



Dave Yost • Auditor of State



**CLINTON COUNTY**  
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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Clinton County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Clinton Memorial Hospital, which is the County's enterprise fund and business type activity. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinions on the accompanying financial statements, insofar as it relates to the amounts included for the Clinton Memorial Hospital, are based on the report of the other auditors. Because the Port Authority, one of the discretely presented Component Units, financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely presented component units of the Clinton County, Ohio, as of and for the year ended December 31, 2010.

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

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had Port Authority's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparisons for the General Fund, Children Services Board Fund, County Board of Developmental Disabilities Fund, Motor Vehicle and Gas Tax Fund, Public Assistance Fund, and Workforce Development Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2011, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

September 26, 2011

## CLINTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

The management's discussion and analysis of Clinton County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the County's financial performance.

#### **Financial Highlights**

Key financial highlights for 2010 are as follows:

- On November 30, 2010, the Clinton Memorial Hospital, which comprises the County's business-type activities, was sold to RegionalCare Hospital Partners. Proceeds from the sale in the amount of \$44,483,322 were transferred to the governmental activities. As a result, net assets of governmental activities increased \$44,554,522 and net assets of business-type activities decreased \$51,829,235.
- General revenues accounted for \$16,704,569 or 48.25% of total governmental activities revenue. Program specific revenues accounted for \$17,915,716 or 51.75% of total governmental activities revenue.
- The County had \$34,549,085 in expenses related to governmental activities; \$17,915,716 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$16,704,569 and proceeds from the sale of the hospital in the amount of \$44,483,322 were adequate to provide for these programs.
- The County has six major governmental funds. The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$12,275,139 in 2010. The general fund had expenditures and other financing uses of \$13,116,511 in 2010. The general fund also received \$15,000,000 in proceeds from the sale of the hospital, resulting in an increase in fund balance of \$14,158,628.
- The children services board, a County major fund, had revenues of \$2,773,277 in 2010. The children services board had expenditures of \$2,921,852 in 2010. The children services board fund balance decreased \$148,575 from 2009 to 2010.
- The County Board of Developmental Disabilities (DD) fund, a County major fund, had revenues of \$5,602,952 and expenditures of \$3,724,256 in 2010. The County Board of DD fund balance increased \$1,878,676 from 2009 to 2010.
- The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,415,856 in 2010. Expenditures totaled \$4,343,200 in 2010 and the fund balance increased \$72,656 from 2009 to 2010.
- The public assistance fund, a County major fund, had revenues and other financing sources of \$4,673,472 and expenditures and other financing uses of \$4,727,688 in 2010. The public assistance fund balance decreased \$54,216 from 2009 to 2010.
- The workforce development fund, a County major fund, had revenues of \$3,311,189 and expenditures of \$2,998,910 in 2010, resulting in an increase in fund balance of \$312,279.
- Net assets for business-type activities, which consist of the Clinton Memorial Hospital fund, had operating revenues of \$89,000,103 and total operating expenses of \$96,444,689.

## CLINTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

#### **Using the Basic Financial Statements (BFS)**

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

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

#### **Reporting the County as a Whole**

##### *Statement of Net Assets and the Statement of Activities*

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2010?" These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

##### *Fund Financial Statements*

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



## CLINTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

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

#### ***Governmental Funds***

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

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

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

#### ***Proprietary Funds***

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for operations of the Clinton Memorial Hospital. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a self-funded health insurance program for employees of the County and several governmental units within the County. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 31-34 of this report.

#### ***Fiduciary Funds***

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

#### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37-73 of this report.

**CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

**Government-Wide Financial Analysis**

The statement of net assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets for 2010 and 2009. Net assets of the business-type activities have been restated as described in Note 3.C.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>(Restated)</u> <u>2009</u>	<u>2010</u>	<u>(Restated)</u> <u>2009</u>
<b><u>Assets</u></b>						
Current and other assets	\$ 73,656,315	\$ 28,692,629	\$ 5,686,654	\$ 31,021,227	\$ 79,342,969	\$ 59,713,856
Capital assets, net	<u>50,435,565</u>	<u>51,274,612</u>	<u>-</u>	<u>73,871,102</u>	<u>50,435,565</u>	<u>125,145,714</u>
Total assets	<u>124,091,880</u>	<u>79,967,241</u>	<u>5,686,654</u>	<u>104,892,329</u>	<u>129,778,534</u>	<u>184,859,570</u>
<b><u>Liabilities</u></b>						
Long-term liabilities	12,494,488	12,899,600	-	36,271,037	12,494,488	49,170,637
Other liabilities	<u>7,561,106</u>	<u>7,585,877</u>	<u>3,378,291</u>	<u>14,483,694</u>	<u>10,939,397</u>	<u>22,069,571</u>
Total liabilities	<u>20,055,594</u>	<u>20,485,477</u>	<u>3,378,291</u>	<u>50,754,731</u>	<u>23,433,885</u>	<u>71,240,208</u>
<b><u>Net assets</u></b>						
Invested in capital assets, net of related debt	39,232,128	39,593,664	-	34,419,440	39,232,128	74,013,104
Restricted	30,480,069	16,519,551	-	564,111	30,480,069	17,083,662
Unrestricted	<u>34,324,089</u>	<u>3,368,549</u>	<u>2,308,363</u>	<u>19,154,047</u>	<u>36,632,452</u>	<u>22,522,596</u>
Total net assets	<u>\$ 104,036,286</u>	<u>\$ 59,481,764</u>	<u>\$ 2,308,363</u>	<u>\$ 54,137,598</u>	<u>\$ 106,344,649</u>	<u>\$ 113,619,362</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the County's assets exceeded liabilities by \$106,344,649. The decrease in assets, liabilities and net assets of the business-type activities is the result of the sale of the hospital. The remaining assets will be used for anticipated wind down costs.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At December 31, 2010, capital assets represented 38.63% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2010, were \$39,232,128. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the County's net assets, \$30,480,069 or 28.66%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets is \$36,632,452. Unrestricted net assets increased \$14,109,856 during 2010 as a result of proceeds from the sale of the hospital.

**CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

The table below shows the changes in net assets for 2010 and 2009. Net assets of the business-type activities were restated as described in Note 3.C.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>(Restated) 2009</u>	<u>2010</u>	<u>(Restated) 2009</u>
<b><u>Revenues</u></b>						
Program revenues:						
Charges for services and sales	\$ 4,305,773	\$ 4,003,125	\$87,725,805	\$99,578,726	\$ 92,031,578	\$ 103,581,851
Operating grants and contributions	13,192,263	17,704,294	-	-	13,192,263	17,704,294
Capital grants and contributions	417,680	903,915	-	-	417,680	903,915
General revenues:						
Property taxes	7,358,053	7,311,786	-	-	7,358,053	7,311,786
Sales tax	6,206,100	7,001,072	-	-	6,206,100	7,001,072
Unrestricted grants	1,632,037	1,532,429	-	-	1,632,037	1,532,429
Investment earnings	126,335	256,913	-	-	126,335	256,913
Other	1,382,044	1,189,099	1,248,293	783,992	2,630,337	1,973,091
<b>Total revenues</b>	<b><u>34,620,285</u></b>	<b><u>39,902,633</u></b>	<b><u>88,974,098</u></b>	<b><u>100,362,718</u></b>	<b><u>123,594,383</u></b>	<b><u>140,265,351</u></b>
<b><u>Expenses</u></b>						
Program expenses:						
General government	9,177,173	8,521,001	-	-	9,177,173	8,521,001
Public safety	4,653,320	4,468,076	-	-	4,653,320	4,468,076
Public works	5,731,107	5,468,758	-	-	5,731,107	5,468,758
Health	3,965,762	4,303,707	-	-	3,965,762	4,303,707
Human services	9,684,594	12,297,056	-	-	9,684,594	12,297,056
Conservation and recreation	21,833	14,928	-	-	21,833	14,928
Economic development and assistance	312,332	357,964	-	-	312,332	357,964
Other	549,812	661,685	-	-	549,812	661,685
Interest and fiscal charges	453,152	498,134	-	-	453,152	498,134
Clinton Memorial Hospital	-	-	101,005,125	102,869,524	101,005,125	102,869,524
<b>Total expenses</b>	<b><u>34,549,085</u></b>	<b><u>36,591,309</u></b>	<b><u>101,005,125</u></b>	<b><u>102,869,524</u></b>	<b><u>135,554,210</u></b>	<b><u>139,460,833</u></b>
Change in net assets before special item	71,200	3,311,324	(12,031,027)	(2,506,806)	(11,959,827)	804,518
Special item - gain on sale of hospital	-	-	4,685,114	-	4,685,114	-
Special item - transfer of proceeds from sale of hospital	44,483,322	-	(44,483,322)	-	-	-
<b>Change in net assets</b>	<b>44,554,522</b>	<b>3,311,324</b>	<b>(51,829,235)</b>	<b>(2,506,806)</b>	<b>(7,274,713)</b>	<b>804,518</b>
Net assets at beginning of year	<u>59,481,764</u>	<u>56,170,440</u>	<u>54,137,598</u>	<u>56,644,404</u>	<u>113,619,362</u>	<u>112,814,844</u>
<b>Net assets at end of year</b>	<b><u>\$104,036,286</u></b>	<b><u>\$59,481,764</u></b>	<b><u>\$ 2,308,363</u></b>	<b><u>\$54,137,598</u></b>	<b><u>\$106,344,649</u></b>	<b><u>\$113,619,362</u></b>

## CLINTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

#### **Governmental Activities**

Governmental activities increased \$44,554,522 during 2010, which is a result of the proceeds from the sale of the Clinton Memorial Hospital, which is reported in the special item of \$44,483,322. A decrease in revenues, particularly operating grants and contributions, was partially offset by a decrease in expenses.

The State and federal government contributed to the County revenues of \$13,192,263 in operating grants and contributions and \$417,680 in capital grants and contributions during 2010. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$6,732,862, or 51.04% subsidized human services programs, compared to \$12,142,842 in 2009. This decrease is due to a tapering off activity in the County's public assistance and workforce development funds. \$3,731,831 or 28.29% of the total operating grants and contributions subsidized public works programs, while another \$1,495,116 or 11.33% subsidized health programs. Capital grants and contributions decreased slightly due to less grant funding received for capital improvements.

General revenues totaled \$16,704,569, and amounted to 48.25% of total revenues. These revenues primarily consist of property and sales tax revenue of \$13,564,153, or 81.20% of total general revenues in 2010. Property tax revenue remained steady, while sales tax revenue decreased \$794,972 or 11.36% during 2010. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which makes up \$1,632,037 or 9.77% of total general revenues.

The County experienced minor increases in several categories of expenses during 2010. Overall, however, expenses were \$2,042,224 or 5.58% lower than in 2009 which is due to considerably lower expenses for the County's human services programs.

General government expenses include legislative and executive and judicial programs, and totaled \$9,177,173 or 26.56% of total governmental expenses. General government expenses were covered by \$1,293,630 of direct charges to users in 2010, which is comprised primarily of auditor's fees and rental income.

Public works expenses totaled \$5,731,107 in 2010, or 16.59% of total governmental expenses. These expenses were funded primarily by operating grants and contributions and charges to users of \$3,731,831 and \$729,259, respectively.

Human services expense supports the operations of public assistance, workforce development and the children services board, and accounts for \$9,684,594, or 28.03% of the total governmental expenses of the County. These expenses were partially funded by operating grants and contributions in the amount of \$6,732,862. The decrease in both the expenses and operating grants and contributions is due primarily to the activity of the County's workforce development program.

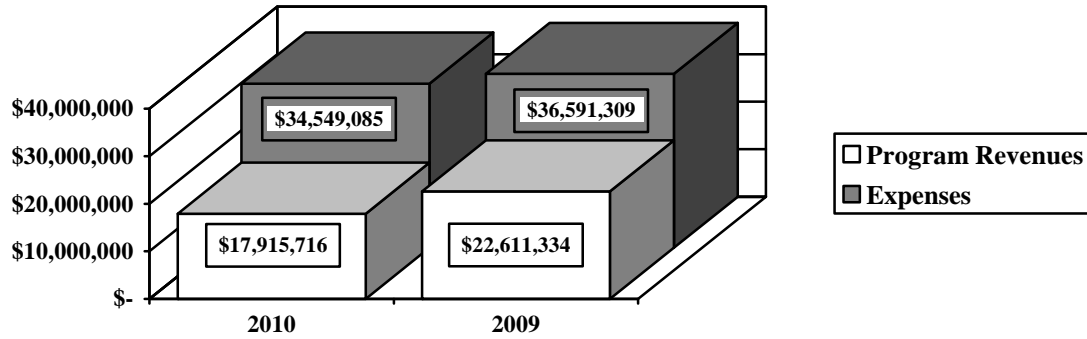
Expenses for health programs, which for the County is mainly the County Board of Developmental Disabilities program, were \$3,965,762 in 2010. The County's public safety programs, primarily the sheriff's department, had expenses of \$4,653,320 in 2010.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2010 and 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

**CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

**Governmental Activities – Program Revenues vs. Total Expenses**



**Governmental Activities**

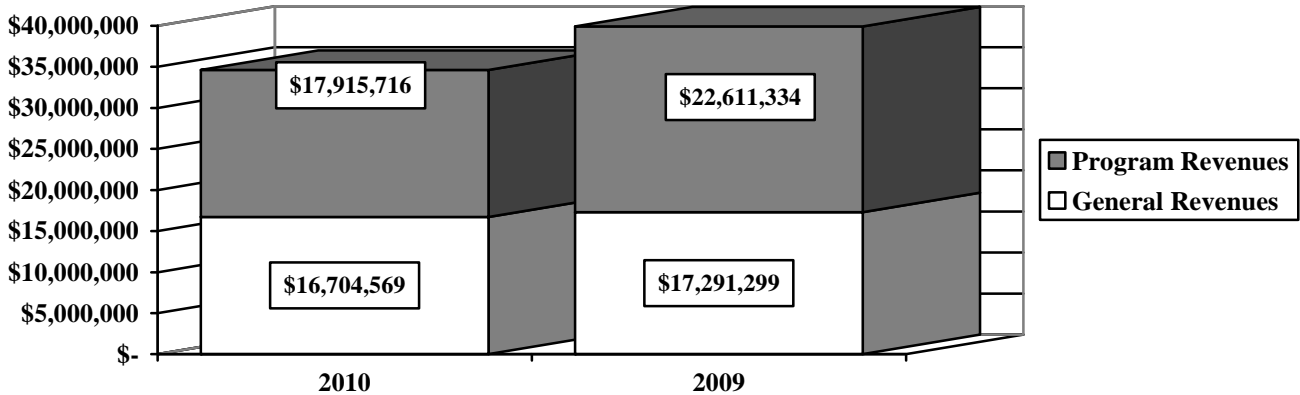
	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Expenses:				
General government	\$ 9,177,173	\$ 7,290,259	\$ 8,521,001	\$ 6,825,832
Public safety	4,653,320	2,915,093	4,468,076	3,194,890
Public works	5,731,107	852,337	5,468,758	212,138
Health	3,965,762	1,821,437	4,303,707	2,534,590
Human services	9,684,594	2,777,439	12,297,056	(56,450)
Conservation and recreation	21,833	12,369	14,928	14,928
Economic development and assistance	312,332	(34,654)	357,964	104,525
Other	549,812	545,937	661,685	651,388
Interest and fiscal charges	<u>453,152</u>	<u>453,152</u>	<u>498,134</u>	<u>498,134</u>
<b>Total expenses</b>	<b><u>\$ 34,549,085</u></b>	<b><u>\$ 16,633,369</u></b>	<b><u>\$ 36,591,309</u></b>	<b><u>\$ 13,979,975</u></b>

The dependence upon general revenues for governmental activities is apparent, with 48.14% and 38.21% of expenses supported through taxes and other general revenues during 2010 and 2009, respectively.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)

Governmental Activities - General and Program Revenues



**Business-Type Activities**

The Clinton Memorial Hospital fund is the County's major enterprise fund. For 2010, the Clinton Memorial Hospital (the "Hospital") reported an operating loss of \$7,444,586 after reporting an operating loss, as restated, of \$902,542 in 2009. Inpatient gross revenues declined by 17.7% or about \$8.5 million. Primary reasons for this decrease include a decrease in adult admissions of 23% and a decrease in inpatient surgeries of 10%. Outpatient gross revenues declined 3% or \$3.7 million. Total operating expenses decreased 5.4% or \$5.5 million. The most significant decreases included wages and benefits of \$6.5 million, depreciation and rent of \$1.3 million and supplies of \$0.5 million. Wages decreased by 12.8% due to a decrease in paid hours, a vacant CFO position in 2010 and a vacant CEO position for six months of the year. Supplies expense decreased 3.5% due to a decrease in surgeries. Depreciation expense decreased as a result of current year capital asset retirements. The increase in purchased services of 7.3% is due to increased information technology costs associated with the new system.

On November 30, 2010, the Hospital was sold to RegionalCare Hospital Partners and the proceeds were transferred to the governmental activities. In accordance with the asset purchase agreement, a portion of the Hospital's assets, consisting primarily of cash and investments and certain receivables, were retained to be used for anticipated wind down costs. At December 31, 2010, assets of \$5,686,654 and liabilities of \$3,378,291 were reported, leaving net assets of \$2,308,363 in the enterprise fund.

**Financial Analysis of the County'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 near-term inflows, outflows, and balances of spendable resources. 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 net resources available for spending at year-end.

**CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

The County's governmental funds (as presented on the balance sheet on pages 18-19) reported a combined fund balance of \$44,136,375 which is \$29,314,537 above last year's total of \$14,821,838. The significant increase is the result of proceeds received from the sale of the Hospital, in the amount of \$27,483,322. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2010 for all major and nonmajor governmental funds.

	<u>Fund Balance</u> <u>December 31, 2010</u>	<u>Fund Balance</u> <u>December 31, 2009</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 17,342,042	\$ 3,183,414	\$ 14,158,628
Children Services Board	1,072,946	1,221,521	(148,575)
County Board of DD	6,241,511	4,362,815	1,878,696
Motor Vehicle and Gas Tax	2,720,327	2,647,671	72,656
Public Assistance	514,365	568,581	(54,216)
Workforce Development	400,396	88,117	312,279
Other Nonmajor Governmental Funds	<u>15,844,788</u>	<u>2,749,719</u>	<u>13,095,069</u>
Total	<u>\$ 44,136,375</u>	<u>\$ 14,821,838</u>	<u>\$ 29,314,537</u>

***General Fund***

The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$12,275,139 in 2010. The general fund had expenditures and other financing uses of \$13,116,511 in 2010. The general fund also received \$15,000,000 in proceeds from the sale of the hospital, resulting in an increase in fund balance of \$14,158,628.

***Children Services Board Fund***

The children services board, a County major fund, had revenues of \$2,773,277 in 2010. The children services board had expenditures of \$2,921,852 in 2010. The children services board fund balance decreased \$148,575 from 2009 to 2010.

***County Board of DD***

The County Board of Developmental Disabilities (DD) fund, a County major fund, had revenues of \$5,602,952 and expenditures of \$3,724,256 in 2010. The County Board of DD fund balance increased \$1,878,696 from 2009 to 2010.

***Motor Vehicle and Gas Tax Fund***

The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,415,856 in 2010. Expenditures totaled \$4,343,200 in 2010 and the fund balance increased \$72,656 from 2009 to 2010.

***Public Assistance Fund***

The public assistance fund, a County major fund, had revenues and other financing sources of \$4,673,472 and expenditures and other financing uses of \$4,727,688 in 2010. The public assistance fund balance decreased \$54,216 from 2009 to 2010.

***Workforce Development Fund***

The workforce development fund, a County major fund, had revenues of \$3,311,189 and expenditures of \$2,998,910 in 2010, resulting in an increase in fund balance of \$312,279.

**CLINTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)

***Budgeting Highlights - General Fund***

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

In the general fund, there were slight changes between the original and final budget. Final budgeted revenues and other financing sources decreased \$135,231 over original budgeted revenues. Actual revenues and other financing sources of \$12,281,205 were \$44,560 more than final budgeted revenues. Original budgeted expenditures and other financing sources of \$13,251,883 were increased to \$14,026,580 in the final budget. Actual expenditures and other financing uses were \$535,182 less than the final budgeted expenditures.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2010, the County had \$50,435,565 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, software, equipment, vehicles and infrastructure. Capital assets of the business-type activities were disposed of in the sale of the Hospital.

The following table shows 2010 balances compared to 2009:

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

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities (Restated)	Total	Total (Restated)
	2010	2009	2010	2009	2010	2009
Land	\$ 871,880	\$ 871,880	\$ -	\$ -	\$ 871,880	\$ 871,880
Land improvements	103,919	109,061	-	1,753,371	103,919	1,862,432
Building and improvements	14,533,772	14,845,745	-	55,656,900	14,533,772	70,502,645
Equipment	1,107,492	1,349,639	-	15,229,686	1,107,492	16,579,325
Software	63,697	24,810	-	-	63,697	24,810
Vehicles	738,245	950,571	-	-	738,245	950,571
Infrastructure	32,885,310	33,122,906	-	-	32,885,310	33,122,906
Construction in progress	131,250	-	-	1,231,145	131,250	1,231,145
<b>Total</b>	<b><u>\$ 50,435,565</u></b>	<b><u>\$ 51,274,612</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 73,871,102</u></b>	<b><u>\$ 50,435,565</u></b>	<b><u>\$ 125,145,714</u></b>

See Note 9 to the basic financial statements for detail on governmental and business-type activities capital assets.

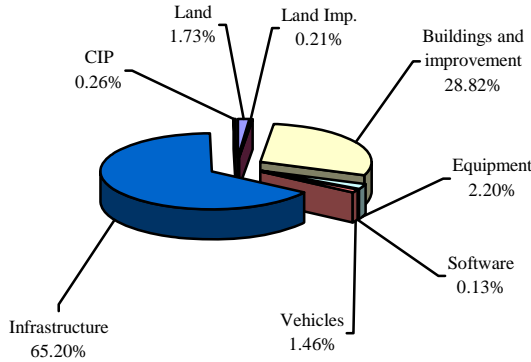


**CLINTON COUNTY, OHIO**

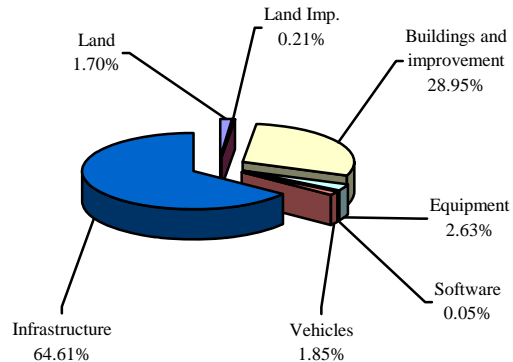
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2010 and 2009.

**Capital Assets - Governmental Activities 2010**



**Capital Assets - Governmental Activities 2009**



The County's largest governmental capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 65.20% of the County's total governmental capital assets.

***Debt Administration***

At December 31, 2010, governmental activities had \$12,516,003 in general obligation bonds, special assessment bonds, special assessment notes, loans, compensated absences and capital leases outstanding. Of this total, \$1,260,181 is due within one year and \$11,255,822 is due in more than one year. The long-term obligations of the business-type activities were retired with proceeds from the sale of the Hospital, resulting in no remaining debt at December 31, 2010. The following table summarizes the debt obligations outstanding.

**Outstanding Debt, at Year End**

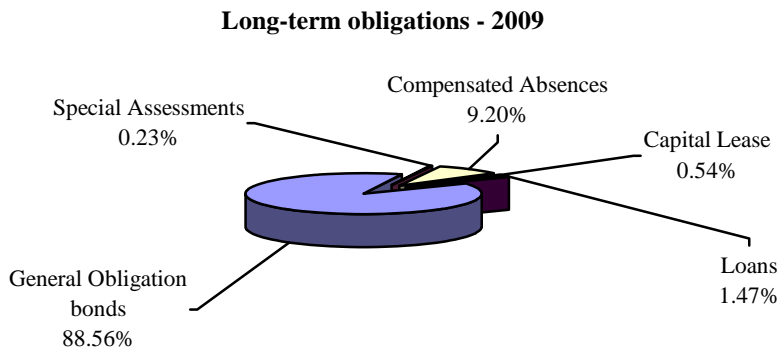
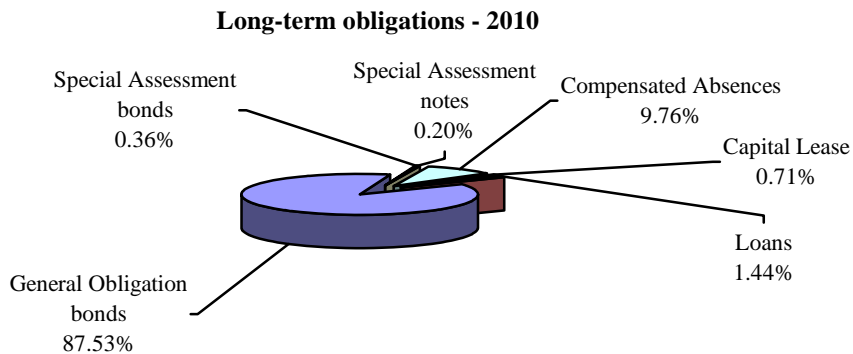
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>	Business-Type Activities <u>2010</u>	Business-Type Activities <u>2009</u>
Long-Term Obligations				
General obligation bonds	\$ 10,955,600	\$ 11,447,350	\$ -	\$ -
Revenue refunding bonds	-	-	-	38,505,000
Special assessment bonds	45,000	-	-	-
Special assessment notes	24,596	30,000	-	-
Note payable	-	-	-	946,662
Loans payable	180,000	190,000	-	-
Compensated absences	1,221,455	1,188,652	-	-
Capital leases	<u>89,352</u>	<u>69,280</u>	-	-
<b>Total</b>	<u><u>\$ 12,516,003</u></u>	<u><u>\$ 12,925,282</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 39,451,662</u></u>

## CLINTON COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

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

A comparison of the governmental long-term obligations by category is depicted in the charts below.



#### **Economic Factors and Next Year's Budgets and Rates**

The County's population is an estimated 43,058. At the close of 2010, the County's unemployment rate was 14.7%, compared to the 9.2% State average and the 9.1% national average.

These economic factors were considered in preparing the County's budget for 2010. Budgeted revenues and other financing sources in the general fund for the 2011 budget are approximately \$12,120,000. With the continuation of conservative budgeting practices, the County's financial position should remain stable in future years.

#### **Contacting the County's Financial Management**

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

**CLINTON COUNTY, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
<b>Assets:</b>					
Equity in pooled cash and investments. . . . .	\$ 27,536,911	\$ 1,839,110	\$ 29,376,021	\$ 304,705	\$ 556,031
Cash with escrow agent. . . . .	15,000,000	-	15,000,000	-	-
Cash with fiscal agent . . . . .	524,904	-	524,904	-	-
Investments. . . . .	-	1,832,400	1,832,400	-	-
Receivables:					
Sales taxes . . . . .	1,069,012	-	1,069,012	-	-
Real and other taxes . . . . .	6,810,455	-	6,810,455	-	-
Accounts. . . . .	140,661	1,284,697	1,425,358	23,405	-
Notes. . . . .	17,000,000	-	17,000,000	-	-
Special assessments . . . . .	101,151	-	101,151	-	-
Accrued interest . . . . .	46,660	-	46,660	-	-
Due from other governments. . . . .	5,117,161	-	5,117,161	-	-
Estimated third party settlements. . . . .	-	719,851	719,851	-	-
Prepayments . . . . .	90,888	10,596	101,484	-	-
Materials and supplies inventory. . . . .	28,239	-	28,239	-	-
Unamortized bond issue costs . . . . .	190,273	-	190,273	-	-
Capital assets:					
Land and construction in progress. . . . .	1,003,130	-	1,003,130	-	19,088,500
Depreciable capital assets, net. . . . .	49,432,435	-	49,432,435	13,895	56,461,295
Total capital assets, net . . . . .	50,435,565	-	50,435,565	13,895	75,549,795
<b>Total assets. . . . .</b>	<b>124,091,880</b>	<b>5,686,654</b>	<b>129,778,534</b>	<b>342,005</b>	<b>76,105,826</b>
<b>Liabilities:</b>					
Accounts payable. . . . .	596,850	3,217,081	3,813,931	208	350,000
Accrued wages and benefits payable . . . . .	497,905	-	497,905	8,391	-
Compensated absences payable . . . . .	-	161,210	161,210	-	-
Due to other governments . . . . .	314,548	-	314,548	-	-
Unearned revenue . . . . .	6,062,820	-	6,062,820	-	-
Accrued interest payable . . . . .	34,628	-	34,628	-	-
Amount to be repaid to claimants. . . . .	54,355	-	54,355	-	-
Other accrued expenses. . . . .	-	-	-	139	-
Long-term liabilities:					
Due within one year . . . . .	1,260,181	-	1,260,181	-	-
Due in more than one year. . . . .	11,234,307	-	11,234,307	-	1,342,000
<b>Total liabilities. . . . .</b>	<b>20,055,594</b>	<b>3,378,291</b>	<b>23,433,885</b>	<b>8,738</b>	<b>1,692,000</b>
<b>Net assets:</b>					
Invested in capital assets, net of related debt. . . . .	39,232,128	-	39,232,128	12,895	74,207,795
Restricted for:					
Capital projects . . . . .	3,143,287	-	3,143,287	-	-
Debt service . . . . .	9,730,762	-	9,730,762	-	-
Human services programs . . . . .	4,179,031	-	4,179,031	-	-
Public works. . . . .	4,768,435	-	4,768,435	-	-
Health programs . . . . .	6,698,982	-	6,698,982	-	-
Other purposes. . . . .	1,959,572	-	1,959,572	-	-
Unrestricted . . . . .	34,324,089	2,308,363	36,632,452	320,372	206,031
<b>Total net assets . . . . .</b>	<b>\$ 104,036,286</b>	<b>\$ 2,308,363</b>	<b>\$ 106,344,649</b>	<b>\$ 333,267</b>	<b>\$ 74,413,826</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 6,486,469	\$ 1,293,630	\$ -	\$ -
Judicial . . . . .	2,690,704	460,611	132,673	-
Public safety . . . . .	4,653,320	996,001	742,226	-
Public works . . . . .	5,731,107	729,259	3,731,831	417,680
Health. . . . .	3,965,762	649,209	1,495,116	-
Human services . . . . .	9,684,594	174,293	6,732,862	-
Conservation and recreation. . . . .	21,833	-	9,464	-
Economic development and assistance . . . . .	312,332	-	346,986	-
Other . . . . .	549,812	2,770	1,105	-
Interest and fiscal charges. . . . .	453,152	-	-	-
Total governmental activities . . . . .	<u>34,549,085</u>	<u>4,305,773</u>	<u>13,192,263</u>	<u>417,680</u>
<b>Business-type activities:</b>				
Clinton Memorial Hospital . . . . .	<u>101,005,125</u>	<u>87,725,805</u>	<u>-</u>	<u>-</u>
Total business-type activities . . . . .	<u>101,005,125</u>	<u>87,725,805</u>	<u>-</u>	<u>-</u>
Total primary government. . . . .	<u>\$ 135,554,210</u>	<u>\$ 92,031,578</u>	<u>\$ 13,192,263</u>	<u>\$ 417,680</u>
<b>Component units:</b>				
ORION Rehabilitation Center . . . . .	\$ 210,086	\$ 221,893	\$ 1,650	\$ -
Port Authority . . . . .	4,127,526	2,077,946	250,000	76,438,158
Total component units. . . . .	<u>\$ 4,337,612</u>	<u>\$ 2,299,839</u>	<u>\$ 251,650</u>	<u>\$ 76,438,158</u>
<b>General revenues:</b>				
Property taxes levied for:				
General fund . . . . .				
Legislative and executive - Real Estate Assessment . . . . .				
Legislative and executive - Other Purposes. . . . .				
Health - County Board of DD . . . . .				
Human Services - Children Services . . . . .				
Debt service - Fairground/Public Service Agency Buildings . . . . .				
Debt service - Bypass Jail/Bond . . . . .				
Debt service - Martinsville-Midland Project . . . . .				
Public works - Permanent Improvement . . . . .				
Sales and other taxes . . . . .				
Grants and entitlements not restricted to specific programs . . . . .				
Investment earnings. . . . .				
Miscellaneous. . . . .				
Total general revenues . . . . .				
Special items:				
Gain on sale of hospital. . . . .				
Transfer of proceeds from sale of hospital . . . . .				
Total general revenues and special items . . . . .				
Change in net assets . . . . .				
<b>Net assets (deficit) at beginning of year (restated). . . . .</b>				
<b>Net assets at end of year . . . . .</b>				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Orion Rehab Center</b>	<b>Port Authority</b>
\$ (5,192,839)	\$ -	\$ (5,192,839)	\$ -	\$ -
(2,097,420)	-	(2,097,420)	-	-
(2,915,093)	-	(2,915,093)	-	-
(852,337)	-	(852,337)	-	-
(1,821,437)	-	(1,821,437)	-	-
(2,777,439)	-	(2,777,439)	-	-
(12,369)	-	(12,369)	-	-
34,654	-	34,654	-	-
(545,937)	-	(545,937)	-	-
(453,152)	-	(453,152)	-	-
<u>(16,633,369)</u>	<u>-</u>	<u>(16,633,369)</u>	<u>-</u>	<u>-</u>
-	(13,279,320)	(13,279,320)	-	-
-	(13,279,320)	(13,279,320)	-	-
<u>(16,633,369)</u>	<u>(13,279,320)</u>	<u>(29,912,689)</u>	<u>-</u>	<u>-</u>
			13,457	-
			-	74,638,578
			<u>13,457</u>	<u>74,638,578</u>
1,663,436	-	1,663,436	-	-
516,620	-	516,620	-	-
74,002	-	74,002	-	-
3,085,556	-	3,085,556	-	-
1,118,308	-	1,118,308	-	-
327,756	-	327,756	-	-
352,821	-	352,821	-	-
217,226	-	217,226	-	-
2,328	-	2,328	-	-
6,206,100	-	6,206,100	-	-
1,632,037	-	1,632,037	-	-
126,335	-	126,335	2,111	-
1,382,044	1,248,293	2,630,337	498	19,753
<u>16,704,569</u>	<u>1,248,293</u>	<u>17,952,862</u>	<u>2,609</u>	<u>19,753</u>
-	4,685,114	4,685,114	-	-
44,483,322	(44,483,322)	-	-	-
<u>61,187,891</u>	<u>(38,549,915)</u>	<u>22,637,976</u>	<u>2,609</u>	<u>19,753</u>
44,554,522	(51,829,235)	(7,274,713)	16,066	74,658,331
59,481,764	54,137,598	113,619,362	317,201	(244,505)
<u>\$ 104,036,286</u>	<u>\$ 2,308,363</u>	<u>\$ 106,344,649</u>	<u>\$ 333,267</u>	<u>\$ 74,413,826</u>

**CLINTON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of DD</u>	<u>Motor Vehicle &amp; Gas Tax</u>
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 1,026,488	\$ 1,074,965	\$ 5,621,215	\$ 2,276,025
Cash with escrow agent. . . . .	15,000,000	-	-	-
Cash with fiscal agent . . . . .	-	-	524,904	-
Receivables:				
Sales taxes . . . . .	1,064,060	-	-	4,952
Real and other taxes . . . . .	1,515,179	1,377,792	3,261,954	-
Accounts. . . . .	74,397	5,587	-	13,622
Notes. . . . .	17,000,000	-	-	-
Special assessments . . . . .	-	-	-	-
Interfund receivable . . . . .	100,014	-	-	-
Due from other governments. . . . .	508,299	161,438	439,156	1,852,854
Accrued interest . . . . .	46,660	-	-	-
Due from other funds . . . . .	44,255	3,477	-	18,726
Loans to other funds . . . . .	423,353	-	-	-
Prepayments . . . . .	81,799	-	1,216	-
Materials and supplies inventory. . . . .	18,119	-	-	-
	<u>\$ 36,902,623</u>	<u>\$ 2,623,259</u>	<u>\$ 9,848,445</u>	<u>\$ 4,166,179</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 186,500	\$ 62,180	\$ 51,792	\$ 102,089
Accrued wages and benefits payable . . . . .	247,947	-	72,077	58,163
Compensated absences payable . . . . .	57,373	-	-	-
Interfund loans payable. . . . .	-	-	-	-
Due to other funds . . . . .	17,120	8,072	-	-
Due to other governments . . . . .	165,634	-	42,754	32,754
Loans from other funds. . . . .	-	-	-	-
Deferred revenue . . . . .	17,482,806	253,519	536,446	1,252,846
Unearned revenue . . . . .	1,348,846	1,226,542	2,903,865	-
Amount to be repaid to claimants. . . . .	54,355	-	-	-
	<u>19,560,581</u>	<u>1,550,313</u>	<u>3,606,934</u>	<u>1,445,852</u>
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	174,626	-	-	137,777
Reserved for prepayments . . . . .	81,799	-	1,216	-
Reserved for materials and supplies inventory. . . . .	18,119	-	-	-
Reserved for loans . . . . .	423,353	-	-	-
Unreserved, undesignated, reported in:				
General fund. . . . .	16,644,145	-	-	-
Special revenue funds . . . . .	-	1,072,946	6,240,295	2,582,550
Debt service funds . . . . .	-	-	-	-
Capital projects funds . . . . .	-	-	-	-
	<u>17,342,042</u>	<u>1,072,946</u>	<u>6,241,511</u>	<u>2,720,327</u>
Total fund balances. . . . .	<u>\$ 36,902,623</u>	<u>\$ 2,623,259</u>	<u>\$ 9,848,445</u>	<u>\$ 4,166,179</u>
Total liabilities and fund balances . . . . .	<u>\$ 36,902,623</u>	<u>\$ 2,623,259</u>	<u>\$ 9,848,445</u>	<u>\$ 4,166,179</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Public Assistance</b>	<b>Workforce Development</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 567,027	\$ 379,641	\$ 16,406,343	\$ 27,351,704
-	-	-	15,000,000
-	-	-	524,904
-	-	-	1,069,012
-	-	655,530	6,810,455
-	-	41,366	134,972
-	-	-	17,000,000
-	-	101,151	101,151
-	-	-	100,014
262,474	1,659,238	233,702	5,117,161
-	-	-	46,660
2,830	-	-	69,288
-	-	-	423,353
4,895	253	2,725	90,888
6,436	-	3,684	28,239
<u>\$ 843,662</u>	<u>\$ 2,039,132</u>	<u>\$ 17,444,501</u>	<u>\$ 73,867,801</u>
\$ 37,061	\$ 100,427	\$ 52,153	\$ 592,202
85,690	-	31,350	495,227
-	-	-	57,373
-	-	100,014	100,014
549	2,830	40,717	69,288
44,226	-	27,823	313,191
-	-	423,353	423,353
161,771	1,535,479	340,736	21,563,603
-	-	583,567	6,062,820
-	-	-	54,355
<u>329,297</u>	<u>1,638,736</u>	<u>1,599,713</u>	<u>29,731,426</u>
		641,746	954,149
4,895	253	2,725	90,888
6,436	-	3,684	28,239
		-	423,353
-	-	-	16,644,145
503,034	400,143	2,493,172	13,292,140
-	-	9,640,700	9,640,700
-	-	3,062,761	3,062,761
<u>514,365</u>	<u>400,396</u>	<u>15,844,788</u>	<u>44,136,375</u>
<u>\$ 843,662</u>	<u>\$ 2,039,132</u>	<u>\$ 17,444,501</u>	<u>\$ 73,867,801</u>

**CLINTON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2010

<b>Total governmental fund balances</b>		\$	44,136,375
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			50,435,565
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Property taxes	\$	700,705	
Special assessments		101,151	
Intergovernmental revenues		3,746,125	
Interest		15,622	
Note receivable - sale of hospital		17,000,000	
Total			21,563,603
Internal service funds are used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. The net assets of the internal service fund are:			174,907
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(34,628)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		10,955,600	
Special assessments		69,596	
Compensated absences		1,156,776	
Loans payable		180,000	
Capital leases payable		89,352	
Total			(12,451,324)
Unamortized premiums on the issuance of bonds are not recognized in the funds.			(72,430)
Unamortized deferred charges on bond refundings are not recognized in the funds.			93,945
Unamortized bond issue costs are not recognized in the funds.			190,273
<b>Net assets of governmental activities</b>		<b>\$</b>	<b>104,036,286</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of DD</u>	<u>Motor Vehicle &amp; Gas Tax</u>
<b>Revenues:</b>				
Real and other taxes. . . . .	\$ 1,662,770	\$ 1,135,367	\$ 3,125,897	\$ -
Sales taxes. . . . .	6,136,736	-	-	69,364
Charges for services. . . . .	1,740,090	44,320	507,908	-
Licenses and permits . . . . .	3,040	-	-	-
Fines and forfeitures . . . . .	108,632	-	-	177,035
Intergovernmental. . . . .	1,219,679	1,576,064	1,801,793	3,746,869
Special assessments . . . . .	-	-	-	-
Investment income. . . . .	132,395	-	6,907	-
Rental income . . . . .	376,170	-	-	-
Other . . . . .	856,893	17,526	160,447	418,871
Total revenues . . . . .	<u>12,236,405</u>	<u>2,773,277</u>	<u>5,602,952</u>	<u>4,412,139</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	5,718,056	-	-	-
Judicial. . . . .	2,566,390	-	-	-
Public safety . . . . .	3,796,147	-	-	-
Public works . . . . .	114,028	-	-	4,343,200
Health . . . . .	87,348	-	3,724,256	-
Human services. . . . .	277,887	2,921,852	-	-
Conservation and recreation . . . . .	-	-	-	-
Economic development and assistance . . . . .	-	-	-	-
Other . . . . .	505,358	-	-	-
Capital outlay . . . . .	38,734	-	-	-
Debt service:				
Principal retirement. . . . .	7,420	-	-	-
Interest and fiscal charges . . . . .	1,426	-	-	-
Total expenditures . . . . .	<u>13,112,794</u>	<u>2,921,852</u>	<u>3,724,256</u>	<u>4,343,200</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(876,389)</u>	<u>(148,575)</u>	<u>1,878,696</u>	<u>68,939</u>
<b>Other financing sources (uses):</b>				
Bond issue. . . . .	-	-	-	-
Capital lease transaction. . . . .	38,734	-	-	-
Transfers in . . . . .	-	-	-	3,717
Transfers out . . . . .	(3,717)	-	-	-
Other financing sources . . . . .	-	-	-	-
Other financing uses. . . . .	-	-	-	-
Total other financing sources (uses) . . . . .	<u>35,017</u>	<u>-</u>	<u>-</u>	<u>3,717</u>
Special item - transfer of proceeds from sale of hospital . . . . .	<u>15,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances . . . . .	14,158,628	(148,575)	1,878,696	72,656
<b>Fund balances at beginning of year . . . . .</b>	<u>3,183,414</u>	<u>1,221,521</u>	<u>4,362,815</u>	<u>2,647,671</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 17,342,042</u>	<u>\$ 1,072,946</u>	<u>\$ 6,241,511</u>	<u>\$ 2,720,327</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Public Assistance</b>	<b>Workforce Development</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 1,518,415	\$ 7,442,449
-	-	-	6,206,100
-	-	1,082,898	3,375,216
-	-	16,640	19,680
-	-	111,369	397,036
2,172,183	3,311,189	2,572,198	16,399,975
-	-	137,087	137,087
-	-	274	139,576
-	-	-	376,170
1,456	-	78,045	1,533,238
<u>2,173,639</u>	<u>3,311,189</u>	<u>5,516,926</u>	<u>36,026,527</u>
-	-	611,344	6,329,400
-	-	127,069	2,693,459
-	-	751,523	4,547,670
-	-	303,151	4,760,379
-	-	108,670	3,920,274
2,227,855	2,998,910	1,173,055	9,599,559
-	-	21,833	21,833
-	-	312,332	312,332
-	-	20,095	525,453
-	-	570,843	609,577
-	-	518,396	525,816
-	-	431,868	433,294
<u>2,227,855</u>	<u>2,998,910</u>	<u>4,950,179</u>	<u>34,279,046</u>
<u>(54,216)</u>	<u>312,279</u>	<u>566,747</u>	<u>1,747,481</u>
-	-	45,000	45,000
-	-	-	38,734
-	-	-	3,717
-	-	-	(3,717)
2,499,833	-	-	2,499,833
(2,499,833)	-	-	(2,499,833)
<u>-</u>	<u>-</u>	<u>45,000</u>	<u>83,734</u>
-	-	12,483,322	27,483,322
(54,216)	312,279	13,095,069	29,314,537
568,581	88,117	2,749,719	14,821,838
<u>\$ 514,365</u>	<u>\$ 400,396</u>	<u>\$ 15,844,788</u>	<u>\$ 44,136,375</u>

**CLINTON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

<b>Net change in fund balances - total governmental funds</b>		<b>\$ 29,314,537</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		
Capital asset additions	\$ 1,530,836	
Current year depreciation	(2,166,347)	
Total		(635,511)
<p>Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.</p>		
		(203,536)
<p>Proceeds of bonds are recorded as revenue in the funds, however in the statement of activities, they are not reported as revenue as they increase the liabilities on the statement of net assets</p>		
		(45,000)
<p>Issuances of capital lease obligations are recorded as revenue in the funds, however in the statement of activities, they are not reported as revenue as they increase the liabilities on the statement of net assets</p>		
		(38,734)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property and other taxes	(84,396)	
Intergovernmental	(1,160,186)	
Special assessments	590	
Accrued interest	(11,050)	
Sale of hospital	17,000,000	
Total		15,744,958
<p>Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		525,816
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		
Accrued interest	268	
Bond premium	6,272	
Deferred charges on refunding	(10,439)	
Bond issuance costs	(15,959)	
Total		(19,858)
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		27,757
<p>The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.</p>		
		(115,907)
<b>Change in net assets of governmental activities.</b>		<b>\$ 44,554,522</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Real and other taxes. . . . .	\$ 1,815,646	\$ 1,642,838	\$ 1,642,791	\$ (47)
Sales taxes . . . . .	6,230,156	6,252,309	6,278,659	26,350
Charges for services. . . . .	1,734,096	1,740,263	1,747,597	7,334
Licenses and permits . . . . .	3,017	3,027	3,040	13
Fines and forfeitures . . . . .	110,236	110,628	111,094	466
Intergovernmental. . . . .	1,166,282	1,170,429	1,175,362	4,933
Investment income. . . . .	113,235	113,638	114,117	479
Rental income . . . . .	373,264	374,591	376,170	1,579
Other . . . . .	816,474	819,378	822,831	3,453
Total revenues . . . . .	<u>12,362,406</u>	<u>12,227,101</u>	<u>12,271,661</u>	<u>44,560</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	5,594,551	6,210,970	5,934,689	276,281
Judicial. . . . .	2,470,146	2,630,352	2,610,122	20,230
Public safety . . . . .	4,062,150	3,984,852	3,857,638	127,214
Public works . . . . .	70,996	116,540	115,357	1,183
Health . . . . .	112,032	113,050	102,805	10,245
Human services. . . . .	402,615	320,380	289,536	30,844
Other . . . . .	429,393	537,161	512,536	24,625
Total expenditures . . . . .	<u>13,141,883</u>	<u>13,913,305</u>	<u>13,422,683</u>	<u>490,622</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(779,477)</u>	<u>(1,686,204)</u>	<u>(1,151,022)</u>	<u>535,182</u>
<b>Other financing sources (uses):</b>				
Transfers out . . . . .	(110,000)	(3,717)	(3,717)	-
Advances in. . . . .	9,470	9,544	9,544	-
Advances out . . . . .	-	(109,558)	(109,558)	-
Total other financing sources (uses) . . . . .	<u>(100,530)</u>	<u>(103,731)</u>	<u>(103,731)</u>	<u>-</u>
Net change in fund balance . . . . .	(880,007)	(1,789,935)	(1,254,753)	535,182
<b>Fund balance at beginning of year. . . . .</b>	1,390,469	1,390,469	1,390,469	-
<b>Prior year encumbrances appropriated . . . . .</b>	516,237	516,237	516,237	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,026,699</u>	<u>\$ 116,771</u>	<u>\$ 651,953</u>	<u>\$ 535,182</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 CHILDREN SERVICES BOARD  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Real and other taxes. . . . .	\$ 1,105,000	\$ 1,121,664	\$ 1,121,665	\$ 1
Charges for services. . . . .	44,369	43,610	43,649	39
Intergovernmental. . . . .	1,557,234	1,530,591	1,531,959	1,368
Other . . . . .	20,647	20,294	20,312	18
Total revenues . . . . .	<u>2,727,250</u>	<u>2,716,159</u>	<u>2,717,585</u>	<u>1,426</u>
<b>Expenditures:</b>				
Current:				
Human services. . . . .	3,020,000	3,038,500	2,939,113	99,387
Total expenditures . . . . .	<u>3,020,000</u>	<u>3,038,500</u>	<u>2,939,113</u>	<u>99,387</u>
Net change in fund balance . . . . .	(292,750)	(322,341)	(221,528)	100,813
<b>Fund balance at beginning of year. . . . .</b>	<u>1,252,139</u>	<u>1,252,139</u>	<u>1,252,139</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 959,389</u>	<u>\$ 929,798</u>	<u>\$ 1,030,611</u>	<u>\$ 100,813</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 COUNTY BOARD OF DEVELOPMENTAL DISABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Real and other taxes. . . . .	\$ 3,420,233	\$ 3,093,445	\$ 3,093,445	\$ -
Charges for services. . . . .	373,451	496,600	507,908	11,308
Intergovernmental. . . . .	1,228,288	1,633,327	1,670,518	37,191
Investment income. . . . .	1,521	2,023	2,069	46
Other . . . . .	118,263	157,261	160,842	3,581
<b>Total revenues . . . . .</b>	<u>5,141,756</u>	<u>5,382,656</u>	<u>5,434,782</u>	<u>52,126</u>
<b>Expenditures:</b>				
Current:				
Health . . . . .	4,501,621	4,284,416	4,209,650	74,766
<b>Total expenditures . . . . .</b>	<u>4,501,621</u>	<u>4,284,416</u>	<u>4,209,650</u>	<u>74,766</u>
 Net change in fund balance . . . . .	 640,135	 1,098,240	 1,225,132	 126,892
 <b>Fund balance at beginning of year. . . . .</b>	 4,216,496	 4,216,496	 4,216,496	 -
<b>Prior year encumbrances appropriated . . .</b>	<u>74,577</u>	<u>74,577</u>	<u>74,577</u>	<u>-</u>
 <b>Fund balance at end of year . . . . .</b>	<u>\$ 4,931,208</u>	<u>\$ 5,389,313</u>	<u>\$ 5,516,205</u>	<u>\$ 126,892</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 MOTOR VEHICLE AND GAS TAX  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Sales taxes . . . . .	\$ 69,994	\$ 67,306	\$ 69,480	\$ 2,174
Fines and forfeitures . . . . .	185,772	178,638	184,408	5,770
Intergovernmental. . . . .	3,749,949	3,605,957	3,722,420	116,463
Other . . . . .	413,541	397,662	410,505	12,843
Total revenues . . . . .	<u>4,419,256</u>	<u>4,249,563</u>	<u>4,386,813</u>	<u>137,250</u>
<b>Expenditures:</b>				
Current:				
Public works . . . . .	5,950,070	5,950,070	4,552,819	1,397,251
Total expenditures . . . . .	<u>5,950,070</u>	<u>5,950,070</u>	<u>4,552,819</u>	<u>1,397,251</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,530,814)</u>	<u>(1,700,507)</u>	<u>(166,006)</u>	<u>1,534,501</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	3,744	3,717	3,717	-
Total other financing sources . . . . .	<u>3,744</u>	<u>3,717</u>	<u>3,717</u>	<u>-</u>
Net change in fund balance . . . . .	(1,527,070)	(1,696,790)	(162,289)	1,534,501
<b>Fund balance at beginning of year. . . . .</b>	1,813,608	1,813,608	1,813,608	-
<b>Prior year encumbrances appropriated . . .</b>	<u>386,616</u>	<u>386,616</u>	<u>386,616</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 673,154</u>	<u>\$ 503,434</u>	<u>\$ 2,037,935</u>	<u>\$ 1,534,501</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 PUBLIC ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 2,973,897	\$ 2,461,236	\$ 2,501,480	\$ 40,244
Other . . . . .	1,731	1,433	1,456	23
Total revenues . . . . .	<u>2,975,628</u>	<u>2,462,669</u>	<u>2,502,936</u>	<u>40,267</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	5,801,640	2,742,967	2,358,333	384,634
Total expenditures . . . . .	<u>5,801,640</u>	<u>2,742,967</u>	<u>2,358,333</u>	<u>384,634</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(2,826,012)</u>	<u>(280,298)</u>	<u>144,603</u>	<u>424,901</u>
<b>Other financing sources (uses):</b>				
Other financing sources . . . . .	2,978,654	2,465,174	2,505,482	40,308
Other financing uses . . . . .	-	(2,465,174)	(2,505,482)	(40,308)
Total other financing sources (uses) . . . . .	<u>2,978,654</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance . . . . .	152,642	(280,298)	144,603	424,901
<b>Fund balance at beginning of year . . . . .</b>	<u>422,424</u>	<u>422,424</u>	<u>422,424</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 575,066</u>	<u>\$ 142,126</u>	<u>\$ 567,027</u>	<u>\$ 424,901</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 WORKFORCE DEVELOPMENT  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental. . . . .	\$ 302,340	\$ 3,011,005	\$ 3,244,140	\$ 233,135
Total revenues . . . . .	<u>302,340</u>	<u>3,011,005</u>	<u>3,244,140</u>	<u>233,135</u>
<b>Expenditures:</b>				
Current:				
Human services. . . . .	400,000	2,963,479	2,963,477	2
Total expenditures . . . . .	<u>400,000</u>	<u>2,963,479</u>	<u>2,963,477</u>	<u>2</u>
Net change in fund balance . . . . .	(97,660)	47,526	280,663	233,137
<b>Fund balance at beginning of year . . . . .</b>	<u>98,978</u>	<u>98,978</u>	<u>98,978</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,318</u>	<u>\$ 146,504</u>	<u>\$ 379,641</u>	<u>\$ 233,137</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2010

	<b>Business-Type Activity- Clinton Memorial Hospital Enterprise Fund</b>	<b>Governmental Activities - Health Insurance Depository Fund</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . .	\$ 1,839,110	\$ 185,207
Investments. . . . .	1,832,400	-
Receivables:		
Accounts. . . . .	1,284,697	5,689
Estimated third party settlements. . . . .	719,851	
Prepayments . . . . .	<u>10,596</u>	<u>-</u>
Total assets . . . . .	<u>5,686,654</u>	<u>190,896</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable. . . . .	3,217,081	4,648
Accrued wages and benefits payable . . . . .	-	2,678
Due to other governments . . . . .	-	1,357
Compensated absences payable. . . . .	<u>161,210</u>	<u>7,306</u>
Total liabilities . . . . .	<u>3,378,291</u>	<u>15,989</u>
<b>Net assets:</b>		
Unrestricted . . . . .	<u>2,308,363</u>	<u>174,907</u>
Total net assets . . . . .	<u>\$ 2,308,363</u>	<u>\$ 174,907</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>Business-Type Activity- Clinton Memorial Hospital Enterprise Fund</b>	<b>Governmental Activities - Health Insurance Depository Fund</b>
<b>Operating revenues:</b>		
Charges for services . . . . .	\$ 87,725,805	\$ 3,683,816
Other . . . . .	1,274,298	264,696
	<hr/>	<hr/>
Total operating revenues . . . . .	89,000,103	3,948,512
	<hr/>	<hr/>
<b>Operating expenses:</b>		
Personal services . . . . .	44,706,496	93,803
Contract services. . . . .	13,720,593	912
Materials and supplies. . . . .	15,492,649	646
Depreciation. . . . .	6,649,656	-
Rent . . . . .	1,304,972	-
Occupancy. . . . .	3,208,835	-
Repairs and maintenance. . . . .	476,161	-
Physician fees . . . . .	4,466,868	-
Insurance. . . . .	2,797,009	3,950,119
Administrative costs. . . . .	-	16,742
Other. . . . .	3,621,450	2,197
	<hr/>	<hr/>
Total operating expenses. . . . .	96,444,689	4,064,419
	<hr/>	<hr/>
Operating loss . . . . .	(7,444,586)	(115,907)
	<hr/>	<hr/>
<b>Nonoperating expenses:</b>		
Change in unrealized gains and losses on investments . . . . .	(26,005)	-
Net nonoperating losses . . . . .	(4,560,436)	-
	<hr/>	<hr/>
Total nonoperating revenues (expenses) . . . .	(4,586,441)	-
	<hr/>	<hr/>
Loss before special items. . . . .	(12,031,027)	(115,907)
	<hr/>	<hr/>
<b>Special items:</b>		
Gain on sale of hospital. . . . .	4,685,114	-
Transfer of proceeds from sale of hospital . .	(44,483,322)	-
	<hr/>	<hr/>
Change in net assets . . . . .	(51,829,235)	(115,907)
	<hr/>	<hr/>
<b>Net assets at beginning of year (restated) . .</b>	54,137,598	290,814
	<hr/>	<hr/>
<b>Net assets at end of year . . . . .</b>	\$ 2,308,363	\$ 174,907
	<hr/> <hr/>	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>Business-Type Activity- Clinton Memorial Hospital Enterprise Fund</b>	<b>Governmental Activities - Health Insurance Depository Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from service charges. . . . .	\$ -	\$ 3,678,127
Cash received from patients and third party payors. . .	85,134,593	-
Cash received from other receipts, net . . . . .	1,274,298	266,628
Cash payments for personal services . . . . .	(45,255,440)	(90,728)
Cash payments for goods and services . . . . .	(41,313,536)	(646)
Cash payments for claims. . . . .	-	(3,946,500)
Cash payments for administrative costs. . . . .	-	(16,567)
Cash payments for other expenses . . . . .	-	(2,197)
	<hr/>	<hr/>
Net cash used in operating activities . . . . .	(160,085)	(111,883)
<b>Cash flows from noncapital financing activities:</b>		
Noncapital contributions . . . . .	295,314	-
Cash used in transfers out to other funds . . . . .	(27,483,322)	-
	<hr/>	<hr/>
Net cash used in noncapital financing activities . . . . .	(27,188,008)	-
<b>Cash flows from capital and related financing activities:</b>		
Repayment of long-term debt . . . . .	(39,451,662)	-
Proceeds from sale of hospital . . . . .	67,346,786	-
Cash payments for sale of hospital closing costs. . . . .	(917,829)	-
Interest expense . . . . .	(1,608,776)	-
Other nonoperating expenses . . . . .	(7,773,852)	-
Acquisition of capital assets . . . . .	(787,975)	-
	<hr/>	<hr/>
Net cash provided by capital and related financing activities . . . . .	16,806,692	-
<b>Cash flows from investing activities:</b>		
Change in investments, net. . . . .	5,365,504	-
Notes and other receivables . . . . .	(249,755)	-
Interest received . . . . .	196,556	-
	<hr/>	<hr/>
Net cash provided by investing activities . . . . .	5,312,305	-
Net decrease in cash and cash equivalents . . . . .	(5,229,096)	(111,883)
<b>Cash and cash equivalents at beginning of year. . . .</b>	7,068,206	297,090
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 1,839,110</u>	<u>\$ 185,207</u>

- - Continued

**CLINTON COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>Business-Type Activity- Clinton Memorial Hospital Enterprise Fund</b>	<b>Governmental Activities - Health Insurance Depository Fund</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss . . . . .	\$ (7,444,586)	\$ (115,907)
Adjustments:		
Depreciation . . . . .	6,649,656	-
Loss on sale of assets . . . . .	147,267	-
Bad debts . . . . .	4,410,561	-
Changes in assets and liabilities:		
Increase in materials and supplies inventory . . . . .	(40,275)	-
Increase in accounts receivable . . . . .	(4,982,535)	(3,757)
Decrease in prepayments . . . . .	267,566	-
Increase in accounts payable . . . . .	2,851,499	4,071
Increase in accrued wages and benefits . . . . .	-	824
Decrease in due to other governments . . . . .	-	(301)
Increase in compensated absences payable . . . . .	-	3,187
Decrease in estimated third-party settlements . . . . .	<u>(2,019,238)</u>	<u>-</u>
Net cash used in operating activities . . . . .	<u>\$ (160,085)</u>	<u>\$ (111,883)</u>
<b>Noncash investing, capital and financing activities:</b>		
Unrealized loss on investments . . . . .	\$ (26,005)	\$ -
Decrease in fair value of interest rate swap . . . . .	(290,678)	-

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2010

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 10,777	\$ 4,835,212
Cash in segregated accounts. . . . .	-	865,521
Receivables:		
Real and other taxes. . . . .	-	32,081,773
Special assessments. . . . .	-	331,562
Due from other governments . . . . .	-	2,166,156
	10,777	\$ 40,280,224
Total assets . . . . .	10,777	\$ 40,280,224
<b>Liabilities:</b>		
Due to other governments . . . . .	-	\$ 2,081,314
Deposits held and due to others . . . . .	-	38,198,910
	-	\$ 40,280,224
Total liabilities . . . . .	-	\$ 40,280,224
<b>Net assets:</b>		
Held in trust for other purposes. . . . .	10,777	
Total net assets . . . . .	\$ 10,777	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>Private Purpose Trust</b>
<b>Additions:</b>	
Interest . . . . .	\$ 63
Gifts and contributions . . . . .	20,000
Total additions . . . . .	20,063
<b>Deductions:</b>	
Benefits . . . . .	19,955
Change in net assets. . . . .	108
<b>Net assets at beginning of year. . . . .</b>	<b>10,669</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 10,777</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### NOTE 1 - DESCRIPTION OF THE COUNTY

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

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

##### **A. Reporting Entity**

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

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

##### ***BLENDED COMPONENT UNITS***

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

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

#### **DISCRETELY PRESENTED COMPONENT UNITS**

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

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

#### **RELATED ORGANIZATIONS**

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

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

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

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

***POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS***

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

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

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

***JOINTLY GOVERNED ORGANIZATION***

The County is a member of the Southern Ohio Council of Governments (the Council), which is a jointly governed organization under Ohio Revised Code Section 167.01. The governing body consists of a fifteen member Board with each participating County represented by its Director of its Board of Developmental Disabilities (DD). Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto and Vinton Counties. The Council acts as fiscal agent for the Clinton County Board of DD's supportive living program monies. During 2010, the Council received no supportive living monies from Clinton County and as of December 31, 2010, the County had a \$524,904 balance on hand with the Council. Financial statements can be obtained from the Council at 126 E. Second St., Suite C, Chillicothe, Ohio, 45601.

***JOINT VENTURE WITHOUT EQUITY INTEREST***

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

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

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

##### ***RISK POOL***

*County Risk Sharing Authority, Inc. (CORSA)* - CORSA is jointly governed by 41 counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees. This program is more fully described in Note 13.

##### **B. Basis of Presentation**

***Government-wide Financial Statements*** - The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

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

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

#### C. Fund Accounting

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

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

General - This is the primary operating fund of the County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

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

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

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds and (b) grants and other resources, the use of which is restricted to a particular purpose.

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

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

Clinton Memorial Hospital - This fund accounts for the operations of the hospital.

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

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

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

#### D. Measurement Focus

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

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

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

#### **E. Basis of Accounting**

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

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

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

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

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

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

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance 2011 operations, and other revenues received in advance of the year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2010 are recorded as deferred revenue in the governmental funds.

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

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

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

#### F. Budgetary Data

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

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

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

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

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



## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the final amended certificate issued during 2010.

**Appropriations** - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2010 are included in the final budget amounts in the budget-to-actual comparisons.

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

#### **G. Cash and Investments**

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

During 2010, investments were limited to U.S. Government money market mutual funds, federal agency securities, U.S. Treasury notes and repurchase agreements.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2010 amounted to \$132,395 which includes \$123,466 assigned from other County funds.

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

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

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

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

**H. Net Patient Service Revenue**

Net patient service revenue is reported at estimated net realizable amounts. Payment for the majority of Medicare and Medicaid inpatient services is based on a prospectively determined fixed price, based on the discharge diagnosis per patient case. Certain other Medicare and Medicaid outpatient services are also reimbursed on a prospectively determined fixed price.

Final determination of amounts earned is subject to review by the fiscal intermediary. Medicare reports have been settled through 2006, while Medicaid reports have been settled through 2004.

The Hospital has also entered into other contractual arrangements that provide a discount from full established rates for patients enrolled in these plans. Determination of amounts due the Hospital or payable to the third-party payor is subject to audit by the responsible payor. Management believes that adequate provisions have been made for any adjustments that may result from final settlement under these programs.

The Hospital estimates an allowance for doubtful accounts based on an evaluation of historical losses, current economic conditions, and factors unique to their operations.

**I. Inventories of Materials and Supplies**

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

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

Inventory consists of expendable supplies held for consumption.

**J. Capital Assets**

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

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

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

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

**K. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the “vesting” method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2010, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

The employees of the Hospital earn vacation days at varying rates depending on years of service. Employees also earn sick leave benefits based on varying rates depending on years of service.

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

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

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

**L. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**M. Accrued Liabilities and Long-term Obligations**

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

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

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

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

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

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

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

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

**O. Interfund Transactions**

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

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

Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

**P. Fund Balance Reserves**

Reserved fund balances indicate that a portion of fund equity is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The County reports amounts representing encumbrances outstanding, prepayments, materials and supplies inventories, and advances as reservations of fund balance in the governmental funds.

**Q. Charity Care**

The Hospital treats patients regardless of their ability to pay. Amounts not collected under indigent care programs are considered to be charity care. Charity care measured at established rates approximated \$7,861,000 in 2010.

**R. Net Assets**

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

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

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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

##### S. Estimates

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

##### T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. On November 30, 2010, the Clinton Memorial Hospital was sold to RegionalCare Hospital Partners. The proceeds from the sale and the gain from the sale of the Clinton Memorial Hospital have been reported as a special item in the basic financial statements.

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### A. Change in Accounting Principles

For 2010, the County has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. In accordance with the implementation of GASB Statement No. 51, the County has reported intangible assets on a separate line in Note 9.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. In accordance with the implementation of GASB Statement No. 53, the net assets of the County's business-type activities have been restated as described in Note 3.C.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the County.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

**B. Deficit Fund Balances**

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Dog and kennel	\$ 48,207
Clinton County park board	30,388
Law enforcement trust	51,292
U.S. 68 corridor study grant	18,950
County recorder equipment	39,938
Special assessment bond retirement	3,255
Martinsville-Midland sanitary project	72,871

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

**C. Restatement of Net Assets**

As required by GASB Statement No. 53, the net assets of the business-type activities have been retroactively restated to implement hedge accounting relative to its interest rate swap agreement. In addition, during 2010 the Clinton County Memorial Hospital Foundation, Inc. changed its Bylaws and Articles of Incorporation to no longer be a supporting organization of the Hospital. The Foundation's new purpose is to promote the health of the residents of Clinton County, rather than to solely support the Hospital.

The effects of these changes on the net assets of the business-type activities are as follows:

	<u>Business-Type Activity- Clinton Memorial Hospital Enterprise Fund</u>
Net assets at December 31, 2009, as previously reported	\$ 57,186,315
Cumulative effect of change in accounting principle	1,065,845
Change in reporting entity	<u>(4,114,562)</u>
Restated net assets, as of January 1, 2010	<u>\$ 54,137,598</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's Asset Reserve of Ohio Investment Pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in 1 or 2 above or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

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



**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At year end, the County had \$148,119 in undeposited cash on hand which is included on the financial statements of the County as part of “equity in pooled cash and cash equivalents”.

**B. Cash in Segregated Accounts**

At year end, the County had \$865,521 in cash and cash equivalents deposited separate from the County’s internal investment pool. This amount is included in the amount of deposits with fiscal institutions below.

**C. Cash with Escrow Agent**

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

**D. Cash with Fiscal Agent**

At year end, the County had \$524,904 in monies held by SOCOG as fiscal agent. This amount has been excluded from the total amount of deposits below as it is not part of the County’s internal investment pool.

**E. Deposits with Financial Institutions**

At December 31, 2010, the carrying amount of all County deposits was \$33,403,637. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2010, \$31,967,455 of the County’s bank balance of \$33,686,663 was exposed to custodial risk as discussed below, while \$1,719,208 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**F. Investments**

As of December 31, 2010, the County had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		6 months or <u>less</u>	7 to 12 <u>months</u>	13 to 18 <u>months</u>	19 to 24 <u>months</u>	Greater than <u>24 months</u>
Repurchase agreement	\$ 891,923	\$ 891,923	\$ -	\$ -	\$ -	\$ -
FFCB	85,898	-	-	20,306	35,023	30,569
FHLB	956,805	-	-	-	289,974	666,831
FHLMC	345,860	-	-	160,000	35,194	150,666
FNMA	384,027	-	-	231,989	-	152,038
U.S. Treasury notes	59,810	-	-	39,800	20,010	-
U.S. Government money market mutual funds	<u>643,852</u>	<u>643,852</u>	-	-	-	-
Total	<u>\$ 3,368,175</u>	<u>\$ 1,535,775</u>	<u>\$ -</u>	<u>\$ 452,095</u>	<u>\$ 380,201</u>	<u>\$ 1,000,104</u>

The weighted average length to maturity is 1.17 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County's investment policy limits investment portfolio maturities to five years or less. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

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

The Hospital may invest in United States obligations or any other obligation guaranteed by the United States; bonds, notes or any other obligations or securities issued by any federal government or instrumentality; time certificate of deposits or savings or deposit accounts, including passbook accounts, in any eligible institutions mentioned in Section 135.32; bonds and other obligations of the State of Ohio or the political subdivisions of the State provided that such political subdivisions are located wholly or partly within the same county; certain no load money market mutual funds; certain commercial paper; and certain repurchase agreements.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 891,923	26.48
FFCB	85,898	2.55
FHLB	956,805	28.40
FHLMC	345,860	10.27
FNMA	384,027	11.40
U.S. Treasury notes	59,810	1.78
U.S. Government money market mutual funds	<u>643,852</u>	<u>19.12</u>
Total	<u>\$ 3,368,175</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 33,403,637
Investments	3,368,175
Cash on hand	148,119
Cash with fiscal agent	524,904
Cash with escrow agent	<u>15,000,000</u>
Total	<u>\$ 52,444,835</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 43,061,815
Business type activities	3,671,510
Fiduciary funds	<u>5,711,510</u>
Total	<u>\$ 52,444,835</u>

**H. Component Units**

At December 31, 2010, the carrying amount of the Workshop's demand deposits, including nonnegotiable certificates of deposit, was \$304,705 and the bank balance, including nonnegotiable certificates of deposit, was \$304,355. Of the bank balance, \$206,979 was insured by the FDIC. The Workshop had \$350 of cash on hand at December 31, 2010, which is included in "equity in pooled cash and cash equivalents". At December 31, 2010, the Workshop had an investment in the amount of \$149,549 in a money market mutual fund. Money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form. At December 31, 2010, the carrying amount of the Authority's demand deposits was \$556,031 and the bank balance was \$820,692. Of the bank balance, \$443,706 was insured by the FDIC.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported on the fund financial statements:

<u>Transfers to motor vehicle &amp; gas tax fund from:</u>	
General fund	<u>\$ 3,717</u>

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

Transfers reported on the government-wide financial statements include \$44,483,322 in proceeds from the sale of the Hospital transferred from the business-type activities to the governmental activities.

- B.** Short term interfund loans consisted of the following at December 31, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$100,014</u>

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

- C.** Long-term advances to and from other funds at December 31, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$423,353</u>

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

- D.** Due from/to other funds consisted of the following at December 31, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Children services board	\$ 8,072
	Nonmajor governmental funds	36,183
Children services board	Nonmajor governmental funds	3,477
Motor vehicle gas tax	General	17,120
	Public assistance	549
Public assistance	Nonmajor governmental funds	1,057
	Workforce development	<u>2,830</u>
Total		<u>\$ 69,288</u>

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

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2009-2010, the County was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2010 was \$11.40 per \$1,000 of assessed value. The assessed value upon which 2010 property taxes were collected was \$851,812,190.

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 7 - PERMISSIVE SALES AND USE TAX**

In 1977, the County Commissioners by resolution imposed a 0.5% tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. In 1988, the County Commissioners added an additional 0.5% tax to the existing tax. On October 1, 2005, the County Commissioners imposed a 0.5% tax to the existing tax for a period of five years. Vendor collections of the tax are paid to the State Treasurer by the 23<sup>rd</sup> 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 45 days after the end of the month following collection. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the general fund and special revenue funds. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue to the extent that they are intended to finance 2010 operations. Sales and use tax revenue for 2010 amounted to \$6,206,100.

**NOTE 8 -RECEIVABLES**

Receivables at December 31, 2010, consisted of taxes, accounts (billings for user charged services), notes, accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the balance sheet. Receivables have been recorded to the extent that they are measurable at December 31, 2010, as well as intended to finance 2010 operations.

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

**Governmental activities:**

Sales taxes	\$ 1,069,012
Real estate and other taxes	6,810,455
Accounts	140,661
Notes	17,000,000
Special assessments	101,151
Accrued interest	46,660
Due from other governments	5,117,161

**Business-type activities:**

Accounts	1,284,697
Estimated third party settlements	719,851

Receivables have been disaggregated on the face of the balance sheet. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment and the \$17,000,000 in notes receivable for the deferred purchase of the sale of the hospital. The County will receive \$1,700,000 annually over the next ten years.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 9 - CAPITAL ASSETS**

**A. Primary Government**

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balance			Balance
	<u>12/31/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/10</u>
<b><u>Governmental activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 871,880	\$ -	\$ -	\$ 871,880
Construction in progress	-	<u>131,250</u>	-	<u>131,250</u>
Total capital assets, not being depreciated	<u>871,880</u>	<u>131,250</u>	-	<u>1,003,130</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	201,001	-	-	201,001
Buildings and improvements	20,602,263	84,510	-	20,686,773
Equipment	3,707,982	81,259	(115,477)	3,673,764
Software	147,624	126,690	-	274,314
Vehicles	3,250,156	177,480	(543,144)	2,884,492
Infrastructure	<u>44,290,764</u>	<u>929,647</u>	-	<u>45,220,411</u>
Total capital assets, being depreciated	<u>72,199,790</u>	<u>1,399,586</u>	<u>(658,621)</u>	<u>72,940,755</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(91,940)	(5,142)	-	(97,082)
Buildings and improvements	(5,756,518)	(396,483)	-	(6,153,001)
Equipment	(2,358,343)	(303,982)	96,053	(2,566,272)
Software	(122,814)	(87,803)	-	(210,617)
Vehicles	(2,299,585)	(205,694)	359,032	(2,146,247)
Infrastructure	<u>(11,167,858)</u>	<u>(1,167,243)</u>	-	<u>(12,335,101)</u>
Total accumulated depreciation	<u>(21,797,058)</u>	<u>(2,166,347)</u>	<u>455,085</u>	<u>(23,508,320)</u>
Total capital assets, being depreciated net	<u>50,402,732</u>	<u>(766,761)</u>	<u>(203,536)</u>	<u>49,432,435</u>
Governmental activities capital assets, net	<u>\$ 51,274,612</u>	<u>\$ (635,511)</u>	<u>\$ (203,536)</u>	<u>\$ 50,435,565</u>

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

Governmental activities:	
Legislative and executive	\$ 372,301
Judicial	20,024
Public safety	151,998
Public works	1,431,438
Health	101,861
Human services	64,366
Other	<u>24,359</u>
Total depreciation expense - governmental activities	<u>\$ 2,166,347</u>

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 9 - CAPITAL ASSETS - (Continued)**

	Balance	Additions/		Balance
	<u>12/31/09</u>	<u>Transfers</u>	<u>Deductions</u>	<u>12/31/10</u>
<b><u>Business-type activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Construction in progress	\$ 1,231,145	\$ -	\$ (1,231,145)	\$ -
Total capital assets not being depreciated	<u>1,231,145</u>	<u>-</u>	<u>(1,231,145)</u>	<u>-</u>
<i>Capital assets, being depreciated:</i>				
Land and land improvements	3,326,712	38,943	(3,365,655)	-
Buildings and improvements	86,603,665	280,810	(86,884,475)	-
Equipment	<u>52,556,215</u>	<u>1,445,470</u>	<u>(54,001,685)</u>	<u>-</u>
Total capital assets, being depreciated	<u>142,486,592</u>	<u>1,765,223</u>	<u>(144,251,815)</u>	<u>-</u>
<i>Less: accumulated depreciation:</i>				
Land and land improvements	(1,573,341)	(108,219)	1,681,560	-
Buildings and improvements	(30,946,765)	(2,699,510)	33,646,275	-
Equipment	<u>(37,326,529)</u>	<u>(3,841,927)</u>	<u>41,168,456</u>	<u>-</u>
Total accumulated depreciation	<u>(69,846,635)</u>	<u>(6,649,656)</u>	<u>76,496,291</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 73,871,102</u>	<u>\$ (4,884,433)</u>	<u>\$ (68,986,669)</u>	<u>\$ -</u>

**B. Component Unit Capital Assets**

A summary of the changes in the Orion Rehab Center's capital assets during 2010 follows:

	Balance			Balance
	<u>12/31/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/10</u>
<b><u>Orion Rehab Center:</u></b>				
<i>Capital assets, being depreciated:</i>				
Land improvements	\$ 12,761	\$ -	\$ -	\$ 12,761
Buildings and improvements	40,894	-	-	40,894
Furniture and equipment	24,480	-	-	24,480
Vehicles	<u>23,990</u>	<u>-</u>	<u>-</u>	<u>23,990</u>
Total capital assets being depreciated	<u>102,125</u>	<u>-</u>	<u>-</u>	<u>102,125</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(8,949)	(565)	-	(9,514)
Buildings and improvements	(36,792)	(285)	-	(37,077)
Furniture and equipment	(20,311)	(848)	-	(21,159)
Vehicles	<u>(17,091)</u>	<u>(3,389)</u>	<u>-</u>	<u>(20,480)</u>
Total accumulated depreciation	<u>(83,143)</u>	<u>(5,087)</u>	<u>-</u>	<u>(88,230)</u>
Total capital assets, being depreciated, net	<u>\$ 18,982</u>	<u>\$ (5,087)</u>	<u>\$ -</u>	<u>\$ 13,895</u>



**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 9 - CAPITAL ASSETS - (Continued)**

On June 1, 2010, DHL officially deeded the Wilmington Air Park to the Clinton County Port Authority. Included in the property transfer was 1,500 acres of land and several buildings. A summary of the changes in the Port Authority's capital assets during 2010 follows:

<b><u>Port Authority:</u></b>	<u>Balance</u>		<u>Balance</u>	
	<u>12/31/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/10</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ -	\$ 19,088,500	\$ -	\$ 19,088,500
Total capital assets not being depreciated	<u>-</u>	<u>19,088,500</u>	<u>-</u>	<u>19,088,500</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	\$ -	\$ 44,591,277	\$ -	\$ 44,591,277
Buildings and improvements	<u>-</u>	<u>12,820,223</u>	<u>-</u>	<u>12,820,223</u>
Total capital assets, being depreciated	<u>-</u>	<u>57,411,500</u>	<u>-</u>	<u>57,411,500</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	-	(822,003)	-	(822,003)
Buildings and improvements	<u>-</u>	<u>(128,202)</u>	<u>-</u>	<u>(128,202)</u>
Total accumulated depreciation	<u>-</u>	<u>(950,205)</u>	<u>-</u>	<u>(950,205)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>56,461,295</u>	<u>-</u>	<u>56,461,295</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 75,549,795</u>	<u>\$ -</u>	<u>\$ 75,549,795</u>

**NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE**

During 2010, the County entered into a capital lease for the acquisition of a ballot printing system. In prior years, the County entered into capitalized leases for the acquisition of copiers and software. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Governmental activities capital assets consisting of equipment and software have been capitalized in the amount of \$43,962 and \$126,690, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in the amount of \$18,662 were made during 2010.

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2010:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 27,014
2012	27,014
2013	27,014
2014	<u>27,014</u>
Total	108,056
Less: amount representing interest	<u>(18,704)</u>
Present value of net minimum lease payments	<u>\$ 89,352</u>

**NOTE 11 - COMPENSATED ABSENCES**

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

Upon termination of County service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 30 days and all accumulated vacation. At December 31, 2010, vested benefits for vacation leave for governmental fund type employees totaled \$819,116 and vested benefits for sick leave totaled \$397,999.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 12 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities Long-Term Obligations**

During 2010, the following changes occurred in the County's governmental long-term obligations:

<b>Governmental activities:</b>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/10</u>	<u>Amount Due in One Year</u>
<b><u>General Obligation Bonds:</u></b>							
Various Purpose Refunding Bonds							
2.23 - 3.75%	6/1/2009	12/1/2019	\$ 3,210,000	\$ -	\$ (295,000)	\$ 2,915,000	\$ 300,000
Haines Ditch Project Bonds - 5.25-6.00%	12/1/2006	12/1/2014	55,000	-	(10,000)	45,000	10,000
Martinsville-Midland Project USDA Bonds							
3.625-4.25%	12/18/2008	12/1/2048	4,917,350	-	(51,750)	4,865,600	53,930
Fairground/Public Service Agency							
Building Bond - 3.73-4.125%	3/27/2008	12/1/2027	<u>3,265,000</u>	<u>-</u>	<u>(135,000)</u>	<u>3,130,000</u>	<u>140,000</u>
Total general obligation bonds			<u>11,447,350</u>	<u>-</u>	<u>(491,750)</u>	<u>10,955,600</u>	<u>503,930</u>
<b><u>Special Assessment Bond:</u></b>							
Ditch Construction - 5.00%	10/25/2010	9/1/2015	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>45,000</u>	<u>8,393</u>
Total special assessment bond			<u>-</u>	<u>45,000</u>	<u>-</u>	<u>45,000</u>	<u>8,393</u>
<b><u>Special Assessment Notes:</u></b>							
Nance Road Ditches - 5.075%	8/31/2009	9/1/2014	24,000	-	(4,323)	19,677	4,551
Port William Road Ditches - 5.075%	8/31/2009	9/1/2014	<u>6,000</u>	<u>-</u>	<u>(1,081)</u>	<u>4,919</u>	<u>1,138</u>
Total special assessment notes			<u>30,000</u>	<u>-</u>	<u>(5,404)</u>	<u>24,596</u>	<u>5,689</u>
<b><u>Other Long-Term Obligations:</u></b>							
OPWC loan			190,000	-	(10,000)	180,000	10,000
Compensated absences			1,188,652	1,476,836	(1,444,033)	1,221,455	712,844
Capital leases			<u>69,280</u>	<u>38,734</u>	<u>(18,662)</u>	<u>89,352</u>	<u>19,325</u>
Total other long-term obligations			<u>1,447,932</u>	<u>1,515,570</u>	<u>(1,472,695)</u>	<u>1,490,807</u>	<u>742,169</u>
Total general long-term obligations			<u>\$ 12,925,282</u>	<u>\$ 1,560,570</u>	<u>\$ (1,969,849)</u>	12,516,003	<u>\$ 1,260,181</u>
Add: unamortized premium on bond issue						72,430	
Less: deferred amount on refunding						<u>(93,945)</u>	
Total reported on the statement of net assets						<u>\$ 12,494,488</u>	

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

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

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 12 - LONG TERM OBLIGATIONS - (Continued)**

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

The assets held in trust as a result of the advance refunding described above are not included in the accompanying BFS. At December 31, 2010, \$2,620,000 of the refunded bonds being held by escrow agent are still outstanding.

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

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

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

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

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

Year Ending December 31,	General Obligation Bonds			Special Assessment Bond		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 503,930	\$ 410,574	\$ 914,504	\$ 8,393	\$ 1,833	\$ 10,226
2012	506,210	397,176	903,386	8,473	1,754	10,227
2013	513,580	383,682	897,262	8,913	1,314	10,227
2014	536,030	369,226	905,256	9,370	856	10,226
2015	538,610	352,754	891,364	9,851	375	10,226
2016 - 2020	2,610,620	1,475,226	4,085,846	-	-	-
2021 - 2025	1,498,350	1,082,873	2,581,223	-	-	-
2026 - 2030	1,025,020	780,838	1,805,858	-	-	-
2031 - 2035	670,080	625,875	1,295,955	-	-	-
2036 - 2040	823,890	472,084	1,295,974	-	-	-
2041 - 2045	1,013,000	282,955	1,295,955	-	-	-
2046 - 2048	716,280	61,300	777,580	-	-	-
Total	<u>\$ 10,955,600</u>	<u>\$ 6,694,563</u>	<u>\$ 17,650,163</u>	<u>\$ 45,000</u>	<u>\$ 6,132</u>	<u>\$ 51,132</u>

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 12 - LONG TERM OBLIGATIONS - (Continued)**

Year Ending December 31,	Special Assessment Notes			OPWC Loan Payable		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 5,689	\$ 1,193	\$ 6,882	\$ 10,000	\$ -	\$ 10,000
2012	5,983	899	6,882	10,000	-	10,000
2013	6,298	584	6,882	10,000	-	10,000
2014	6,626	256	6,882	10,000	-	10,000
2015	-	-	-	10,000	-	10,000
2016 - 2020	-	-	-	50,000	-	50,000
2021 - 2026	-	-	-	50,000	-	50,000
2026 - 2028	-	-	-	30,000	-	30,000
<b>Total</b>	<b>\$ 24,596</b>	<b>\$ 2,932</b>	<b>\$ 27,528</b>	<b>\$ 180,000</b>	<b>\$ -</b>	<b>\$ 180,000</b>

**B. Business-Type Activities Long-Term Obligations**

During 2010, the following changes occurred in the County's business-type long-term obligations:

<b>Business-type activities:</b>	Balance 12/31/09	Additions	Reductions	Balance 12/31/10
Hospital Facilities Revenue	\$ 38,505,000	\$ -	\$ (38,505,000)	\$ -
Refunding and Improvement Bonds Series 2006A Note Payable	946,662	-	(946,662)	-
Total business-type long-term obligations	<u>\$ 39,451,662</u>	<u>\$ -</u>	<u>\$ (39,451,662)</u>	<u>\$ -</u>

*Hospital Facilities Revenue Refunding and Improvements Bonds:* The 2002 Clinton County adjustable rate demand hospital facilities revenue refunding and improvement bonds were used to refund and retire the 1992 and 1998 bonds and to finance the acquisition, construction, equipping, and installation of new hospital facilities. Under the terms of the 2002 revenue bonds, the Hospital was required to maintain certain deposits with a trustee. The bonds also place limits on the incurrence of additional borrowings and requires the Hospital satisfy certain measures of financial performance. The County paid off the bonds in December 2010.

*Hospital Facilities Revenue Refunding and Improvements Bonds:* The 2005 Clinton County adjustable rate demand hospital facilities revenue refunding and improvement bonds were used to finance the acquisition, construction and equipping of Hospital facilities. Under the terms of the 2005 revenue bonds, the Hospital was required to maintain certain deposits with a trustee. The bonds also place limits on the incurrence of additional borrowings and requires the Hospital satisfy certain measures of financial performance. The County paid off the bonds in December 2010.

*Series 2006A Note Payable:* This note carried an interest rate of 5.015% and an original maturity date of October 4, 2011. The County paid off the debt in December 2010.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 12 - LONG TERM OBLIGATIONS - (Continued)**

**C. Legal Debt Margin**

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to 3% of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000 plus 2-1/2% of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$19,480,405 as of December 31, 2010.

**D. Component Unit Long-Term Obligations**

During 2010, the following changes occurred in the Port Authority's long-term obligations:

<b>Port Authority:</b>	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/10</u>
Mortgage loan	\$ -	\$ 1,342,000	\$ -	\$ 1,342,000
Total long-term obligations	<u>\$ -</u>	<u>\$ 1,342,000</u>	<u>\$ -</u>	<u>\$ 1,342,000</u>

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

<u>Year Ending</u> <u>December 31,</u>	<u>Mortgage loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 50,325	\$ 50,325
2012	-	50,325	50,325
2013	<u>1,342,000</u>	<u>41,518</u>	<u>1,383,518</u>
Total	<u>\$ 1,342,000</u>	<u>\$ 142,168</u>	<u>\$ 1,484,168</u>

**NOTE 13 - RISK MANAGEMENT**

**A. General Insurance**

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

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### **NOTE 13 - RISK MANAGEMENT - (Continued)**

The County is a member of County Risk Sharing Authority, Inc. (CORSA), which is a shared risk pool of 41 counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

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

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

#### **B. Health Care, Vision, Dental and Life Insurance**

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

#### **NOTE 14 - PENSION PLANS**

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

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 14 - PENSION PLANS - (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The County's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.87% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The County's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The County's required contributions for pension obligations, excluding the Hospital, to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$1,242,885, \$1,111,466 and \$1,021,178, respectively; 100% has been contributed for 2010, 2009 and 2008. Contributions to the member-directed plan for 2010 were \$28,696 made by the County and \$20,498 made by the plan members.

The Hospital's contributions for pension obligations were \$3,173,182, \$3,037,149 and \$2,442,941 for the years ended December 31, 2010, 2009 and 2008, respectively.

**B. State Teachers Retirement System**

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



**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 14 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For 2010, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2010, 2009, and 2008 were \$31,664, \$28,265, and \$26,605, respectively; 100% has been contributed for 2010, 2009 and 2008. There were no contributions to the DC and Combined Plans for 2010.

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement**

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

## CLINTON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

#### NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The County's contributions allocated to fund post-employment health care benefits, excluding the Hospital, for the years ended December 31, 2010, 2009, and 2008 were \$672,064, \$769,905, and \$964,107, respectively; 100% has been contributed for 2010, 2009 and 2008.

The Hospital's contributions allocated to fund post-employment health care benefits were approximately \$1,413,000, \$2,200,000 and \$2,619,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

#### **B. State Teachers Retirement System**

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

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2010, 2009, and 2008 were \$2,436, \$2,174, and \$2,047, respectively; 100% has been contributed for 2010, 2009 and 2008.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and,
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

**CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue funds are as follows:

**Net Change in Fund Balances**

	Governmental Fund Types					
	<u>General</u>	<u>Children Services Board</u>	<u>County Board of DD</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Public Assistance</u>	<u>Workforce Development</u>
Budget basis	\$ (1,254,753)	\$(221,528)	\$ 1,225,132	\$ (162,289)	\$ 144,603	\$ 280,663
Net adjustment for revenue accruals	(35,256)	55,692	168,170	25,326	(329,297)	67,049
Net adjustment for expenditure accruals	(15,869)	17,261	485,394	(28,471)	130,478	(35,433)
Net adjustment for other financing sources/(uses) accruals	138,748	-	-	-	-	-
Net adjustment for special item	15,000,000	-	-	-	-	-
Encumbrances (budget basis)	<u>325,758</u>	<u>-</u>	<u>-</u>	<u>238,090</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ 14,158,628</u>	<u>\$(148,575)</u>	<u>\$ 1,878,696</u>	<u>\$ 72,656</u>	<u>\$ (54,216)</u>	<u>\$ 312,279</u>

**NOTE 17 - CONTINGENT LIABILITIES**

**A. Grants**

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

**B. Litigation**

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

**CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 18 - CONCENTRATIONS OF CREDIT RISK**

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. This mix of gross patient revenue (Revenue) from self-pay patients and third-party payors as of December 31, 2010, was as follows:

	<u>Revenue</u>
Medicare	43%
Medicaid	17%
Other third-party payors	39%
Self pay patients	<u>2%</u>
Total	<u>100%</u>

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. The Hospital believes that it is in compliance with all applicable laws and regulations. In the opinion of management, the ultimate outcome of these matters will not have a material effect on the financial position of the Hospital. However, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future.

**NOTE 19 - CONDUIT DEBT OBLIGATION**

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

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**CLINTON COUNTY**

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Supplemental Nutrition Assistance Program - Administrative Costs	G-1011-11-5022/G-89-20-1041	10.561	\$ 347,061
ARRA - Supplemental Nutrition Assistance Program - Administrative Costs	G-1011-11-5022/G-89-20-1042	10.561	<u>13,099</u>
Total U.S. Department of Agriculture			<u><b>360,160</b></u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through the Ohio Department of Education</i>			
Special Education - Preschool Grants	N/A	84.173	3,704
ARRA - Special Education - Preschool Grants	N/A	84.173	<u>109</u>
Total Special Education			<u>3,813</u>
<i>Passed Through the Ohio Department of Health</i>			
Help Me Grow - Part C	N/A	84.181	42,023
ARRA - Help Me Grow - Stimulus Grant	N/A	84.393A	<u>36,771</u>
Total Help Me Grow			<u>78,794</u>
Total U.S. Department of Education			<u><b>82,607</b></u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Child Care Services - TANF	G-1011-11-5022/G-89-20-1042	93.558	229,526
TANF Admin	G-1011-11-5022/G-89-20-1042	93.558	280,282
TANF Regular	G-1011-11-5022/G-89-20-1042	93.558	408,848
TANF Summer Youth	G-1011-11-5022/G-89-20-1042	93.714	<u>133,010</u>
Total TANF			<u>1,051,666</u>
Quality Child Care	G-1011-11-5022/G-89-20-1042	93.575	4,002
Child Care Admin	G-1011-11-5022/G-89-20-1042	93.596	39,643
Child Care Non-Admin	G-1011-11-5022/G-89-20-1042	93.596	<u>35,301</u>
Total Child Care			<u>78,946</u>
			(Continued)

**CLINTON 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
Title XX Base	G-1011-11-5022/G-89-20-1042	93.667	53,470
Title XX Transfer	G-1011-11-5022/G-89-20-1042	93.667	63,627
Total Title XX - Social Services Block Grant			117,097
Medicaid	G-1011-11-5022/G-89-20-1042	93.778	248,306
Medicaid NET	G-1011-11-5022/G-89-20-1042	93.778	82,445
Total Medicaid			330,751
Federal Child Support	G-1011-11-5022/G-89-20-1042	93.563	199,411
ARRA - Child Support Enforcement	G-1011-11-5022/G-89-20-1042	93.563	328,627
Total Child Support			528,038
Promoting Safe and Stable Families	G-1011-11-5022/G-89-20-1042	93.556	42,341
Title IV-B	G-1011-11-5022/G-89-20-1042	93.645	50,454
Foster Care (Title IV-E)	G-1011-11-5022/G-89-20-1042	93.658	158,230
Adoption Assistance (Title IV-E)	G-1011-11-5022/G-89-20-1042	93.659	393,541
Non-Recurring Adoption	G-1011-11-5022/G-89-20-1043	93.659	1,735
Total Adoption Assistance			395,276
Child Abuse and Neglect Grant	G-1011-11-5022/G-89-20-1042	93.669	1,994
Chafee Foster Care Independence Program	G-1011-11-5022/G-89-20-1042	93.674	7,558
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Title XX - Social Services Block Grant	G-1011-11-5022/G-89-20-1042	93.667	21,389
<i>Passed Through Ohio Department of Mental Health</i>			
Medical Assistance Program - Title XIX:			
ARRA - Targeted Case Management (TCM)	G-1011-11-5022/G-89-20-1042	93.778	15,960
ARRA - Enhanced Federal Matching Waiver	G-1011-11-5022/G-89-20-1042	93.778	54,806
Medicaid Administrative Claiming	G-1011-11-5022/G-89-20-1042	93.778	54,356
Total Title XIX			125,122
<i>Passed through the Ohio Secretary of State</i>			
Help America Vote Act Requirements Payments	N/A	90.401	598
HAVA Grant - In Person Poll Worker Training	N/A	93.617	425
Total			1,023
<i>Passed through the Ohio Department of Health</i>			
Family-Centered Services and Supports	N/A	93.556	17,520
Total U.S. Department of Health and Human Services			<b>2,927,405</b>

(Continued)



**CLINTON COUNTY**

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Passed Through the Ohio Department of Transportation</i>			
Highway Planning and Construction:			
Sign Upgrade - Mile Markers	PID #82087	20.205	12,938
Raised Pavement Markings	PID #83658	20.205	5,256
Pavement Marking, Phase 4	PID #85691	20.205	150,000
Guardrail, Phase 2	PID #85695	20.205	266,740
Bridge Load Rating	PID #87270	20.205	1,486
Sign Upgrade - Warning Signs	PID #87412	20.205	31,720
Total U.S. Department of Transportation			<b><u>468,140</u></b>
<b><u>U.S. DEPARTMENT OF COMMERCE</u></b>			
Economic Development Administration - Technical Assistance	N/A	11.303	18,950
Total U.S. Department of Transportation			<b><u>18,950</u></b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through the Ohio Department of Development</i>			
Community Development Block Grants:			
Small Cities CDBG Program	B-C-09-1AN-1	14.228	46,553
Small Cities Program Grant (Formula)	B-F-08-014-1 B-F-09-014-1	14.228	43,268 75,164
			<u>118,432</u>
Home Investment Partnerships Program	B-C-09-1AN-2	14.239	203,452
			<u>203,452</u>
Total U.S. Department of Housing and Urban Development			<b><u>368,437</u></b>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed Through the Ohio Department of Public Safety</i>			
Emergency Management Performance Grant	N/A	97.042	84,309
State Homeland Security Program - 07	N/A	97.067	8,613
State Homeland Security Program - 08	N/A	97.067	12,033
State Homeland Security Program - 09	N/A	97.067	39,074
Total			<u>59,720</u>
Total U.S. Department of Homeland Security			<b><u>144,029</u></b>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<i>Passed Through the Ohio Office of Criminal Justice Services</i>			
ARRA - Edward Byrne Memorial JAG Grant	N/A	16.803	158,776
Total U.S. Department of Agriculture			<b><u>158,776</u></b>

(Continued)

**CLINTON COUNTY**

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF LABOR</u></b>			
<i>Passed Through the Ohio Department of Jobs and Family Services via Ohio Area 7 Workforce Investment Board</i>			
Workforce Investment Act Cluster:			
WIA - Adult	N/A	17.258	91,549
WIA - Adult Administration			6,562
WIA - Adult ARRA			3,510
WIA - Ohio Learning ARRA			23,933
WIA - Project HIRE ARRA			6,750
WIA - Adult Total			<u>132,304</u>
WIA - Youth	N/A	17.259	92,962
WIA - Youth Total			<u>92,962</u>
WIA - Dislocated Workers	N/A	17.260	229,526
WIA - Dislocated Workers Administration			21,647
WIA - Dislocated Workers ARRA			114,528
WIA - DW, Rapid Response			120,000
WIA - DW, Rapid Response ARRA			680,193
WIA - DW, National Emergency Grant			1,325,092
WIA - CAA Demo Grant			48,428
WIA - Dislocated Workers Total			<u>2,539,414</u>
WIA - DW, Rapid Response (PY10)	N/A	17.278	125,000
Total Workforce Investment Act Cluster			<u>2,889,680</u>
Total U.S. Department of Labor			<u>2,889,680</u>
Total Federal Expenditures			<u><b>\$ 7,418,184</b></u>

**CLINTON COUNTY**

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

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B—SUBRECIPIENTS**

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

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

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

<b>Child Care Cluster</b>	<b>CFDA#</b>	<b>Pass Through #</b>	<b>2009 Federal Expenditures Reported</b>	<b>July 2010 Adjustment</b>	<b>Adjusted 2009 Federal Expenditures Reported</b>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G-1011-11-5022/G-89-20-1041	\$195,200.68	(\$49,288.63)	\$145,912.05

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# Dave Yost • Auditor of State

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

Clinton County  
46 S. South Street  
Wilmington, Ohio 45177

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 26, 2011, wherein we noted that the financial statements of the Clinton Memorial Hospital, which is the County's enterprise fund and business type activity were audited by other auditors. We also noted that we were unable to audit the County's discretely presented component unit, the Clinton County Port Authority. In addition, our report refers to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of the Clinton Memorial Hospital, which is the County's enterprise fund and business type activity, as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

### Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2010-002 and 2010-004 described in the accompanying Schedule of Findings to be significant deficiencies.

### **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 2010-001 and 2010-003 through 2010-005.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 26, 2011.

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

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



**Dave Yost**  
Auditor of State

September 26, 2011



# Dave Yost • Auditor of State

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

Clinton County  
46 S. South Street  
Wilmington, Ohio 45177

To the Board of Commissioners:

### Compliance

We have audited the compliance of Clinton County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Clinton County's major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As discussed in finding 2010-006 in the accompanying schedule of findings, the County did not comply with requirements regarding subrecipient monitoring applicable to its Workforce Investment Act (WIA) Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the County to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Clinton County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010.

However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2010-007.

### **Internal Control Over Compliance**

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-006 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-007 to be a significant deficiency.

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.



Clinton County  
Independent Accountants' Report on Compliance With Requirements Applicable  
To Each Major Federal Program And On Internal Control Over Compliance In  
Accordance With OMB Circular A-133  
Page 3

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

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

**Dave Yost**  
Auditor of State

September 26, 2011

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	QUALIFIED
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified - Workforce Investment Act Cluster, CFDA # 17.258, 17.259, 17.260, 17.278  Unqualified - Home Investment Partnership Program, CFDA # 14.239; ARRA - Edward Byrne Memorial Justice Assistance Grant Program, CFDA # 16.803; and ARRA - Child Support Enforcement, CFDA # 93.563
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Home Investment Partnership Program, CFDA # 14.239; Workforce Investment Act Cluster, CFDA # 17.258, 17.259, 17.260, 17.278; ARRA - Edward Byrne Memorial Justice Assistance Grant Program, CFDA # 16.803; ARRA - Child Support Enforcement, CFDA # 93.563
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2010-001**

**Port Authority Capital Assets - Material Weakness/Noncompliance**

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

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

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

Failure to maintain a listing of capital assets could result in difficulties locating assets or determining the asset's existence. This could result in duplication of assets or loss or misappropriation of Port Authority assets.

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

Additionally, DHL had several Tax Abatements in place when the donation was made to the Port Authority. These tax exemptions were contingent upon job creation and retention. The Port Authority did not transfer the exemption certificates as required by **Ohio Rev. Code, Section 5709.27**. We recommend that the Port Authority contact the Ohio Department of Development and work with the County Auditor to determine if the Tax Exemption Certificates on certain parcels are still in effect and can be transferred to the Port Authority. If the exemptions are no longer valid, or if the Port Authority is unable to transfer the exemptions, there may be tax liabilities that will need to be both recorded and paid.

**Port Authority Officials' Response:**

The Port Authority has secured the services of Vorys Sater Seymour & Pease to complete a study of our capital land and building assets. Upon completion, the Port will be able to indicate which assets are located on which parcels. The Port is also working with the County Auditor to address real property valuations. The Port expects to have a clearer understanding of the Fair Market Value of the property at the time it took possession in June 2010. If the Port needs additional documentation to support values, an RFP may need to be created. This would occur by June 2012.

Equipment asset records already exist, but will be enhanced with additional information required for more effective management.

The Port is working with the County Auditor to research the Tax Exemption Certificates in place at the time it took possession of the property. If tax liabilities exist, they will be recorded and scheduled for payment.

**FINDING NUMBER 2010-002**

**Port Authority - Significant Deficiency**

When designing a public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Plan for adequate segregation of duties or compensating controls.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

Before 2010, the small size of the Clinton County Port Authority (Port Authority) did not allow for an adequate segregation of duties. However, in 2010, DHL donated significant capital assets (airport including land, buildings, improvements and equipment) to the Port Authority. The Port Authority's treasurer continued to process all the financial record keeping, including: receipting, preparing and signing checks, and preparing quarterly financial reports. Bookkeeping errors occurred without the detection of management. Therefore, it is important that the Board monitor financial activity.

We noted the following conditions related to the Port Authority financial transactions, accounting and reporting:

- No cash journal, receipt ledger or appropriation ledger was maintained by the Port Authority;
- No bank reconciliations were presented for audit which reconciled the bank's activity to the Port Authority's check register;
- Monthly financial reports such as budget and actual and bank reconciliations were not always presented to the Board for their review;
- Board members did not always sign or initial the vouchers as evidence that they had reviewed the bills.
- Invoices were not always attached to the voucher packet to support the validity of the expenditure. We were able to perform alternative audit procedures to determine that expenditures were for a proper public purpose;
- No subsidiary ledger was maintained for billings or rentals;
- Checks greater than \$2,000 did not always contain dual signatures as required by the Port Authority's ByLaws; and
- No annual financial report was prepared which summarized the Port Authority's activity.

Specific examples of the lack of proper record keeping include:

- During 2010, the Port Authority contracted for an assistant at a rate of "approximately" \$2,000 per month. Checks issued did not contain any detail to support the amount of hours charged or services provided;

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

- The Port Authority did not document their approval for a contract with the new Executive Director and Assistant Director which outline their duties, benefits and rate of pay;
- A check \$76,859 was written, but not reported on the quarterly report;
- A deposit for \$250,500 was only recorded as \$250,000;
- The Port Authority began collecting rent in 2010 from ABX. The bank account previously used by the Port Authority was at a bank where the President of the Port Authority's Board is the Bank President. The Port Authority moved \$1,000,000 to two other banks so as not to have possible conflict of interest. However, an expenditure of \$1,000,000 was posted along with two corresponding receipts of \$500,000 posted to the quarterly reports to record the opening of two additional bank accounts. This overstated the receipts and disbursements of the Port Authority.
- loan for \$1,342,000 was not reported on the Port Authority's ledgers or quarterly reports.

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over the Port Authority's funds, 2) reduces the Port Authority's ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the financial statements will be misstated.

The following items are recommended for proper record keeping:

- The Fiscal Officer should accurately maintain the Port Authority's accounting records in accordance with the Ohio Administrative Code Sections 117-2-01 and 117-2-02. A cash journal, appropriation and receipt ledgers should be maintained to aid in reconciling the cash ledger and bank records;
- Billing records should include master file information including service addresses, billing address, and billing name. Past due balances should be carried forward and added to current month total to show the total amount due at each billing;
- The fiscal officer should establish a chart of accounts to help ensure that items are being posted to the proper funds and account codes;
- The fiscal officer should provide the Board with detailed budget and actual financial statements, cash balances, bills, checks paid, outstanding encumbrances, receipts and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer;
- Checks greater than \$2,000 should contain dual signatures as prescribed by their ByLaws; and
- An annual financial report should be prepared at year end.

To help strengthen the internal control structure and reduce the likelihood of undetected errors, we recommend the officials and management implement the following controls:

- A detailed list of items should be maintained and attached to the voucher packet. A voucher packet should include: invoices; documentation of receipt of goods or services by the individual responsible; approval for payment; the check number of the check issued. The treasurer should stamp the invoice "Paid." The Voucher packets should be signed by the Board;
- For contracted employees, the approved rate of pay should be documented in the minutes, which should be approved by the Board for payment. IRS form 1099 should be issued to those individuals when applicable.

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

- The Treasurer should provide the Board of Trustees with detailed budget and actual financial statements, cash balances, checks paid, outstanding encumbrances, receipts and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer;
- Officials should periodically review the accounting records and financial statements to determine accuracy and to assure themselves that proper procedures are followed by the Treasurer.

**Port Authority Officials' Response:**

A survey of 11 other Ohio Port Authorities showed that the Clinton County Port Authority structure and the function of the Secretary/Fiscal Officer mirrors several other Ports. However, we can and will strengthen our fiscal safeguards according to the recommendations in this Audit. Many of the record-keeping recommendations were actually implemented earlier in 2011.

**FINDING NUMBER 2010-003**

**Port Authority - Noncompliance Citation**

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

During 2010, the Clinton County Port Authority did not complete a certificate of estimated resources. Failure of the Port Authority to monitor budgetary activity could result in overspending and negative fund balances. We recommend the Port Authority use due care in monitoring their budgetary documents since these documents are an integral part of the budgetary control process. The Port Authority should integrate the budgetary documents into their budgetary system. We recommend that the Port Authority Board monitor budgetary activity on a regular basis and obtain amended certificates as needed.

**Port Authority Officials' Response:**

The Port currently does NOT levy taxes. However, as required, it will begin preparing a Certificate of Estimated Resources and Appropriations annually. If taxes are ever levied, the certificate will be filed annually with the County Auditor.

**FINDING NUMBER 2010-004**

**Clinton County and Port Authority - Noncompliance Citation/Significant Deficiency**

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

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

Four percent (4%) of the purchases tested at the County level 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. In addition, 100% of the Clinton County Port Authority's purchases were initiated without obtaining the prior certification of the fiscal officer and were not subsequently approved by the Board within the aforementioned 30 day time period. Failure to properly encumber could result in overspending funds and negative cash fund balances. Unless the County and the Port Authority use the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the County and the Port Authority's funds exceeding budgetary spending limitations, we recommend that the officials certify that funds are or will be available prior to obligation. When prior certification is not possible, "then and now" certification should be used.



**FINDING NUMBER 2010-004  
(Continued)**

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

**Port Authority Officials' Response:**

The Port will immediately implement the use of certificates as required for purchases. Certificates have been used as required for all contracts.

**FINDING NUMBER 2010-005**

**Port Authority - Noncompliance Citation**

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

The Port Authority did not provide for audit an annual appropriation measure for 2010.

**Ohio Rev. Code, Section 5705.41(B)**, prohibits a subdivision from making an expenditure unless it has been properly appropriated. The Port Authority did not appropriate any funds; therefore, expenditures exceeded appropriations by \$3,239,712 in their General Fund during 2010.

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

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

**Port Authority Officials' Response:**

The Port will comply with the appropriate ORC sections regarding appropriations.

**3. FINDINGS FOR FEDERAL AWARDS**

**FINDING NUMBER 2010-006**

<b>CFDA Title and Number</b>	17.258/17.259/17.260 Workforce Investment Act Cluster
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	United States Department of Labor
<b>Pass-Through Agency</b>	Ohio Department of Jobs and Family Services Via Ohio Area 7 Workforce Investment Board Ohio Department of Jobs and Family Services Via Ohio Area 7 Workforce Investment Board

**Noncompliance Citation/Material Weakness**

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit organizations, Section .400(d)(3) states a pass-through entity shall monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts or grant agreements and that performance goals are achieved. A pass-through entity is held accountable for federal awards administered by their subrecipients; therefore, a pass-through entity is required to monitor the subrecipient's use of federal awards. A pass-through entity needs to establish an appropriate subrecipient monitoring process to decide what, if any, additional monitoring procedures may be necessary to ensure the subrecipient's compliance.

During 2010, the Clinton County Department of Jobs and Family Services paid \$2,914,587 to its subrecipients for the Workforce Investment Act federal program. The Clinton County Department of Jobs and Family Services did not provide evidence documenting it adequately monitored its use of federal funds for the Workforce Investment Act Grant's (WIA) funding streams to subrecipients. As a result of the lack of proper monitoring, the County could not ensure its subrecipients were using WIA funds for authorized purposes in compliance with the provisions of the grant.

We recommend that the Clinton County Jobs and Family Services adhere to recently prescribed monitoring policies and establish internal control procedures over compliance and subrecipient monitoring procedures such as: reviewing and monitoring the reports received from the subrecipient; reviewing the A-133 audit over the subrecipient; maintaining documentation to show that the subrecipient is meeting compliance requirements and the County is performing monitoring procedures. We noted that in November 2010, the new director of Jobs and Family Services implemented procedures to monitor subrecipients.

**Officials' Response:**

We did not receive a response from officials to the finding reported above.

**FINDING NUMBER 2010-007**

**NonCompliance Citation/Significant Deficiency**

OMB Circular A-133§.300(a) requires recipients of Federal Awards to prepare a *Schedule of Expenditures of Federal Awards* and provide it to the auditor. The schedule should show the name of the program, the Catalog of Federal Domestic Assistance number, the Federal Agency, and the amount of federal expenditures by program. For Federal Awards received as a sub-recipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity shall be included.

The County does not have a system in place to identify and monitor the federal award expenditures. The County relies on the various departments that manage each award to provide expenditure data and grant agreements to the accounting firm which compiles the information for the schedule. The County's Schedule of Federal Awards Expenditures presented for audit did not list all federal expenditures expended by the County. The schedule did not include the proper amount of grants or loans expended for various programs or ARRA funding totaling \$732,794. An incomplete and inaccurate schedule could result in the loss of federal funds or jeopardize future federal funding.

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

**Officials' Response:**

We did not receive a response from officials to the finding reported above.

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CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2009-001	The County did not prepare an accurate Schedule of Federal Financial Expenditures.	No	Reissued as Finding 2010-007
2009-002	The County did not properly monitor the Workforce Investment Act Program.	No	Reissued as Finding 2010-006

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# Dave Yost • Auditor of State

## CLINTON COUNTY FINANCIAL CONDITION

### CLINTON COUNTY

#### CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 13, 2011