



Dave Yost • Auditor of State

FAYETTE COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fayette County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Adverse
Aggregate Discretely Presented Component Unit	Adverse
Governmental Fund – General Fund	Unmodified
Governmental Fund – Board of Developmental Disabilities	Unmodified
Governmental Fund – Job and Family Services	Unmodified
Governmental Fund – Motor Vehicle Gas and Tax	Unmodified
Enterprise Fund – Water	Unmodified
Enterprise Fund – Sewer	Unmodified
Enterprise Fund – Fayette County Memorial Hospital	Adverse
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinions on the Business Type Activities, Enterprise Fund – Fayette County Memorial Hospital, and the Aggregate Discretely Presented Component Unit

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

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

Adverse Opinions

In our opinion, because of the significance of omission of the Fayette County Memorial Hospital Fund, as described above, the financial statements referred to above do not present fairly, in conformity with the basis of accounting Note 2 describes, the cash financial position of the Fayette County Memorial Hospital Fund of Fayette County, Ohio, as of December 31, 2012, or its changes in financial position thereof for the year then ended.

Further, in our opinion, because of the omission of the financial information for the Fayette County Memorial Hospital Fund, as part of the business-type activities, as discussed above, the financial statements referred to above do not present fairly, in all material respects, the cash financial position of the business-type activities of Fayette County, Ohio, as of December 31, 2012, and the changes in financial position thereof for the year then ended conformity with the basis of accounting Note 2 describes.

In our opinion, because of the omission of the discretely-presented component unit (the Workshop) as discussed above, the financial statements referred to above do not present fairly in conformity with the basis of accounting Note 2 describes, the cash financial position of the discretely-presented component unit of Fayette County, Ohio as of December 31, 2012, and the changes in its cash financial position for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund except the Fayette County Memorial Hospital, and the aggregate remaining fund information of Fayette County, Ohio, as of December 31, 2012, and the respective changes in cash financial position, thereof and the respective budgetary comparisons for the General, Board of Developmental Disabilities, Job and Family Services and Motor Vehicle Gas Tax funds thereof for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the County adopted the provisions of Governmental Accounting Standard No. 62, *Codification of Pre November 30, 1989 FASB and AICPA Pronouncements*, and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the County's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position and governmental activities. The Federal Awards Expenditure Schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional analysis and are not a required part of the basic financial statements.

These tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the Basis for Adverse Opinions on the Business type Activities and Major Enterprise Fayette County Memorial Hospital Fund, it is inappropriate to and we do not opine on the Management Discussion and Analysis tables. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 23, 2013

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FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (Unaudited)

As Management of Fayette County (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2012. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review notes to the financial statements to enhance their understanding of the County's performance.

- . In total, net cash assets increased \$875,470.
- . Net cash assets of governmental activities increased \$518,251 which represents a 3.42% increase from 2011. Net cash assets of business-type activities increased \$357,219 which represents a 12.19% increase from 2011.
- . At the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$15,674,792. Of this \$4,809,720 is available for spending at the government's discretion. Business-type Funds reported a combined ending fund balance of \$3,287,052.
- . There were \$1,540,000 in additions to the County's total long-term debt during the current fiscal year. This was due to refunding debt of the County Building Improvement loan in the amount of \$1,240,000; \$300,000 was added to the Job Ready Site loan. Reductions in long-term debt during 2012 amounted to \$2,009,724.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (Unaudited)

within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net position and the statement of activities reflect how the County did financially during 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the County's general receipts.

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

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

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

The government-wide financial statements can be found on pages 18-20 of the report.

Reporting the County's Most Significant Funds

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

Governmental Funds - Most of the County's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the County's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the County's programs. The County's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The County's major

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (Unaudited)

governmental funds include the General Fund, Job and Family Services Fund, Motor Vehicle and Gas Tax Fund, the Developmental Disabilities Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements. The County's major Enterprise Funds are the Water Fund and the Sewer Fund, the other funds are presented as Non-Major Enterprise funds.

The cash basis proprietary fund financial statements can be found on pages 27-28 of this report.

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

The cash basis fiduciary fund financial statements can be found on pages 29 of this report.

Budgetary Comparison Statements. The County's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the General fund and all annually budgeted major Special Revenue funds are presented to demonstrate the County's compliance with annually adopted budgets. The budgetary comparison statements can be found on pages 23-26 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-50 of this report.

Government-Wide Financial Analysis

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

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)

The Government as a Whole

	Governmental Activities 2012	Governmental Activities 2011
Cash	\$15,674,792	\$15,156,541
Total Assets	15,674,792	15,156,541
Restricted for:		
Special Revenue	9,401,705	9,556,629
Capital Projects	497,886	334,215
Debt Service	965,481	1,181,154
Unrestricted	4,809,720	4,084,543
Total Net Position	<u>\$15,674,792</u>	<u>\$15,156,541</u>

	Business-type Activities 2012	Business-type Activities 2011
Cash	\$3,287,052	\$2,929,833
Total Assets	3,287,052	2,929,833
Unrestricted	3,287,052	2,929,833
Total Net Position	<u>\$3,287,052</u>	<u>\$2,929,833</u>

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

For governmental activities, total assets increased \$518,251(3.42%). There was a minimal change from 2011 to 2012 in total assets. . For business-type activities, total assets increased \$357,219 or 12.19%. The increase was due to activity in the Good Hope Sewer Fund.

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)

FAYETTE COUNTY'S CHANGES IN GOVERNMENTAL ACTIVITY NET POSITION-

	Governmental Activities 2012	Governmental Activities 2011
Receipts:		
Program Receipts:		
Charges for Services	\$4,898,918	\$4,746,973
Operating grants and contributions	5,393,923	6,447,609
Capital grants and contributions	592,940	2,776,489
General receipts:		
Property Taxes	3,645,933	3,281,718
Sales and other taxes	7,512,345	7,120,985
MVGT Fuel Tax	3,425,477	3,422,282
State and Local Government	330,464	431,307
Unrestricted investment earnings	127,727	132,402
Grants and contributions not Restricted to specific programs	318,045	297,822
Other	1,560,942	1,639,354
Total receipts	27,806,714	30,296,941
Disbursements:		
General government	4,215,511	3,858,736
Judicial	2,136,494	2,167,114
Public Safety	2,665,911	2,809,102
Public Works	5,286,116	5,121,831
Health	4,445,501	3,224,916
Human Services	5,352,803	5,282,300
Conservation and Recreation	706,248	597,325
Economic Development & Assist.	2,737	61,147
Urban Redevelopment & Housing	853,214	988,561
Other Expenditures	567,529	77,000
Capital Outlay	646,674	2,577,704
Debt Service	2,138,565	825,266
Total Disbursements	29,017,303	27,591,002
Increase/Decrease in net position	(1,210,589)	2,705,939
Transfers	15,221	15,170
Refunding Escrow Agent		
Advances	173,619	(173,619)
Proceeds of Loans	300,000	0
Proceeds of Refunding Bonds	1,240,000	
Change in net position	518,251	2,547,490
Net position End of Prior Year	15,156,541	12,609,051
Net position End of Current Year	\$15,674,792	\$15,156,541

The County's governmental receipts are mainly from property and sales tax and operating grants and contributions. These receipts comprise 61% of the County's receipts for governmental activities. These revenue sources remained fairly consistent with modest increases from 2011 in property tax and Sales Tax however, there was a sizable decrease in Operating Grants and Contributions. Decrease in Operating Grants and Contributions is due to the decrease in funding in various grants. There was a

FAYETTE COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

significant decrease in Capital Grants and Contributions due to decreased activity in the Job Ready Site and Airport Rehab projects. Charges for services comprise 18% of total governmental revenue.

The majority of the County's disbursements for governmental activities increased from 2011 by 5%. Human Services comprise 18% of disbursements. Health increased by 39% and represents 15% of total government activities disbursements. Health expenditures increased due to the County giving 9% of monthly sales tax to the Hospital. Capital Outlay decreased due to less activity in the Job Ready Site and Airport Rehab projects. Debt Service expenditures increased due to bond refunding.

FAYETTE COUNTY'S CHANGES IN BUSINESS TYPE NET POSITION-

	<u>Business-Type Activities 2012</u>	<u>Business-Type Activities 2011</u>
Receipts:		
Program Receipts:		
Charges for Services	\$2,063,753	\$2,556,694
Capital Grants and Contrib.	2,147,698	53,732
Total receipts	\$4,211,451	\$2,610,426
Disbursements:		
Sewer	2,324,677	454,159
Sanitary Revenue Waste	860,396	1,284,131
Water	481,082	373,320
Total Disbursements	3,666,155	2,111,610
Increase/Decrease in net assets	545,296	498,816
Transfers	(15,221)	(15,170)
Advances	(173,619)	173,619
Other	763	0
Change in net position	357,219	657,265
Net position End of Prior Year	2,929,833	2,272,568
Net position End of Current Year	<u>\$3,287,052</u>	<u>\$2,929,833</u>

Business-type activities derive their receipts from charges for services. These revenue sources did not decrease significantly from 2011. Disbursements for business-type activities derive from three activities: sanitary sewer, sanitary waste, and water. Disbursements from sanitary sewer accounts for 63% of total enterprise fund disbursements. This fund increased disbursements by 412%. This huge increase in the Sewer Fund was due to the inclusion of the Good Hope Sewer Project which was started in 2011. The majority of the work was completed in 2012 and accounted for 83% of the disbursements in the Sewer Fund.

Financial Analysis of the Government's Funds

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

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

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (Unaudited)

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund cash balances of \$15,674,792 an increase of \$518,251 in comparison with the prior year. Approximately \$4,799,258 constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

Ending fund cash balances increased slightly due to increases in expenditures and in revenue.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$4,799,258 with receipts of \$12,395,945 and disbursements of \$10,677,564.

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

At the end of the current fiscal year, the County's proprietary funds reported combined ending fund cash balances of \$3,287,052, an increase of \$357,219 in comparison with the prior year. Approximately \$3,287,052 constitutes unreserved fund balance, which is available for spending at the government's discretion.

Ending fund cash balances increased modestly.

Governmental Activities

If you look at the Statement of Activities on pages 19 and 20, you will see that the first column lists the major services provided by the County. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and human services which account for 18.22 percent and 18.45 percent of all governmental disbursements, respectively. General government and public health also represent a significant cost, about 14.53 percent and 15.32 percent respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in the table below.

FAYETTE COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

	Governmental Activities			
	Total Cost Of Services	Total Cost Of Services	Net Cost of Services	Net Cost of Services
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Government	\$4,215,511	\$3,858,736	\$2,974,995	\$2,636,414
Judicial	2,136,494	2,167,114	1,498,146	1,441,922
Public Safety	2,665,911	2,809,102	1,975,292	2,035,497
Public Works	5,286,116	5,121,831	2,780,470	2,357,125
Health	4,445,501	3,224,916	2,396,739	1,284,054
Human Services	5,352,803	5,282,300	2,707,114	2,169,639
Conservation and Recreation	706,248	597,325	524,919	441,298
Economic Development and Assist	2,737	61,147	1,328	23,571
Urban Redevelopment and Housing	853,214	988,561	522,419	539,107
Other	567,529	77,000	567,529	77,000
Capital Outlay	646,674	2,577,704	71,304	(210,962)
Principal Retirement	1,921,292	604,571	1,893,994	604,571
Interest and Fiscal Charges	217,273	220,695	217,273	220,695
Total Expenses	<u>\$29,017,303</u>	<u>\$27,591,002</u>	<u>\$18,131,522</u>	<u>\$13,619,931</u>

The dependence upon property and sales tax receipts is apparent as over 40 percent of governmental activities are supported through these general receipts.

Business-type Activities

The sewer and waste district operation of the County is usually small and routinely reports receipts and cash disbursements that are relatively equal. The sewer Fund as reported in 2012 includes the Good Hope Sewer Construction Project and reflects that in the higher than normal receipts and disbursements. The water revenue fund is experiencing higher receipts due to the water contract with the new ethanol plant.

The Government's Funds

Total governmental funds had receipts of \$28,349,648 and disbursements of \$29,560,237.

General Fund receipts were more than disbursements by \$1,718,381 indicating that the General Fund is in a positive spending situation. The General Fund also saw a slight increase of \$371,091.

General Fund Budgetary Highlights

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

The difference between the original budget and final amended budget was an increase of \$317,208. The program differences are as follows:

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (Unaudited)

- . Legislative and Executive increased by \$82,499
- . Judicial increased by \$18,320
- . Public Safety increased by \$51,341
- . Conservation and Recreation increased by \$100,615
- . Public Works decreased by \$9,386
- . Public Health increased by \$48,518
- . Human Services had no changes
- . Economic Development and Assistance had no changes
- . Capital Projects increased by \$25,301

All programs spent less than budget.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2012 the County's outstanding debt included \$3,017,800 in general obligation bonds issued for improvements to buildings, structures and roads; \$6,538,920 in enterprise general obligation bonds for improvements in water and sewer facilities and landfill; \$108,000 in special assessment bonds for improvements in water systems and storm sewers. For further information regarding the Government's debt, refer to Notes 7 and 8 to the basic financial statements.

Economic Factors and Next Year's Budget and Rates

The Unemployment rate for the County at December 31, 2012 was 6.4%, compared to 8.7% a year earlier. This drop of 2.3% is attributed to the general improvement in the economy and some local companies rehiring.

The vacancy rate of the County's central business district is not tracked, however, much of the district is utilized by service entities such as government offices, banks, insurance offices, restaurants, etc. The County also has two malls which have the potential to generate sales tax income for the county. The mall on State Route 41 continues to struggle but was sold in May 2010. It has experienced some growth, mostly of smaller businesses, due to the change. However, in July 2013 a 30,000 Sq. Ft. Woodbury Store for outdoorsmen is set to open. This should bring more retail jobs and tax revenue.

The Tanger mall on Old Route 35 is showing a 95% occupancy and continues to be strong. The change in sales tax revenue has had a positive impact on county receipts. The County Sales tax revenue increased by 6.48% in 2012, and has greatly improved cash flow for County Government Services. Continued growth in the New Route 35 area is expected including a new hotel which is under construction and should employ approximately 30.

Court House Manor opened a new nursing home/rehabilitation center in 2012 and moved the residents from St. Catherine's to their previous facility. The previous location of St. Catherine's has been sold and is being renovated for use as a facility for troubled youth and will include horse therapy. The name of this new facility is Eastway Ranch of Opportunity and will employ about 50 at the beginning with the potential to employ 200. Jobs will range from food service through Mental Health Professionals and should open in late summer or early fall of 2013.

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (Unaudited)

Another new nursing home facility began construction in the area of US Rt 35 and St Rt 62 and should be completed in 2013.

Sugar Creek Packing has purchased some manufacturing facilities in the area and is planning to rename one Wingate Packaging. They will manufacture the packaging products for Sugar Creek. Also TFO in Jeffersonville is planning to expand their line of operations.

Changes in the economy of Fayette County were mostly minor. There was one closure during 2012, Heartland Steel. YUSA Corporation has recovered from the effects of the tsunami in Japan, but the company also has undergone some modernization which eliminated some jobs. They currently employ approximately 600 and an additional 100 temps.

The steel roofing company halted construction of their new manufacturing plant but plan to resume construction and will be hiring approximately 18 workers. In addition the Job Ready Site in northern Fayette County was ready for promotion in 2012 and has the potential to be a major work site with the right employer. For 2013 the county has contracted with a consulting firm to promote the site.

Each of these factors was considered in preparing the County's budget for the 2013 year.

Request for information

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

Fayette County, Ohio
Statement of Net Position - Cash Basis
December 31, 2012

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
ASSETS			
Equity in Pooled Cash and Cash	\$15,563,636	\$3,287,052	\$18,850,688
Cash with Fiscal Agent	111,156		111,156
<i>Total Assets</i>	<u>\$15,674,792</u>	<u>\$3,287,052</u>	<u>\$18,961,844</u>
Net Position			
Restricted for:			
Special Revenue	\$9,401,705		\$9,401,705
Capital Projects	497,886		497,886
Debt Service	965,481		965,481
Unrestricted	4,809,720	3,287,052	8,096,772
<i>Total Net Position</i>	<u>\$15,674,792</u>	<u>\$3,287,052</u>	<u>\$18,961,844</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2012

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
General Government				
Legislative and Executive	\$ 4,215,511	\$ 920,247	\$ 318,899	\$ 1,370
Judicial	2,136,494	463,890	173,706	752
Public Safety	2,665,911	606,398	83,915	306
Public Works	5,286,116	906,754	1,591,499	7,393
Health	4,445,501	777,761	1,265,133	5,868
Human Services	5,352,803	889,979	1,747,576	8,134
Conservation and Recreation	706,248	161,069	20,189	71
Economic Development and Assistance	2,737	441	964	4
Urban Redevelopment and Housing	853,214	165,515	164,527	753
Other Expenses	567,529		-	
Capital Outlay	646,674	6,864	217	568,289
Debt Service				
Principal Retirement	1,921,292		27,298	
Interest and Fiscal Charges	171,786			
Issuance Costs	45,487			
<i>Total Governmental Activities</i>	<u>\$ 29,017,303</u>	<u>\$ 4,898,918</u>	<u>\$ 5,393,923</u>	<u>\$ 592,940</u>
Business Type Activities				
Sewer	\$ 2,324,677	\$ 361,758		\$ 2,104,253
Water	481,082	779,515		43,445
Sanitary Revenue Waste	860,396	922,480		
<i>Total Business-Type Activities</i>	<u>\$ 3,666,155</u>	<u>\$ 2,063,753</u>	<u>\$ -</u>	<u>\$ 2,147,698</u>
<i>Total Primary Government</i>	<u>\$ 32,683,458</u>	<u>\$ 6,962,671</u>	<u>\$ 5,393,923</u>	<u>\$ 2,740,638</u>

General Receipts
Property Taxes Levied for:
 General Purposes
 Debt Service
Sales Tax
MVGT Fuel Tax
Grants and Entitlements not Restricted to Specific Program
Earnings on Investments
State and Local Government
Proceeds of Loans
Proceeds of Refunding Bonds
Miscellaneous
Transfers
Advances

*Total General Receipts,
Transfers and Advances*

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

Primary Government

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$	(2,974,995)		\$ (2,974,995)
	(1,498,146)		(1,498,146)
	(1,975,292)		(1,975,292)
	(2,780,470)		(2,780,470)
	(2,396,739)		(2,396,739)
	(2,707,114)		(2,707,114)
	(524,919)		(524,919)
	(1,328)		(1,328)
	(522,419)		(522,419)
	(567,529)		(567,529)
	(71,304)		(71,304)
	(1,893,994)		(1,893,994)
	(171,786)		(171,786)
	(45,487)		(45,487)
\$	(18,131,522)	-	\$ (18,131,522)
\$	-	\$ 141,334	\$ 141,334
		341,878	341,878
		62,084	62,084
\$	-	\$ 545,296	\$ 545,296
\$	(18,131,522)	\$ 545,296	\$ (17,586,226)
	3,317,471		3,317,471
	328,462		328,462
	7,512,345		7,512,345
	3,425,477		3,425,477
is	318,045		318,045
	127,727		127,727
	330,464		330,464
	300,000		300,000
	1,240,000		1,240,000
	1,560,942	763	1,561,705
	15,221	(15,221)	-
	173,619	(173,619)	-
	18,649,773	(188,077)	18,461,696
	518,251	357,219	875,470
	15,156,541	2,929,833	18,086,374
\$	15,674,792	\$ 3,287,052	\$ 18,961,844

Fayette County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2012

	General	CB/DD Fund	Job & Family Svs Fund	MVGT Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$4,799,258	\$2,735,629	\$218,110	\$2,209,164	\$5,601,475	\$15,563,636
Cash and Cash Equivalents with Fiscal/Escrow Agents	10,462	100,694				111,156
<i>Total Assets</i>	<u>\$4,809,720</u>	<u>\$2,836,323</u>	<u>\$218,110</u>	<u>\$2,209,164</u>	<u>\$5,601,475</u>	<u>\$15,674,792</u>
Fund Balances						
Nonspendable	\$10,462					\$10,462
Restricted		2,836,323	218,110	2,209,164	5,597,537	10,861,134
Committed					1,491	1,491
Assigned					2,447	2,447
Unassigned (Deficit)	4,799,258					4,799,258
<i>Total Fund Balances</i>	<u>\$4,809,720</u>	<u>\$2,836,323</u>	<u>\$218,110</u>	<u>\$2,209,164</u>	<u>\$5,601,475</u>	<u>\$15,674,792</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
*Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds
As of and For the Year Ended December 31, 2012*

	General	CB/DD Fund	Job and Family Services Fund	MVGT Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$1,558,191	\$1,758,402			\$112,392	\$3,428,985
Sales Tax	\$7,179,091			\$333,254		7,512,345
Charges for Services	2,320,849	72,180	81,291	12,924	1,182,475	3,669,719
Licenses and Permits	2,147					2,147
Fines and Forfeitures	159,119			44,946	219,362	423,427
Intergovernmental	727,424	1,572,132	1,283,716	3,425,477	3,487,435	10,496,184
Special Assessments	878				299,017	299,895
Earnings of Investments	127,727	6,695		17,686	271	152,379
Premium and Interest					24,302	24,302
Donations					109,764	109,764
Other	320,519	5,115	965,418	803,625	135,824	2,230,501
<i>Total Receipts</i>	<u>12,395,945</u>	<u>3,414,524</u>	<u>2,330,425</u>	<u>4,637,912</u>	<u>5,570,842</u>	<u>28,349,648</u>
Disbursements						
Current:						
General Government:						
Legislative and Executive	3,380,833				834,678	4,215,511
Judicial	1,678,418				458,076	2,136,494
Public Safety	2,479,646				186,265	2,665,911
Public Works	782,870			4,344,729	158,517	5,286,116
Health	870,947	3,465,203			109,351	4,445,501
Human Services	398,243		2,467,001		2,487,559	5,352,803
Conservation and Recreation	662,827				43,421	706,248
Economic Development and Assistance					2,737	2,737
Urban Redevelopment and Housing	394,250				458,964	853,214
Capital Outlay	29,530				1,160,078	1,189,608
Other					567,529	567,529
Debt Service:						
Principal Retirement					1,921,292	1,921,292
Interest and Fiscal Charges					171,786	171,786
Issuance Costs					45,487	45,487
<i>Total Disbursements</i>	<u>10,677,564</u>	<u>3,465,203</u>	<u>2,467,001</u>	<u>4,344,729</u>	<u>8,605,740</u>	<u>29,560,237</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,718,381</u>	<u>(50,679)</u>	<u>(136,576)</u>	<u>293,183</u>	<u>(3,034,898)</u>	<u>(1,210,589)</u>
Other Financing Sources (Uses)						
Proceeds of Refunding Loans					1,240,000	1,240,000
Notes Issued					300,000	300,000
Transfers In	220,000			59,000	1,529,829	1,808,829
Transfers Out	(1,735,549)				(58,058)	(1,793,607)
Advances In	254,558				34,398	288,956
Advances Out	(86,299)				(29,039)	(115,338)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,347,290)</u>	<u>0</u>	<u>0</u>	<u>59,000</u>	<u>3,017,130</u>	<u>1,728,840</u>
<i>Net Change in Fund Balances</i>	371,091	(50,679)	(136,576)	352,183	(17,768)	518,251
<i>Fund Balances Beginning of Year</i>	<u>4,438,629</u>	<u>2,887,002</u>	<u>354,686</u>	<u>1,856,981</u>	<u>5,619,243</u>	<u>15,156,541</u>
<i>Fund Balances End of Year</i>	<u>\$4,809,720</u>	<u>\$2,836,323</u>	<u>\$218,110</u>	<u>\$2,209,164</u>	<u>\$5,601,475</u>	<u>\$15,674,792</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (under)
	Original	Final		Positive (Negative)
Receipts				
Property Taxes	\$1,313,775	\$1,558,191	\$1,558,191	\$0
Sales Tax	6,500,000	7,179,091	7,179,091	0
Charges for Services	1,647,750	2,104,087	2,117,166	13,079
Licenses and Permits	2,650	2,147	2,147	0
Fines and Forfeitures	169,000	159,119	159,119	0
Intergovernmental	513,675	727,424	727,424	0
Special Assessments	900	878	878	0
Earnings of Investments	150,000	127,718	127,727	9
Other	226,000	302,780	320,519	17,739
<i>Total Receipts</i>	10,523,750	12,161,435	12,192,262	30,827
Disbursements				
Current:				
General Government				
Legislative and Executive	3,302,128	3,384,627	3,380,833	3,794
Judicial	1,986,847	2,005,167	1,678,418	326,749
Public Safety	2,657,514	2,708,855	2,479,646	229,209
Public Works	903,038	893,652	782,870	110,782
Health	826,214	874,732	870,947	3,785
Human Services	405,880	405,880	398,243	7,637
Conservation and Recreation	575,809	676,424	662,827	13,597
Economic Development and Assistance	428,703	428,703	394,250	34,453
Capital Outlay	75,300	100,601	29,531	71,070
<i>Total Disbursements</i>	11,161,433	11,478,641	10,677,565	801,076
<i>Excess of Receipts Over (Under) Disbursements</i>	(637,683)	682,794	1,514,697	831,903
Other Financing Sources (Uses)				
Transfers In	220,000	220,000	220,000	0
Transfers Out	(957,373)	(1,272,046)	(1,515,549)	(243,503)
Advances In	199,100	254,558	254,558	0
Advances Out			(86,299)	(86,299)
<i>Total Other Financing Sources (Uses)</i>	(538,273)	(797,488)	(1,127,290)	(329,802)
<i>Net Change in Fund Balance</i>	(1,175,956)	(114,694)	387,407	502,101
<i>Unencumbered Fund Balance Beginning of Year</i>	3,845,452	3,845,452	3,845,452	0
Reserve for Prior Year Encumbrances			228,454	228,454
Unexpended Prior Year encumbrances		40,907		(40,907)
<i>Unencumbered Fund Balance End of Year</i>	\$2,669,496	\$3,771,665	\$4,461,313	\$689,648

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
Fayette County Board of Developmental Disabilities
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (under) Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$1,604,931	\$1,758,402	\$1,758,402	\$0
Charges for Services	77,650	72,180	72,180	0
Intergovernmental	1,554,852	1,572,132	1,572,132	0
Other	0	5,115	5,115	0
<i>Total Receipts</i>	<u>3,237,433</u>	<u>3,407,829</u>	<u>3,407,829</u>	<u>0</u>
Disbursements				
Current:				
Health	3,462,325	3,462,325	3,121,299	341,026
<i>Total Disbursements</i>	<u>3,462,325</u>	<u>3,462,325</u>	<u>3,121,299</u>	<u>341,026</u>
<i>Net Change in Fund Balance</i>	(224,892)	(54,496)	286,530	341,026
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>2,449,099</u>	<u>2,449,099</u>	<u>2,449,099</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$2,224,207</u></u>	<u><u>\$2,394,603</u></u>	<u><u>\$2,735,629</u></u>	<u><u>\$341,026</u></u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
Fayette County Department of Job and Family Services
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (under) Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Charges for Services	\$87,933	\$81,291	\$81,291	\$0
Intergovernmental	1,488,259	1,283,716	1,283,716	0
Other Income	770,304	964,455	965,418	963
<i>Total Receipts</i>	<u>2,346,496</u>	<u>2,329,462</u>	<u>2,330,425</u>	<u>963</u>
Disbursements				
Current:				
Human Services	<u>2,346,495</u>	<u>2,596,495</u>	<u>2,467,001</u>	<u>129,494</u>
<i>Total Disbursements</i>	<u>2,346,495</u>	<u>2,596,495</u>	<u>2,467,001</u>	<u>129,494</u>
<i>Net Change in Fund Balance</i>	1	(267,033)	(136,576)	130,457
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>354,686</u>	<u>354,686</u>	<u>354,686</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$354,687</u>	<u>\$87,653</u>	<u>\$218,110</u>	<u>\$130,457</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
MVGT
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (under) Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Sales Tax	\$325,000	\$333,254	\$333,254	\$0
Charges for Services	371,000	807,311	12,924	(794,387)
Fines and Forfeitures	35,000	44,946	44,946	0
Intergovernmental	3,395,000	3,425,477	3,425,477	0
Earnings of Investments	15,000	17,686	17,686	0
Other	0	0	803,625	803,625
<i>Total Receipts</i>	<u>4,141,000</u>	<u>4,628,674</u>	<u>4,637,912</u>	<u>9,238</u>
Disbursements				
Current:				
Public Works	4,349,276	4,824,276	4,344,729	479,547
<i>Total Disbursements</i>	<u>4,349,276</u>	<u>4,824,276</u>	<u>4,344,729</u>	<u>479,547</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(208,276)</u>	<u>(195,602)</u>	<u>293,183</u>	<u>488,785</u>
Other Financing Sources (Uses)				
Transfers In	59,000	59,000	59,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>59,000</u>	<u>59,000</u>	<u>59,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(149,276)	(136,602)	352,183	488,785
<i>Fund Cash Balance - beginning of year</i>	1,629,981	1,629,981	1,629,981	0
Reserved for Prior Year Encumbrances	227,000	227,000	227,000	0
Unexpended prior year encumbrances		134,308		(134,308)
<i>Unencumbered Fund Balance End of Year</i>	<u>\$1,707,705</u>	<u>\$1,854,687</u>	<u>\$2,209,164</u>	<u>\$354,477</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2012

	<u>Sewer</u>	<u>Water</u>	<u>Non Major Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$ 204,166	\$ 2,652,166	\$ 430,720	\$ 3,287,052
<i>Total Assets</i>	<u>\$ 204,166</u>	<u>\$ 2,652,166</u>	<u>\$ 430,720</u>	<u>\$ 3,287,052</u>
Net Position				
Unrestricted	\$ 204,166	\$ 2,652,166	\$ 430,720	\$ 3,287,052
<i>Total Net Position</i>	<u>\$ 204,166</u>	<u>\$ 2,652,166</u>	<u>\$ 430,720</u>	<u>\$ 3,287,052</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
*Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, disbursements, and changes in Cash Basis Fund Balances - Enterprise Funds
As of and For the Year Ended December 31, 2012*

	Sewer	Water	Non-Major Enterprise	Total Enterprise Funds
RECEIPTS				
Charges for Services	\$361,758	\$779,515	\$922,480	\$2,063,753
Intergovernmental	538,000	43,445		\$581,445
Other	121	642		\$763
<i>TOTAL RECEIPTS</i>	<u>899,879</u>	<u>823,602</u>	<u>922,480</u>	<u>2,645,961</u>
EXPENSES				
Personal Services	89,939	87,369	251,360	428,668
Contract Services	280,244	121,868	410,072	812,184
Materials and Supplies	28,541	32,545	53,977	115,063
Other Operating Exp	28,095	14,349	144,987	187,431
Capital Outlay	1,737,240			1,737,240
Principal Retirement	105,000			105,000
<i>Total Operating Disbursements</i>	<u>2,269,059</u>	<u>256,131</u>	<u>860,396</u>	<u>3,385,586</u>
<i>Operating Income (Loss)</i>	<u>(1,369,180)</u>	<u>567,471</u>	<u>62,084</u>	<u>(739,625)</u>
NON - OPERATING RECEIPTS AND EXPENSES				
Advances - In	72,901			72,901
Advances - Out	(246,519)			(246,519)
Interest and Fiscal Charges	(55,618)	(224,951)		(280,569)
Transfers - In	160,618			160,618
Transfers - Out	(168,975)	(6,863)		(175,838)
Intergovernmental	1,566,253			1,566,253
<i>Total Non-Operating Receipts and Expenses</i>	<u>1,328,660</u>	<u>(231,814)</u>	<u>0</u>	<u>1,096,846</u>
<i>Change in Net Position</i>	(40,520)	335,657	62,084	357,221
<i>Net Position Beginning of Year</i>	<u>244,688</u>	<u>2,316,509</u>	<u>368,636</u>	<u>2,929,833</u>
<i>Net Position End of Year</i>	<u>\$204,168</u>	<u>\$2,652,166</u>	<u>\$430,720</u>	<u>\$3,287,054</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,252,504
Equity in Cash in Segregated Accounts	<u>1,947,777</u>
<i>Total Assets</i>	<u><u>\$7,200,281</u></u>
 Net Position	
Due to Others	7,200,281
 <i>Total Net Position</i>	<u><u>\$7,200,281</u></u>

See accompanying notes to the basic financial statements

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 1 - REPORTING ENTITY

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

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

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

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

Fayette County Memorial Hospital (the Hospital) operates under Ohio Revised Code Section 339. The Hospital is served by a board of trustees appointed by the Fayette County Commissioners and Fayette County judges. The Hospital is not considered legally separate from the County. The Hospital prepares its financial statements in accordance with a basis of accounting which is different from that used by the County, and consequently, the Hospital's financial activity is not presented on the County's basic financial statements. Separately-issued financial statements can be obtained from Fayette County Memorial Hospital, 1430 Columbus Avenue, Washington Court House, Ohio 43160.

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - REPORTING ENTITY (Continued)

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

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

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

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

Paint Valley ADAMHS – The Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS) of Pike, Fayette, Highland, Pickaway and Ross Counties is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board received revenue from the participating counties and received federal and state funding through grant monies which are applied for and received by the Board of Trustees. Fayette County contributed \$308,531 to Paint Valley ADAMHS in 2012.

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - REPORTING ENTITY (Continued)

Judge or a County Commissioner from each county. The joint Board selects the superintendent as the Center's administrator.

The Center's revenue is from per diem charges for inmates to the respective counties and a percent of the county tax base to the total base. Ross County is the fiscal officer of the Center. Fayette County does not have any financial interest or responsibility. During 2012, Fayette County contributed \$174,734 to the Center.

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

RPHF Joint Solid Waste District – The RPHF Joint Solid Waste District is a jointly governed organization among Pickaway, Ross, Highland and Fayette Counties. Each of these governments supports the District. The County made no contribution during 2012. The degree of control exercised by any participating County is limited to its representation on the Board. The Board of Directors consists of twelve members, the three County Commissioners of each of the four counties. The District does not have any outstanding debt. The District is self-sufficient, operating entirely on collected fees.

Fayette-Clinton-Fairfield-Ross-Pickaway Job Training Partnership Act (JTPA) – JTPA is a jointly governed organization among five counties in Ohio. The consortium conducts an employment and training administration program under the provisions of JTPA of 1982 and the Job Training Reform Amendments of 1992. The three County Commissioners from each of the four counties comprise the Consortium Board of Governors. The consortium has no outstanding debt. No contributions were made by the County in 2012.

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

West Central Ohio Port Authority – The West Central Ohio Port Authority is a jointly governed organization. It was established under Section 4582.21 of the Ohio Revised Code. Under the Revised Code, the Port Authority is a legally separate entity. The Board of the authority is comprised of seven members: two members from Champaign County, three from Clark County, and two from Fayette County. The members are appointed by the County Commissioners of each respective county. Fayette County does not approve its budget, nor is it responsible for the Authority's debt. During 2012, the County did not contribute any money to the Authority.

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 1 - REPORTING ENTITY (Continued)

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

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

The participating counties have no responsibility for the payment of the certificates. The Certificates were retired on May 1, 1997. The County has no equity interest in CORSA. The County's payment for insurance to CORSA in 2012 was \$200,276. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

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

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

Southern Ohio council of governments – The County is a member of the southern Ohio council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a fifteen member board with each participating County represented by its Director of its Board of Development Disabilities (BDD). Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence Meigs, Pickaway, Pike, Ross Scioto and Vinton Counties. The Council acts as a fiscal agent for the Athens County BDD's supportive living program monies. The County had a \$100,694 balance on hand with the Council which included investments at cost. Financial statements can be obtained by writing to the Southern Ohio Council of Governments, VA Medical Center, Building 8, 17273 State Route 104, Chillicothe, Ohio 45601.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2A, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

B. Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Fund Accounting

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

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

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

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

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

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

Proprietary: Certain County funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The County classifies these as enterprise funds. The County's had two major enterprise funds in 2012.

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

Sewer Fund – This fund accounts for monies used to provide sewer services to customers in the County.

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

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The County had chosen to not budget and appropriate for advances. The major documents prepared are the tax budget,

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level for all funds. Encumbrances do not lapse at year end.

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

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

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

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

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

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

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

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

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

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the County commissioners or a County official delegated that authority by resolution or by State Statute.

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

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

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements. Inter-fund transfers within governmental activities and within business type activities are eliminated from the government-wide statement of net position.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For Fiscal Year 2012, the County has implemented Governmental Accounting Standard Board (GASB) Statement No. 62, *Codification of Pre November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement No.62 *Codification of Pre November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in Paragraph 7 of that statement for business-type activities to apply post-November 30, 1989, FASB statements and interpretations that do no conflict with or contradict GASB pronouncements. GASB Statement No. 62 has been applied retrospectively and had no impact on the County's net position, changes in net position or financial reporting disclosures.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the County's fiscal year 2012 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - COMPLIANCE

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

NOTE 5 - EQUITY IN POOLED CASH

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 5 - EQUITY IN POOLED CASH (Continued)

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$23,941,423 of the County's bank balance of \$26,162,125 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

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

Investments

The County had no investments during 2012.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 6 – BUDGETARY BASIS OF ACCOUNTING

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

General Fund	\$165,508
Major Special Revenue Funds:	
Motor Vehicle and Gasoline Tax	326,250
Job and Family Services	0
Board of Developmental Disabilities	0

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 – LONG-TERM DEBT

The County's long-term debt activity for the year ended December 31, 2012, was as follows:

	Interest Rate	December 31, 2011	Additions	Reductions	December 31, 2012	Due Within One Year
General Obligation Bonds:						
County Building Improvement	4.650%	\$1,190,000		\$1,190,000	\$0	\$0
2012 Refunding Bonds	2.000%	0	1,240,000	115,000	1,125,000	115,000
Various Purpose Bonds, Series 2003:						
Commission On Aging	3.300%	157,000		9,000	148,000	11,000
W. Lancaster Road	3.300%	278,000		18,000	260,000	19,000
Various Refunding Bonds, Series 2008:						
County Buildings	5.350%	180,000		20,000	160,000	20,000
Courthouse Renovation	4.125%	1,788,700		63,900	1,724,800	66,500
Total General Obligation Bonds		3,593,700	1,240,000	1,415,900	3,417,800	231,500
Governmental Activities Special Assessment Bonds:						
Route 35/I71 Water	5.900%	40,000		20,000	20,000	20,000
Clinton Avenue Phase I	5.600%	58,000		10,000	48,000	11,000
Various Refunding Bonds, Series 2008:						
Clinton Avenue Phase II	5.350%	45,000		5,000	40,000	5,000
Total Governmental Activities Special Assessment		143,000	0	35,000	108,000	36,000
Enterprise Bonds:						
Various Refunding Bonds, Series 2008:						
Rattlesnake Sewer WWTP	5.250%	1,645,000		105,000	1,540,000	110,000
Total Enterprise Bonds		1,645,000	0	105,000	1,540,000	110,000
OWDA Loans:						
Madison Mills Water	3.000%	4,998,920	0	0	4,998,920	0
Good Hope Sewer	0.000%	0	0	0	0	0
Total OWDA Loans		4,998,920	0	0	4,998,920	0
Other Long-Term Obligations:						
West Lancaster Road OPWC Loan	0.000%	67,500		7,500	60,000	2,500
Johnson Station Ditch Loan	5.375%	9,642		4,822	4,820	4,820
Rt. 22 Waterline Loan	6.250%	53,898		4,146	49,752	4,146
Job Ready Site Loan	5.250%	500,750	300,000	37,356	763,394	460,054
Total Other Long-Term Obligations		631,790	300,000	53,824	877,966	471,520
Total Long-Term Obligations		\$11,012,410	\$1,540,000	\$1,609,724	\$10,942,686	\$849,020

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7 – LONG-TERM DEBT (Continued)

Year	General Obligation Bonds		OPWC Loans	Long-Term Notes	
	Principal	Interest	Principal	Principal	Interest
2013	\$231,500	\$119,682	\$2,500	\$469,022	\$12,959
2014	239,200	112,938	5,000	53,383	11,646
2015	248,100	105,954	5,000	54,886	9,879
2016	258,000	98,762	5,000	56,419	8,090
2017	258,200	90,828	5,000	58,033	6,207
2018-2022	1,213,900	325,712	25,000	117,933	9,597
2023-2027	587,800	149,650	12,500	8,292	657
2028-2030	381,100	31,905	0	0	0
Total	<u>\$3,417,800</u>	<u>\$1,035,431</u>	<u>\$60,000</u>	<u>\$817,968</u>	<u>\$59,035</u>

Year	OWDA Loans		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2013	\$0	\$149,968	\$36,000	\$5,063
2014	216,182	149,968	16,000	3,142
2015	442,141	140,191	18,000	2,401
2016	455,505	126,827	18,000	1,536
2017	469,272	419,108	20,000	1,510
2018-2022	2,567,888	343,770	0	0
2023-2027	847,933	25,564	0	0
Total	<u>\$4,998,921</u>	<u>\$1,355,396</u>	<u>\$108,000</u>	<u>\$13,652</u>

Year	Enterprise Bonds	
	Principal	Interest
2013	\$110,000	\$53,255
2014	110,000	50,505
2015	120,000	47,755
2016	120,000	44,455
2017	125,000	40,855
2018-2022	650,000	41,720
2023-2027	305,000	19,320
Total	<u>\$1,540,000</u>	<u>\$297,865</u>

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 – LONG-TERM DEBT (Continued)

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

NOTE 8 - SHORT-TERM DEBT

A summary of the short-term note transactions for the year-ended December 31, 2012 follows:

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Due Within One Year
<u>Short-Term Liabilities</u>					
Wildman Ditch	\$26,349	\$0	\$5,450	\$20,899	\$20,899
Haigler-Long Ditch	25,383	0	10,141	15,242	15,242
Morgan Group Drainage	30,945	0	267	30,678	30,678
Marchant Ditch	8,465	0	711	7,754	7,754
Total Short-Term Liabilities	<u>\$91,142</u>	<u>\$0</u>	<u>\$16,569</u>	<u>\$74,573</u>	<u>\$74,573</u>

NOTE 9 - PROPERTY TAX

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

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

The full tax rate applied to real property for the fiscal year ended December 31, 2012 was \$10.75 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$7.09 per \$1,000 of assessed valuation of real property classified as residential/agricultural and \$7.43 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

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

The tax rate applied to tangible personal property for the fiscal year ended December 31, 2012 was \$10.75 per \$1,000 of assessed valuation.

Real Property – 2012 Valuation

Residential/Agricultural	\$549,878,830
Commercial/Industrial	
Public Utilities	114,528,880
Tangible Personal Property – 2012 Valuation	
General	<u>0</u>
Total Valuation	\$664,407,710

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 9 - PROPERTY TAX (Continued)

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

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

NOTE 10 - RISK MANAGEMENT

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

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

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

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

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

Worker's Compensation benefits are provided through the Ohio Bureau of Workers' Compensation. In 2012, the County participated in the County Commissioner's Association of Ohio Workers' Compensation Group Rating Program (CCAO). A workers' compensation group purchasing pool (See Note 1). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate.

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

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 10 - RISK MANAGEMENT (Continued)

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

NOTE 11 – DEFINED BENEFIT RETIREMENT PLANS

Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2012, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.00 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 12.10 percent of the annual covered salary. The County's contribution rate for pension benefits for 2012 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 18.10 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$1,417,757, \$1,413,502, and \$1,504,417, respectively. 100 percent has been contributed for 2012, 2011, and 2010.

State Teachers Retirement System

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

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

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 11 – DEFINED BENEFIT RETIREMENT PLANS Continued

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

DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the year ended December 31, 2012, plan members were required to contribute 10 percent of their annual covered salary and the County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The County's required contributions for pension obligations for the DB Plan for the years ended December 31, 2012, 2011, and 2010 were \$30,447, \$31,840, and \$30,379, respectively. 100 percent has been contributed for 2012, 2011, and 2010.

NOTE 12 – POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 12 – POST EMPLOYMENT BENEFITS (Continued)

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, 2011, and 2010, local government employer units contributed at 14.0%, 14.0% and 14.0%, respectively, of covered payroll, and public safety and law enforcement employer units contributed at 18.10%, 17.87% and 17.63% respectively. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during the calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The employer contributions that were used to fund post-employment benefits for the years ended December 31, 2012, 2011, and 2010 were 395,303, 394,153, and 492,280, respectively. The full amount has been contributed for 2012, 2011, and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the transition period.

State Teachers Retirement System

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 12 – POST EMPLOYMENT BENEFITS (Continued)

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the fiscal years ended December 31, 2012, 2011, and 2010. For the County these amounts equaled \$2,175, \$2,274, and \$2,170, respectively, for fiscal years 2012, 2011, and 2010, respectively; 100 percent has been contributed for 2012, 2011, and 2010.

NOTE 13 - COUNTY SALES TAX

The County Commissioners, by resolution, imposed a 1.5 percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the Twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month

Proceeds of the tax are credited to the General Fund and the Motor Vehicle and Gas Tax Special Revenue Fund. Permissive Sales and Use tax revenue for 2012 amounted to \$7,512.345.

NOTE 14 - CONTINGENT LIABILITIES

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

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

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

NOTE 16- LANDFILL CLOSURE AND POST CLOSURE CARE

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

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 17 – FUND BALANCES

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

Fund Balances	General	CB/DD	Job and Family Services	MVGT	Other Governmental	Total
Nonspendable:						
EPA Fund	\$ 10,462					\$ 10,462
Total Nonspendable	10,462	-	-	-	-	10,462
Restricted for:						
Developmental Disabilities		2,836,323			105,882	2,942,205
Public Safety					569,236	569,236
Children's Services Programs					725,843	725,843
Job and Family Services			218,110		15,987	234,097
Public Works				2,209,164	156,030	2,365,194
Elderly Programs					67,317	67,317
Debt Service					965,481	965,481
Capital Improvements					493,948	493,948
Other Purposes					2,497,813	2,497,813
Total Restricted	-	2,836,323	218,110	2,209,164	5,597,537	10,861,134
Committed to:						
General Drainage Improvements					1,491	1,491
Total Committed	-	-	-	-	1,491	1,491
Assigned to:						
Capital Projects					2,447	2,447
Total Assigned	-	-	-	-	2,447	2,447
Unassigned	4,799,258	-	-	-	-	4,799,258
Total Fund Balances	\$4,809,720	\$2,836,323	\$218,110	\$2,209,164	\$5,601,475	\$15,674,792

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 18 – INTERFUND TRANSACTIONS

Inter-fund cash transfers and advances for the year ended December 31, 2012, were as follows:

	Transfers In	Transfers Out	Advances In	Advances Out
Major Funds:				
General	\$ 220,000	\$1,735,549	\$254,558	\$ 86,299
MVGT	59,000	0	0	0
CB/DD	0	0	0	0
Water	0	6,863	0	0
Sewer	160,618	168,977	72,901	246,519
Non-Major Funds:				
Special Revenue	705,459	0	34,398	29,039
Debt Service	806,870	0	0	0
Capital Projects	17,500	58,058	0	0
Enterprise	0	0	0	0
Total	\$1,969,447	\$1,969,447	\$361,857	\$361,857

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

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

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FAYETTE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services			
Food Assistance	G-1011-11-5034	10.561	249,648
Total CFDA Number 10.561			249,648
Total U.S. Department of Agriculture			249,648
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department Developmental Disabilities:</i>			
Board of Developmental Disabilities			
Social Services Block Grant - Title XX	N/A	93.667	28,591
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services			
Social Services Block Grant - Title XX	G-1011-11-5034	93.667	247,107
Total CFDA Number 93.667			275,698
<i>Passed Through Ohio Department Developmental Disabilities:</i>			
Board of Developmental Disabilities			
Medical Assistance Program - MAC	N/A	93.778	91,494
<i>Passed Through Ohio Department of Aging:</i>			
Passport			
		93.778	65,381
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services			
Medical Assistance Program - NET	G-1011-11-5034	93.778	171,537
Medical Assistance Program - Transportation	G-1011-11-5034	93.778	12,853
Medical Assistance Program - Title XIX	G-1011-11-5034	93.778	125,765
Total CFDA Number 93.778			467,030
Children's Services Board			
TANF Independent Living		93.558	2,683
Job and Family Services			
Summer Youth	G-1011-11-5034	93.558	75,592
TANF - Admin	G-1011-11-5034	93.558	321,541
TANF	G-1011-11-5034	93.558	81,096
Total CFDA Number 93.558			480,912
Job and Family Services			
Child Care Admin	G-1011-11-5034	93.575	19,586
Child Care	G-1011-11-5034	93.575	49,219
Total CFDA Number 93.575			68,805
Total Child Care Cluster			68,805
State Children's Health Insurance Program (SCHIP)	N/A	93.767	3,910

(Continued)

FAYETTE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Job and Family Services Child Support Total CFDA Number 93.563	G-1011-11-5034	93.563	<u>490,464</u> 490,464
Children's Services Board Child Welfare Services - IV-B	G-1011-11-5034	93.645	47,461
Foster Care	G-1011-11-5034	93.658	103,815
Adoption Assistance	G-1011-11-5034	93.659	49,568
ESSA, Caseworker Visits	G-1011-11-5034	93.556	27,171
<i>Passed Through Ohio Department of Health:</i>			
Job and Family Services Help Me Grow		84.181	49,671
Special Programs for the Aging - Nutrition - Title III-B	EL009909	93.044	18,136
Special Programs for the Aging - Nutrition - Title III-C	EL009909	93.045	<u>71,912</u>
Total Aging Cluster			90,048
Low-Income Home Energy Assistance Program	ED039817	93.568	1,900
Total U.S. Department of Health and Human Services			<u>2,156,453</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through the Ohio Department of Development:</i>			
Community Development Block Grants	B-F-11-1AW-1	14.228	56,000
Community Development Block Grants - Water/Sewer	B-W-11-1AW-1	14.228	538,000
Community Development Block Grants - Water/Sewer	B-W-10-1AW-1	14.228	16,645
Community Development Block Grants - CHIP	B-C-10-1AW-1	14.228	28,772
Community Development Block Grants - CHIP LMI Housing	S-C-10-1AW-1	14.228	2,760
Neighborhood Stabilization Program	B-Z-08-1AW-1	14.228	<u>102,197</u>
Total CFDA Number 14.228			744,374
Home Investment Partnership Program	B-C-10-1AW-2	14.239	224,024
Total U.S. Department of Housing and Urban Development			<u>968,398</u>
U.S. DEPARTMENT OF COMMERCE			
<i>Passed Through Economic Development Administration:</i>			
Public Works and Economic Development Program	06-01-05182	11.300	43,445
Total U.S. Department of Commerce			<u>43,445</u>
<i>Passed Through Ohio Department of Education:</i>			
Special Education Grants to States: Special Education Cluster: Special Education - Preschool Grants		84.173	9,679
Total Special Education Cluster			<u>9,679</u>
Total U.S. Department of Education			<u>9,679</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>			
Victim Witness - VOCA	2012VAGENE240	16.588	59,794
Victim Witness - VAWA	2011-WF-VA5-8411	16.588	<u>44,061</u>
Total CFDA Number 16.588			103,855

(Continued)

FAYETTE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Edward Byrne Justice Assistance Grant Formula Program	2011-JG-D01-6300	16.738	15,929
<i>Passed Through the Bureau of Justice Assistance:</i>			
BVA-Byrne JAG-ARRA		16.804	19,109
<i>Passed Through the Ohio Traffic Safety Office:</i>			
OTSO HVEO Grant	HVEO-2011-24-00-00368-00	20.600	26,469
Total U.S. Department of Justice			165,362
FEDERAL AGENCY DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	EMPG2011	97.042	21,885
State Homeland Security Program	2009SHSP	97.401	43,388
Total Federal Agency Department of Homeland Security			65,273
U.S. DEPARTMENT OF LABOR			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
<i>Workforce Investment Act Cluster:</i>			
Workforce Investment Act - Adult	N/A	17.258	53,823
Workforce Investment Act - Adult Administration	N/A		4,100
Total CFDA Number 17.258			57,923
<i>Workforce Investment Act - Youth</i>			
Workforce Investment Act - Youth Administration	N/A	17.259	92,441
Total CFDA Number 17.259			96,020
<i>Workforce Investment Act - Dislocated Workers</i>			
Workforce Investment Act - Dislocated Workers Administration	N/A	17.278	32,524
Workforce Investment Act - Rapid Response Stimulus	N/A		29,841
Total CFDA Number 17.278			68,816
Total WIA Cluster			222,759
NEG OH-19 Ohio Auto	N/A	17.277	99,371
Employment Service Cluster:			
One stop Resource Sharing	N/A	17.804	19,946
Total Employment Service Cluster			19,946
Total U.S. Department of Labor			342,076
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through the Federal Aviation Administration</i>			
<i>Direct from Federal Government</i>			
FAA Reimbursement of Construction Projects		20.106	20,308
<i>Passed through the Ohio Department of Transportation</i>			
<i>Highway Planning and Construction Cluster</i>			
FAYVaries 2012 Guardrail	PID 89796	20.205	300,000
FAYVaries 2012 Pavement	PID 89799	20.205	150,000
FAYVaries 2012 RPM	PID 89802	20.205	69,127
FAYVaries 2012 Bridge Replacement	PID 86054	20.205	10,258
STW 2011 CEAO Load Ratings	PID 92742	20.205	17,462
Highway Planning and Construction Cluster		20.205	546,847
Total U.S. Department of Transportation			567,155

FAYETTE COUNTY
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE YEAR ENDED DECEMBER 31, 2012
 (Continued)

U.S. ELECTION ASSISTANCE COMMISSION

Passed Through the Ohio Secretary of State:

HAVA Title II - Voter Verification Mailing	SOS 2010-56	90.401	597
HHS Grant	N/A	93.617	4,875
Total U.S. Election Assistance Commission			5,472

TOTAL FEDERAL ASSISTANCE

\$4,572,961

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

✖ - Traced to granting agency documentation.

√ - Per AOS Confirmation on Intranet.

FAYETTE COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

NOTE C – MEDICAID

During the calendar year, the County Board of Developmental Disabilities received a refund for eFMAP (ARRA) funds for the Medicaid Program (CFDA #93.778) in the amount of \$275 from the Ohio Department of Developmental Disabilities. This refund was a correction to the eFMAP percentage for four billing cycles during July and August 2009. This revenue is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in prior reporting periods.

During the calendar year, the County Board of Developmental Disabilities received a settlement for the 2007 Cost Report from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA # 93.778) in the amount of \$517.86. The Cost Report settlement was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in prior reporting periods.

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Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fayette County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 23, 2013, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles and that the County's cash basis financial statements do not include amounts related to their blended component unit, Fayette County Memorial Hospital, which should be presented as a major enterprise fund and be part of the business-type activities. In addition, we also noted the County did not include their only legally separate discretely-presented component unit, Fayette Progressive Industries, Inc. (the Workshop). Also, we noted the County adopted the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Pre November 30, 1989 FASB and AICPA Pronouncements*, and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2012-001 to be a significant deficiency.

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, opining 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 2012-001 and 2012-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 23, 2013



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Fayette County's, Ohio (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Fayette County's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Fayette County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as items 2012-003 through 2012-005. These findings did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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 material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2012-003 through 2012-005 to be material weaknesses.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

Columbus, Ohio

September 23, 2013

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FAYETTE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse: Business Type Activities, Aggregate Discretely Presented Component Unit, Enterprise Fund-Fayette County Memorial Hospital Unmodified: all other opinion units
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #93.778 Medicaid CFDA #93.558 TANF CFDA #93.563 Child Support CFDA #14.228 Community Development Block Grants CFDA #20.205 Highway Planning and Construction Grant
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2012-001

Noncompliance/Significant Deficiency

Ohio Administrative Code section 117-2-02 requires all public officials to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The County lacked management oversight in the proper reporting of receipts and disbursements of Ohio Department of Transportation.

The Fayette County Highway Department entered into several contracts for Bridge Replacement and Guardrail Upgrades. Throughout the year the contractors were paid directly from Ohio Department of Transportation. The County did not record the amounts as receipts and expenditures on the county books during 2012. The County should have recorded \$542,934 as Intergovernmental Receipts and Capital Outlay in both the *Governmental Activities – Statement of Activities*, and the Other Governmental Fund column of the *Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Governmental Funds*. The County recorded audit adjustments in the County's financial statements to correct the above errors.

Failure to accurately post and report transactions could result in material errors in the County's financial statements and reduces the County's ability to monitor financial activity and to make informed financial decisions. We recommend officials monitor the posting of transactions ensure that transactions are being posted to the correct account codes.

Officials' Response:

Officials did not respond to this finding.

FINDING NUMBER 2012-002

Noncompliance

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

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

**FINDING NUMBER 2012-002
 (Continued)**

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

Officials' Response:

Officials did not respond to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Accuracy and Completeness of Federal Schedule

Finding Number	2012-003
CFDA Title and Number	ESSA, Caseworker Visits CFDA #93.556 Help Me Grow CFDA #84.181 and #84.393A Community Development Block Grants CFDA #14.228 Home Investment Partnership CFDA #14.239 Byrne JAGA, ARRA CFDA #16.804 Emergency Management Performance Grants CFDA #97.042 State Homeland Security Program CFDA #97.401 One Stop Resource Sharing CFDA #17.804 Highway Planning and Construction CFDA #20.205
Federal Award Number / Year	2012
Federal Agency	United States Department of Health and Human Services United States Department of Housing and Urban Development United States Department of Justice United States Department of Homeland Security United States Department of Labor United States Department of Transportation
Pass-Through Agency	Ohio Department of Job and Family Services Ohio Department of Health Ohio Department of Development Ohio Bureau of Justice Ohio Emergency Management Agency Ohio Department of Transportation

Noncompliance and Material Weakness

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

FINDING NUMBER 2012-003
(Continued)

OMB Circular A-133, Section .310(b) states, in part, the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements.

The County does not have a system in place to identify and monitor the federal award expenditures. The County relies on the various departments that manage each award to provide expenditure data and grant agreements to the accounting firm which compile the information for the schedule. The procedures utilized to prepare the County's *Schedule of Expenditures of Federal Awards* were inadequate, as such, the County's Schedule of Federal Awards Expenditures presented for audit did not accurately list all federal expenditures expended by the County. We identified the following variances:

CFDA #	Expenditures Reported	Actual Expenditures	Variance
93.556	\$ 44,490	\$ 27,171	(\$ 17,319)
84.181	24,718	49,671	24,953
84.393A	17,406	0	(17,406)
14.228	579,934	744,374	164,440
14.239	0	224,024	224,024
16.804	15,929	19,109	3,180
97.042	0	21,885	21,885
97.401	0	43,388	43,388
17.804	0	19,946	19,946
20.205	3,545,308	546,847	(2,998,461)
<i>Total</i>	<u>\$ 4,227,785</u>	<u>\$ 1,696,415</u>	<u>(\$2,531,370)</u>

Audit adjustments were posted to the County's federal schedule to properly reflect actual federal expenditures. Failure to identify federal awards and accurately prepare a federal awards expenditures schedule resulted in noncompliance with the Circular, inaccurate reporting of Federal awards activity and may compromise the County's ability to obtain federal awards in the future.

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

Officials' Response:

For future monitoring and reporting of Federal Awards and Program Expenditures, we will establish quarterly correspondence (more frequent if necessary) with all Elected Officials and Department Heads to review all grant awards. Additionally we will monitor all contracts / awards signed by Fayette County to determine if Federal Funds are awarded which require monitoring.

Cash Management

Finding Number	2012-004
CFDA Title and Number	Medicaid CFDA #93.778 TANF CFDA #93.558 Child Support CFDA #93.563
Federal Award Number / Year	2012
Federal Agency	United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance and Material Weakness

45 C.F.R. Section 92, Ohio Admin Code 5101:9-7-03, Ohio Admin Code 5101:9-7-02 requires to the extent available, recipients shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments as required by the A-102 Common Rule.

Ohio Admin Code 5101:9-7-02 and Ohio Admin Code 5101:9-7-03 states when a CDJFS is funded on a reimbursement basis, program costs are paid by local funds before reimbursement is requested. When funds are drawn in advance, the CDJFS shall follow procedures to minimize the time elapsing between the transfer of funds from the state and local disbursement. Disbursements to a CDJFS administering federal programs shall cover allowable expenditures consistent with federal and state regulations.

During 2012, the Public Assistance and Child Support funds maintained cash balances as large as \$152,685, which is an indication that available funds were not disbursed prior to requesting additional cash payments. The Fayette County Department of Job and Family Services (FCDJFS) does not have procedures in place to minimize the time elapsing between drawdowns and expenditures.

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

Officials' Response:

CASH ON HAND PROCEDURE

1. Fiscal Officer will check current cash balance with county auditor monthly. Fiscal Officer will determine if a cash draw is necessary based on anticipated expenses. Fiscal Officer will also document any reason for outstanding cash balance.
2. Fiscal Officer will review previous month expenses using the Over/Under Report.
3. Based on this information, any anticipated expenses, and along with cash on hand, the current draw will be determined.
4. Information will then be entered into the CFIS Web system.

Fifteen Day Rule

Finding Number	2012-005
CFDA Title and Number	Community Development Block Grant CFDA #14.228
Federal Award Number / Year	2012
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance and Material Weakness

The State of Ohio Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(f), states the grantees must develop a cash management system to ensure compliance with the 15-day rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum drawdowns are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the 15-day rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

Drawdowns were not expended within 15 days to a fund balance of less than \$5,000 for 12 of the total 26 drawdowns of CDBG grant funding received during the audit period.

We recommend the grant coordinator develop a cash management system to ensure compliance with the 15-day rule.

Officials' Response:

This office has reviewed and revised our entire cash management procedures over the last few months with the intention of eliminating the 15 day rule violations.

We have installed a three step process to ensure a more accurate fund draw process, and we also monitor to be sure that we have a maximum balance of less than \$5,000.00.

FAYETTE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 § .315 (b)
 DECEMBER 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	ORC 5705.41 (D) (1), failure to properly certify expenditures.	No	Partially corrected, issued as a management letter comment.
2011-02	Failure to file annual financial report on required accounting basis.	No	Re-issued as 2012-002
2011-03	2 C.F.R. Section 215.22(g), failure to minimize time elapsing between drawdowns and expenditures.	No	Re-issued as 2012-004
2011-04	Failure to obtain proper approvals for PRS eligibility.	No	Partially corrected, issued as a management letter comment.

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FAYETTE COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-003	For future monitoring and reporting of Federal Awards and Program Expenditures, we will establish quarterly correspondence (more frequent if necessary) with all Elected Officials and Department Heads to review all grant awards. Additionally we will monitor all contracts / awards signed by Fayette County to determine if Federal Funds are awarded which require monitoring.	12-31-13	Fayette County Auditor, Michael D. Smith
2012-004	<p>CASH ON HAND PROCEDURE</p> <ol style="list-style-type: none"> 1. Fiscal Officer will check current cash balance with county auditor monthly. Fiscal Officer will determine if a cash draw is necessary based on anticipated expenses. Fiscal Officer will also document any reason for outstanding cash balance. 2. Fiscal Officer will review previous month expenses using the Over/Under Report. 3. Based on this information, any anticipated expenses, and along with cash on hand, the current draw will be determined. 4. Information will then be entered into the CFIS Web system. 	12-31-13	Faye Williamson
2012-005	<p>This office has reviewed and revised our entire cash management procedures over the last few months with the intention of eliminating the 15 day rule violations.</p> <p>We have installed a three step process to ensure a more accurate fund draw process, and we also monitor to be sure that we have a maximum balance of less than \$5,000.00.</p>	12-31-13	Jay Myers Community Development Director

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Dave Yost • Auditor of State

FAYETTE COUNTY FINANCIAL CONDITION

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 8, 2013