of the County's internal investment pool.

D. Cash with Fiscal Agent

At year end, the County had \$528,878 in monies held by SOCOG as fiscal agent. This amount has been excluded from the total amount of deposits below as it is not part of the County's internal investment pool.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Deposits with Financial Institutions

At December 31, 2011, the carrying amount of all County deposits was \$29,681,903. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2011, \$27,479,589 of the County’s bank balance of \$29,961,785 was exposed to custodial risk as discussed below, while \$2,482,196 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the County’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

F. Investments

As of December 31, 2011, the County had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Repurchase agreement	\$ 834,856	\$ 834,856	\$ -	\$ -	\$ -	\$ -
FHLB	1,137,280	352,142	679,235	105,903	-	-
FHLMC	1,501,832	115,884	222,916	105,493	55,009	1,002,530
FNMA	<u>6,331,164</u>	<u>105,028</u>	<u>112,480</u>	<u>-</u>	<u>94,956</u>	<u>6,018,700</u>
Total	<u>\$ 9,805,132</u>	<u>\$ 1,407,910</u>	<u>\$ 1,014,631</u>	<u>\$ 211,396</u>	<u>\$ 149,965</u>	<u>\$ 7,021,230</u>

The weighted average length to maturity is 3.65 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County’s investment policy limits investment portfolio maturities to five years or less.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the County’s investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in a name of the County. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent, but not in the County’s name.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 834,856	8.51
FHLB	1,137,280	11.60
FHLMC	1,501,832	15.32
FNMA	<u>6,331,164</u>	<u>64.57</u>
Total	<u>\$ 9,805,132</u>	<u>100.00</u>

G. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 29,681,903
Investments	9,805,132
Cash on hand	86,832
Cash with fiscal agent	528,878
Cash with escrow agent	<u>15,000,607</u>
Total	<u>\$ 55,103,352</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 47,035,859
Business type activities	3,072,484
Fiduciary funds	<u>4,995,009</u>
Total	<u>\$ 55,103,352</u>

H. Component Units

At December 31, 2011, the carrying amount of the Workshop's demand deposits, including nonnegotiable certificates of deposit, was \$320,393 and the bank balance, including nonnegotiable certificates of deposit, was \$319,980, all of which was insured by the FDIC. The Workshop had \$350 of cash on hand at December 31, 2011, which is included in "equity in pooled cash and cash equivalents". At December 31, 2011, the Workshop had an investment in the amount of \$180,138 in a money market mutual fund. Money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form. At December 31, 2011, the carrying amount of the Authority's demand deposits was \$1,043,701 and the bank balance was \$1,044,488. The Authority's bank balance was fully insured by the FDIC.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfers to motor vehicle & gas tax fund from:</u>		
General fund		<u>\$ 1,932</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

- B. Short term interfund loans consisted of the following at December 31, 2011, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 1,747</u>

These interfund balances will be repaid in the next year as resources become available.

- C. Long-term advances to and from other funds at December 31, 2011, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 403,905</u>

These interfund balances are not expected to be repaid within the next year.

- D. Due from/to other funds consisted of the following at December 31, 2011, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 22,842
Children services board	Nonmajor governmental funds	4,341
Motor vehicle and gas tax	General	11,253
	Public assistance	414
Nonmajor governmental funds	Nonmajor governmental funds	1,576
	Nonmajor governmental funds	<u>144</u>
Total		<u>\$ 40,570</u>

The balances resulted from the time lag between the dates that payments between the funds are made.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2011 was \$11.40 per \$1,000 of assessed value. The assessed value upon which 2011 property taxes were collected was \$858,662,750.

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1977, the County Commissioners by resolution imposed a 0.5% 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. In 1988, the County Commissioners added an additional 0.5% tax to the existing tax. On October 1, 2005, the County Commissioners imposed a 0.5% tax to the existing tax for a period of five years. Vendor collections of the tax are paid to the State Treasurer by the 23rd day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within 45 days after the end of the month following collection. The Office of Budget and Management then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the general fund and special revenue funds. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue on the fund financial statements to the extent that they are intended to finance 2011 operations. On the government-wide financial statements, the entire receivable amount is recorded as revenue. Sales and use tax revenue for 2011 amounted to \$7,335,234.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 8 - RECEIVABLES

Receivables at December 31, 2011, consisted of taxes, accounts (billings for user charged services), notes, accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the balance sheet. Receivables have been recorded to the extent that they are measurable at December 31, 2011, as well as intended to finance 2011 operations.

A summary of the receivables reported on the statement of net assets follows:

Governmental activities:

Sales taxes	\$ 1,774,056
Real estate and other taxes	7,079,657
Accounts	120,849
Notes	15,300,000
Special assessments	106,749
Accrued interest	101,023
Due from other governments	4,249,375

Receivables have been disaggregated on the face of the balance sheet. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment and the \$15,300,000 in notes receivable for the deferred purchase of the sale of the hospital. The County will receive \$1,700,000 annually over the next nine years.

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CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 9 - CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance			Balance
<u>Governmental activities:</u>	<u>12/31/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 871,880	\$ 190,000	\$ -	\$ 1,061,880
Construction in progress	131,250	43,750	(175,000)	-
Total capital assets, not being depreciated	<u>1,003,130</u>	<u>233,750</u>	<u>(175,000)</u>	<u>1,061,880</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	201,001	9,000	-	210,001
Buildings and improvements	20,686,773	-	-	20,686,773
Equipment	3,673,764	191,316	(169,404)	3,695,676
Software	274,314	175,000	-	449,314
Vehicles	2,884,492	257,435	(113,689)	3,028,238
Infrastructure	<u>45,220,411</u>	<u>2,002,944</u>	<u>-</u>	<u>47,223,355</u>
Total capital assets, being depreciated	<u>72,940,755</u>	<u>2,635,695</u>	<u>(283,093)</u>	<u>75,293,357</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(97,082)	(8,284)	-	(105,366)
Buildings and improvements	(6,153,001)	(394,346)	-	(6,547,347)
Equipment	(2,566,272)	(227,867)	132,342	(2,661,797)
Software	(210,617)	(35,044)	-	(245,661)
Vehicles	(2,146,247)	(197,672)	113,689	(2,230,230)
Infrastructure	<u>(12,335,101)</u>	<u>(1,206,025)</u>	<u>-</u>	<u>(13,541,126)</u>
Total accumulated depreciation	<u>(23,508,320)</u>	<u>(2,069,238)</u>	<u>246,031</u>	<u>(25,331,527)</u>
Total capital assets, being depreciated net	<u>49,432,435</u>	<u>566,457</u>	<u>(37,062)</u>	<u>49,961,830</u>
Governmental activities capital assets, net	<u>\$ 50,435,565</u>	<u>\$ 800,207</u>	<u>\$ (212,062)</u>	<u>\$ 51,023,710</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Legislative and executive	\$ 290,123
Judicial	20,872
Public safety	162,209
Public works	1,406,980
Health	102,705
Human services	61,490
Other	<u>24,859</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,069,238</u></u>

B. Component Unit Capital Assets

A summary of the changes in the Orion Rehab Center's capital assets during 2011 follows:

	Balance <u>12/31/10</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/11</u>
<u>Orion Rehab Center:</u>				
<i>Capital assets, being depreciated:</i>				
Land improvements	\$ 12,761	\$ -	\$ -	\$ 12,761
Buildings and improvements	40,894	944	-	41,838
Furniture and equipment	24,480	1,450	-	25,930
Vehicles	<u>23,990</u>	<u>-</u>	<u>-</u>	<u>23,990</u>
Total capital assets being depreciated	<u>102,125</u>	<u>2,394</u>	<u>-</u>	<u>104,519</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(9,514)	(671)	-	(10,185)
Buildings and improvements	(37,077)	(661)	-	(37,738)
Furniture and equipment	(21,159)	(845)	-	(22,004)
Vehicles	<u>(20,480)</u>	<u>(2,594)</u>	<u>-</u>	<u>(23,074)</u>
Total accumulated depreciation	<u>(88,230)</u>	<u>(4,771)</u>	<u>-</u>	<u>(93,001)</u>
Total capital assets, being depreciated, net	<u>\$ 13,895</u>	<u>\$ (2,377)</u>	<u>\$ -</u>	<u>\$ 11,518</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 9 - CAPITAL ASSETS - (Continued)

A summary of the changes in the Port Authority's capital assets during 2011 follows:

<u>Port Authority:</u>	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/11</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 19,088,500	\$ -	\$ -	\$ 19,088,500
Total capital assets not being depreciated	<u>19,088,500</u>	<u>-</u>	<u>-</u>	<u>19,088,500</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	44,591,277	-	-	44,591,277
Buildings and improvements	<u>12,820,223</u>	<u>-</u>	<u>-</u>	<u>12,820,223</u>
Total capital assets, being depreciated	<u>57,411,500</u>	<u>-</u>	<u>-</u>	<u>57,411,500</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(822,003)	(1,644,005)	-	(2,466,008)
Buildings and improvements	<u>(128,202)</u>	<u>(256,404)</u>	<u>-</u>	<u>(384,606)</u>
Total accumulated depreciation	<u>(950,205)</u>	<u>(1,900,409)</u>	<u>-</u>	<u>(2,850,614)</u>
Total capital assets, being depreciated, net	<u>56,461,295</u>	<u>(1,900,409)</u>	<u>-</u>	<u>54,560,886</u>
Total capital assets, net	<u>\$ 75,549,795</u>	<u>\$ (1,900,409)</u>	<u>\$ -</u>	<u>\$ 73,649,386</u>

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE

During 2011, the County entered into a capital lease for the acquisition of copier equipment. In prior years, the County entered into capitalized leases for the acquisition of copiers, software and a ballot printing system. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Governmental activities capital assets consisting of equipment and software have been capitalized in the amount of \$52,948 and \$126,690, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in the amount of \$19,518 were made during 2011.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2011:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 30,473
2013	30,473
2014	30,473
2015	3,459
2016	<u>3,170</u>
Total	98,048
Less: amount representing interest	<u>(14,000)</u>
Present value of net minimum lease payments	<u>\$ 84,048</u>

NOTE 11 - COMPENSATED ABSENCES

Vacation and sick leave accumulated by governmental fund type employees is recorded on the statement of net assets. Vacation and sick leave earned by proprietary fund type employees is expensed when earned.

Upon termination of County service, employees are entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 30 days and all accumulated vacation. At December 31, 2011, vested benefits for vacation leave for governmental activities employees totaled \$864,461 and vested benefits for sick leave totaled \$353,198.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2011, the following changes occurred in the County's governmental long-term obligations:

Governmental activities:	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/11</u>	<u>Amount Due in One Year</u>
<u>General Obligation Bonds:</u>							
Various Purpose Refunding Bonds							
2.23 - 3.75%	6/1/2009	12/1/2019	\$ 2,915,000	\$ -	\$ (300,000)	\$ 2,615,000	\$ 300,000
Haines Ditch Project Bonds - 5.25-6.00%	12/1/2006	12/1/2014	45,000	-	(10,000)	35,000	10,000
Martinsville-Midland Project USDA Bonds							
3.625-4.25%	12/18/2008	12/1/2048	4,865,600	-	(53,930)	4,811,670	56,210
Fairground/Public Service Agency							
Building Bond - 3.73-4.125%	3/27/2008	12/1/2027	<u>3,130,000</u>	<u>-</u>	<u>(140,000)</u>	<u>2,990,000</u>	<u>140,000</u>
Total general obligation bonds			<u>10,955,600</u>	<u>-</u>	<u>(503,930)</u>	<u>10,451,670</u>	<u>506,210</u>
<u>Special Assessment Bond:</u>							
Ditch Construction - 5.00%	10/25/2010	9/1/2015	<u>45,000</u>	<u>-</u>	<u>(8,393)</u>	<u>36,607</u>	<u>8,473</u>
Total special assessment bond			<u>45,000</u>	<u>-</u>	<u>(8,393)</u>	<u>36,607</u>	<u>8,473</u>
<u>Special Assessment Notes:</u>							
Nance Road Ditches - 5.075%	8/31/2009	9/1/2014	19,677	-	(4,551)	15,126	4,787
Port William Road Ditches - 5.075%	8/31/2009	9/1/2014	<u>4,919</u>	<u>-</u>	<u>(1,138)</u>	<u>3,781</u>	<u>1,196</u>
Total special assessment notes			<u>24,596</u>	<u>-</u>	<u>(5,689)</u>	<u>18,907</u>	<u>5,983</u>
<u>Other Long-Term Obligations:</u>							
OPWC loan			180,000	-	(10,000)	170,000	10,000
Land purchase agreement			-	190,000	(65,715)	124,285	61,749
Compensated absences			1,221,455	706,785	(710,581)	1,217,659	655,220
Capital leases			<u>89,352</u>	<u>14,214</u>	<u>(19,518)</u>	<u>84,048</u>	<u>23,632</u>
Total other long-term obligations			<u>1,490,807</u>	<u>910,999</u>	<u>(805,814)</u>	<u>1,595,992</u>	<u>750,601</u>
Total general long-term obligations			<u>\$ 12,516,003</u>	<u>\$ 910,999</u>	<u>\$ (1,323,826)</u>	12,103,176	<u>\$ 1,271,267</u>
Add: unamortized premium on bond issue						66,159	
Less: deferred amount on refunding						<u>(83,507)</u>	
Total reported on the statement of net assets						<u>\$ 12,085,828</u>	

General Obligation Bonds: General obligation bonds are direct obligations of the County for which its full faith and credit are pledged for repayment. Principal and interest payments on the general obligation bonds are made from the debt service funds.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

In 2009, the County issued general obligation refunding bonds. The proceeds were used to advance refund the County's 1999 Bypass/Jail Construction Bonds by purchasing SLGS that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds were not included in the County's outstanding debt since the County has satisfied its obligations through the advance refunding.

The reacquisition price exceeded the net carrying value of the old debt by \$109,603. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is amortized as interest expense through the year 2019 using the straight-line method.

The assets held in trust as a result of the advance refunding described above are not included in the accompanying BFS. At December 31, 2011, \$2,380,000 of the refunded bonds being held by escrow agent are still outstanding.

Special Assessment Bond: The special assessment bond is supported by the full faith and credit of the County. The bond was issued to provide resources for ditch construction and maintenance and will be retired through special assessments levied against benefited property owners.

Special Assessment Notes: The special assessment notes were issued to provide resources for ditch construction projects. The notes are direct obligations of the County for which its full faith and credit are pledged for repayment. The notes will be retired through special assessments levied against benefited property owners.

OPWC Loan: The County was approved for a \$200,000 loan from Ohio Public Works Commission (OPWC) with a 0% interest rate and payable over 20 years. The proceeds were used towards the construction of the Martinsville-Midland Sewer Project.

Land Purchase Agreement: During 2011, the County purchased land for the Clinton County Fairgrounds for \$190,000 with deferred annual payments payable through 2013. Principal retired during 2011 amounted to \$65,715 and was paid from the general fund.

Compensated Absences: Vested sick leave and vacation benefits will be paid from the fund from which the employee is paid.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

The following is a summary of the County's future principal and interest debt service requirements for the general long-term obligations outstanding:

Year Ending December 31,	General Obligation Bonds			Special Assessment Bond		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 506,210	\$ 397,176	\$ 903,386	\$ 8,473	\$ -	\$ 8,473
2013	513,580	383,682	897,262	8,913	-	8,913
2014	536,030	369,226	905,256	9,370	-	9,370
2015	538,610	352,754	891,364	9,851	-	9,851
2016	556,310	335,848	892,158	-	-	-
2017 - 2021	2,330,820	1,379,361	3,710,181	-	-	-
2022 - 2026	1,557,030	1,021,691	2,578,721	-	-	-
2027 - 2031	813,010	738,051	1,551,061	-	-	-
2032 - 2036	698,350	597,608	1,295,958	-	-	-
2037 - 2041	858,640	437,321	1,295,961	-	-	-
2042 - 2046	1,055,760	240,204	1,295,964	-	-	-
2047 - 2048	487,320	31,067	518,387	-	-	-
Total	\$ 10,451,670	\$ 6,283,989	\$ 16,735,659	\$ 36,607	\$ -	\$ 36,607

Year Ending December 31,	Special Assessment Notes			OPWC Loan Payable		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 5,983	\$ 899	\$ 6,882	\$ 10,000	\$ -	\$ 10,000
2013	6,298	584	6,882	10,000	-	10,000
2014	6,626	256	6,882	10,000	-	10,000
2015	-	-	-	10,000	-	10,000
2016	-	-	-	10,000	-	10,000
2017 - 2021	-	-	-	50,000	-	50,000
2022 - 2026	-	-	-	50,000	-	50,000
2027 - 2028	-	-	-	20,000	-	20,000
Total	\$ 18,907	\$ 1,739	\$ 20,646	\$ 170,000	\$ -	\$ 170,000

Year Ending December 31,	Land Purchase Agreement		
	Principal	Interest	Total
2012	\$ 61,749	\$ 1,584	\$ 63,333
2013	62,536	797	63,333
Total	\$ 124,285	\$ 2,381	\$ 126,666

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 1% of the total assessed valuation of the County.

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to 3% of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000 plus 2-1/2% of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$19,007,621 as of December 31, 2011.

C. Component Unit Long-Term Obligations

During 2011, the following changes occurred in the Port Authority's long-term obligations:

	<u>Balance</u>			<u>Balance</u>	<u>Amount Due</u>
Port Authority:	<u>12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/11</u>	<u>In One Year</u>
Mortgage loan	\$ 1,342,000	\$ -	\$ (107,107)	\$ 1,234,893	\$ 502
Total long-term obligations	<u>\$ 1,342,000</u>	<u>\$ -</u>	<u>\$ (107,107)</u>	<u>\$ 1,234,893</u>	<u>\$ 502</u>

On October 28, 2010, the Port Authority obtained a loan for the purpose of purchasing land. The loan matures on October 28, 2013 and bears a variable interest rate of prime rate plus 50 basis points (.50%) and shall be determined on each interest payment date, provided that in no case may the interest exceed 8% for any period. The following is a summary of the estimated future principal and interest debt service requirements for the loan:

<u>Year Ending</u> <u>December 31,</u>	<u>Mortgage loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 502	\$ 46,302	\$ 46,804
2013	<u>1,234,391</u>	<u>46,283</u>	<u>1,280,674</u>
Total	<u>\$ 1,234,893</u>	<u>\$ 92,585</u>	<u>\$ 1,327,478</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 13 - RISK MANAGEMENT

A. General Insurance

The County is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters.

The County is a member of County Risk Sharing Authority, Inc. (CORSA), which is a shared risk pool of 63 counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the 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. No county may have more than one representative on the board at any one 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.

The County pays the State Workers' Compensation System a premium based on a rate per \$100 of employee compensation. The rate is calculated based on accident history and administrative costs. Settled claims have not exceeded this coverage in any of the past three fiscal years.

B. Health Care, Vision, Dental and Life Insurance

The County has elected to provide medical, vision, dental and life insurance benefits to employees through the County Employee Benefits Consortium of Ohio (CEBCO), a risk-sharing pool. The County, through CEBCO, is insured for medical through Anthem Blue Cross, and outside of CEBCO has fully insured contracts with Principal Financial Group for dental, Vision Service Plan (VSP) for vision and Mutual of Omaha for group life insurance.

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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 at 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 Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the Traditional Pension Plan.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 14 - PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the 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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2011 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.00% and 11.60%, respectively. The County's contribution rate for 2011 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The County's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. For those plan members in law enforcement and public safety pension contributions were 14.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$1,363,994, \$1,242,885, and \$1,111,446, respectively; 95.91% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$40,945 made by the County and \$29,247 made by the plan members.

B. State Teachers Retirement System

Plan Description - Certified teachers, employed by the school for Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all 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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB 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.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 14 - PENSION PLANS - (Continued)

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For 2011, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2011, 2010, and 2009 were \$22,295, \$31,664, and \$28,265, respectively; 100% has been contributed for 2011, 2010 and 2009. There were no contributions to the DC and Combined Plans for 2011.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

Plan Description - 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.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. 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.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

The OPERS Retirement Board 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. Active members do not make contributions to the post-employment healthcare plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$526,948, \$672,064, and \$769,905, respectively; 95.91% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of 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.

B. State Teachers Retirement System

Plan Description - The County contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the 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. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2011, 2010, and 2009 were \$1,715, \$2,436, and \$2,174, respectively; 100% has been contributed for 2011, 2010 and 2009.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the General fund, Children Services Board, County Board of Developmental Disabilities, Motor Vehicle and Gas Tax fund, Public Assistance fund, and Workforce Development fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

	Net Change in Fund Balance					
	Governmental Fund Types					
	Children Services Board	County Board of DD	Motor Vehicle and Gas Tax	Public Assistance	Workforce Development	
	<u>General</u>	<u>Board</u>	<u>DD</u>	<u>Gas Tax</u>	<u>Assistance</u>	<u>Development</u>
Budget basis	\$ 2,770,794	\$ 252,895	\$ 1,034,110	\$ (527,911)	\$ (212,053)	\$ (13,976)
Net adjustment for revenue accruals	13,181	22,378	(167,312)	13,158	62,575	(89,074)
Net adjustment for expenditure accruals	(363,959)	(58,236)	7,298	(105,659)	15,522	45,422
Net adjustment for other financing sources/(uses) accruals	351,747	-	-	14,214	-	-
Funds budgeted elsewhere	(2,479)	-	-	-	-	-
Encumbrances (budget basis)	305,062	-	94,544	174,952	-	-
GAAP basis	<u>\$ 3,074,346</u>	<u>\$ 217,037</u>	<u>\$ 968,640</u>	<u>\$ (431,246)</u>	<u>\$ (133,956)</u>	<u>\$ (57,628)</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the Unclaimed Money, Geographic Information Systems, Indigent Application Fee, Certificate of Title Administration, Sick and Vacation Payout, County Recorder Equipment, and Sheriff Policing Rotary funds.

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

Several claims and lawsuits are pending against the County. No liability has been accrued on the balance sheet. In the opinion of the County Prosecutor, the likelihood of a liability for the County cannot reasonably be estimated at this time.

NOTE 18 - CONDUIT DEBT OBLIGATION

The County has served as the issuer of \$14,298,685 in industrial revenue bonds. The proceeds were used by private corporations and community organizations to fund various endeavors. The industrial revenue bonds do not constitute a general obligation, debt or bonded indebtedness of the County. Neither is the full faith and credit to taxing power of the County pledged to make repayment.

NOTE 19 - OTHER COMMITMENTS

The County utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the County's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End</u> <u>Encumbrances</u>
General Fund	\$ 202,842
County Board of DD	58,484
Motor Vehicle and Gas Tax Fund	139,074
Other Governmental Funds	<u>339,140</u>
Total	<u>\$ 739,540</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 20 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Children Services Board	County Board of DD	Motor Vehicle & Gas Tax
Nonspendable:				
Long-term interfund loans	\$ 403,905	\$ -	\$ -	\$ -
Materials and supplies inventory	15,697	-	-	-
Prepayments	<u>83,245</u>	-	<u>1,897</u>	-
Total nonspendable	<u>502,847</u>	-	<u>1,897</u>	-
Restricted:				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Human services programs	-	1,289,983	-	-
Public works	-	-	-	2,289,081
Health programs	-	-	7,208,254	-
Other purposes	-	-	-	-
Total restricted	-	<u>1,289,983</u>	<u>7,208,254</u>	<u>2,289,081</u>
Committed:				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Public works	-	-	-	-
Other purposes	<u>114,632</u>	-	-	-
Total committed	<u>114,632</u>	-	-	-
Assigned:				
General government	156,897	-	-	-
Public safety	20,124	-	-	-
Capital projects	-	-	-	-
Human services programs	4,322	-	-	-
Public works	486	-	-	-
Other purposes	<u>416,753</u>	-	-	-
Total assigned	<u>598,582</u>	-	-	-
Unassigned (deficit)	<u>19,410,224</u>	-	-	-
Total fund balances	<u>\$ 20,626,285</u>	<u>\$ 1,289,983</u>	<u>\$ 7,210,151</u>	<u>\$ 2,289,081</u>

- Continued

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 20 - FUND BALANCE - (Continued)

Fund Balance	Public Assistance	Workforce Development	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Long-term interfund loans	\$ -	\$ -	\$ -	\$ 403,905
Materials and supplies inventory	4,797	-	2,510	23,004
Prepayments	<u>6,530</u>	-	<u>2,625</u>	<u>94,297</u>
Total nonspendable	<u>11,327</u>	-	<u>5,135</u>	<u>521,206</u>
Restricted:				
Capital projects	-	-	74,552	74,552
Debt service	-	-	4,544	4,544
Human services programs	369,082	342,768	444,021	2,445,854
Public works	-	-	1,139,326	3,428,407
Health programs	-	-	85,776	7,294,030
Other purposes	-	-	<u>1,491,637</u>	<u>1,491,637</u>
Total restricted	<u>369,082</u>	<u>342,768</u>	<u>3,239,856</u>	<u>14,739,024</u>
Committed:				
Capital projects	-	-	3,031,661	3,031,661
Debt service	-	-	9,488,178	9,488,178
Public works	-	-	240,014	240,014
Other purposes	-	-	<u>26,832</u>	<u>141,464</u>
Total committed	-	-	<u>12,786,685</u>	<u>12,901,317</u>
Assigned:				
General government	-	-	-	156,897
Public safety	-	-	-	20,124
Capital projects	-	-	3,806	3,806
Human services programs	-	-	-	4,322
Public works	-	-	-	486
Other purposes	-	-	-	<u>416,753</u>
Total assigned	-	-	<u>3,806</u>	<u>602,388</u>
Unassigned (deficit)	-	-	<u>(123,772)</u>	<u>19,286,452</u>
Total fund balances	<u>\$ 380,409</u>	<u>\$ 342,768</u>	<u>\$ 15,911,710</u>	<u>\$ 48,050,387</u>

CLINTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Job and Family Services:</i>			
Supplemental Nutrition Assistance Program - Administrative Costs	G-1011-11-5022/G-1213-11-0022	10.561	\$ 243,138
Total U.S. Department of Agriculture			<u>243,138</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through the Ohio Department of Education</i>			
Special Education - Preschool Grants	N/A	84.173	3,844
<i>Passed Through the Ohio Department of Health</i>			
Help Me Grow - Part C	N/A	84.181	45,376
ARRA - Help Me Grow - Stimulus Grant	N/A	84.393A	18,170
Total Help Me Grow			<u>63,546</u>
Total U.S. Department of Education			<u>67,390</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Child Care Services - TANF			
TANF Admin	G-1011-11-5022/G-1213-11-0022	93.558	532,052
TANF Regular	G-1011-11-5022/G-1213-11-0022	93.558	607,928
Total TANF			<u>1,139,980</u>
Quality Child Care	G-1011-11-5022/G-1213-11-0022	93.575	3,079
Child Care Admin	G-1011-11-5022/G-1213-11-0022	93.596	2,154
Child Care Non-Admin	G-1011-11-5022/G-1213-11-0022	93.596	17,600
Total Child Care			<u>22,833</u>
Title XX Base	G-1011-11-5022/G-1213-11-0022	93.667	62,852
Title XX Transfer	G-1011-11-5022/G-1213-11-0022	93.667	116,105
Total Title XX - Social Services Block Grant			<u>178,957</u>
Medicaid	G-1011-11-5022/G-1213-11-0022	93.778	136,661
Medicaid NET	G-1011-11-5022/G-1213-11-0022	93.778	119,013
Total Medicaid			<u>255,674</u>
Federal Child Support	G-1011-11-5022/G-1213-11-0022	93.563	526,413
Promoting Safe and Stable Families	G-1011-11-5022/G-1213-11-0022	93.556	21,357
Child Abuse Neglect and Prevention Grant	G-1011-11-5022/G-1213-11-0022	93.590	1,980
Title IV-B	G-1011-11-5022/G-1213-11-0022	93.645	40,842
Foster Care (Title IV-E)	G-1011-11-5022/G-1213-11-0022	93.658	708,670
ARRA - Foster Care (Title IV-E)	G-1011-11-5022/G-1213-11-0022	93.658	11,902
Total Foster Care			<u>720,572</u>
Adoption Assistance (Title IV-E)	G-1011-11-5022/G-1213-11-0022	93.659	354,250
Non-Recurring Adoption	G-1011-11-5022/G-1213-11-0022	93.659	4,150
Total Adoption Assistance			<u>358,400</u>
Chafee Foster Care Independence Program	G-1011-11-5022/G-1213-11-0022	93.674	28,118

(Continued)

CLINTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Title XX - Social Services Block Grant	N/A	93.667	39,612
<i>Passed Through Ohio Department of Mental Health</i>			
Medical Assistance Program - Title XIX:			
Enhanced Federal Matching Funds - Targeted Case Management (TCM)	G-1011-11-5022/G-89-20-1042	93.778	5,835
Enhanced Federal Matching Waiver	G-1011-11-5022/G-89-20-1043	93.778	24,897
Medicaid Administrative Claiming	G-1011-11-5022/G-89-20-1042	93.778	124,636
Waiver Administrative Claiming Reconciliation	G-1011-11-5022/G-89-20-1042	93.778	162,119
Total Title XIX			<u>317,487</u>
<i>Passed through the Ohio Secretary of State</i>			
HAVA Grant - In Person Poll Worker Training	N/A	93.617	7,405
<i>Passed through the Ohio Department of Health</i>			
Family-Centered Services and Supports	N/A	93.556	<u>19,651</u>
Total U.S. Department of Health and Human Services			<u>3,679,281</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through the Ohio Department of Transportation</i>			
Highway Planning and Construction:			
Sign Upgrade - Mile Markers	PID #90480	20.205	32,321
High Hazard Crash Data Update	PID #89455	20.205	9,384
Bridge Load Rating	PID #87270	20.205	<u>13,253</u>
Total U.S. Department of Transportation			<u>54,958</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through the Ohio Department of Development</i>			
Community Development Block Grants:			
Small Cities CDBG Program	B-C-09-1AN-1	14.228	62,297
Small Cities Program Grant (Formula)	B-F-09-014-1	14.228	16,657
	B-F-10-1AN-1	14.228	<u>50,857</u>
			<u>67,514</u>
Home Investment Partnerships Program	B-C-09-1AN-2	14.239	<u>122,892</u>
			<u>122,892</u>
Total U.S. Department of Housing and Urban Development			<u>252,703</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through the Ohio Department of Public Safety</i>			
Emergency Management Performance Grant - 11	N/A	97.042	47,989
State Homeland Security Program - 09	N/A	97.067	7,320
State Homeland Security Program - 10	N/A	97.067	<u>54,227</u>
Total			<u>61,547</u>
Total U.S. Department of Homeland Security			<u>109,536</u>

(Continued)

CLINTON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Office of Criminal Justice Services</i>			
ARRA - Edward Byrne Memorial JAG Grant	N/A	16.803	19,488
Total U.S. Department of Justice			<u>19,488</u>
U.S. DEPARTMENT OF LABOR			
<i>Passed Through the Ohio Department of Jobs and Family Services via Ohio Area 7 Workforce Investment Board</i>			
Workforce Investment Act Cluster:			
WIA - Adult	N/A	17.258	214,644
WIA - Adult Administration			7,622
WIA - Adult Total			<u>222,266</u>
WIA - Youth	N/A	17.259	132,985
WIA - Youth Administration			14,283
WIA - Youth Total			<u>147,268</u>
WIA - Dislocated Workers	N/A	17.278	354,400
WIA - Dislocated Workers Administration			38,178
WIA - DW, Rapid Response			120,672
WIA - Dislocated Workers Total			<u>513,250</u>
WIA - Wilmington Air Park National Emergency Grant		17.277	830,000
WIA - Automotive National Emergency Grant		17.277	26,892
WIA - ARRA - On the Job Training National Emergency Grant		17.260	13,237
WIA - National Emergency Grants			<u>870,129</u>
Total Workforce Investment Act Cluster			1,752,913
One Stop Resource Sharing		17.207	<u>16,336</u>
Total U.S. Department of Labor			<u>1,769,249</u>
Total Federal Expenditures			<u>\$ 6,195,743</u>

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CLINTON COUNTY

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
YEAR ENDED DECEMBER 31, 2011**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—SUBRECIPIENTS

The County passes certain federal awards received from the Ohio Department of Job and Family Services to subrecipients. As Note A describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

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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*

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 24, 2012, wherein we noted that we were unable to audit the County's discretely presented component unit, the Clinton County Port Authority. We also noted the County adopted Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 opinion 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 2011-001 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-002 through 2011-004.

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 24, 2012.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the 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.



Dave Yost
Auditor of State

September 24, 2012



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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Board of Commissioners:

Compliance

We have audited the compliance of Clinton 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 Clinton County's major federal programs for the year ended December 31, 2011. 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 opine on the County's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, Clinton 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, 2011.

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 requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We also noted a matter involving federal compliance not requiring inclusion in this report, that we have reported to the County's management in a separate letter dated September 24, 2012.

We intend this report solely for the information and use of the audit committee, management, the Board of Commissioners and others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone 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 24, 2012

CLINTON COUNTY
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 DECEMBER 31, 2011

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	QUALIFIED
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Workforce Investment Act Cluster, CFDA #17.258, 17.259, 17.260, 17.278; Foster Care CFDA #93.558 TANF CFDA #93.558
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2011-001

Port Authority Capital Assets - Material Weakness

During 2010, the Port Authority was given significant capital assets (airport including land, buildings, improvements and equipment) as a donation from DHL when the company left Clinton County. According to Port Authority Officials, no records of ownership or any lists of inventory or assets was provided by DHL to the Port Authority. The Port Authority based their total capital assets net of depreciation on the amount of title insurance purchased by DHL when transferring the property to the Port Authority. Donated capital assets should be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any.

The Port Authority is responsible for the design and implementation of an internal control process that provides reasonable assurance as to the integrity of its financial reporting, the efficiency, and its effectiveness of its operations. During our review of capital assets, we noted the following conditions:

- The Port Authority did not maintain a complete capital asset listing that identifies each asset according to class, such as land, buildings and equipment.
- The Port Authority did not have any records that indicate locations of assets (which land parcel each building is located, what equipment is in which building).

Failure to maintain a listing of capital assets could result in difficulties locating assets or determining the asset's existence. This could result in financial statement errors, the acquisition of duplicated assets or the loss or misappropriation of Port Authority capital assets.

We recommend the Port Authority develop a capital asset policy. The policy should be designed to document their initial receipt of donated assets, and help ensure accuracy and completeness of their capital asset inventory records continuously throughout the year. The Port Authority should maintain a record of all capital assets purchased or disposed of during the year.

Port Authority Officials' Response:

Capital Assets are being addressed in 2012 with the development of a capital asset policy and the development of our capital asset inventory records. Quotes are being obtained to have personal property appraised.

FINDING NUMBER 2011-002

Port Authority - Noncompliance Citation

Since the Port Authority does not levy taxes, **Ohio Rev. Code Section 5705.28 (B)(2)** requires a somewhat streamlined budget process. **Ohio Rev. Code Section 5705.28(B)(2)** requires entities to follow **Ohio Rev. Code Sections 5705.36, .38, .40, .41, .43, .44, and .45**. However, documents prepared in accordance with these sections need not be filed with the county auditor or county budget commission. Also, while **Ohio Rev. Code Section 5705.39** does not apply, **Rev. Code Section 5705.28(B)(2)(c)** prohibits appropriations from exceeding estimated revenue (i.e. receipts + beginning unencumbered cash). **Ohio Rev. Code Section 4582.13** requires re-appropriation of surplus funds for Port Authorities.

**FINDING NUMBER 2011-002
(Continued)**

During 2011, the Clinton County Port Authority did not complete a certificate of estimated resources. Failure of the Port Authority to monitor budgetary activity could result in overspending and negative fund balances. We recommend the Port Authority use due care in monitoring their budgetary documents since these documents are an integral part of the budgetary control process. The Port Authority should integrate the budgetary documents into their budgetary system. We recommend that the Port Authority Board monitor budgetary activity on a regular basis and obtain amended certificates as needed.

Port Authority Officials' Response:

Certificates of Estimated Resources have been addressed by the Board and have been issued in 2012, as needed. Additional methods are being used by the fiscal office to monitor budgetary activity to maintain budgetary control.

FINDING NUMBER 2011-003

Port Authority - Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$100 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2011-003
(Continued)**

100% of the Clinton County Port Authority's purchases were initiated without obtaining the prior certification of the fiscal officer and were not subsequently approved by the Board within the aforementioned 30 day time period. Failure to properly encumber could result in overspending funds and negative cash fund balances. Unless the County and the Port Authority use the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the County and the Port Authority's funds exceeding budgetary spending limitations, we recommend that the officials certify that funds are or will be available prior to obligation. When prior certification is not possible, "then and now" certification should be used.

The Port Authority should have its fiscal officer certify that funds are available. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time a commitment is incurred, and only when the requirements of 5705.41(D) are satisfied. The officials should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Port Authority Officials' Response:

Certification of the fiscal officer prior to any obligation of funds was implemented at the beginning of 2012 using the purchase order system and applying those encumbrances to the proper appropriation code to reduce the available appropriation. The Board is approving expenditures at each regular meeting for the prior period.

FINDING NUMBER 2011-004

Port Authority - Noncompliance Citation

Ohio Rev. Code, Section 5705.38, states that on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

The Port Authority did not provide for audit an annual appropriation measure for 2011.

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The Port Authority did not appropriate any funds; therefore, expenditures exceeded appropriations during 2011.

Failure to monitor budgetary activity could result in overspending and negative fund balances.

We recommend that the Port Authority comply with the above Ohio Revised Code Sections and approve the necessary budgetary documents. The Port Authority should monitor budgetary activity to avoid overspending and possible negative fund balances.

Port Authority Officials' Response:

An annual appropriation measure for 2012 was approved in December 2011 by the Board and a process has been developed to monitor and recommend amendments throughout the year as needed. Amendments are presented to the Board for approval.

3. FINDINGS FOR FEDERAL AWARDS

NONE

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CLINTON COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	Port Authority's lack of Capital Asset records.	No	Not Corrected. Re-issued as Finding 2011-001.
2010-002	Port Authority's financial recordkeeping weaknesses .	Yes	Corrected.
2010-003	Port Authority did not complete and monitor budgetary documents.	No	Not Corrected. Re-issued as Finding 2011-002.
2010-004	Port Authority's failure to prior certify expenditures	No	Not Corrected. Re-issued as Finding 2011-003.
2010-005	Port Authority failed to provide annual appropriation measure and expenditures exceeded appropriations.	No	No Corrected. Re-issued as Finding 2011-004.
2010-006	The County did not complete subrecipient monitoring for WIA grant.	Yes	Corrected.
2010-007	The County did not accurately complete their federal schedule	No	Partially corrected. Re-issued as management letter comment.

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Dave Yost • Auditor of State

CLINTON COUNTY FINANCIAL CONDITION

CLINTON 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
OCTOBER 11, 2012