



Dave Yost • Auditor of State

FAYETTE COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Governmental-wide Financial Statements:	
Statement of Net Assets – Cash Basis as of December 31, 2011.....	17
Statement of Activities – Cash Basis For the Year Ended December 31, 2011	18
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	20
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance - Governmental Funds	21
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance Budget and Actual – Budget Basis -General Fund	22
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance Budget and Actual - Budget Basis - County Board of Developmental Disabilities Fund	23
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance Budget and Actual - Budget Basis - Job and Family Services Fund	24
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance Budget and Actual - Budget Basis - Motor Vehicle and Gas Tax Fund.....	25
Statement of Fund Net Assets - Cash Basis - Proprietary Funds.....	26
Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Cash Disbursements, and Changes in Cash Basis - Enterprise Funds	27
Statement of Fiduciary Net Assets - Cash Basis	28
Notes to Basic Financial Statements	29
Schedule of Federal Awards Expenditures.....	51
Notes to Schedule of Federal Awards Expenditures	55
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	57
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	59
Schedule of Findings.....	61
Schedule of Prior Audit Findings.....	67

FAYETTE COUNTY
TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Corrective Action Plan.....	69



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fayette County, Ohio (the County), as of and for the year ended December 31, 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.

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

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

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

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

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.auditor.state.oh.us

In our opinion, because of the omission of the Fayette County Memorial Hospital Fund, as described above in paragraph five, the financial statements referred to above do not present fairly, in conformity with the basis of accounting Note 2 describes, the cash financial position of the Fayette County Memorial Hospital Fund of Fayette County, Ohio, as of December 31, 2011, or its changes in financial position thereof for the year then ended.

Further, in our opinion, except for the effects of not including financial information for the Fayette County Memorial Hospital Fund, as part of the business-type activities, as discussed above, the financial statements referred to above present fairly, in all material respects, the cash financial position of the business-type activities of Fayette County, Ohio, as of December 31, 2011, and the changes in financial position thereof for the year then ended conformity with the basis of accounting Note 2 describes.

In our opinion, because of the omission of the discretely-presented component unit (the Workshop) as discussed above in paragraph four, the financial statements referred to above do not present fairly in conformity with the basis of accounting Note 2 describes, the cash financial position of the discretely-presented component unit of Fayette County, Ohio as of December 31, 2011, and the changes in its cash financial position for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund except the Fayette County Memorial Hospital, and the aggregate remaining fund information of Fayette County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the respective budgetary comparisons for the General, Board of Developmental Disabilities, Job and Family Services and Motor Vehicle Gas Tax funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2011 Fayette 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 July 23, 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.

We conducted our audit to opine on the County's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities, business type activities and long-term debt. The federal awards expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

July 23, 2012

This page intentionally left blank.

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

As Management of Fayette County (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review notes to the financial statements to enhance their understanding of the County's performance.

- . In total, net cash assets increased \$3,204,755.
- . Net cash assets of governmental activities increased \$2,547,490 which represents a 20% increase from 2010. Net cash assets of business-type activities increased \$657,265 which represents a 28% increase from 2010.
- . At the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$15,156,141. Of this amount \$4,428,175 is available for spending at the government's discretion. Business-type Funds reported a combined ending fund balance of \$2,929,833. Approximately 98%, \$2,887,900, is available for spending.
- . There were no in additions to the County's total long-term debt during the current fiscal year. Reductions in long-term debt during 2011 amounted to \$349,800.

Using the Basic Financial Statements

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

Report Components

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

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

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

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Basis of Accounting

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

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

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the County did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the County's general receipts.

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

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

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

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

The government-wide financial statements can be found on pages 17-19 of the report.

Reporting the County's Most Significant Funds

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

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

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

The cash basis governmental fund financial statements can be found on pages 20-21 of this report.

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

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

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

The cash basis proprietary fund financial statements can be found on pages 26-27 of this report.

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

The cash basis fiduciary fund financial statements can be found on pages 28 of this report.

Budgetary Comparison Statements. The County's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the General fund and all annually budgeted major Special Revenue funds are presented to demonstrate the County's compliance with annually adopted budgets. The budgetary comparison statements can be found on pages 22-25 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-49 of this report.

Government-Wide Financial Analysis

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

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

The Government as a Whole

	Governmental Activities 2011	Governmental Activities 2010
Cash	\$15,156,541	\$12,609,051
Total Assets	15,156,541	12,609,051
Restricted for:		
Special Revenue	9,556,629	7,639,150
Capital Projects	334,215	111,994
Debt Service	1,181,154	962,215
Unrestricted	4,084,543	3,895,692
Total Net Assets	<u>\$15,156,541</u>	<u>\$12,609,051</u>

	Business-type Activities 2011	Business-type Activities 2010
Cash	\$2,929,833	\$2,272,568
Total Assets	2,929,833	2,272,568
Unrestricted	2,929,833	2,272,568
Total Net Assets	<u>\$2,929,833</u>	<u>\$2,272,568</u>

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

For governmental activities, cash increased \$2,547,490 (20%). There was a substantial change from 2010 to 2011 in total assets. While there was a modest increase in revenue, the difference comes from a decrease in expenditures. For business-type activities, total assets increased \$657,265 or 28%. The increase was due to an 11.46% in revenue and an increase in transfers in.

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

FAYETTE COUNTY'S CHANGES IN GOVERNMENTAL ACTIVITY NET ASSETS-

	Governmental Activities 2011	Governmental Activities 2010
Receipts:		
Program Receipts:		
Charges for Services	\$4,746,973	\$4,292,725
Operating grants and contributions	6,447,609	7,102,568
Capital grants and contributions	2,776,489	2,590,491
General receipts:		
Property Taxes	3,281,718	3,001,315
Sales and other taxes	7,120,985	7,187,552
MVGT Fuel Tax	3,422,282	3,471,962
State and Local Government	431,307	428,642
Unrestricted investment earnings	132,402	140,821
Grants and contributions not		
Restricted to specific programs	297,822	424,714
Other	1,639,354	1,470,473
Total receipts	30,296,941	30,111,263
Disbursements:		
General government	3,858,736	3,707,738
Judicial	2,167,114	2,089,512
Public Safety	2,809,102	2,661,425
Public Works	3,224,916	5,126,295
Health	3,206,845	3,207,655
Human Services	5,282,300	6,208,265
Conservation and Recreation	597,325	594,879
Economic Development & Assist.	61,147	73,162
Urban Redevelopment & Housing	988,561	1,399,200
Other Expenditures	77,000	171,814
Capital Outlay	2,577,704	3,583,447
Debt Service	825,266	2,590,641
Total Disbursements	27,591,002	31,414,030
Increase/Decrease in net assets	2,705,979	(1,302,767)
Transfers	15,170	193,061
Refunding Escrow Agent		
Advances	(173,619)	
Proceeds of Loans	0	2,150,000
Proceeds of Refunding Bonds		
Change in net assets	2,547,490	1,040,294
Net assets End of Prior Year	12,609,051	11,568,757
Net assets End of Current Year	<u>\$15,156,541</u>	<u>\$12,609,051</u>

The County's governmental receipts are mainly from property and sales tax and operating grants and contributions. These receipts comprise 55% of the County's receipts for governmental activities. These revenue sources remained fairly consistent with modest increases from 2010 in property tax and Sales Tax and a small decrease in

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Operating Grants and Contributions. Charges for services comprise 15% of total governmental revenue.

Overall the County's disbursements for governmental activities decreased from 2010 by 12.23%. Human Services comprise 19.14% of disbursements. Urban Redevelopment & Housing decreased by 28.63% due less expenditures in Neighborhood Stabilization Funds and represent 3.59% of total government activities disbursements. Capital Outlay expenditures decreased due to decreased spending on the Job Ready Site and the completion of two large bridge projects in 2010. Debt Service payments decreased due to a short-term note in 2010 for the Courthouse Renovation Project.

FAYETTE COUNTY'S CHANGES IN BUSINESS TYPE NET ASSETS-

	Business-Type Activities 2011	Business-Type Activities 2010
Receipts:		
Program Receipts:		
Charges for Services	\$2,556,694	\$2,342,050
Capital Grants and Contrib.	53,732	0
Total receipts	\$2,610,426	\$2,342,050
Disbursements:		
Sanitary Sewer Revenue	454,159	289,169
Sanitary Revenue Waste	1,284,131	1,189,644
Water District Revenue	373,320	473,209
Total Disbursements	2,111,610	1,952,022
Increase/Decrease in net assets	498,816	390,028
Transfers	(15,170)	(193,061)
Advances	173,619	0
Proceeds of Refunding bonds		0
Bond Issuance Cost		0
Refunding Escrow Agent		0
Change in net assets	657,265	196,967
Net assets End of Prior Year	2,272,568	2,075,601
Net assets End of Current Year	<u>\$2,929,833</u>	<u>\$2,272,568</u>

Business-type activities derive their receipts from charges for services. These revenue sources did not decrease significantly from 2010. Disbursements for business-type activities derive from three activities: sanitary sewer, sanitary waste, and water. Disbursements from sanitary waste accounts for 60.81% of total enterprise fund disbursements. This fund increased disbursements by 7.94%. The Sewer Fund increased disbursements by 57.06% due to the inclusion of the Good Hope Sewer Project which was started in 2011.

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund cash balances of \$15,156,541 an increase of \$2,547,490 in comparison with the prior year. Approximately \$14,508,294 constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

Ending fund cash balances increased due to decreases in expenditures.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,428,175 with receipts of \$12,026,227 and disbursements of \$10,180,805.

In addition to the general fund, the County has three major governmental funds;

The County Board of Developmental Disabilities has a restricted fund balance of \$2,887,002 at the end of the current fiscal year, with receipts of \$3,259,906 and disbursements of \$2,949,746.

The Job & Family Services Fund has a restricted fund balance of \$354,686 at the end of the current fiscal year, with receipts of \$2,394,738 and disbursements of \$2,301,600.

The Motor Vehicle & Gas Tax Fund has a restricted fund balance of \$1,856,981 at the end of the current fiscal year, with receipts of \$4,289,013 and disbursements of \$3,923,181.

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

At the end of the current fiscal year, the County's proprietary funds reported combined ending fund cash balances of \$2,929,833, an increase of \$657,265 in comparison with the prior year. Approximately \$2,887,900 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

reserved to indicate that it is not available for new spending because it has already been committed.

Ending fund cash balances increased significantly.

Governmental Activities

If you look at the Statement of Activities on pages 18 and 19, you will see that the first column lists the major services provided by the County. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and human services which account for 18.58 and 19.16 percent of all governmental disbursements, respectively. General government and public health also represent a significant cost, about 13.99 percent and 11.63 percent respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in the table below.

Governmental Activities				
	Total Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2011	Net Cost of Services 2010
General Government	\$ 3,858,736	\$ 3,707,738	\$ 2,636,414	\$ 2,698,942
Judicial	2,167,114	2,089,512	1,441,922	1,431,896
Public Safety	2,809,102	2,661,425	2,035,497	2,032,828
Public Works	5,121,831	5,126,292	2,357,125	2,372,378
Health	3,224,916	3,207,655	1,284,054	1,308,400
Human Services	5,282,300	6,208,265	2,169,639	2,593,406
Conservation and Recreation	597,325	594,879	441,298	459,560
Economic Development and Assistance	61,147	73,162	23,571	29,168
Urban Redevelopment and Housing	988,561	1,399,200	539,107	743,763
Other	77,000	171,814	77,000	171,814
Capital Outlay	2,577,704	3,583,447	(210,962)	995,450
Principal Retirement	604,571	2,348,789	604,571	2,348,789
Interest and Fiscal Charges	220,695	241,852	220,695	241,852
Total Expenses	\$ 27,591,002	\$ 31,414,030	\$ 13,619,931	\$ 17,428,246

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

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

Business-type Activities

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

The Government's Funds

Total governmental funds had receipts of \$30,296,942 and disbursements of \$27,591,002.

General Fund receipts were more than disbursements by \$1,845,422 indicating that the General Fund is in a positive spending situation. The General Fund also saw a slight increase of \$293,372.

General Fund Budgetary Highlights

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

The difference between the original budget and final amended budget was an increase of \$8,990. The program differences are as follows:

- . Legislative and Executive decreased by \$76,909
- . Judicial decreased by \$31,745
- . Public Safety increased by \$43,684
- . Conservation and Recreation increased by \$13,582
- . Public Works increased by \$44,712
- . Public Health increased by \$2,000
- . Human Services had no changes
- . Urban Redevelopment had no changes
- . Capital Projects increased by \$13,667

All programs spent less than budget.

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2011 the County's outstanding debt included \$3,593,700 in general obligation bonds issued for improvements to buildings, structures and roads; \$6,643,920 in enterprise general obligation bonds for improvements in water and sewer facilities and landfill; \$143,000 in special assessment bonds for improvements in water systems and storm sewers. For further information regarding the Government's debt, refer to Notes 7 and 8 to the basic financial statements.

Economic Factors and Next Year's Budget and Rates

The Unemployment rate for the County at December 31, 2011 was 8.7%, compared to 10.0% a year earlier. This drop of 1.3% is attributed to the general improvement in the economy and some local companies rehiring. We are somewhat lower than four contiguous counties and somewhat higher than two others.

The vacancy rate of the County's central business district is not tracked, however, much of the district is utilized by service entities such as government offices, banks, insurance offices, restaurants, etc. The County also has two malls which have the potential to generate sales tax income for the county. The mall on State Route 41 continues to struggle but was sold in May 2010. It has experienced some growth, mostly of smaller businesses, due to the change. The other mall on Old Route 35 is showing 100% occupancy with a waiting - list. The change in sales tax revenue during the past two years has actually had a positive impact on county receipts. The County Sales tax revenue decreased by .94% in 2011, but still has greatly improved cash flow for County Government Services. Continued retail growth in the New Route 35 area is expected which gives some hope of increasing future receipts.

Changes in the economy of Fayette County were mostly minor. There were no closures during 2011, but manufacturing jobs were off by 35%. One of our major employers, YUSA Corp., was adversely affected by the Tsunami in Japan as they supply parts for Honda Motors. The same company also has undergone some modernization which eliminated some jobs.

Looking ahead, a steel roofing company is currently building a new manufacturing plant and will be hiring approximately 18 workers. In addition the Job Ready Site in northern

FAYETTE COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Fayette County should be ready for promotion in 2012 and has the potential to be a major work site with the right employer.

Each of these factors was considered in preparing the County's budget for the 2012 year.

Request for information

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

FAYETTE COUNTY, OHIO
Statement of Net Assets-Cash Basis
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$14,708,184	\$2,929,833	\$17,638,017
Cash with Fiscal Agent	448,357		448,357
TOTAL ASSETS	\$15,156,541	\$2,929,833	\$18,086,374
 NET ASSETS			
Restricted for:			
Special Revenue	\$9,556,629		\$9,556,629
Capital Projects	334,215		334,215
Debt Service	1,181,154		1,181,154
Unrestricted	4,084,543	2,929,833	7,014,376
TOTAL NET ASSETS	\$15,156,541	\$2,929,833	\$18,086,374

See accompanying notes to the basic financial statements.

Fayette County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
General Government				
Legislative and Executive	\$3,858,736	\$878,666	\$342,881	\$775
Judicial	2,167,114	485,057	239,577	558
Public Safety	2,809,102	664,913	108,497	195
Public Works	5,121,831	918,084	1,841,965	4,657
Health	3,224,916	534,587	1,402,707	3,568
Human Services	5,282,300	890,063	2,216,965	5,633
Conservation and Recreation	597,325	143,227	12,786	14
Economic Development and Assistance	61,147	9,968	27,538	70
Urban Redevelopment and Housing	988,561	195,486	253,337	631
Other Expenses	77,000			
Capital Outlay	2,577,704	26,922	1,356	2,760,388
Debt Service				
Principal Retirement	604,571			
Interest and Fiscal Charges	220,695			
<i>Total Governmental Activities</i>	<u>27,591,002</u>	<u>4,746,973</u>	<u>6,447,609</u>	<u>2,776,489</u>
Business Type Activities				
Sewer	454,159	391,706		
Sanitary Revenue Waste	1,284,131	1,276,174		
Water	373,320	888,814		53,732
<i>Total Business-Type Activities</i>	<u>2,111,610</u>	<u>2,556,694</u>	<u>0</u>	<u>53,732</u>
<i>Total Primary Government</i>	<u>\$29,702,612</u>	<u>\$7,303,667</u>	<u>\$6,447,609</u>	<u>\$2,830,221</u>
		General Receipts Property Taxes Levied for: General Purposes Debt Service Sales Tax MVGTT Fuel Tax Grants and Entitlements not Restricted to Specific Programs Earnings on Investments State and Local Government Miscellaneous Contributions to Permanent Fund Transfers Advances <i>Total General Receipts</i> <i>Transfers and Advances</i> Change in Net Assets <i>Net Assets Beginning of Year</i> <i>Net Assets End of Year</i>		

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit(s)
	Business-Type Activities	Total	
(\$2,636,414)		(\$2,636,414)	
(1,441,922)		(1,441,922)	
(2,035,497)		(2,035,497)	
(2,357,125)		(2,357,125)	
(1,284,054)		(1,284,054)	
(2,169,639)		(2,169,639)	
(441,298)		(441,298)	
(23,571)		(23,571)	
(539,107)		(539,107)	
(77,000)		(77,000)	
210,962		210,962	
(604,571)		(604,571)	
(220,695)		(220,695)	
<u>(13,619,931)</u>	<u>0</u>	<u>(13,619,931)</u>	<u>0</u>
0	(62,453)	(62,453)	0
	(7,957)		
<u>0</u>	<u>569,226</u>	<u>569,226</u>	<u>0</u>
0	498,816	498,816	0
<u>(13,619,931)</u>	<u>498,816</u>	<u>(13,121,115)</u>	<u>0</u>
3,173,447		3,173,447	
108,271		108,271	
7,120,985		7,120,985	
3,422,282		3,422,282	
297,822		297,822	
132,402		132,402	
431,307		431,307	
1,639,354		1,639,354	
		0	
15,170	(15,170)	0	
<u>(173,619)</u>	<u>173,619</u>	<u>0</u>	
<u>16,167,421</u>	<u>158,449</u>	<u>16,325,870</u>	<u>0</u>
2,547,490	657,265	3,204,755	0
<u>12,609,051</u>	<u>2,272,568</u>	<u>14,881,619</u>	
<u>\$15,156,541</u>	<u>\$2,929,833</u>	<u>\$18,086,374</u>	<u>\$0</u>

Fayette County, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
December 31, 2011

	General	CB/DD Fund	Job & Family Svs Fund	MVGT Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$4,428,175	\$2,449,099	\$354,686	\$1,856,981	\$5,619,243	\$14,708,184
Cash and Cash Equivalents with Fiscal/Escrow Agents	10,454	437,903				448,357
<i>Total Assets</i>	<u>\$4,438,629</u>	<u>\$2,887,002</u>	<u>\$354,686</u>	<u>\$1,856,981</u>	<u>\$5,619,243</u>	<u>\$15,156,541</u>
Fund Balances						
Nonspendable	\$10,454					\$10,454
Restricted		2,887,002	354,686	1,856,981	5,438,178	10,536,847
Committed					1,491	1,491
Assigned					179,574	179,574
Unassigned (Deficit)	<u>4,428,175</u>					<u>4,428,175</u>
<i>Total Fund Balances</i>	<u>\$4,438,629</u>	<u>\$2,887,002</u>	<u>\$354,686</u>	<u>\$1,856,981</u>	<u>\$5,619,243</u>	<u>\$15,156,541</u>

See accompanying notes to the financial statements.

FAYETTE COUNTY, OHIO
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds
As of and For the Year Ended December 31, 2011

	General Fund	CBMR/DD Fund	Job & Family Svs. Fund	MVGT Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Taxes						-
Property	\$ 1,500,608	\$ 1,670,911			\$ 108,271	\$ 3,279,790
Sales	6,797,676			\$ 323,309	-	7,120,985
Charges for Services	2,325,364	76,773	\$ 88,035	486,558	1,403,194	4,379,924
Intergovernmental	825,457	1,508,101	1,547,154	3,422,282	5,943,539	13,246,533
Fines and Forfeitures	130,444			40,942	193,469	364,855
Licences and Permits	2,194				-	2,194
Miscellaneous	310,154	4,121	759,549		270,100	1,343,924
Special Assessments	1,928				334,344	336,272
Interest	132,402			15,922	179	148,503
Donations					73,962	73,962
TOTAL RECEIPTS	\$ 12,026,227	\$ 3,259,906	2,394,738	4,289,013	\$ 8,327,058	\$ 30,296,942
DISBURSEMENTS						
Legislative and Executive	\$ 3,183,349				675,387	3,858,736
Judicial	1,680,523				486,590	2,167,113
Public Safety	2,639,467				169,635	2,809,102
Public Works	1,060,457			3,923,181	138,193	5,121,831
Health	113,321	2,949,746			161,850	3,224,917
Human Services	369,596		2,301,600		2,611,104	5,282,300
Conservation and Recreation	584,724				12,601	597,325
Economic Development and Assistance					61,147	61,147
Urban Redevelopment and Housing	437,861				550,700	988,561
Other Expenses					77,000	77,000
Capital Outlay	111,507				2,466,197	2,577,704
Debt Service						
Principal Retirement					604,571	604,571
Interest and Fiscal Charges					220,695	220,695
TOTAL DISBURSEMENTS	\$ 10,180,805	\$ 2,949,746	\$ 2,301,600	\$ 3,923,181	\$ 8,235,670	\$ 27,591,002
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	1,845,422	310,160	93,138	365,832	91,388	2,705,940
OTHER FINANCING SOURCES (USES)						
Operating Transfers - In	84,401			59,000	1,793,809	1,937,210
Advances - In	49,335				72,430	121,765
Operating Transfers - Out	(1,472,737)				(449,304)	(1,922,041)
Advances - Out	(213,049)				(82,335)	(295,384)
TOTAL OTHER FINANCING SOURCES (USES)	(1,552,050)	-	-	59,000	1,334,600	(158,450)
CASH BASIS FUND BALANCE - Beginning of year, Restated	4,145,257	2,576,842	261,548	1,432,149	4,193,255	12,609,051
CASH BASIS FUND BALANCE - End of year	\$4,438,629	\$2,887,002	\$354,686	\$1,856,981	\$5,619,243	15,156,541

See accompanying notes to the financial statements.

Fayette County
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		Positive (Negative)
<u>Receipts</u>				
Property Tax	\$ 1,381,390	\$ 1,500,608	\$ 1,500,608	\$ -
Sales Tax	6,400,000	6,797,676	6,797,676	-
Charges for services	1,737,698	2,088,578	2,117,022	28,444
Intergovernmental	518,850	825,457	825,457	-
Licenses	2,650	2,194	2,194	-
Fines and Forfeitures	171,000	130,444	130,444	-
Special Assessments	-	-	1,928	1,928
Other Income	193,180	297,840	310,154	12,314
Interest	200,000	132,384	132,401	17
Total Receipts	10,604,768	11,775,181	11,817,884	42,703
<u>Disbursements</u>				
General Government				
Executive/Legislative	3,259,257	3,182,348	3,183,349	(1,001)
Judicial	1,840,360	1,808,615	1,733,811	74,804
Public Safety	2,638,452	2,689,836	2,686,146	3,690
Public Health	122,454	124,454	114,976	9,478
Conservation and Recreation	577,461	591,043	588,926	2,117
Public Works	1,070,697	1,115,409	1,106,382	9,027
Human Services	387,538	387,538	382,925	4,613
Urban Redevelopment	474,831	474,831	452,729	22,102
Capital Projects	136,012	149,679	125,514	24,165
Total Disbursements	10,507,062	10,523,753	10,374,758	148,995
Excess of receipts over (under) disbursements	97,706	1,251,428	1,443,126	191,698
<u>Other Financing Sources (Uses)</u>				
Operating Transfers - in	83,500	83,522	83,522	-
Advances - in	25,000	51,221	49,335	(1,886)
Operating transfers - out	(1,208,043)	(1,402,737)	(1,402,737)	-
Advances - out	-	-	(213,049)	(213,049)
Total other financing sources (uses)	(1,099,543)	(1,267,994)	(1,482,929)	(214,935)
Excess of receipts and other financing sources over (under) disbursements and other financing uses	(1,001,837)	(16,566)	(39,803)	(23,237)
Fund cash balance - beginning of year	3,377,390	3,377,390	3,377,390	-
Reserve for Prior Year Encumbrances	-	-	507,865	507,865
Unexpended prior year encumbrances	-	64,163	-	(64,163)
	-	-	-	-
Fund cash balance - end of year	\$ 2,375,553	\$ 3,424,987	\$ 3,845,452	\$ 420,465

See accompanying notes to the financial statements.

Fayette County
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
County Board of Developmental Disabilities Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Property Tax	\$ 1,536,720	\$ 1,651,737	\$ 1,670,933	\$ 19,196
Charges for services	207,914	76,688	76,773	85
Intergovernmental	1,156,754	1,452,040	1,508,079	56,039
Donation	-	-	-	-
Other Income	-	4,121	4,121	-
Total Receipts	2,901,388	3,184,586	3,259,906	75,320
 <u>Disbursements</u>				
Public Health	2,973,477	2,973,477	2,931,674	41,803
Total disbursements	2,973,477	2,973,477	2,931,674	41,803
Excess of receipts over (under) disbursements	(72,089)	211,109	328,232	117,123
 Total other financing sources (uses)	-	-	-	-
Excess of receipts and other financing sources over (under) disbursements and other financing uses	(72,089)	211,109	328,232	117,123
Fund cash balance - beginning of year	2,120,867	2,120,867	2,120,867	
 Fund cash balance - end of year	\$ 2,048,778	\$ 2,331,976	\$ 2,449,099	\$ 117,123

See accompanying notes to the financial statements.

Fayette County
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
Job and Family Services Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Charges for services	\$ 103,239	\$ 88,035	\$ 88,035	\$ -
Intergovernmental	1,531,242	1,547,154	1,547,154	-
Other Income	698,890.00	755,049	759,549	4,500
Total receipts	2,333,371	2,390,238	2,394,738	4,500
 <u>Disbursements</u>				
Human Services	2,333,371	2,383,371	2,301,600	81,771
Total Charges to Appropriations	2,333,371	2,383,371	2,301,600	81,771
Excess of receipts over (under) disbursements	-	6,867	93,138	86,271
Fund cash balance - beginning of year	261,548	261,548	261,548	-
Fund cash balance - end of year	<u>\$ 261,548</u>	<u>\$ 268,415</u>	<u>\$ 354,686</u>	<u>\$ 86,271</u>

See accompanying notes to the financial statements.

Fayette County
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance
Budget and Actual - Budget Basis
Motor Vehicle and Gas Tax Fund
For the Year Ended December 31, 2011

	Budgeted Amount		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
<u>Receipts</u>				
Sales Tax	\$ 325,000	\$ 323,309	\$ 323,309	\$ 0
Charges for services	365,000	481,461	482,601	1,140
Intergovernmental	3,401,000	3,295,382	3,422,282	126,900
Special Assessment	-			-
Fines and Forfeitures	35,000	40,942	40,942	0
Other Income	-	3,957	3,957	(0)
Interest	15,000	15,922	15,922	0
Total Receipts	4,141,000	4,160,973	4,289,013	128,040
<u>Disbursements</u>				
Public Works	4,177,160	4,199,111	4,150,181	48,930
Total disbursements	4,177,160	4,199,111	4,150,181	48,930
Excess of receipts over (under) disbursements	(36,160)	(38,138)	138,832	176,970
Other Financing Sources (uses)		-	-	-
Operating transfers - in	59,000	59,000	59,000	-
Advances - in		-	-	-
Total other financing sources (uses)	59,000	59,000	59,000	176,970
Excess of receipts and other financing sources over (under) disbursements and other financing uses	22,840	20,862	197,832	176,970
Fund cash balance - beginning of year	1,299,644	1,299,644	1,299,644	-
Reserved for Prior Year Encumbrances	132,505	132,505	132,505	-
Unexpended prior year encumbrances	-	89,768	-	(89,768)
Fund cash balance - end of year	\$ 1,454,989	\$ 1,542,779	\$ 1,629,981	\$ 87,202

See accompanying notes to the financial statements.

FAYETTE COUNTY, OHIO
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2011

	<u>Water District Revenue</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,880,629	\$ 1,049,204	\$ 2,929,833
Total Assets	<u>1,880,629</u>	<u>1,049,204</u>	<u>2,929,833</u>
Net Assets:			
Unrestricted	<u>1,880,629</u>	<u>1,049,204</u>	<u>2,929,833</u>
Total Net Assets	<u>\$ 1,880,629</u>	<u>\$ 1,049,204</u>	<u>\$ 2,929,833</u>

See accompanying notes to the basic financial statements.

FAYETTE COUNTY, OHIO
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Enterprise Funds
As of and For the Year Ended December 31, 2011

	Water Dist. Revenue 1263	Total nonmajor Enterprise funds	Total Enterprise Funds
RECEIPTS			
Charges for Services	\$ 887,856	1,667,764	\$ 2,555,620
Intergovernmental		53,732	\$ 53,732
Other Operating Receipts	958	116	1,074
TOTAL RECEIPTS	888,814	1,721,612	2,610,426
EXPENSES			
Personal Services	103,206	320,221	423,427
Contract Services	146,824	831,800	978,624
Materials & Supplies	35,288	59,330	94,618
Other Operating Exp.	13,018	220,407	233,425
Capital Outlay		171,902	171,902
Principal Retirement		75,000	75,000
TOTAL EXPENSES	298,336	1,678,660	1,976,996
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENSES	590,478	42,952	633,430
NON-OPERATING RECEIPTS AND EXPENSES			
Advances - In		173,619	173,619
Interest and Fiscal Charges		(134,614)	(134,614)
Transfers - In		134,630	134,630
Transfers - Out	(8,319)	(141,481)	(149,800)
TOTAL NON-OPERATING RECEIPTS AND EXPENSES	(8,319)	32,154	23,835
CASH BASIS FUND BALANCE-Beginning of Year	1,298,470	974,098	2,272,568
CASH BASIS FUND BALANCE-End of Year	1,880,629	1,049,204	2,929,833
CASH BASIS ASSETS - End of year			
Cash	1,880,629	1,049,204	2,929,833
Cash Equivalants			
	1,880,629	1,049,204	2,929,833
CASH BASIS FUND BALANCE - End of year			
Reserved for encumbrances	4,809	37,124	41,933
Unreserved:			
Designated for capital asset replacement			
Undesignated	1,875,820	1,012,080	2,887,900
	\$ 1,880,629	1,049,204	\$ 2,929,833

See accompanying notes to the basic financial statements

FAYETTE COUNTY, OHIO
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2011

	<u>Agency Funds</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 5,268,346
Equity in Cash in Segregated Accounts	877,408
	<hr/>
Total Assets	<u>6,145,754</u>
Net Assets:	
Unrestricted	<u><u>\$ 6,145,754</u></u>

See accompanying notes to the basic financial statements.

**FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - REPORTING ENTITY

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

Although elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

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

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

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

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

The Fayette County Board of DD provided the workshop with staff salaries, transportation, equipment, staff to administer and supervise training programs and other funds necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the mentally and/or physically handicapped adults of Fayette County, the workshop is considered a component unit of Fayette County, however, Fayette Progressive Industries is not presented as a component unit in these financial statements. Separately issued financial statements can be obtained from Fayette Progressive Industries, Inc., 1330 Robinson Road SE, Washington C.H., Ohio 43160.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 1 - REPORTING ENTITY (Continued)

The County is associated with certain organizations which are defined as jointly governed organizations, joint ventures, or Risk Sharing Pools. These organizations are:

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

Paint Valley ADAMHS – The Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS) of Pike, Fayette, Highland, Pickaway and Ross Counties is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board received revenue from the participating counties and received federal and state funding through grant monies which are applied for and received by the Board of Trustees. Fayette County contributed \$300,073 to Paint Valley ADAMHS in 2011.

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

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

The Center's revenue is from per diem charges for inmates to the respective counties and a percent of the county tax base to the total base. Ross County is the fiscal officer of the Center. Fayette County does not have any financial interest or responsibility. During 2011, Fayette County contributed \$142,745 to the Center.

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

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 1 - REPORTING ENTITY (Continued)

RPHF Joint Solid Waste District – The RPHF Joint Solid Waste District is a jointly governed organization among Pickaway, Ross, Highland and Fayette Counties. Each of these governments supports the District. The County made no contribution during 2011. The degree of control exercised by any participating County is limited to its representation on the Board. The Board of Directors consists of twelve members, the three County Commissioners of each of the four counties. The District does not have any outstanding debt. The District is self-sufficient, operating entirely on collected fees.

Fayette-Clinton-Fairfield-Ross-Pickaway Job Training Partnership Act (JTPA) – JTPA is a jointly governed organization among five counties in Ohio. The consortium conducts an employment and training administration program under the provisions of JTPA of 1982 and the Job Training Reform Amendments of 1992. The three County Commissioners from each of the four counties comprise the Consortium Board of Governors. The consortium has no outstanding debt. No contributions were made by the County in 2011.

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

West Central Ohio Port Authority – The West Central Ohio Port Authority is a jointly governed organization. It was established under Section 4582.21 of the Ohio Revised Code. Under the Revised Code, the Port Authority is a legally separate entity. The Board of the authority is comprised of seven members: two members from Champaign County, three from Clark County, and two from Fayette County. The members are appointed by the County Commissioners of each respective county. Fayette County does not approve its budget, nor is it responsible for the Authority's debt. During 2011, the County did not contribute any money to the Authority.

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

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

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 1 - REPORTING ENTITY (Continued)

The participating counties have no responsibility for the payment of the certificates. The Certificates were retired on May 1, 1997. The County has no equity interest in CORSA. The County's payment for insurance to CORSA in 2011 was \$204,714. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

County Commissioners' Association of Workers' Compensation Group Rating Program – The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners'

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

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

Southern Ohio Council Of Governments – The County is a member of the southern Ohio council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a fifteen member board with each participating County represented by its Director of its Board of Development Disabilities (BDD). Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence Meigs, Pickaway, Pike, Ross Scioto and Vinton Counties. The Council acts as a fiscal agent for the Athens County BDD's supportive living program monies. The County had a \$437,903 balance on hand with the Council which included investments at cost. Financial statements can be obtained by writing to the Southern Ohio Council of Governments, VA Medical Center, Building 8, 17273 State Route 104, Chillicothe, Ohio 45601.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

B. Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Fund Accounting

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

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

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

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

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

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

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

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

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

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

D. Budgetary Process

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

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

E. Equity in Pooled Cash - Cash balances of the County's funds, except cash held by an escrow or fiscal agent and cash in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management.

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

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

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

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

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

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

J. Employer Contributions to Cost-Sharing Pension Plans – The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

M. Fund Balance Designations and Reserves – 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 category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually 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 interfund loans.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners remove or change 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 or 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 the County commissioners or a County official delegated that authority by resolution or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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.

**FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSITS/FUND EQUITY

For 2011, the County implemented Governmental Accounting Stand Board (GASB) Statement No. 54, "Fund balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement 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. The implementation of GASB Statement No. 54 had the following effect on fund balances of the major governmental funds and all other governmental funds as previously reported:

	<u>General</u>	<u>Other Governmental Funds</u>
Fund Balance at December 31, 2010	\$3,895,692	\$4,442,820
GASB 54 Change in Fund Structure	<u>249,565</u>	<u>(249,565)</u>
Adjusted Fund Balance At December 31, 2010	<u>4,145,257</u>	<u>4,193,255</u>

NOTE 4 - COMPLIANCE

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

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 5 - EQUITY IN POOLED CASH

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

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

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

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 5 - EQUITY IN POOLED CASH (Continued)

of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$22,766,405 of the County's bank balance of \$24,183,371 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

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

Investments

The County had no investments during 2011.

NOTE 6 – BUDGETARY BASIS OF ACCOUNTING

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

General Fund	\$228,454
Major Special Revenue Funds:	
Motor Vehicle and Gasoline Tax	227,000
Job and Family Services	0
Board of Developmental Disabilities	0

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 7 – LONG-TERM DEBT

Long-Term debt and other obligations of the County at December 31, 2011 were as follows:

	Interest Rate	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Due Within One Year
General Obligation Bonds:						
County Building Improvement	4.650%	\$1,280,000		\$90,000	\$1,190,000	\$95,000
Various Purpose Bonds, Series 2003:						
Commission On Aging	3.300%	166,000		9,000	157,000	9,000
W. Lancaster Road	3.300%	295,000		17,000	278,000	18,000
Various Refunding Bonds, Series 2008:						
County Buildings	5.350%	196,000		16,000	180,000	20,000
USDA Sheriff Vehicles	4.375%	48,500		48,500	0	0
Courthouse Renovation	4.125%	1,850,000		61,300	1,788,700	63,900
Total General Obligation Bonds		<u>3,835,500</u>	<u>0</u>	<u>241,800</u>	<u>3,593,700</u>	<u>205,900</u>
Governmental Activities Special Assessment Bonds:						
Route 35/I71 Water	5.900%	60,000		20,000	40,000	20,000
Clinton Avenue Phase I	5.600%	67,000		9,000	58,000	10,000
Various Refunding Bonds, Series 2008:						
Clinton Avenue Phase II	5.350%	49,000		4,000	45,000	5,000
Total Governmental Activities Special Assessment Bonds		<u>176,000</u>	<u>0</u>	<u>33,000</u>	<u>143,000</u>	<u>35,000</u>
Enterprise Bonds:						
Various Refunding Bonds, Series 2008:						
Rattlesnake Sewer WWTP	5.250%	1,720,000		75,000	1,645,000	105,000
Total Enterprise Bonds		<u>1,720,000</u>	<u>0</u>	<u>75,000</u>	<u>1,645,000</u>	<u>105,000</u>
OWDA Loans:						
Madison Mills Water	3.000%	4,998,920	0	0	4,998,920	0
Total OWDA Loans		<u>4,998,920</u>	<u>0</u>	<u>0</u>	<u>4,998,920</u>	<u>0</u>
Other Long-Term Obligations:						
West Lancaster Road OPWC Loan	0.000%	72,500		5,000	67,500	5,000
Johnson Station Ditch Loan	5.375%	14,464		4,822	9,642	4,822
Rt. 22 Waterline Loan	6.250%	58,044		4,146	53,898	4,146
Job Ready Site Loan	5.250%	800,000	0	300,000	500,000	0
Total Other Long-Term Obligations		<u>945,008</u>	<u>0</u>	<u>313,968</u>	<u>631,040</u>	<u>13,968</u>
Total Long-Term Obligations		<u>\$11,675,428</u>	<u>\$0</u>	<u>\$663,768</u>	<u>\$11,011,660</u>	<u>\$359,868</u>

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 7 – LONG-TERM DEBT (Continued)

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

Year	General Obligation Bonds		OPWC Loans	Long-Term Notes	
	Principal	Interest	Principal	Principal	Interest
2012	\$205,900	\$158,021	\$5,000	\$8,968	\$3,820
2013	216,500	148,957	5,000	8,968	3,284
2014	224,200	139,513	5,000	4,146	2,824
2015	238,100	129,679	5,000	4,146	2,561
2016	248,000	119,387	5,000	4,146	2,305
2017-2021	1,351,400	421,939	25,000	20,730	7,556
2022-2026	611,500	175,500	17,500	12,438	1,379
2027-2030	498,100	52,451	0	0	0
Total	\$3,593,700	\$1,345,447	\$67,500	\$63,542	\$23,729

Year	OWDA Loans		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2012	\$0	\$149,968	\$35,000	\$6,916
2013	0	149,968	36,000	5,063
2014	216,182	149,968	16,000	3,142
2015	442,141	140,191	18,000	2,401
2016	445,505	126,827	18,000	1,536
2017-2021	2,492,550	419,108	20,000	1,510
2022-2026	1,392,543	63,286	0	0
Total	\$4,988,921	\$1,199,316	\$143,000	\$20,568

Enterprise Bonds		
Year	Principal	Interest
2012	\$105,000	\$55,618
2013	110,000	53,255
2014	110,000	50,505
2015	0	47,755
2016	120,000	44,455
2017-2021	635,000	163,945
2022-2026	445,000	38,010
Total	\$1,525,000	\$453,543

**FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 7 – LONG-TERM DEBT (Continued)

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

NOTE 8 – SHORT-TERM DEBT

Note Transactions

A summary of the note transactions for the year ended December 31, 2011, follows:

	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Due Within One Year
<u>Short-Term Liabilities</u>					
Wildman Ditch	\$ 31,653	\$ -	\$ 5,304	\$ 26,349	\$ 26,349
Haigler-Long Ditch	34,952	-	9,569	25,383	25,383
Morgan Group Drainage	31,197	-	252	30,945	30,945
Marchant Ditch	9,143	-	678	8,465	8,465
Courthouse Renovation	-	-	-	-	-
Total Short-Term Liabilities	\$ 106,945	\$ -	\$15,803	\$ 91,142	\$ 91,142

NOTE 9 - PROPERTY TAX

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

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

The full tax rate applied to real property for the fiscal year ended December 31, 2011 was \$10.75 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$7.09 per \$1,000 of assessed valuation of real property classified as residential/agricultural and \$7.43 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

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

The tax rate applied to tangible personal property for the fiscal year ended December 31, 2011 was \$10.75 per \$1,000 of assessed valuation.

**FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 9 - PROPERTY TAX (Continued)

Real Property – 2011 Valuation		
	Residential/Agricultural	\$552,295,180
Commercial/Industrial		
	Public Utilities	80,492,480
Tangible Personal Property – 2011 Valuation		
	General	<u>0</u>
Total Valuation		\$632,787,660

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

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

NOTE 10 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. By participating in the County Risk Sharing Authority (CORSA), a risk sharing pool for liability, property, auto, and crime insurance, the County has addressed these various types of risk.

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

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

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

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

Worker's Compensation benefits are provided through the Ohio Bureau of Workers' Compensation. In 2011, the County participated in the County Commissioner's Association of Ohio Workers' Compensation Group Rating Program (CCAO). A workers' compensation group purchasing pool (See Note 1). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate.

In order to allocate the savings derived by formation of the CCAO and to maximize the number of participants in the CCAO, annually the CCAO's executive committee calculates the total savings which accrued to the CCAO through its formation. This savings is then compared to the overall savings

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 10 - RISK MANAGEMENT (Continued)

percentage of the CCAO. The CCAO's executive committee then collects rate contributions from, or pays equalization rebates to the various participants. Participation in the CCAO is limited to counties that can meet the CCAO's selection criteria. The firm of CompManagement Inc. provides administrative cost control and actuarial services to the CCAO. Each year, the County pays an enrollment fee to the CCAO to cover the cost of administering the CCAO.

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

NOTE 11 – DEFINED BENEFIT RETIREMENT PLANS

Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2011, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.00 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 11.6 percent of the annual covered salary. The County's contribution rate for pension benefits for 2010 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 18.10 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$1,413,502, \$1,504,417, and \$1,458,210. respectively. 100 percent has been contributed for 2011, 2010, and 2009.

State Teachers Retirement System

Certified teachers, employed by the school for Developmental Disabilities and the Alternative School under the jurisdiction of the Juvenile Court, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death survivor benefits to beneficiaries. STRS Ohio

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 11 – DEFINED BENEFIT RETIREMENT PLANS (Continued)

issues a stand-alone financial report that may be obtained by writing to STRS, Ohio, 275 E Broad Street, Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit Plan (DP), and Defined Contribution Plan (DC), and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DC Plan allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The Combined Plan offers features of both the CB Plan and DC Plan. In the Combined Plan, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the year ended December 31, 2011, plan members were required to contribute 10 percent of their annual covered salary and the County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The County's required contributions for pension obligations for the DB Plan for the years ended December 31, 2011, 2010, and 2009 were \$31,840, \$30,379, and \$29,946, respectively. 100 percent has been contributed for 2011, 2010, and 2009.

NOTE 12 – POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients and qualified survivor benefit recipients is available. The health care coverage

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 12 – POST EMPLOYMENT BENEFITS (Continued)

provided by OPERS is considered to be an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, 2010, and 2009, local government employer units contributed at 14.0%, 14.0% and 14.0%, respectively, of covered payroll, and public safety and law enforcement employer units contributed at 18.10%, 17.87% and 17.63% respectively. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during the calendar year 2011. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits for the years ended December 31, 2011, 2010, and 2009 were 394,153, 492,280, and 897,514, respectively. The full amount has been contributed for 2011, 2010, and 2009.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1, or each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

State Teachers Retirement System

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

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provided access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees,

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 12 – POST EMPLOYMENT BENEFITS (Continued)

prescription drugs and reimbursement of monthly Medicare part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the fiscal years ended December 31, 2011, 2010, and 2009. For the County these amounts equaled \$2,274, \$2,170, and \$2,139, respectively, for fiscal years 2011, 2010, and 2009, respectively; 100 percent has been contributed for 2011, 2010, and 2009.

NOTE 13 - COUNTY SALES TAX

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

Proceeds of the tax are credited to the General Fund and the Motor Vehicle and Gas Tax Special Revenue Fund. Permissive Sales and Use tax revenue for 2011 amounted to \$7,120,985.

NOTE 14 - CONTINGENT LIABILITIES

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

NOTE 15 - ACCUMULATED UNPAID VACATION, PERSONAL, COMPENSATORY TIME AND SICK LEAVE

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

NOTE 16 - LANDFILL CLOSURE AND POST CLOSURE CARE

During 1993, the County stopped receiving refuse in its public landfill. State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Ohio Environmental Protection Agency officially certified the closure of the landfill in 1993. Any remaining costs associated with the closure of the landfill were paid during 1995.

State and Federal laws and regulations require the County to provide financial assurance for the landfill closure and post closure care costs. The County has complied with requirement by issuing a \$400,000

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE 16 - LANDFILL CLOSURE AND POST CLOSURE CARE (Continued)

Landfill Improvement bond in May of 1996 to construct certain landfill improvements associated with post-closure activity. These proceeds have been receipted into the Sanitary Revenue Waste Enterprise Fund.

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

NOTE 17 – FUND BALANCES

Fund balance is classified as non spendable, 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 the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Fayette Co. Bd of DD	Department of Job & Family Svs	MVGT	Other Governmental Funds	Total
Nonspendable	0					
EPA Fund	10,454					10,454
<i>Total Nonspendable</i>	<u>10,454</u>	<u>0</u>	<u>0</u>		<u>0</u>	<u>10,454</u>
						0
Restricted for						0
Developmental Disabilities		2,887,002			105,881	2,992,883
Public Safety					489,471	489,471
Children's Services Programs					700,622	700,622
Job and Family Services			354,686		87,596	442,282
Public Works				1,856,981	166,802	2,023,783
Elderly Programs					39,229	39,229
Debt Service Payments					808,314	808,314
Capital Improvements					525,991	525,991
Other Purposes					2,514,272	2,514,272
<i>Total Restricted</i>	<u>0</u>	<u>2,887,002</u>	<u>354,686</u>	<u>1,856,981</u>	<u>5,438,178</u>	<u>10,536,847</u>
						0
Committed to						0
General Drainage Improvements					1,491	1,491
Other purposes						0
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,491</u>	<u>1,491</u>
						0
Assigned to						0
Capital Projects					179,574	179,574
<i>Total Assigned</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>179,574</u>	<u>179,574</u>
						0
Unassigned (deficits):	4,428,175					4,428,175
<i>Total Fund Balances</i>	<u>\$4,438,629</u>	<u>\$2,887,002</u>	<u>\$354,686</u>	<u>\$1,856,981</u>	<u>\$5,619,243</u>	<u>15,156,541</u>

**FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

NOTE 18 – INTERFUND TRANSACTIONS

Inter-fund cash transfers and advances for the year ended December 31, 2011, were as follows:

	Transfers In	Transfers Out	Advances In	Advances Out
Major Funds:				
General	\$ 84,401	\$1,472,737	\$ 49,335	\$213,049
MVGT	59,000	0	0	0
Water District	0	8,319	0	0
Non-Major Funds:				
Special Revenue	829,787	112,350	62,645	70,535
Debt Service	697,065	0	0	42
Capital Projects	266,957	336,953	9,785	11,758
Enterprise	<u>134,630</u>	<u>141,481</u>	<u>173,619</u>	<u>0</u>
Total	<u>\$2,071,840</u>	<u>\$2,071,840</u>	<u>\$295,394</u>	<u>\$295,384</u>

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

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

This page intentionally left blank.

FAYETTE 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 Jobs and Family Services:</i>			
Job and Family Services			
Food Assistance	G-1011-11-5034	10.561	\$232,228
FAET	G-1011-11-5034	10.561	3,609
Total CFDA Number 10.561			235,837
Total U.S. Department of Agriculture			235,837
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department Developmental Disabilities:</i>			
Board of Developmental Disabilities			
Social Services Block Grant - Title XX	N/A	93.667	29,874
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services			
Social Services Block Grant - Title XX	G-1011-11-5034	93.667	184,753
Total CFDA Number 93.667			214,627
<i>Passed Through Ohio Department Developmental Disabilities:</i>			
Board of Developmental Disabilities			
Medical Assistance Program - MAC	N/A	93.778	120,993
Medical Assistance Program - Title XIX (Level 1 efmap)	N/A	93.778	3,447
Medical Assistance Program - Title XIX (TCM efmap)	N/A	93.778	4,100
Medical Assistance Program - Title XIX (I/O efmap)	N/A	93.778	14,605
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services			
Medical Assistance Program - NET	G-1011-11-5034	93.778	73,517
Medical Assistance Program - PRST	G-1011-11-5034	93.778	7,448
Medical Assistance Program - Title XIX	G-1011-11-5034	93.778	141,307
Total CFDA Number 93.778			365,417
Child Care Services TANF	G-1011-11-5034	93.558	0
TANF - Admin	G-1011-11-5034	93.558	136,059
TANF	G-1011-11-5034	93.558	327,982
Total CFDA Number 93.558			464,041
TANF - Summer Youth	G-1011-11-5034	93.714	0
Total TANF Cluster			464,041
Job and Family Services			
Child Care Admin	G-1011-11-5034	93.575	25,620
Child Care	G-1011-11-5034	93.575	1,616
Total CFDA Number 93.575			27,236
Child Care Services CCDF	G-1011-11-5034	93.596	23,397
County Child Care Adm.	G-1011-11-5034	93.596	3,669
Total CFDA Number 93.596			27,066
Total Child Care Cluster			54,302
State Children's Health Insurance Program (SCHIP)	N/A	93.767	0

(Continued)

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Job and Family Services			
Child Support	G-1011-11-5034	93.563	406,915
Child Support Stimulus	G-1011-11-5034	93.563	0
Total CFDA Number 93.563			406,915
Children's Services Board			
Child Welfare Services - IV-B	G-1011-11-5034	93.645	64,443
Child Abuse and Neglect	G-1011-11-5034	93.590	1,941
Chafee Foster Care Independence Program	G-1011-11-5034	93.674	902
Foster Care	G-1011-11-5034	93.658	35,516
Adoption Assistance	G-1011-11-5034	93.659	46,187
Non-Recurring Adoption	G-1011-11-5034	93.659	0
Total CFDA Number 93.659			46,187
Promoting Safe and Stable Families	G-1011-11-5034	93.556	17,319
<i>Passed Through Ohio Department of Health:</i>			
Job and Family Services			
Help Me Grow		84.181	24,718
Help Me Grow - Stimulus		84.393A	17,406
<i>Passed Through Ohio Department of Aging:</i>			
Special Programs for the Aging - Nutrition - Title III-B	EL009909	93.044	18,136
Special Programs for the Aging - Nutrition - Title III-C	EL009909	93.045	56,501
Total Aging Cluster			74,637
Low-Income Home Energy Assistance Program	ED039817	93.568	1,900
Nutrition Services Incentive Program	EL009909	93.053	75,560
Total U.S. Department of Health and Human Services			1,865,831
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through the Ohio Department of Development:</i>			
Community Development Block Grants		14.228	62,000
Community Development Block Grants - Water/Sewer		14.228	116,167
Community Development Block Grants - CHIP		14.228	109,243
Community Development Block Grants - CHIP LMI Housing		14.228	22,240
Neighborhood Stabilization Program	B-Z-08-023-1	14.228	148,655
Total CFDA Number 14.228			458,305
Home Investment Partnership Program		14.239	80,548
Total U.S. Department of Housing and Urban Development			538,853

(Continued)

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Grants to States:			
Special Education Cluster:			
Special Education - Preschool Grants		84.173	9,522
Total Special Education Cluster			9,522
Total U.S. Department of Education			9,522
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>			
Victim Witness - VOCA	2010VAGENE240 / 2011VAGENE240	16.588	50,954
Victim Witness - SVAA	2010SAGENE240	16.588	19,088
Total CFDA Number 16.588			70,042
Edward Byrne Justice Assistance Grant Formula Program	2010-JG-LLE-5216	16.738	11,749
<i>Passed Through the Bureau of Justice Assistance:</i>			
Bulletproof Vest Partnership	N/A	16.607	7,825
BVA-Byrne JAG-ARRA	2009-SB-B9-2870	16.804	33,084
<i>Passed Through the Office of Community Oriented Policing Services:</i>			
COPS Secure Our Schools	2010-CKWX0618	16.71	5,044
<i>Passed Through the Ohio Traffic Safety Office:</i>			
OTSO HVEO Grant	HVEO-2011-24-00-00-00368-00	20.600	34,430
Total U.S. Department of Justice			162,174
FEDERAL AGENCY DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	DPSFE138 / DPSFE102	97.042	24,506
State Homeland Security Program	2005-GE-T5-0001	97.401	29,661
Total Federal Agency Department of Homeland Security			54,167
U.S. DEPARTMENT OF LABOR			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult	N/A	17.258	29,445
Workforce Investment Act - Adult Administration	N/A		8,504
Total CFDA Number 17.258			37,949
Workforce Investment Act - Youth	N/A	17.259	80,970
Workforce Investment Act - Youth Administration	N/A		8,341
Total CFDA Number 17.259			89,311

(Continued)

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Workforce Investment Act - Dislocated Workers	N/A	17.260	4,045
Total CFDA Number 17.260			4,045
Workforce Investment Act - NEG OH-18 Wilmington	N/A	17.277	145,859
Workforce Investment Act - NEG OH -19 Ohio Auto	N/A		55,041
			200,900
Workforce Investment Act - Dislocated Workers	N/A	17.278	50,316
Workforce Investment Act - Dislocated Workers Administration	N/A		10,460
Workforce Investment Act - Rapid Response	N/A		30,622
Workforce Investment Act - Special Projects Stimulus	N/A		75,356
			166,754
Total WIA Cluster			498,959
Employment Service Cluster:			
One stop Resource Sharing	N/A	17.804	18,684
Total Employment Service Cluster			18,684
Total U.S. Department of Labor			517,643
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through the Federal Aviation Administration</i>			
Direct from Federal Government			
FAA Reimbursement of Construction Projects		20.106	556,755
<i>Passed through the Ohio Department of Transportation</i>			
Highway Planning and Construction Cluster		20.205	745,835
Total U.S. Department of Transportation			1,302,590
U.S. ELECTION ASSISTANCE COMMISSION			
<i>Passed Through the Ohio Secretary of State:</i>			
HAVA Title II - Voter Verification Mailing	SOS 2010-56	90.401	340
Total CFDA Number 90.401			340
Total U.S. Election Assistance Commission			340
TOTAL FEDERAL ASSISTANCE			\$4,686,957

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

FAYETTE COUNTY

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

NOTE C – MEDICAID

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA # 93.778) in the amount of \$116,623.89. The deferred payment was for Medicaid Administrative Claiming (MAC) and Waiver Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC/WAC. This revenue is not listed on the County's Schedule of Federal Awards since the underlying expenses occurred in prior reporting periods.

This page intentionally left blank.



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fayette 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 July 23, 2012, wherein we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles and that the County's cash basis financial statements do not include amounts related to their blended component unit, Fayette County Memorial Hospital, which should be presented as a major enterprise fund and be part of the business-type activities. In addition, we also noted the County did not include their only legally separate discretely-presented component unit, Fayette Progressive Industries, Inc. (the Workshop). Also, we noted the County adopted the provisions of Governmental 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 opinions on the financial statements, but not for the purpose of opining on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and timely corrected.

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

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 2011-01 and 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated July 23, 2012.

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

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

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

Dave Yost
Auditor of State

July 23, 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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Fayette County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Fayette 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, Fayette County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-03.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

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

However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2011-03 and 2011-04 to be material weaknesses.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated July 23, 2012.

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

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



Dave Yost
Auditor of State

July 23, 2012

FAYETTE 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)?	No
<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?	Yes
<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)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #20.205 Highway Planning and Construction Grant CFDA #93.558 TANF CFDA #17.258, 17.259, 17.260, 17.277, 17.278 WIA CFDA #20.106 Airport Improvement Grant CFDA # 93.778 Medicaid
<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 2011-01

Noncompliance

Ohio Rev. Code, Section 5705.41(D)(1), 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.
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.

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

**FINDING NUMBER 2011-01
(Continued)**

Failure to properly encumber could result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but 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's funds exceeding budgetary spending limitations, we recommend that the auditor certify that the funds are or will be available prior to the obligation by the County. When prior certification is not possible, "then and now" certification should be used.

We recommend the County certify purchases to which 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The auditor should sign the certification at the time the auditor incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The auditor should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials did not respond to this finding.

FINDING NUMBER 2011-02

Noncompliance

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

Ohio Admin. Code, Section 117-2-03(B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles.

The County prepared its financial statements in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while presumably material, cannot be reasonably determined at this time.

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

Officials' Response:

Fayette County has chosen for economic reasons, to continue on a cash basis of accounting for the immediate future due to the high cost of converting to GAAP and the \$30,000 to \$50,000 increase in the cost of auditing the GAAP basis of accounting. Fayette County revisits this process, cash basis vs GAAP, yearly to determine the costs and feasibility of changing.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

FINDING NUMBER 2011-03

Cash Management

Finding Number	2011-03
CFDA Title and Number	Medicaid CFDA #93.778 TANF CFDA #93.558
Federal Award Number / Year	2011
Federal Agency	United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance and Material Weakness

2 C.F.R. Section 215.22(g) states that to the extent available, recipients shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments as required by the A-102 Common Rule.

The Public Assistance fund maintained cash balances as large as \$557,495, which is an indication that available funds were not disbursed prior to requesting additional cash payments. The Fayette County Department of Job and Family Services (FCDJFS) does not have procedures in place to minimize the time elapsing between drawdowns and expenditures.

We recommend the FCDJFS develop procedures to monitor cash on hand before requesting draw downs and minimize the time between drawdowns and expenditures.

Officials' Response:

Fiscal officer is currently being trained by Fiscal Supervisor on the draw process which includes the new CFIS web system.

CASH ON HAND PROCEDURE:

1. Fiscal officer will review previous month expenses using the over / under report.
2. Based on this information, any anticipated expenses, along with cash on hand the current draw will be determined.
3. Information will then be entered into CFIS web.

FINDING NUMBER 2011-04

PRC Notice of Approval Forms

Finding Number	2011-04
CFDA Title and Number	TANF CFDA #93.558
Federal Award Number / Year	2011
Federal Agency	United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

Material Weakness

The Fayette County Department of Job & Family Services (FCDJFS) Prevention, Retention and Contingency (PRC) Plan requires that eligibility for PRC must be determined within five working days of the date of application. Once eligibility for PRC is established, the eligibility determiner will authorize and generate payment for the assistance, goods and/or services. During 2012, PRC payments were made to the Fayette County Community Action Commission to provide supervised visitation for children who had a current Children Services case plan on file. However, we noted in 3 instances of 6 tested, in which services were provided to the child prior to FCDJFS determining eligibility under established PRC guidelines. In addition, the PRC eligibility determinations for these children were done more than a month after the application date.

Failure to obtain proper approvals could result in the payment for ineligible individuals under the PRC plan.

We recommend that the FCDJFS take the necessary steps to ensure that PRC approvals, for eligibility, be determined prior to providing assistance or services.

Officials' Response:

Children Services completed applications and was not aware of the PRC time lines.

As of March 1, 2012, PRC funds are no longer used for the Visitation Center.

Training will be provided to PCSA staff on PRC procedures, which include application timeliness.

If PRC funds are used in the future, this will ensure that the 5 day time line will be met.

This page intentionally left blank.

FAYETTE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 § .315 (b)
 DECEMBER 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Failure to file annual financial report on required accounting basis.	No	Repeated as Finding 2011-002
2010-002	Failure to properly report funds on hand at the Southern Ohio Council of Governments	Yes	
2010-003	Failure to include loans received from the United States Department of Agriculture for the Community Facilities Loan Program on the 2009 Schedule of Expenditures of Federal Awards	Yes	

This page intentionally left blank.

FAYETTE COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FISCAL YEAR END DECEMBER 31, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-03	<p>Fiscal officer is currently being trained by Fiscal Supervisor on the draw process which includes the new CFIS web system.</p> <p>CASH ON HAND PROCEDURE:</p> <ol style="list-style-type: none"> 1. Fiscal officer will review previous month expenses using the over / under report. 2. Based on this information, any anticipated expenses, along with cash on hand the current draw will be determined 3. Information will then be entered into CFIS web. 	12/31/2012	Faye Williamson
2011-04	<p>Children Services completed applications and was not aware of the PRC time lines.</p> <p>As of March 1, 2012, PRC funds are no longer used for the Visitation Center.</p> <p>Training will be provided to PCSA staff on PRC procedures, which include application timeliness. If PRC funds are used in the future, this will ensure that the 5 day time line will be met.</p>	12/31/2012	Faye Williamson

This page intentionally left blank.



Dave Yost • Auditor of State

FAYETTE COUNTY FINANCIAL CONDITION

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 21, 2012