CLINTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2015

Dave Yost • Auditor of State

CLINTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government – Wide Financial Statements	
Statement of Net Position December 31, 2015	15
Statement of Activities For the Year Ended December 31, 2015	16
Fund Financial Statements	
Balance Sheet - Governmental Funds December 31, 2015	17
Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities December 31, 2015	18
Statement of Revenues, Expenditures and Changes In Fund Balance Governmental Funds For the Year Ended December 31, 2015	19
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to The Statement of Activities For the Year Ended December 31, 2015	20
Statement of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual (Non-Gaap Budgetary Basis) General Fund For the Year Ended December 31, 2015	21
Statement of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual (Non-Gaap Budgetary Basis) County Board of Developmental Disabilities Fund For the Year Ended December 31, 2015	22
Statement of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual (Non-Gaap Budgetary Basis) Motor Vehicle and Gas Tax Fund For the Year Ended December 31, 2015	23

CLINTON COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Statement of Net Position Proprietary Funds December 31, 2015	24
Statement of Revenues, Expenses and Changes In Net Position Proprietary Funds For the Year Ended December 31, 2015	25
Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2015	26
Statement of Fiduciary Net Position Fiduciary Funds December 31, 2015	27
Statement of Changes In Fiduciary Net Position Private Purpose Trust Fund For the Year Ended December 31, 2015	28
Notes to the Financial Statements	29
Required Supplementary Information:	
Schedule of the County's Proportionate Share of the Net Pension Liability Last Two Years	71
Schedule of County Contributions Last Ten Years	72
Schedule of the Port Authority's Proportionate Share of the Net Pension Liability Last Two Years	74
Schedule of Port Authority Contributions Last Ten Years	75
Schedule of Federal Awards Expenditures (Prepared by Management)	77
Notes to the Federal Awards Expenditures (Prepared by Management)	81
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards	83
Independent Auditor's Report on Compliance With Requirements Applicable To Each Major Federal Program And On Internal Control Over Compliance Required By The Uniform Guidance	85
Schedule of Findings	87
Schedule of Prior Audit Findings (Prepared by Management)	91
Corrective Action Plan (Prepared by Management)	93

INDEPENDENT AUDITOR'S REPORT

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit**,** each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2015, 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 accounting principles generally accepted in the United States of America; this includes 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	Unmodified
Discretely Presented Component Unit	Qualified
General Fund	Unmodified
County Board of DD Fund	Unmodified
Motor Vehicle & Gas Tax Fund	Unmodified
Martinsville Midland Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on the Discretely Presented Component Unit

Ohio Administrative Code 117-2-02 (A) requires the Port Authority 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 the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Port Authority also is responsible for the design and implementation of an internal control process that provides reasonable assurance as to the integrity of its financial reporting and the efficiency and effectiveness operations. The Port Authority's financial activities are included in the County's basic financial statements as a discretely presented component unit.

The Port Authority capital asset listing was not maintained at a level to identify specific buildings and land improvements. We were unable to verify the existence of Port Authority capital assets. The Port Authority capital assets represent 95% of the Discretely Presented Component Unit's assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on the Discretely Presented Component Unit* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Clinton County, Ohio, as of and for the year ended December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General fund, County Board of Developmental Disabilities fund, and the Motor Vehicle and Gas Tax fund, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Also, as discussed in Note 2 to the financial statements, the 2015 financial statements have been restated to correct misstatements. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2017, 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.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

March 8, 2017

The discussion and analysis of Clinton County (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net position increased $276,036, which represents a .3 percent increase from 2014. Net position of governmental activities increased $311,065. Net position of business-type activities decreased $35,029.

- Total capital assets decreased $102,512 during 2015. Capital assets of governmental activities increased $65,280 and capital assets of business-type activities decreased $167,792.

- Outstanding debt decreased from $4,387,086 to $3,871,689 due to principal payments made during the year.

- The County implemented GASB Statement No. 68, which reduced beginning net position as previously reported by $10,214,739 and $22,741 for governmental and business-type activities, respectively.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the County as of a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the County's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2015 and how they affected the operations of the County as a whole.

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Clinton County, the general fund, county board of development disabilities fund and the motor vehicle and gas tax fund are by far the most significant funds. Business-type activities consist of the sewer fund.

A question typically asked about the County's finances is "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the County is divided into two distinct kinds of activities:

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

- Business-Type Activities - The County charges a fee to customers to help cover all or most of the cost of certain services it provides. The County's sewer operations are reported here.

Reporting the County's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The County uses many funds to account for financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, county board of development disabilities fund and the motor vehicle and gas tax fund.

Governmental Funds Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance future services. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The County as a Whole

Recall that the Statement of Net Position provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Assets						
Current and Other Assets	$ 71,059,813	$ 71,928,242	$ 718,521	$ 704,253	$ 71,778,334	$ 72,632,495
Internal Balances	3,103,723	3,213,724	(3,103,723)	(3,213,724)	0	0
Net Pension Asset	21,969	5,987	50	14	22,019	6,001
Capital Assets	42,031,634	41,966,354	7,546,027	7,713,819	49,577,661	49,680,173
Total Assets	116,217,139	117,114,307	5,160,875	5,204,362	121,378,014	122,318,669
Deferred Outflows of Resources						
Pension	2,007,836	1,467,188	4,540	3,316	2,012,376	1,470,504
Deferred Charges	41,754	52,192	0	0	41,754	52,192
Total Deferred Outflows of Resources	2,049,590	1,519,380	4,540	3,316	2,054,130	1,522,696
Liabilities						
Current and Other Liabilities	1,543,412	3,788,138	732	9,052	1,544,144	3,797,190
Long-Term Liabilities:						
Due within One Year	966,988	1,021,656	0	0	966,988	1,021,656
Due in More Than One Year:						
Net Pension Liability	11,946,110	11,654,579	26,673	26,071	11,972,783	11,680,650
Other Amounts	4,148,073	4,517,717	0	0	4,148,073	4,517,717
Total Liabilities	18,604,583	20,982,090	27,405	35,123	18,631,988	21,017,213
Deferred Inflows of Resources						
Property Taxes	7,394,886	5,898,975	0	0	7,394,886	5,898,975
Pension	236,908	33,335	484	0	237,392	33,335
Total Deferred Inflows of Resources	7,631,794	5,932,310	484	0	7,632,278	5,932,310
Net Position						
Net Investment in Capital Assets	37,516,543	37,620,620	7,546,027	7,713,819	45,062,570	45,334,439
Restricted	18,500,614	17,990,825	0	0	18,500,614	17,990,825
Unrestricted	36,013,195	36,107,842	(2,408,501)	(2,541,264)	33,604,694	33,566,578
Total Net Position	$ 92,030,352	$ 91,719,287	$ 5,137,526	$ 5,172,555	$ 97,167,878	$ 96,891,842

During 2015, the County adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension asset/liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension asset/liability equals the County's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension asset/liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the County is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014 by $10,214,739 and $22,741 for governmental and business-type activities, respectively.

At year end, capital assets represented 41 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, software, vehicles and infrastructure. Capital assets, net of related debt were $45,062,570 at December 31, 2015, with $37,516,543 in governmental activities and $7,546,027 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the County's net position, $18,500,614 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of $33,604,694 may be used to meet the government's ongoing obligations to citizens and creditors.

Current and other liabilities of governmental activities decreased $2,244,726 from 2014 to 2015. In 2014, the County reported a $2,000,000 contract payable related to the timing of an investment trade that occurred at year end.

Deferred inflows of resources for property taxes increased $1,495,911. For tax year 2015, which will be collected in 2016, the County board of developmental disabilities tax rate increased, resulting in a $1,570,045 increase in taxes receivable, the majority of which is deferred. For tax year 2014 and 2013, the board voluntarily decreased their tax rates, and returned to voter approved rates for tax year 2015.

Increases in net pension liability, deferred outflows pension, and deferred inflows pension related to the implementation of GASB Statement No. 68.

This space intentionally left blank.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Revenues						
Program Revenues:						
Charges for Services	$ 4,980,983	$ 5,450,086	$ 243,289	$ 286,490	$ 5,224,272	$ 5,736,576
Operating Grants	11,770,334	12,109,034	0	0	11,770,334	12,109,034
Capital Grants	2,027,181	1,159,463	0	0	2,027,181	1,159,463
General Revenues:						
Property Taxes	6,140,834	5,796,200	0	0	6,140,834	5,796,200
Sales and Other Taxes	8,658,020	8,117,184	0	0	8,658,020	8,117,184
Grants and Entitlements	1,787,686	1,534,345	0	0	1,787,686	1,534,345
Investment Earnings	590,278	844,043	0	0	590,278	844,043
Miscellaneous	621,407	263,901	6,532	66,380	627,939	330,281
Total Revenues	36,576,723	35,274,256	249,821	352,870	36,826,544	35,627,126
Program Expenses						
General Government						
Legislative and Executive	7,869,875	6,604,311	0	0	7,869,875	6,604,311
Judicial	3,224,130	2,914,400	0	0	3,224,130	2,914,400
Public Safety	5,751,145	7,985,191	0	0	5,751,145	7,985,191
Public Works	6,874,456	5,402,328	0	0	6,874,456	5,402,328
Health	3,922,478	4,092,320	0	0	3,922,478	4,092,320
Human Services	8,454,076	8,300,971	0	0	8,454,076	8,300,971
Conservation and Recreation	0	202,928	0	0	0	202,928
Other	0	5,789	0	0	0	5,789
Interest and Fiscal Charges	169,498	182,864	0	0	169,498	182,864
Enterprise Operations:						
Former County Hospital	0	0	0	1,787	0	1,787
Sewer	0	0	284,850	102,496	284,850	102,496
Total Program Expenses	36,265,658	35,691,102	284,850	104,283	36,550,508	35,795,385
Increase (Decrease) in Net Positi	311,065	(416,846)	(35,029)	248,587	276,036	(168,259)
Transfers	0	2,903,659	0	(2,903,659)	0	0
Change in Net Position	$ 311,065	$ 2,486,813	$ (35,029)	$ (2,655,072)	$ 276,036	$ (168,259)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $1,468,769 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $1,317,898. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	$ 36,265,658	$ 284,850	$ 36,550,508
Pension expense under GASB 68	(1,314,958)	(2,940)	(1,317,898)
2015 contractually required contribution	1,376,484	3,114	1,379,598
Adjusted 2015 program expenses	36,327,184	285,024	36,612,208
Total 2014 program expenses under GASB 27	35,691,102	104,283	35,795,385
Increase in program expenses not related to pension	$ 636,082	$ 180,741	$ 816,823

Governmental Activities

Operating grants were the largest program receipts, accounting for $11,770,334 or 32 percent of total receipts for governmental activities. Capital grants totaled $2,027,181 or 5 percent of total receipts for governmental activities.

Property tax receipts accounted for $6,140,834 or 17 percent of total governmental receipts. Another major component of general governmental receipts was permissive sales taxes, which accounted for $8,658,020 or 24 percent of total receipts. The 7 percent increase from the prior year is due to an improving economy, which is linked to an increase in consumer spending.

The County's direct charges to users of governmental services made up $4,980,933 or 14 percent of total governmental receipts. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human services programs accounted for $8,454,076 or 23 percent of total disbursements for governmental activities. Human services programs includes the department of job and family services, the child support enforcement agency, children services, and senior citizen programs. Other major program disbursements for governmental activities include health, primarily the County board of developmental disabilities, which accounted for $3,922,478 or 11 percent of total disbursements, public safety, which accounted for $5,751,145 or 16 percent of total disbursements, public works, which accounted for $6,874,456 or 19 percent of total disbursements, and general government – legislative and executive, which accounted for $7,869,875 or 22 percent of total disbursements.

Business-Type Activities

Business-type activities consist of sewer operations. The revenues are generated primarily from charges for services. In 2015, charges for services of $243,289 accounted for 97 percent of the business-type revenues. The total expenses for the utilities were $284,850, thus leaving a decrease in net position of $35,029 for the business-type activities.

The County's Funds

Governmental Funds

Information about the County's governmental funds begins on page 17. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of $35,508,324 and expenditures of $37,107,220. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for fiscal year 2015 was an increase of $4,350,148. Both property and sales tax revenues increased in 2015, while expenditures were kept consistent with the prior year. Additionally, the County received another installment payment of $1,700,000 from the sale of the former County hospital.

The fund balance of the county board of development disabilities fund decreased by $1,391,999. For 2014 and 2015, the board voluntarily reduced the property tax rate to reduce the fund balance.

The motor vehicle and gas tax fund's net change in fund balance for fiscal year 2015 was a decrease of $271,176 due to the timing of revenues versus road project expenditures each year.

Proprietary Funds

The County's proprietary fund provides the same type of information found in the government-wide financial statements for the business-type activities, but in more detail.

Unrestricted net of the sewer fund was $5,137,526. Total decrease in net position for the sewer fund was $35,029.

General Fund Budgeting 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 Board of Commissioners adopts a permanent annual operating budget for the County on or about January 1. The most significant budgeted fund is the general fund.

For the general fund, the actual budget basis revenue was $16,623,966, representing an increase of $1,986,138 over the final budget estimate of $14,637,828. Most of this difference was attributable to sales tax collections being higher than anticipated.

Final expenditure appropriations of $15,942,596 were $2,632,647 higher than the actual expenditures of $13,309,949, as cost savings were recognized for legislative and executive throughout the year.

There were no significant variances to discuss within other financing sources and uses.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2015, the County had $49,577,661 invested in capital assets. A total of $42,031,634 of this was for governmental activities and $7,546,027 being attributable to business-type activities. Table 3 shows fiscal year 2015 balances compared with 2014.

Table 3
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 2,418,595	$ 2,529,389	$ 426,460	$ 426,460	$ 2,845,055	$ 2,955,849
Infrastructure	18,459,597	19,645,303	7,111,875	7,279,214	25,571,472	26,924,517
Land Improvements	783,265	136,483	0	0	783,265	136,483
Buildings and Improvements	12,777,431	14,178,890	0	0	12,777,431	14,178,890
Equipment	4,008,230	4,154,197	7,692	8,145	4,015,922	4,162,342
Software	244,183	262,025	0	0	244,183	262,025
Vehicles	1,078,089	1,010,290	0	0	1,078,089	1,010,290
Construction in Progress	2,262,244	49,777	0	0	2,262,244	49,777
Total	$ 42,031,634	$ 41,966,354	$ 7,546,027	$ 7,713,819	$ 49,577,661	$ 49,680,173

The $65,280 increase in capital assets of governmental activities was attributable to additional purchases exceeding current year depreciation and disposals. The $167,792 decrease in capital assets of business-type activities is due to current year depreciation. See Note 9 for additional information about the capital assets of the County.

Debt

The outstanding debt for the County as of December 31, 2015 was $3,871,689. See Note 12 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities	
	2015	2014
General Obligation Bonds	$ 3,785,000	$ 4,260,000
Special Assessment Bonds	0	9,851
Loans Payable	26,353	38,758
Capital Leases	60,336	78,477
Total	$ 3,871,689	$ 4,387,086

Contacting the County's Finance Department

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

Clinton County, Ohio
Statement of Net Position
December 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port Authority
Assets				
Equity in Pooled Cash and Cash Equivalents	$ 40,749,901	$ 599,817	$ 41,349,718	$ 3,456,743
Cash and Cash Equivalents with Fiscal Agent	2,283,410	0	2,283,410	0
Cash and Cash Equivalents with Escrow Agent	3,000,279	0	3,000,279	0
Investments	40,002	0	40,002	0
Accounts Receivable	79,815	118,704	198,519	193,214
Accrued Interest Receivable	51,140	0	51,140	0
Intergovernmental Receivable	5,196,489	0	5,196,489	65,800
Sales Taxes Receivable	2,245,776	0	2,245,776	0
Property Taxes Receivable	7,934,265	0	7,934,265	0
Special Assessments Receivable	94,045	0	94,045	0
Notes Receivable	8,878,591	0	8,878,591	0
Loans Receivable	0	0	0	72,806
Internal Balances	3,103,723	(3,103,723)	0	0
Prepaid Items	147,035	0	147,035	71,175
Materials and Supplies Inventory	359,065	0	359,065	0
Net Pension Asset (See Note 14)	21,969	50	22,019	5,651
Non-Depreciable Capital Assets	4,680,839	426,460	5,107,299	15,586,699
Depreciable Capital Assets, Net	37,350,795	7,119,567	44,470,362	50,535,134
Total Assets	116,217,139	5,160,875	121,378,014	69,987,222
Deferred Outflows of Resources				
Pension	2,007,836	4,540	2,012,376	39,026
Deferred Charges on Refunding	41,754	0	41,754	0
Total Deferred Outflows of Resources	2,049,590	4,540	2,054,130	39,026
Liabilities				
Accounts Payable	464,910	0	464,910	375,422
Accrued Wages and Benefits	202,847	495	203,342	0
Contracts Payable	668,674	0	668,674	0
Intergovernmental Payable	157,281	237	157,518	4,337
Accrued Interest Payable	12,046	0	12,046	26,804
Matured Compensated Absences Payable	37,654	0	37,654	0
Deposits Held and Due to Others	0	0	0	92,987
Property Taxes Payable	0	0	0	294,133
Long-Term Liabilities:				
Due Within One Year	966,988	0	966,988	506,287
Due In More Than One Year:				
Net Pension Liability (See Note 14)	11,946,110	26,673	11,972,783	152,573
Other Amounts Due in More Than One Year	4,148,073	0	4,148,073	13,120,904
Total Liabilities	18,604,583	27,405	18,631,988	14,573,447
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	7,394,886	0	7,394,886	0
Pension	236,908	484	237,392	4,404
Total Deferred Inflows of Resources	7,631,794	484	7,632,278	4,404
Net Position				
Net Investment in Capital Assets	37,516,543	7,546,027	45,062,570	52,470,833
Restricted for:				
Capital Outlay	4,166	0	4,166	0
Public Service Programs	3,013,683	0	3,013,683	0
Transportation Projects	4,914,746	0	4,914,746	0
Health Programs	6,565,380	0	6,565,380	0
General Government	2,758,174	0	2,758,174	0
Security Programs	693,536	0	693,536	0
Conservation and Recreation	550,929	0	550,929	0
Other Purposes	0	0	0	231,210
Unrestricted	36,013,195	(2,408,501)	33,604,694	2,746,354
Total Net Position	$ 92,030,352	$ 5,137,526	$ 97,167,878	$ 55,448,397

See accompanying notes to the basic financial statements.

Clinton County, Ohio
Statement of Activities
For the Year Ended December 31, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position: Primary Government			Component Unit
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total	Port Authority
Governmental Activities								
General Government								
Legislative and Executive	$ 7,869,875	$ 2,277,885	$ 1,367,081	$ 0	$ (4,224,909)	$ 0	$ (4,224,909)	$ 0
Judicial	3,224,130	503,623	442,149	0	(2,278,358)	0	(2,278,358)	0
Public Safety	5,751,145	1,085,560	188,048	0	(4,477,537)	0	(4,477,537)	0
Public Works	6,874,456	602,615	3,611,452	1,526,320	(1,134,069)	0	(1,134,069)	0
Health	3,922,478	411,739	796,077	0	(2,714,662)	0	(2,714,662)	0
Human Services	8,454,076	99,561	5,365,527	0	(2,988,988)	0	(2,988,988)	0
Conservation and Recreation	0	0	0	500,861	500,861	0	500,861	0
Interest and Fiscal Charges	169,498	0	0	0	(169,498)	0	(169,498)	0
Total Governmental Activities	36,265,658	4,980,983	11,770,334	2,027,181	(17,487,160)	0	(17,487,160)	0
Business-Type Activities								
Sewer	284,850	243,289	0	0	0	(41,561)	(41,561)	0
Total Primary Government	$36,550,508	$ 5,224,272	$ 11,770,334	$ 2,027,181	(17,487,160)	(41,561)	(17,528,721)	$ 0
Component Unit								
Port Authority	$ 8,523,110	$ 6,400,843	$ 140,568	$ 173,802	0	0	0	(1,807,897)

	Governmental Activities	Business-Type Activities	Total	Port Authority
General Revenues:				
Property Taxes Levied for:				
General Fund	2,516,898	0	2,516,898	0
Health - County Board of DD	1,595,226	0	1,595,226	0
Human Services - Children Services	965,452	0	965,452	0
Human Services - Senior Services	1,063,258	0	1,063,258	0
Sales and Other Taxes	8,658,020	0	8,658,020	0
Grants and Entitlements not Restricted to Specific Programs	1,787,686	0	1,787,686	0
Investment Earnings	590,278	0	590,278	5,467
Miscellaneous	621,407	6,532	627,939	24,678
Total General Revenues	17,798,225	6,532	17,804,757	30,145
Change in Net Position	311,065	(35,029)	276,036	(1,777,752)
Net Position Beginning of Year - Restated (Note 2V)	91,719,287	5,172,555	96,891,842	57,226,149
Net Position End of Year	$92,030,352	$ 5,137,526	$97,167,878	$ 55,448,397

See accompanying notes to the basic financial statements.

Clinton County, Ohio
Balance Sheet
Governmental Funds
December 31, 2015

	General	County Board of DD	Motor Vehicle & Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$ 20,459,590	$ 4,259,212	$ 1,293,578	$ 14,737,521	$ 40,749,901
Cash and Cash Equivalents with Fiscal Agent	0	1,959,170	0	324,240	2,283,410
Cash and Cash Equivalents with Escrow Agent	3,000,279	0	0	0	3,000,279
Investments	40,002	0	0	0	40,002
Accounts Receivable	37,472	0	14,632	27,711	79,815
Accrued Interest Receivable	51,140	0	0	0	51,140
Intergovernmental Receivable	455,507	203,902	1,580,695	2,956,385	5,196,489
Property Taxes Receivable	2,185,084	3,275,650	0	2,473,531	7,934,265
Sales Taxes Receivable	2,245,776	0	0	0	2,245,776
Special Assessments Receivable	0	0	0	94,045	94,045
Notes Receivable	8,878,591	0	0	0	8,878,591
Interfund Receivable	6,108	0	0	0	6,108
Prepaid Items	74,695	46,571	0	25,769	147,035
Materials and Supplies Inventory	8,129	0	350,936	0	359,065
Advances to Other Funds	3,376,987	0	0	0	3,376,987
Total Assets	$ 40,819,360	$ 9,744,505	$ 3,239,841	$ 20,639,202	$ 74,442,908
Liabilities					
Accounts Payable	$ 158,007	$ 18,968	$ 12,116	$ 275,819	$ 464,910
Accrued Wages	108,405	21,150	22,831	50,461	202,847
Contracts Payable	0	0	80,000	588,674	668,674
Intergovernmental Payable	81,948	18,204	19,326	37,803	157,281
Interfund Payable	0	0	0	6,108	6,108
Advances from Other Funds	0	0	0	273,264	273,264
Matured Compensated Absences Payable	36,783	0	0	871	37,654
Total Liabilities	385,143	58,322	134,273	1,233,000	1,810,738
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	2,036,540	3,052,968	0	2,305,378	7,394,886
Unavailable Revenue	1,241,282	406,166	1,059,051	2,660,816	5,367,315
Hospital Sale	8,500,000	0	0	0	8,500,000
Total Deferred Inflows of Resources	11,777,822	3,459,134	1,059,051	4,966,194	21,262,201
Fund Balances					
Nonspendable	6,579,800	46,571	350,936	25,769	7,003,076
Restricted	0	6,180,478	1,695,581	6,577,965	14,454,024
Committed	307,323	0	0	5,620,857	5,928,180
Assigned	3,220,955	0	0	2,312,736	5,533,691
Unassigned	18,548,317	0	0	(97,319)	18,450,998
Total Fund Balances	28,656,395	6,227,049	2,046,517	14,440,008	51,369,969
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 40,819,360	$ 9,744,505	$ 3,239,841	$ 20,639,202	$ 74,442,908

See accompanying notes to the basic financial statements.

Clinton County, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2015

Total Governmental Fund Balances		$ 51,369,969
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		42,031,634
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	$ 489,923	
Sales Taxes	851,112	
Intergovernmental	3,932,235	
Special Assessments	94,045	
Note Receivable - Sale of Hospital	8,500,000	13,867,315
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(12,046)
Unamortized gain/loss on refunding represents deferred outflows, which do not provide current financial resources and, therefore, are not reported in the funds.		41,754
The net pension liability is not due and payable in the current period, and the net pension asset is not available for spending in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net Pension Asset	21,969	
Deferred Outflows - Pension	2,007,836	
Deferred Inflows - Pension	(236,908)	
Net Pension Liability	(11,946,110)	(10,153,213)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(3,785,000)	
Bond Premium	(16,482)	
Capital Leases	(60,336)	
Loan Payable	(26,353)	
Compensated Absences	(1,226,890)	(5,115,061)
Net Position of Governmental Activities		$ 92,030,352

See accompanying notes to the basic financial statements.

Clinton County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2015

	General	County Board of DD	Motor Vehicle & Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	$ 2,532,470	$ 1,505,899	$ 0	$ 2,046,814	$ 6,085,183
Sales Taxes	8,624,905	0	0	0	8,624,905
Special Assessments	0	0	0	99,124	99,124
Charges for Services	1,861,718	209,274	198,341	1,208,061	3,477,394
Licenses and Permits	593,474	0	56,756	164,608	814,838
Fines and Forfeitures	100,054	0	136,127	101,792	337,973
Intergovernmental	1,438,043	968,579	3,782,941	7,890,992	14,080,555
Interest	613,036	90	2,030	920	616,076
Rent	306,149	45,600	0	0	351,749
Contributions and Donations	0	0	0	18,716	18,716
Other	279,568	38,676	128,440	155,127	601,811
Total Revenues	16,349,417	2,768,118	4,304,635	11,686,154	35,108,324
Expenditures					
Current:					
General Government					
Legislative and Executive	5,324,092	0	0	1,537,684	6,861,776
Judicial	2,720,943	0	0	437,895	3,158,838
Public Safety	5,110,108	0	0	259,777	5,369,885
Public Works	0	0	3,765,522	411,560	4,177,082
Health	0	3,557,117	0	153,026	3,710,143
Human Services	297,280	0	0	8,088,927	8,386,207
Capital Outlay	140,139	0	840,141	3,383,074	4,363,354
Debt Service:					
Principal Retirement	13,915	0	15,485	485,997	515,397
Interest and Fiscal Charges	4,809	0	1,825	157,904	164,538
Total Expenditures	13,611,286	3,557,117	4,622,973	14,915,844	36,707,220
Excess of Revenues Over (Under) Expenditures	2,738,131	(788,999)	(318,338)	(3,229,690)	(1,598,896)
Other Financing Sources (Uses)					
Proceeds from Sale of Hospital	1,700,000	0	0	0	1,700,000
Other Financing Sources	0	0	0	1,555,369	1,555,369
Other Financing Uses	0	0	0	(1,555,369)	(1,555,369)
Transfers In	0	0	47,162	2,074,356	2,121,518
Transfers Out	(87,983)	(603,000)	0	(1,430,535)	(2,121,518)
Total Other Financing Sources (Uses)	1,612,017	(603,000)	47,162	643,821	1,700,000
Net Change in Fund Balance	4,350,148	(1,391,999)	(271,176)	(2,585,869)	101,104
Fund Balance Beginning of Year - Restated (Note 2V)	24,306,247	7,619,048	2,317,693	17,025,877	51,268,865
Fund Balance End of Year	$ 28,656,395	$ 6,227,049	$ 2,046,517	$ 14,440,008	$ 51,369,969

See accompanying notes to the basic financial statements.

Clinton County, Ohio

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds		$ 101,104
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	$ 5,182,098	
Current Year Depreciation	(4,315,378)	866,720
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(801,440)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	55,650	
Sales Taxes	33,115	
Intergovernmental	1,405,108	
Interest Income	(22,758)	
Special Assessments	(2,716)	
Sale of Hospital	(1,700,000)	(231,601)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	475,000	
Special Assessment Bonds	9,851	
Loan Payable	12,405	
Capital Lease	18,141	515,397
In the statement of activitites, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	1,269	
Amortization of Premium on Bonds	4,209	
Amortization of Refunding Loss	(10,438)	(4,960)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		1,376,484
Except for amount reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		(1,314,958)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(195,681)
Change in Net Position of Governmental Activities		$ 311,065

See accompanying notes to the basic financial statements.

Clinton County, Ohio

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Property Taxes	$ 2,218,198	$ 2,218,198	$ 2,528,091	$ 309,893
Sales Taxes	7,185,000	7,185,000	8,471,448	1,286,448
Charges for Services	1,402,336	1,402,336	1,323,161	(79,175)
Licenses and Permits	466,512	466,512	575,708	109,196
Fines and Forfeitures	74,300	74,300	98,269	23,969
Intergovernmental	1,347,011	1,354,511	1,455,748	101,237
Interest	475,065	475,065	601,101	126,036
Rent	329,572	329,572	306,149	(23,423)
Other	97,502	1,132,334	1,264,291	131,957
Total Revenues	13,595,496	14,637,828	16,623,966	1,986,138
Expenditures				
Current:				
Legislative and Executive	5,728,222	7,426,300	5,261,448	2,164,852
Judicial	2,717,878	2,853,590	2,678,407	175,183
Public Safety	5,017,617	5,180,626	4,923,644	256,982
Human Services	332,365	341,941	306,311	35,630
Capital Outlay	140,139	140,139	140,139	0
Total Expenditures	13,936,221	15,942,596	13,309,949	2,632,647
Excess of Revenues Over (Under) Expenditures	(340,725)	(1,304,768)	3,314,017	4,618,785
Other Financing Sources (Uses)				
Proceeds from Sale of Hospital	1,700,000	1,700,000	1,700,000	0
Advances In	0	0	430,001	430,001
Advances Out	0	(100,000)	(76,108)	23,892
Transfers Out	(1,307,815)	(1,307,815)	(1,307,815)	0
Total Other Financing Sources (Uses)	392,185	292,185	746,078	453,893
Net Change in Fund Balance	51,460	(1,012,583)	4,060,095	5,072,678
Fund Balance Beginning of Year	9,689,192	9,689,192	9,689,192	0
Prior Year Encumbrances Appropriated	229,896	229,896	229,896	0
Fund Balance End of Year	$ 9,970,548	$ 8,906,505	$ 13,979,183	$ 5,072,678

See accompanying notes to the basic financial statements.

Clinton County, Ohio

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
County Board of Developmental Disabilities Fund
For the Year Ended December 31, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Property Taxes	$ 2,843,931	$ 2,843,931	$ 1,430,579	$ (1,413,352)
Charges for Services	0	0	209,274	209,274
Licenses and Permits	102,800	102,800	0	(102,800)
Intergovernmental	1,113,516	1,113,516	1,222,136	108,620
Interest	0	0	90	90
Rent	64,200	64,200	45,600	(18,600)
Other	1,370	1,370	38,676	37,306
Total Revenues	4,125,817	4,125,817	2,946,355	(1,179,462)
Expenditures				
Current:				
Health	4,531,954	5,441,156	4,180,497	1,260,659
Total Expenditures	4,531,954	5,441,156	4,180,497	1,260,659
Excess of Revenues Over (Under) Expenditures	(406,137)	(1,315,339)	(1,234,142)	81,197
Other Financing Sources (Uses)				
Transfers In	755,000	25,000	0	(25,000)
Transfers Out	(1,508,000)	(628,000)	(603,000)	25,000
Total Other Financing Sources (Uses)	(753,000)	(603,000)	(603,000)	0
Net Change in Fund Balance	(1,159,137)	(1,918,339)	(1,837,142)	81,197
Fund Balance Beginning of Year	5,619,220	5,619,220	5,619,220	0
Prior Year Encumbrances Appropriated	258,721	258,721	258,721	0
Fund Balance End of Year	$ 4,718,804	$ 3,959,602	$ 4,040,799	$ 81,197

See accompanying notes to the basic financial statements.

Clinton County, Ohio

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Motor Vehicle and Gas Tax Fund
For the Year Ended December 31, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Charges for Services	40,000	40,000	207,964	167,964
Licenses and Permits	67,022	67,022	56,756	(10,266)
Fines and Forfeitures	200,000	200,000	139,328	(60,672)
Intergovernmental	3,702,878	3,817,878	3,846,368	28,490
Interest	0	0	2,030	2,030
Other	300,838	300,838	122,160	(178,678)
Total Revenues	4,310,738	4,425,738	4,374,606	(51,132)
Expenditures				
Current:				
Public Safety	7,000	7,000	0	7,000
Public Works	4,762,995	5,012,061	4,017,510	994,551
Capital Outlay	760,141	760,141	760,141	0
Debt Service:				
Principal Retirement	12,405	12,405	12,405	0
Interest and Fiscal Charges	1,446	1,446	1,446	0
Total Expenditures	5,543,987	5,793,053	4,791,502	1,001,551
Excess of Revenues Over (Under) Expenditures	(1,233,249)	(1,367,315)	(416,896)	950,419
Other Financing Sources (Uses)				
Transfers In	47,162	47,162	47,162	0
Net Change in Fund Balance	(1,186,087)	(1,320,153)	(369,734)	950,419
Fund Balance Beginning of Year	1,349,986	1,349,986	1,349,986	0
Prior Year Encumbrances Appropriated	176,921	176,921	176,921	0
Fund Balance End of Year	$ 340,820	$ 206,754	$ 1,157,173	$ 950,419

See accompanying notes to the basic financial statements.

Clinton County, Ohio
Statement of Fund Net Position
Proprietary Fund
December 31, 2015

	Enterprise Fund Martinsville- Midland Sewer Sewer
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$ 599,817
Accounts Receivable	118,704
Total Current Assets	718,521
Non-Current Assets:	
Net Pension Asset (See Note 14)	50
Non-Depreciable Capital Assets	426,460
Depreciable Capital Assets, Net	7,119,567
Total Non-Current Assets	7,546,077
Total Assets	8,264,598
Deferred Outflows of Resources	
Pension	4,540
Liabilities	
Current Liabilities:	
Accrued Wages	495
Intergovernmental Payable	237
Total Current Liabilities	732
Long-Term Liabilities:	
Advances from Other Funds	3,103,723
Net Pension Liability (See Note 14)	26,673
Total Long-Term Liabilities	3,130,396
Total Liabilities	3,131,128
Deferred Inflows of Resources	
Pension	484
Net Position	
Net Investment in Capital Assets	7,546,027
Unrestricted	(2,408,501)
Total Net Position	$ 5,137,526

See accompanying notes to the basic financial statements.

Clinton County, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Fund

For the Year Ended December 31, 2015

	Enterprise Fund
	Martinsville-Midland Sewer
Operating Revenues	
Charges for Services	$ 243,289
Other	6,532
Total Operating Revenues	249,821
Operating Expenses	
Personal Services	38,200
Contractual Services	76,651
Materials and Supplies	2,207
Depreciation	167,792
Total Operating Expenses	284,850
Operating Loss	(35,029)
Net Position Beginning of Year - Restated (Note 2V)	5,172,555
Net Position End of Year	$ 5,137,526

See accompanying notes to the basic financial statements.

Clinton County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2015

	Enterprise Fund Martinsville-Midland Sewer
Cash Flows from Operating Activities	
Cash Received from Customers	$ 247,701
Cash Received from Other Operating Receipts	6,532
Cash Payments to Suppliers for Goods and Services	(2,207)
Cash Payments to Employees for Services and Benefits	(37,994)
Cash Payments for Contractual Services	(85,351)
Net Cash Provided by Operating Activities	128,681
Cash Flows from Noncapital Financing Activities	
Advances Out	(110,001)
Net Increase in Cash and Cash Equivalents	18,680
Cash and Cash Equivalents Beginning of Year	581,137
Cash and Cash Equivalents End of Year	$ 599,817
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	$ (35,029)
Adjustments:	
Depreciation	167,792
(Increase) Decrease in Assets and Deferred Outflows:	
Accounts Receivable	4,412
Net Pension Asset	(36)
Deferred Outflows - Pension	(1,224)
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	(8,700)
Accrued Wages	291
Intergovernmental Payable	89
Deferred Inflows - Pension	484
Net Pension Liability	602
Net Cash Provided by Operating Activities	$ 128,681

See accompanying notes to the basic financial statements.

Clinton County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$ 15,271	$ 3,823,287
Cash in Segregated Accounts	0	585,141
Intergovernmental Receivable	0	1,989,086
Property Taxes Receivable	0	31,215,482
Special Assessments Receivable	0	212,940
Total Assets	15,271	$ 37,825,936
Liabilities		
Intergovernmental Payable	$ 0	$ 3,904,700
Deposits Held and Due to Others	0	33,917,236
Undistributed Monies	0	4,000
Total Liabilities	0	$ 37,825,936
Net Position		
Held in Trust for Scholarships	$ 15,271	

See accompanying notes to the basic financial statements.

Clinton County, Ohio

Statement of Changes in Fiduciary Net Position

Private Purpose Trust Fund

For the Year Ended December 31, 2015

		Private Purpose Trust
Additions		
Contributions and Donations	$	24,000
Deductions		
Payments in Accordance with Trust Agreements		22,629
Change in Net Position		1,371
Net Position Beginning of Year		13,900
Net Position End of Year	$	15,271

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

A. Reporting Entity

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 organizations' 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 organizations' 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 may also include organizations that are fiscally dependent on the County in that the County approves their budget, the issuance of their debt or the levying of their taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the financial statements incomplete or misleading.

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

Blended Component Units

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

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

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

Discretely Presented Component Unit

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

Related Organizations

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

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

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

Potential Component Units Reported as Agency Funds

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

Clinton County Soil and Water Conservation District
Clinton County Board of Health

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

Jointly Governed Organization

The County is a member of the Southern Ohio Council of Governments (the SOCOG), which is a jointly governed organization under Ohio Revised Code Section 167.01. The governing body consists of a fifteen member Board with each participating County represented by its Director of its Board of Developmental Disabilities (DD). Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto and Vinton Counties. The SOCOG acts as fiscal agent for the Clinton County Board of DD's supportive living program monies. During 2015, the SOCOG received $900,000 in supportive living monies from Clinton County and as of December 31, 2015, the County had a $1,959,170 balance on hand with the SOCOG. Financial statements can be obtained from the SOCOG at 126 E. Second St., Suite C, Chillicothe, Ohio, 45601.

Joint Venture Without Equity Interest

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

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

Risk Pool

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

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

B. Basis of Presentation

Government-wide Financial Statements - The statement of net 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 and those that are considered business-type activities.

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

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

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

C. Fund Accounting

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

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

The following are the County's major governmental funds:

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

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

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

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

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

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

Martinsville-Midland Sewer **-** This fund accounts for the operations of the Martinsville-Midland Sewer.

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

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

D. Measurement Focus

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

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

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

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

E. Basis of Accounting

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

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the County, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes delinquent property taxes, sales tax, proceeds from sale of the Hospital, intergovernmental grants, and other miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 14)

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

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

F. Budgetary Data

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

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

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

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

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

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the final amended certificate issued during 2015.

***Appropriations* -** A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2015 are included in the final budget amounts in the budget-to-actual comparisons.

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

G. Cash and Investments

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

During 2015, investments were limited to federal agency securities, U.S. Government treasury notes, U.S. Government money markets and repurchase agreements.

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

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during 2015 amounted to $613,036 which includes $435,811 assigned from other County funds.

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

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

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

H. Inventories of Materials and Supplies

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

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

Inventory consists of expendable supplies held for consumption.

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	8 - 70 years	n/a
Buildings and Improvements	10 - 70 years	n/a
Equipment	4 - 20 years	4 - 20 years
Software	5 - 8 years	n/a
Infrastructure	7 - 50 years	7 - 50 years
Vehicles	8 - 10 years	n/a

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2015, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2015, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow.

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from refunding are recognized in the current period.

O. Interfund Transactions

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. These amounts are eliminated on the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

P. Fund Balance

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

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

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

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

Assigned **-** Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the General fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General fund, assigned amounts represent intended uses established by policies of the Board of Commissioners. The Board of Commissioners have by resolution authorized the Auditor to assign fund balance. The Board of Commissioners may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

Q. Budget Stabilization Arrangement

Pursuant to Ohio Revised Code Section 5705.13, on August 20, 2012, the County established a reserve balance account, in the General fund, in the amount of $2,103,795, to be used in emergencies for operational expenditures. The balance of the reserve balance account at December 31, 2015 is $2,000,000. This amount is reported as a component of unassigned fund balance in the General fund and unrestricted net position in the governmental activities.

R. Net Position

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

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

S. Estimates

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2015.

U. Implementation of New Accounting Principles and Restatement of Net Position

For the year ended December 31, 2015, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68.*

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the accrual financial statements. See table on next page for the effect on net position as previously reported.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See table on next page for the effect on net position as previously reported.

Other than employer contributions subsequent to the measurement date, the County made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

V. Fund Reclassification and Restatement of Net Position/Fund Balance

Net position of the governmental and business-type activities at December 31, 2014, has been restated for the following reasons: *(a)* to reclassify the Martinsville-Midland Sewer fund, Martinsville-Midland sanitary project fund and the Martinsville-Sewer Bond Retirement fund from governmental funds to an enterprise fund to properly reflect the funds' intended purpose and to correct accounts receivable in the Martinsville-Midland Sewer fund; *(b)* to record a previously omitted loan receivable balance in the general fund; *(c)* to correct inventory in the motor vehicle and gas tax fund; *(d)* to reduce capital assets for land and infrastructure that were duplicated in prior years; and *(e)* to implement GASB 68 and 71 as described above.

	Governmental Activities	Business-Type Activities/ Enterprise Fund
Net Position December 31, 2014	$ 106,622,938	$ 0
Fund Reclassifications		
Martinsville-Midland Sewer	(5,510,296)	5,510,296
Martinsville-Midland Sewer Bond Retirement	49,516	(49,516)
Martinsville-Midland Sanitary Project	72,871	(72,871)
Loan Receivable	410,591	0
Inventory	288,406	0
Accounts Receivable	0	122,775
Capital Assets	0	(315,388)
Subtotal	101,934,026	5,195,296
GASB 68/71 Adjustments:		
Net Pension Asset	5,987	14
Net Pension Liability	(11,654,579)	(26,071)
Deferred Outflows:		
Difference between expected and actual experience	1,735	0
Contributions subsequent to the measurement date	1,465,453	3,316
Deferred Inflows:		
Net difference between projected and actual earnings on pension plan investments	(33,335)	0
Restated Net Position, January 1, 2015	$ 91,719,287	$ 5,172,555

The funds reclassifications and correction of prior year errors had the following effect on fund balance of governmental funds as previously reported:

	Governmental Funds			
	General Fund	Motor Vehicle & Gas Tax	Martinsville-Midland Sewer	Nonmajor Governmental Funds
Fund Balance December 31, 2014	$ 23,895,656	$ 2,029,287	$ (2,518,911)	$ 16,903,490
Fund Reclassifications				
Martinsville-Midland Sewer	0	0	2,518,911	0
Martinsville-Midland Sewer Bond Retirement	0	0	0	49,516
Martinsville-Midland Sanitary Project	0	0	0	72,871
Loan Receivable	410,591	0	0	0
Inventory	0	288,406	0	0
Restated Fund Balance, January 1, 2015	$ 24,306,247	$ 2,317,693	$ 0	$ 17,025,877

W. Component Unit Restatement of Net Position

Net position of the Port Authority at December 31, 2014, has been restated to implement GASB 68 and 71 as described above.

	Port Authority
Net Position December 31, 2014	$ 57,348,685
Adjustments:	
Net Pension Asset	1,540
Net Pension Liability	(149,127)
Deferred Outflow - Payments Subsequent to Measurement Date	25,051
Restated Net Position, January 1, 2015	$ 57,226,149

NOTE 3 – DEFICIT FUND BALANCES

The following funds had deficit balances as of December 31, 2015:

Fund	Deficit
Nonmajor governmental funds	
U.S. 68 Corridor Study Grant	$ 25,000
Pre-Sentence Investigation	730
Law Enforcement Trust	1,747
Special Assessment Bond Retirement	9,762
Federal Road & Bridge	60,080

The deficit fund balances resulted from adjustments for accrued liabilities. The General fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's Asset Reserve of Ohio Investment Pool (STAR Ohio and Star Plus);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in 1 or 2 above or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and,

10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed 40 percent of the County's total average portfolio.

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

A. Cash on Hand

At year end, the County had $64,657 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents."

B. Cash and Cash Equivalents in Segregated Accounts

At year end, the County had $585,141 in cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the carrying amount of the County's deposits.

C. Cash with Escrow Agent

At year end, the County had $3,000,279 in cash and cash equivalents on deposit in escrow accounts with Bank of America and Peoples Bank. This amount has been excluded from the total amount of deposits below as it is not part of the County's internal investment pool.

D. Cash with Fiscal Agent

At year end, the County had $1,959,170 in monies held by SOCOG and $324,240 is with ODOT as a fiscal agent. This amount has been excluded from the total amount of deposits below as it is not part of the County's internal investment pool.

E. Deposits with Financial Institutions

At December 31, 2015, the carrying amount of all County deposits was $14,506,068. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2015, $14,472,946 of the County's bank balance of $15,077,345 was exposed to custodial risk as discussed below, while $604,399 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

F. Investments

As of December 31, 2015, the County had the following investments and maturities:

		Investment Maturity			
Investment	Fair Value	Less than 12 Months	12 to 36 Months	More than 36 Months	Total Investments
Federal Home Loan Bank	$ 2,853,153	$ 25,001	$ 1,827,412	$ 1,000,740	9.13%
Federal Home Loan Mortgage	23,223,769	0	0	23,223,769	74.33%
Federal National Mortgage Association Notes	4,975,670	0	4,975,670	0	15.93%
Freddie Mac	15,001	15,001	0	0	0.05%
Treasury Notes	175,101	175,101	0	0	0.56%
	$ 31,242,694	$ 215,103	$ 6,803,082	$ 24,224,509	100.00%

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

Credit Risk: The County's investments in federal agency securities, the U.S. Treasury note and the federal agency securities that underlie the repurchase agreement, were rated AA+ and AAA by S&P Global Ratings and Moody's Investor Services, respectively. The County's investment policy does not specifically address credit risk beyond requiring the County to only invest in securities authorized by State statute.

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

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The preceding table includes the percentage of each investment type held by the County at December 31, 2015.

G. *Component Unit*

At December 31, 2015, the carrying amount of the Port Authority's demand deposits was $3,456,743 and the bank balance was $3,511,658. $250,000 of the Port Authority's bank balance was covered by the FDIC, while $3,261,658 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's agent, but not in the Port Authority's name.

Custodial credit risk is the risk that, in the event of bank failure, the Port Authority's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds. The Port Authority has no deposit policy for custodial credit risk beyond the requirements of State statute.

NOTE 5 - INTERFUND TRANSACTIONS

A. *Interfund Transfers*

Interfund transfers for the year ended December 31, 2015 consisted of the following, as reported on the fund financial statements:

	Transfer From			
Transfer To	General Fund	County Board of DD	Nonmajor Governmental Funds	Total
Motor Vehicle and Gas Tax	$ 0	$ 0	$ 47,162	$ 47,162
Nonmajor governmental funds	87,983	603,000	1,383,373	2,074,356
Grand Total	$ 87,983	$ 603,000	$ 1,430,535	$ 2,121,518

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

B. *Long-Term Loans*

Avances to and from other funds at December 31, 2015, as reported on the fund financial statements:

Receivable Fund	Payable Fund	Amount
General	Martinsville-Midland Sewer	$ 3,103,723
General	Other Governmental Funds	273,264
Total		$ 3,376,987

Long-term loans between governmental funds are eliminated on the government-wide financial statements.

Long-term loans to and from other funds from the General fund to the Martinsville-Midland Sewer fund amount to $3,103,723 at December 31, 2015. The purpose of the loan was to provide funds to retire the balance of the OPWC loan and USDA bonds issued to finance the construction of Midland sewer. The Martinsville-Midland Sewer fund is scheduled to repay the General fund no less than $100,000 per year until the General fund has fully reimbursed the cost of retiring the debt or upon further resolution by the County Commissioners. The loan is interest-free. The Martinsville-Midland Sewer fund repaid the General fund $100,000 as scheduled during 2015.

The interfund balances between the General fund and the nonmajor governmental funds are not expected to be repaid within the next year.

C. Interfund Balances

Interfund balances consisted of the following at December 31, 2015, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
General	$ 6,108	$ 0
Special Assessment Bond Retirement	0	6,108
Total	$ 6,108	$ 6,108

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

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2015 for real and public utility property taxes represents collections of the 2014 taxes.

2015 real property taxes were levied after October 1, 2015 on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statue permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2015, was $9.15 per $1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	
Agricultural/Residential	$ 749,263,510
Commerical/Industrial/Mineral	149,531,850
Tangible Personal Property	
Public Utility	66,449,160
Total Assessed Value	$ 965,244,520

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1977, the County Commissioners by resolution imposed a 0.5% tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. In 1988, the County Commissioners added an additional 0.5% tax to the existing tax. On October 1, 2005, the County Commissioners imposed a 0.5% tax to the existing tax for an additional one year emergency, which was renewed for an additional five year period that will expire on September 30, 2016, if not renewed. Vendor collections of the tax are paid to the State Treasurer by the 23rd day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within 45 days after the end of the month following collection. The Office of Budget and Management then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the General fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue on the fund financial statements to the extent that they are intended to finance 2015 operations. On the government-wide financial statements, the entire receivable amount is recorded as revenue. Sales and use tax revenue for 2015 amounted to $8,624,905 in the governmental funds.

NOTE 8 – RECEIVABLES

Receivables at December 31, 2015, consisted of taxes, accounts (billings for user charged services), notes, loans, accrued interest, special assessments, interfund and intergovernmental receivables arising from grants, entitlements and shared revenue. Receivables have been recorded to the extent that they are measurable at December 31, 2015, as well as intended to finance 2015 operations.

Receivables have been disaggregated on the face of the balance sheet. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment and the $8,878,591 in notes receivable. $8,500,000 relates to the deferred purchase of the sale of the hospital. The County will receive $1,700,000 annually over the next six years.

The remaining $378,591 represents debt the County issued on behalf of the Clinton County Agricultural Society. The Society pays the County as general obligation bond principal and interest payments come due.

This space intentionally left blank.

NOTE 9 - CAPITAL ASSETS

A. *Primary Government*

Capital asset activity for the year ended December 31, 2015, was as follows:

	Restated Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 2,529,389	$ 0	$ (110,794)	$ 2,418,595
Construction in Progress	49,777	2,434,244	(221,777)	2,262,244
Total Capital Assets Not Being Depreciated, Net	2,579,166	2,434,244	(332,571)	4,680,839
Capital Assets, Being Depreciated:				
Land Improvements	258,268	713,298	(27,296)	944,270
Buildings and Improvements	21,952,008	502,372	(627,794)	21,826,586
Equipment	7,156,776	865,518	(1,389,065)	6,633,229
Software	654,655	30,600	(47,974)	637,281
Vehicles	2,739,863	567,610	(238,324)	3,069,149
Infrastructure	38,350,130	290,233	(404,745)	38,235,618
Total Capital Assets, Being Depreciated	71,111,700	2,969,631	(2,735,198)	71,346,133
Less Accumulated Depreciation:				
Land Improvements	(121,785)	(65,654)	26,434	(161,005)
Buildings and Improvements	(7,773,118)	(1,870,634)	594,597	(9,049,155)
Equipment	(3,002,579)	(567,617)	945,197	(2,624,999)
Software	(392,630)	(48,442)	47,974	(393,098)
Vehicles	(1,729,573)	(505,023)	243,536	(1,991,060)
Infrastructure	(18,704,827)	(1,258,008)	186,814	(19,776,021)
Total Accumulated Depreciation	(31,724,512)	(4,315,378)	2,044,552	(33,995,338)
Total Capital Assets Being Depreciated, Net	39,387,188	(1,345,747)	(690,646)	37,350,795
Total Governmental Activities Capital Assets, Net	$ 41,966,354	$ 1,088,497	$ (1,023,217)	$ 42,031,634

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General Government	
Legislative and executive	778,536
Judicial	21,430
Public Safety	362,851
Public Works	2,888,147
Health	200,076
Human Services	64,338
Total Depreciation Expense	$ 4,315,378

	Restated Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 426,460	$ 0	$ 0	$ 426,460
Capital Assets, Being Depreciated:				
Equipment	9,049	0	0	9,049
Infrastructure	8,366,916	0	0	8,366,916
Total Capital Assets, Being Depreciated	8,375,965	0	0	8,375,965
Less Accumulated Depreciation:				
Equipment	(904)	(453)	0	(1,357)
Infrastructure	(1,087,702)	(167,339)	0	(1,255,041)
Total Accumulated Depreciation	(1,088,606)	(167,792)	0	(1,256,398)
Total Capital Assets Being Depreciated, Net	7,287,359	(167,792)	0	7,119,567
Total Business-Type Activities Capital Assets, Net	$ 7,713,819	$ (167,792)	$ 0	$ 7,546,027

B. Component Unit Capital Assets

A summary of the changes in the Port Authority's capital assets during 2015 follows:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Port Authority:				
Capital Assets Not Being Depreciated:				
Land	$ 15,586,699	$ 0	$ 0	$ 15,586,699
Capital Assets, Being Depreciated:				
Land Improvements	28,381,545	310,117	0	28,691,662
Buildings and Improvements	23,663,985	0	0	23,663,985
Vehicles and Equipment	6,255,476	98,383	0	6,353,859
Total Capital Assets, Being Depreciated	58,301,006	408,500	0	58,709,506
Less Accumulated Depreciation:				
Land Improvements	(4,704,276)	(1,052,384)	0	(5,756,660)
Buildings and Improvements	(888,704)	(473,280)	0	(1,361,984)
Vehicles and Equipment	(678,645)	(377,083)	0	(1,055,728)
Total Accumulated Depreciation	(6,271,625)	(1,902,747)	0	(8,174,372)
Total Capital Assets Being Depreciated, Net	52,029,381	(1,494,247)	0	50,535,134
Total Port Authority Capital Assets, Net	$ 67,616,080	$ (1,494,247)	$ 0	$ 66,121,833

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE

The County has entered into capitalized leases for the acquisition of copiers and a ballot printing system. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Governmental activities capital assets consisting of equipment have been capitalized in the amount of $93,713. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the amount of $18,141 and $5,542, respectively, were made during 2015.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2015:

		Governmental Activities
Year ending December 31,	2016	$ 21,992
	2017	18,540
	2018	16,805
	2019	12,000
Minimum lease payments		69,337
Less: amount representing interest		(9,001)
Present value of net minimum lease payments		$ 60,336

NOTE 11 - COMPENSATED ABSENCES

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

Upon termination of County service, employees are entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 30 days and all accumulated vacation.

This space intentionally left blank.

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2015, the following changes occurred in the County's governmental long-term obligations:

	Restated Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Due in One Year
Governmental Activities:					
General Obligation Bonds					
Various Purpose Refunding Bonds					
2.23 - 3.75%	$ 1,705,000	$ 0	$ 320,000	$ 1,385,000	$ 330,000
Unamortized Premium	20,691		4,209	16,482	0
Fairground/Public Service Agency					
Building Bond - 3.73 - 4.12%	2,555,000	0	155,000	2,400,000	160,000
	4,280,691	0	479,209	3,801,482	490,000
Special Assessment Bond					
Ditch Construction - 5.00%	9,851	0	9,851	0	0
Loan Payable	38,758	0	12,405	26,353	12,912
Compensated Absences	1,131,596	604,136	508,842	1,226,890	446,244
Capital Leases	78,477	0	18,141	60,336	17,832
Net Pension Liability - OPERS and STRS	11,654,579	291,531	0	11,946,110	0
Total Governmental Activities	$ 17,193,952	$ 895,667	$ 1,028,448	$ 17,061,171	$ 966,988
Business-Type Activities					
Net Pension Liability - OPERS	$ 26,071	$ 602	$ 0	$ 26,673	$ 0

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

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

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

The assets held in trust as a result of the advance refunding described above are not included in the accompanying basic financial statements. At December 31, 2015, $1,325,000 of the refunded bonds being held by escrow agent are still outstanding.

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

Loan Payable: On July 16, 2012, the County issued a loan in the amount of $61,801 through The National Bank and Trust Company to finance the purchase of two tractors for the Soil and Water Conservation District. Semi-annual payments are scheduled to begin March 1, 2013 through September 1, 2017 at an interest rate of 4.05%. Payments will be made from the Ditch Assessment nonmajor special revenue fund.

Vested sick leave and vacation benefits will be paid from the fund from which the employee is paid. The County pays obligations related to employee compensation from the fund benefitting from their service.

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

	Governmental Activities					
	General Obligation Bonds		Loan Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 490,000	$ 142,950	$ 12,912	$ 838	$ 502,912	$ 143,788
2017	505,000	127,050	13,441	409	518,441	127,459
2018	530,000	109,813	0	0	530,000	109,813
2019	540,000	90,386	0	0	540,000	90,386
2020	185,000	69,688	0	0	185,000	69,688
2021-2025	1,055,000	230,240	0	0	1,055,000	230,240
2026-2027	480,000	29,906	0	0	480,000	29,906
Totals	$ 3,785,000	$ 800,033	$ 26,353	$ 1,247	$ 3,811,353	$ 801,280

B. Component Unit Long-Term Obligations

During 2015, the following changes occurred in the Port Authority's long-term obligations:

	Restated Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Due in One Year
Port Authority:					
Mortage Loan - Ag Land	$ 1,208,532	$ 0	$ 27,532	$ 1,181,000	$ 28,723
Unamortized discount on loans	(24,949)	1,140	0	(23,809)	0
OEBF Loan	8,770,000	0	300,000	8,470,000	300,833
166 Loan	4,000,000	0	0	4,000,000	176,731
Net Pension Liability - OPERS	149,127	3,446	0	152,573	0
Total Long-Term Obligations	$ 14,102,710	$ 4,586	$ 327,532	$ 13,779,764	$ 506,287

On October 28, 2010, the Port Authority obtained a loan for the purpose of purchasing land. The loan was refinanced on October 28, 2013 in the amount of $1,234,133. Payments on the loan are due quarterly, with interest at 4.75%. The loan matures November 1, 2038.

During 2013, the Port Authority began drawing down on a $9,055,000 loan obtained from the Ohio Enterprise Bond Fund program (the OEBF loan) for the purpose of constructing a new hangar building. The loan agreement functioned similar to a line-of-credit agreement, and any undisbursed proceeds were held in escrow by a trustee. At December 31, 2014, the Port Authority received the remaining proceeds of the $9,055,000 loan. The loan requires monthly payments beginning in 2014, including interest at annual rates ranging from 2.0% - 5.0%. The final payment is due November 15, 2036. The Port Authority receives rental payments under a lease agreement with Air Transport International LLC (ATI LLC) and Airborne Maintenance and Engineering Services, Inc. (AMES) in an amount sufficient to cover the monthly debt service payments on the loan. The loan and lease payments are guaranteed by Air Transport Services Group, Inc.

In 2013 the Port Authority began drawing down on a $1,595,000 Ohio Logistics and Distribution Infrastructure loan (LDI loan), which was also issued in order to finance the new hangar building construction. The loan agreement functioned similar to a line-of-credit agreement, and any undisbursed proceeds were held in escrow by a trustee. The remaining proceeds of the $1,595,000 loan were received during 2014. The loan agreement included features that made it forgivable, provided certain requirements were met by ATI LLC and AMES regarding construction hours, jobs created and construction timeframe. The loan was forgiven on November 13, 2014.

In conjunction with the OEBF loan and LDI loan, in 2013 the Port Authority was awarded a $4,000,000 Ohio Revised Code Chapter 166 loan. The Port Authority received the full amount of the loan proceeds during 2014. Semi-annual payments, including interest at an annual rate of 1%, began in May of 2016. The loan is secured with funds derived from a tax increment financing agreement created by the City of Wilmington, Ohio.

The following tables show the future principal and interest payments due on the mortgage loan, OEBF loan and the 166 loan.

	Mortgage Loan		OEBF Loan		166 Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 28,723	$ 56,515	$ 300,833	$ 305,164	$ 176,731	$ 49,449	$ 506,287	$ 411,128
2017	30,290	54,948	310,000	298,506	178,503	47,234	517,021	402,903
2018	31,776	53,462	315,834	291,692	180,292	44,998	526,113	392,388
2019	33,334	51,904	320,833	284,714	182,100	42,738	534,459	381,616
2020	34,827	50,411	330,000	277,479	183,925	40,456	546,927	370,628
2021-2025	202,143	224,047	1,779,167	1,243,069	947,658	167,243	2,165,235	1,507,572
2026-2030	256,830	169,360	2,060,833	933,200	996,120	106,664	3,265,321	1,269,803
2031-2035	326,317	99,873	2,525,000	447,671	1,047,063	42,988	3,847,437	654,208
2036-2038	236,760	18,953	527,500	15,364	107,608	672	1,811,323	77,305
Totals	$ 1,181,000	$ 779,473	$ 8,470,000	$ 4,096,859	$ 4,000,000	$ 542,442	$ 13,720,123	$ 5,467,551

NOTE 13 - RISK MANAGEMENT

A. General Insurance

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

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

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

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

B. Health Care, Vision, Dental and Life Insurance

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

NOTE 14 - PENSION PLANS

Net Pension Asset/Liability

The net pension asset/liability reported on the statement of net position represents an asset/liability to employees for pensions. Pensions are a component of exchange transactions--between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension asset/liability represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension asset/liability. Resulting adjustments to the net pension asset/liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension asset/liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional and combined plans; therefore, the following disclosure focuses on these two plans.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**Formula:**
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	**Public Safety and Law Enforcement**	**Public Safety and Law Enforcement**
Formula:	**Formula:**	**Formula:**
2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
2015 Statutory Maximum Contribution Rates			
Employer	14.00 %	18.10 %	18.10 %
Employee	10.00 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.00 %	16.10 %	16.10 %
Post-employment Health Care Benefits	2.00	2.00	2.00
Total Employer	14.00 %	18.10 %	18.10 %
Employee	10.00 %	12.00 %	13.00 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was $1,373,607 for 2015. The entire amount was paid during 2015. The Port Authority's contractually required contribution was $30,540 for 2015. The entire amount was paid during 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The County participates in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A

member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.
The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. Plan members were required to contribute 12 percent of their covered salary for the period from January 1, 2015 through June 30, 2015 and 13 percent of their covered salary for the period from July 1, 2015 through December 31, 2015. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2015 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was $11,131 for 2015. The entire amount was paid during 2015.

Pension Assets/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension asset/liability for OPERS was measured as of December 31, 2014, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The County's proportion of the net pension asset/liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan		OPERS Combined Plan		STRS		Total
Proportionate Share of the Net Pension Asset	$	0	$	22,019	$	0	$ 22,019
Proportionate Share of the Net Pension Liability	$	11,766,221	$	0	$	206,562	$ 11,972,783
Proportion of the Net Pension Asset/Liability		0.0975550%		0.0571890%		0.0007474%	
Pension Expense	$	1,282,525	$	14,443	$	20,931	$ 1,317,898

Component Unit - Port Authority

	OPERS Traditional Plan		OPERS Combined Plan		Total
Proportionate Share of the Net Pension Asset	$	0	$	5,651	$ 5,651
Proportionate Share of the Net Pension Liability	$	152,573	$	0	$ 152,573
Proportion of the Net Pension Asset/Liability		0.00126500%		0.01467600%	
Pension Expense	$	16,598	$	3,706	$ 20,304

At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	STRS	Total
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	$ 627,810	$ 1,344	$ 0	$ 629,154
Differences between expected and actual experience	0	0	2,111	2,111
Changes of assumptions				
Changes in proportion	0	0	1,513	1,513
County contributions subsequent to the measurement date	1,351,318	22,289	5,991	1,379,598
Total Deferred Outflows of Resources	$ 1,979,128	$ 23,633	$ 9,615	$ 2,012,376
Deferred Inflows of Resources				
Net difference between projected and actual earnings on pension plan investments	$ 0	$ 0	$ 23,964	$ 23,964
Differences between expected and actual experience	206,709	6,719	0	213,428
Total Deferred Inflows of Resources	$ 206,709	$ 6,719	$ 23,964	$ 237,392

Component Unit - Port Authority

	OPERS Traditional Plan	OPERS Combined Plan	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 8,141	$ 345	$ 8,486
Port Authority contributions subsequent to the measurement date	24,175	6,365	30,540
Total Deferred Outflows of Resources	$ 32,316	$ 6,710	$ 39,026
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 2,680	$ 1,724	$ 4,404

$1,379,598 and $30,540 reported as deferred outflows of resources related to pension resulting from County and Port Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or addition of the net pension asset in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS Traditional Plan	OPERS Combined Plan	STRS	Total
2016	$ 61,577	$ (463)	$ (7,060)	$ 54,054
2017	61,577	(463)	(7,060)	54,054
2018	140,996	(463)	(7,060)	133,473
2019	156,951	(463)	840	157,328
2020	0	(799)	0	(799)
Thereafter	0	(2,724)	0	(2,724)
	$ 421,101	$ (5,375)	$ (20,340)	$ 395,386

Component Unit - Port Authority

Year Ending December 31:	OPERS Traditional Plan	OPERS Combined Plan	Total
2016	$ 798	$ (119)	$ 679
2017	798	(119)	679
2018	1,829	(119)	1,710
2019	2,036	(118)	1,918
2020	0	(205)	(205)
Thereafter	0	(699)	(699)
	$ 5,461	$ (1,379)	$ 4,082

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension asset/liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Information	**Traditional Pension Plan**	**Combined Pension Plan**
Wage Inflation	3.75 percent	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation	4.25 percent to 8.05 percent, including wage inflation
COLA or Ad Hoc COLA	3.00 percent, simple	3.00 percent
Investment Rate of Return	8.00 percent	8.00 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate The discount rate used to measure the total pension asset/liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

Sensitivity of the County's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension asset/liability calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

County's proportionate share of the net pension (asset)/liability:	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Traditional Plan	$ 21,646,475	$ 11,766,221	$ 3,444,666
Combined Plan	2,859	(22,019)	(41,748)

Component Unit - Port Authority

Port Authority's proportionate share of the net pension (asset)/liability:	1% Decrease (7.00%)	Current Discount Rate (8.00%)
Traditional Plan	$ 280,691	$ 152,573
Combined Plan	734	(5,651)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	$ 286,931	$ 206,562	$ 138,599

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored 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 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible benefit recipients. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0 percent of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were $221,991, $253,924 and $128,794, respectively. The full amount has been contributed for 2015, 2014 and 2013. The Port Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were $5,090, $4,132 and $2,035, respectively. The full amount has been contributed for 2015, 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS did not allocate any employer contributions to post-employment health care. The County's contributions for health care for the years ended December 31, 2015, 2014, and 2013 were $0, $400, and $749, respectively. The full amount has been contributed for all years.

NOTE 16 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

NOTE 17 - CONDUIT DEBT OBLIGATION

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

NOTE 18 - OTHER COMMITMENTS

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

Fund	Amount
General	$ 245,287
County Board of DD	75,625
Motor Vehicle and Gas Tax	124,289
Other Governmental Funds	303,005
	$ 748,206

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.
The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the General fund, County Board of Developmental Disabilities and the Motor Vehicle and Gas Tax fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Some funds are included in the General fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	General	County Board of DD	Motor Vehicle and Gas Tax
GAAP Basis	$ 4,350,148	$ (1,391,999)	$ (271,176)
Net Adjustment for Revenue Accruals	345,966	178,237	69,971
Net Adjustment for Expenditure Accruals	65,888	(528,787)	(32,124)
Funds Budgeted Elsewhere *	(369,211)	0	0
Adjustment for Encumbrances	(332,696)	(94,593)	(136,405)
Budget Basis	$ 4,060,095	$ (1,837,142)	$ (369,734)

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

NOTE 20 - FUND BALANCE

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

	General Fund	County Board of DD Fund	Motor Vehicle & Gas Tax Fund	Other Governmental Funds	Total
Nonspendable for:					
Long-Term Interfund Loans	$ 3,376,987	$ 0	$ 0	$ 0	$ 3,376,987
Amounts Held in Escrow	3,000,279	0	0	0	3,000,279
Inventory	8,129	0	350,936	0	359,065
Prepaid Items	74,695	46,571	0	25,769	147,035
Unclaimed Monies	119,710	0	0	0	119,710
Total Nonspendable	6,579,800	46,571	350,936	25,769	7,003,076
Restricted for:					
General Government	0	0	0	1,860,254	1,860,254
Public Safety	0	0	0	649,143	649,143
Conserv & Receration	0	0	0	550,929	550,929
Human Services Programs	0	0	0	2,702,414	2,702,414
Public Works	0	0	1,695,581	755,851	2,451,432
Health Programs	0	6,180,478	0	55,208	6,235,686
Capital Outlay	0	0	0	4,166	4,166
Total Restricted	0	6,180,478	1,695,581	6,577,965	14,454,024
Committed for:					
Health Programs	23,084	0	0	0	23,084
Geographic Info Systems	189,965	0	0	0	189,965
Sheriff's Policing rotary	94,274	0	0	0	94,274
Capital Improvements	0	0	0	465,834	465,834
Debt	0	0	0	5,155,023	5,155,023
Total Committed	307,323	0	0	5,620,857	5,928,180
Assigned:					
Encumbrances					
General Government	172,356	0	0	0	172,356
Public Safety	64,198	0	0	0	64,198
Human Service Programs	8,115	0	0	0	8,115
Health Programs	2,976,286	0	0	0	2,976,286
Capital Projects	0	0	0	2,312,736	2,312,736
Total Assigned	3,220,955	0	0	2,312,736	5,533,691
Unassigned	18,548,317	0	0	(97,319)	18,450,998
Total Fund Balance	$ 28,656,395	$ 6,227,049	$ 2,046,517	$ 14,440,008	$ 51,369,969

NOTE 21 – SIGNIFICANT SUBSEQUENT EVENT

On April 12, 2016, the County issued $5,790,000 in Various Purpose Bonds. The bonds have an annual interest rate of 2.00 – 3.00 percent and mature on December 1, 2025.

Clinton County, Ohio
Required Supplementary Information
Schedule of the County's Proportionate Share of the Net Pension Liability
Last Two Years (1)

	2014	2013
Ohio Public Employees' Retirement System (OPERS) - Traditional Plan		
County's Proportion of the Net Pension Liability (Asset)	0.0975550%	0.0975550%
County's Proportionate Share of the Net Pension Liability (Asset)	$ 11,766,221	$ 11,500,462
County's Covered-Employee Payroll	$ 11,487,765	$ 11,806,980
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	102.42%	97.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%
Ohio Public Employees' Retirement System (OPERS) - Combined Plan		
County's Proportion of the Net Pension Liability (Asset)	0.0571890%	0.0571890%
County's Proportionate Share of the Net Pension Liability (Asset)	$ (22,019)	$ (6,001)
County's Covered-Employee Payroll	$ 209,047	$ 200,942
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0.105330413	0.029864398
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	114.83%	104.56%
State Teachers Retirement System (STRS)		
County's Proportion of the Net Pension Liability (Asset)	0.0007474%	0.0007474%
County's Proportionate Share of the Net Pension Liability (Asset)	$ 206,562	$ 180,188
County's Covered-Employee Payroll	$ 77,179	$ 69,507
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	267.64%	259.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	73.00%

(1) Information prior to 2013 is not available.

Clinton County, Ohio
Required Supplementary Information
Schedule of County Contributions
Last Ten Years

	2015	2014	2013
Ohio Public Employees' Retirement System (OPERS) - Traditional Plan			
Contractually Required Contribution	$ 1,351,318	$ 1,422,878	$ 1,698,048
Contributions in Relation to the Contractually Required Contribution	(1,351,318)	(1,422,878)	(1,698,048)
Contribution deficiency (excess)	$ 0	$ 0	$ 0
County's covered-employee payroll	$ 10,913,808	$ 11,487,765	$ 11,806,980
Contributions as a percentage of covered-employee payroll	12.38%	12.39%	14.38%
Ohio Public Employees' Retirement System (OPERS) - Combined Plan			
Contractually Required Contribution	$ 22,289	$ 25,086	$ 26,122
Contributions in Relation to the Contractually Required Contribution	(22,289)	(25,086)	(26,122)
Contribution deficiency (excess)	$ 0	$ 0	$ 0
County's covered-employee payroll	$ 185,742	$ 209,047	$ 200,942
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%
State Teachers Retirement System (STRS)			
Contractually Required Contribution	$ 11,131	$ 10,419	$ 9,036
Contributions in relation to the contractually required contribution	(11,131)	(10,419)	(9,036)
Contribution deficiency (excess)	$ 0	$ 0	$ 0
County's covered-employee payroll	$ 79,507	$ 77,179	$ 69,507
Contributions as a percentage of covered-employee payroll	14.00%	13.50%	13.00%

(n/a) Information prior to 2013 is not available.

2012	2011	2010	2009	2008	2007	2006
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
$ 8,771	$ 20,703	$ 29,402	$ 26,246	$ 24,705	$ 23,475	$ 21,222
(8,771)	(20,703)	(29,402)	(26,246)	(24,705)	(23,475)	(21,222)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 67,471	$ 159,250	$ 226,171	$ 201,893	$ 190,036	$ 180,579	$ 163,243
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Compenent Unit - Port Authority
Clinton County, Ohio
Required Supplementary Information
Schedule of the Port Authority's Proportionate Share of the Net Pension Asset/Liability
Last Two Years (1)

	2014	2013
Ohio Public Employees' Retirement System (OPERS) - Traditional Plan		
Port Authority's Proportion of the Net Pension Liability (Asset)	0.0012650%	0.0012650%
Port Authority's Proportionate Share of the Net Pension Liability (Asset)	$ 152,573	$ 149,127
Port Authority's Covered-Employee Payroll	$ 155,108	$ 161,092
Port Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	98.37%	92.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%
Ohio Public Employees' Retirement System (OPERS) - Combined Plan		
Port Authority's Proportion of the Net Pension Liability (Asset)	0.0146760%	0.0146760%
Port Authority's Proportionate Share of the Net Pension Liability (Asset)	$ (5,651)	$ (1,540)
Port Authority's Covered-Employee Payroll	$ 53,650	$ 42,415
Port Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0.105330848	0.036307581
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	114.83%	104.56%

(1) Information prior to 2013 is not available.

Compenent Unit - Port Authority
Clinton County, Ohio
Required Supplementary Information
Schedule of Port Authority Contributions
Last Ten Years

	2015	2014	2013
Ohio Public Employees' Retirement System (OPERS) - Traditional Plan			
Contractually Required Contribution	$ 24,175	$ 18,613	$ 20,942
Contributions in Relation to the Contractually Required Contribution	(24,175)	(18,613)	(20,942)
Contribution deficiency (excess)	$ 0	$ 0	$ 0
Port Authority's covered-employee payroll	$ 201,458	$ 155,108	$ 161,092
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%
Ohio Public Employees' Retirement System (OPERS) - Combined Plan			
Contractually Required Contribution	$ 6,365	$ 6,438	$ 5,514
Contributions in Relation to the Contractually Required Contribution	(6,365)	(6,438)	(5,514)
Contribution deficiency (excess)	$ 0	$ 0	$ 0
Port Authority's covered-employee payroll	$ 53,042	$ 53,650	$ 42,415
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%

(n/a) Information prior to 2013 is not available.

2012	2011	2010	2009	2008	2007	2006
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a

CLINTON COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Passed Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the Ohio Department of Job and Family Services				
Supplemental Nutrition Assistance Program Cluste				
Supplemental Nutrition Assistance Program - Administrative Cost	G-1415-11-5342 / G-1617-11-5497	10.561	$ 175,966	-
Total U.S. Department of Agriculture			**175,966**	-
U.S. DEPARTMENT OF EDUCATION				
Passed Through the Ohio Department of Health				
Help Me Grow - Part C	01410021HG0716	84.181	50,009	-
	01410021HG0615	84.181	90,337	-
Total Help Me Grow - Part C			140,346	
Total U.S. Department of Education			**140,346**	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through the Ohio Department of Job and Family Services				
TANF Cluster				
TANF, Independent Living	G-1415-11-5342 / G-1617-11-5497	93.558	9,320	-
TANF - Admin	G-1415-11-5342 / G-1617-11-5497	93.558	488,226	-
TANF - Regular	G-1415-11-5342 / G-1617-11-5497	93.558	358,799	-
TANF - Youth	G-1415-11-5342 / G-1617-11-5497	93.558	162,943	162,367
Total TANF Cluster			1,019,288	162,367
Child Care Development Fund Cluster				
Child Care Admin	G-1415-11-5342 / G-1617-11-5497	93.575	18,333	-
Child Care Non-Admin	G-1415-11-5342 / G-1617-11-5497	93.575	31,515	-
Total Child Care Development Fund Cluste			49,848	-
Title XX - Base	G-1415-11-5342 / G-1617-11-5497	93.667	69,386	-
Title XX - Transfer	G-1415-11-5342 / G-1617-11-5497	93.667	53,838	-
Total Title XX - Social Services Block Grant			123,224	-
Medicaid Cluster	G-1415-11-5342 / G-1617-11-5497	93.778	129,226	-
Medicaid Enhanced	G-1415-11-5342 / G-1617-11-5497	93.778	254,636	-
Medicaid NET	G-1415-11-5342 / G-1617-11-5497	93.778	157,952	-
Total Medicaid Cluster			541,814	-
Child Support Enforcement				
Federal Child Support	G-1415-11-5342 / G-1617-11-5497	93.563	263,733	-
Federal Child Support	G-1415-11-5342 / G-1617-11-5497	93.563	82,349	-
Child Support Training	G-1415-11-5342 / G-1617-11-5497	93.563	648	-
County Incentives	G-1415-11-5342 / G-1617-11-5497	93.563	99,044	-
Total Child Support Enforcement			445,774	-
Promoting Safe and Stable Families	G-1415-11-5342 / G-1617-11-5497	93.556	35,836	-
Title IV-B	G-1415-11-5342 / G-1617-11-5497	93.645	63,238	-

(Continued)

CLINTON COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Passed Through to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Passed Through the Ohio Department of Job and Family Services (Continued)				
Foster Care (Title IV-E)	G-1415-11-5342 / G-1617-11-5497	93.658	$ 924,133	-
Adoption Assistance (Title IV-E)	G-1415-11-5342 / G-1617-11-5497	93.659	361,082	-
Chafee Foster Care Independence Program	G-1415-11-5342 / G-1617-11-5497	93.674	59,621	-
Passed Through Ohio Department of Developmental Disabilities:				
Title XX - Social Services Block Grant	Title XX	93.667	25,129	-
Medicaid Cluster				
Medical Assistance Program (MAC)	Title XIX	93.778	143,400	-
Passed Through Ohio Department of Mental Health:				
Family-Centered Services and Supports	N/A	93.556	22,913	-
Total U.S. Department of Health and Human Services			**3,815,300**	**162,367**
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the Ohio Department of Transportation				
Highway Planning and Construction Cluster				
Farmers Road Sight Improvement	PID #97872	20.205	8,639	-
2015 Pavement Marking Project	PID #98919	20.205	148,632	-
Gurneyville/North Curry	PID #95399	20.205	9,313	-
Total Highway Planning and Construction Cluster			166,584	-
Passed Through the Federal Aviation Administration				
Airport Apron and Runway Rehab & Beacon Relocation	3-39-0091-009-2014	20.106	73,444	-
Airport Apron and Runway Rehab & Beacon Relocation	3-39-0091-010-2015	20.106	301,156	-
Total Airport Apron and Runway Rehab & Beacon Relocation			374,600	-
Total U.S. Department of Transportation			**541,184**	**-**

(Continued)

CLINTON COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Passed Through to Subrecipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through the Ohio Development Services Agency				
Community Development Block Grants				
Small Cities CDBG Program	B-C-13-1AN-1	14.228	124,840	-
Small Cities CDBG Program	B-C-14-1AN-1	14.228	39,364	-
Total Small Cities CDBG Program			164,204	-
Small Cities Program Grant (Formula)	B-F-14-1AN-1	14.228	74,857	-
Home Investment Partnerships Program	B-C-13-1AN-2	14.239	233,580	-
Home Investment Partnerships Program	B-C-14-1AN-2	14.239	88,206	-
Total Home Investment Partnerships Program			321,786	-
Total U.S. Department of Housing and Urban Development			**560,847**	**-**
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the Ohio Department of Public Safety				
Emergency Management Performance Grant	EMW-2014-EP-00064	97.042	46,166	-
Total U.S. Department of Homeland Security			**46,166**	**-**
U.S. DEPARTMENT OF JUSTICE				
Passed Through the Ohio Attorney General's Office - Crime Victim Section				
Crime Victim Assistance	2016-VOCA-20182338	16.575	97	-
Crime Victim Assistance - TDIM	2015-VOCA-12384982	16.575	609	-
Crime Victim Assistance	2015SAGENE410	16.575	25,867	-
Crime Victim Assistance	2016-SVAA-20071013	16.575	4,804	-
Total U.S. Department of Justice			**31,377**	**-**

(Continued)

CLINTON COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Passed Through to Subrecipients
U.S. DEPARTMENT OF LABOR				
Passed Through the Ohio Department of Jobs and Family Services				
via Ohio Area 7 Workforce Investment Board				
Workforce Investment Act Cluster				
WIA - Adult Program	G-1415-11-5342 / G-1617-11-5497	17.258	79,434	79,434
WIA - Adult Administration	G-1415-11-5342 / G-1617-11-5497	17.258	158	-
WIOA - Adult Program	G-1415-11-5342 / G-1617-11-5497	17.258	13,956	13,956
WIA - Adult Total			93,548	93,390
WIA - Youth	G-1415-11-5342 / G-1617-11-5497	17.259	106,610	106,610
WIA - Youth Administration	G-1415-11-5342 / G-1617-11-5497	17.259	4,378	-
WIOA - Youth	G-1415-11-5342 / G-1617-11-5497	17.259	21,436	18,235
WIA - Youth Total			132,424	124,845
WIA - Dislocated Workers	G-1415-11-5342 / G-1617-11-5497	17.278	163,317	163,317
WIA - Dislocated Workers Administration	G-1415-11-5342 / G-1617-11-5497	17.278	344	-
WIOA - Dislocated Workers	G-1415-11-5342 / G-1617-11-5497	17.278	52,719	52,719
WIA - Dislocated Workers Total			216,380	216,036
WIA - Rapid Response	G-1415-11-5342 / G-1617-11-5497	17.278	167,590	167,590
Total Workforce Investment Act Cluster			609,942	601,861
Employment Service Cluster				
One-Stop Resource Sharing	G-1415-11-5342 / G-1617-11-5497	17.207	11,934	-
TANF Cluster:				
Ohio Works Incentive Program - Initial Payment/Start-Up	G-1415-11-5342 / G-1617-11-5497	93.558	7,000	7,000
WIA - Wilmington Air Park National Emergency Grant	G-1415-11-5342 / G-1617-11-5497	17.277	13,113	13,113
Total U.S. Department of Labor			**641,989**	**621,974**
Total Federal Expenditures			**$ 5,953,175**	**$ 784,341**

CLINTON COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Clinton County (the County) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The County passes certain federal awards received from the U.S. Department of Labor and the U.S. Department of Health and Human Services to other governments or not-for-profit agencies (subrecipients). As Note B describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

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

NOTE D - 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.

This page intentionally left blank.

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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Clinton County, (the County) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 8, 2017, wherein we modified our opinion for the discretely presented component unit. We also noted the County adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* and that the 2015 financial statements have been restated to correct misstatements.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Entity's Response to Findings

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 8, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Clinton County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially each of Clinton County's major federal programs for the year ended December 31, 2015. The *Summary of Auditor's 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of 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, Clinton 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, 2015.

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 the Uniform Guidance, 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.

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 or corrected. A *significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

March 8, 2017

CLINTON COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Qualified – Discretely Presented Component Unit Unmodified – All Other Opinion Units
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(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?**	No
(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 2 CFR §200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	93.558 TANF 93.658 Foster Care 17.258/17.259/17.278 WIA Cluster
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	No

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

FINDING NUMBER 2015-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Administrative Code 117-2-02 (A) requires the Port Authority 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 the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Port Authority also is responsible for the design and implementation of an internal control process that provides reasonable assurance as to the integrity of its financial reporting and the efficiency and effectiveness operations. The Port Authority's financial activities are included in the County's basic financial statements as a discretely presented component unit.

We identified the following conditions related to the valuation and financial reporting of the Port Authority's capital assets.

- The Port Authority maintained an asset listing of land, land improvements, buildings and improvements, and equipment. Location information was only provided for land assets. Buildings on the asset listing were not identified by specific location.
- The asset listing did not separately identify two overpasses.
- The building and improvements descriptions did not provide sufficient detail to identify each building and related additions.
- Port Authority had an appraisal completed in 2012. The appraisal did not include values and related depreciation for the vehicles, tractors, or other equipment that were part of the original donation of the Air Park.

Due to the lack of adequate records regarding the location, value and location of the Port Authority capital assets, we were unable to verify the Port Authority assertions of accuracy, completeness and existence regarding Port Authority capital assets. The Port Authority capital assets represent 95% of the Discretely Presented Component Unit's assets.

Failure to maintain a detailed, accurate and complete listing of capital assets could result in difficulties locating assets, monitoring useful lives, obtaining adequate insurance, detecting loss, theft and misappropriation of capital assets, and ensuring accurate financial statements.

The Port Authority should continue its efforts to identify, classify, value and account for material capital assets. The Port Authority should also document the capital asset plan, including the anticipating timing of completion and possible use of an outside appraisal company. As the Port Authority identifies possible controls to prevent future errors, the Port Authority should adopt changes to the capital asset policy.

FINDING NUMBER 2015-001
(Continued)

Official's Response:

The Clinton County Port Authority (CCPA) recognizes the need to record, maintain, and monitor the capital assets of the entity. Items purchased since taking ownership of the Wilmington Air Park have been recorded and maintained as necessary. However, the donation of assets by DHL Express to the Port Authority continues to be the challenge. Improvements continue to be made to the valuation and financial reporting of our capital assets regarding the donated assets, and will continue.

Relative to the specific elements of this finding:

- We are continuing to work with the Clinton County Auditor, and counsel, to capture more precise data pertaining to individual facilities. This effort is complicated by the fact that each facility is not contained within a unique parcel; rather, the majority of facilities owned by the Clinton County Port Authority were transferred as part of a single parcel. A comprehensive fixed asset appraisal was planned for completion in 2016, in conjunction with an insurance asset inventory/appraisal. That appraisal was delayed by factors not controlled by the CCPA. We anticipate this situation being rectified during calendar year 2017;

- The CCPA believed that the referenced overpasses were owned by either Clinton County or the City of Wilmington, with certain maintenance obligations conferred to the CCPA. This, again, is due to lack of adequate documentation associated with the transfer of real and personal property assets from the previous owner to the CCPA. The overpasses will be included in future asset listings;

- Please refer to our first bulleted response;

- As a component of the anticipated asset appraisals to be conducted in calendar year 2017, we anticipate values and a depreciation schedule to be established for all rolling stock owned by the CCPA.

FINDING NUMBER 2015-002

MATERIAL WEAKNESS

Public officials are required to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, records 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 controls to ensure that transactions were posted accurately. We identified the following posting error:

In March 2015 $900,000 was transferred from the Board of Developmental Disabilities (Board of DD) to the Southern Ohio Council of Government (SOCOG) to establish a Medicaid Reserve

FINDING NUMBER 2015-002
(Continued)

Fund. The amount was posted as an expense in the Board of DD fund. The Board made the decision to move $400,000 back from the SOCOG later in the year and the transaction was posted as Intergovernmental receipts in the Board of DD fund. An adjustment was made during the GAAP conversion process to increase Board of DD Cash with Fiscal Agent by $499,000 and decrease expenditures to properly account for the $500,000 that was transferred to the SOCOG and the loss on investment for the year. However, receipts and expenditures in the Board of DD fund were overstated by $400,000 because the amount transferred to the SOCOG that was returned to the Board of DD should have been accounted for as a reduction of an expenditure, not revenue, when it was returned. The County posted an audit adjustment to the financial statements to correct this error.

Failure to accurately post and report receipt transactions could result in material errors in the County's financial statements and reduces the ability of the County and individual departments to monitor financial activity and to make informed decisions.

The County should provide training to the individuals entering information on the County's reporting system and monitor the accuracy of the transactions posted.

Official's Response:

This transaction was a one-time event that was unusual in nature. In most cases, reporting of income and expenditures are to be done at the gross amount and not the net. However, in this case, the proper recording was to record both transactions to the expenditure line to reduce the expenses reported in the DD fund. All staff has since been trained on the proper handling of this type of transaction.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

CLINTON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Timely cash reconciliations were not performed	Partially corrected	Re-issued in the management letter
2014-002	County financial statement posting errors	Not corrected	Re-issued as Finding 2015-002
2014-003	Port Authority did not properly maintain capital asset listing	Partially corrected	Re-issued as Finding 2015-001
2014-004	County did not properly maintain capital asset listing	Fully Corrected	
2014-005	Failure to properly record transactions related to the Former Clinton County Hospital Fund	Fully Corrected	
2014-006	Quarterly ODJFS reports not reconciled with the County Auditor.	Fully Corrected	

This page intentionally left blank.

CLINTON COUNTY

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2015

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	The Clinton County Port Authority (CCPA) recognizes the need to record, maintain, and monitor the capital assets of the entity. Items purchased since taking ownership of the Wilmington Air Park have been recorded and maintained as necessary. However, the donation of assets by DHL Express to the Port Authority continues to be the challenge. Improvements continue to be made to the valuation and financial reporting of our capital assets regarding the donated assets, and will continue. Relative to the specific elements of this finding: • We are continuing to work with the Clinton County Auditor, and counsel, to capture more precise data pertaining to individual facilities. This effort is complicated by the fact that each facility is not contained within a unique parcel; rather, the majority of facilities owned by the Clinton County Port Authority were transferred as part of a single parcel. A comprehensive fixed asset appraisal was planned for completion in 2016, in conjunction with an insurance asset inventory/appraisal. That appraisal was delayed by factors not controlled by the CCPA. We anticipate this situation being rectified during calendar year 2017;	12/31/17	Pat Thompson, Fiscal Manager

	• The CCPA believed that the referenced overpasses were owned by either Clinton County or the City of Wilmington, with certain maintenance obligations conferred to the CCPA. This, again, is due to lack of adequate documentation associated with the transfer of real and personal property assets from the previous owner to the CCPA. The overpasses will be included in future asset listings; • Please refer to our first bulleted response; • As a component of the anticipated asset appraisals to be conducted in calendar year 2017, we anticipate values and a depreciation schedule to be established for all rolling stock owned by the CCPA.		
2015-002	This transaction was a one-time event that was unusual in nature. In most cases, reporting of income and expenditures are to be done at the gross amount and not the net. However, in this case, the proper recording was to record both transactions to the expenditure line to reduce the expenses reported in the DD fund. All staff has since been trained on the proper handling of this type of transaction.	3/8/17	Carol McFall, Deputy Auditor

This page intentionally left blank.

Dave Yost • Auditor of State

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 23, 2017

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov