



Dave Yost • Auditor of State

CLINTON COUNTY
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Dave Yost • Auditor of State

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, 2016, 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 93% 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, 2016, 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, 2016, 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.

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 September 27, 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.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 27, 2017

Clinton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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, 2016. 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 2016 are as follows:

- In total, net position increased \$2,814,377, which represents a 3 percent increase from 2015. Net position of governmental activities increased \$2,731,671. Net position of business-type activities increased \$82,706.
- Total capital assets increased \$5,063,440 during 2016. Capital assets of governmental activities increased \$5,261,434 and capital assets of business-type activities decreased \$197,994.
- Outstanding debt increased from \$3,871,689 to \$8,570,961 due to the issuance of general obligation bonds during 2016.

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 2016 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.

Clinton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

A question typically asked about the County's finances is "How did we do financially during 2016?" 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.

Clinton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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 2016 compared to 2015:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$ 74,463,031	\$ 71,059,813	\$ 782,808	\$ 718,521	\$ 75,245,839	\$ 71,778,334
Internal Balances	2,881,336	3,103,723	(2,881,336)	(3,103,723)	0	0
Net Pension Asset	0	21,969	0	50	0	22,019
Capital Assets	47,293,068	42,031,634	7,348,033	7,546,027	54,641,101	49,577,661
<i>Total Assets</i>	<u>124,637,435</u>	<u>116,217,139</u>	<u>5,249,505</u>	<u>5,160,875</u>	<u>129,886,940</u>	<u>121,378,014</u>
Deferred Outflows of Resources						
Pension	6,604,417	2,007,836	14,728	4,540	6,619,145	2,012,376
Deferred Charges	31,316	41,754	0	0	31,316	41,754
<i>Total Deferred Outflows of Resources</i>	<u>6,635,733</u>	<u>2,049,590</u>	<u>14,728</u>	<u>4,540</u>	<u>6,650,461</u>	<u>2,054,130</u>
Liabilities						
Current and Other Liabilities	1,213,184	1,543,412	5,514	732	1,218,698	1,544,144
Long-Term Liabilities:						
Due within One Year	1,489,369	966,988	0	0	1,489,369	966,988
Due in More Than One Year:						
Net Pension Liability	17,070,336	11,946,110	37,702	26,673	17,108,038	11,972,783
Other Amounts	8,828,925	4,148,073	0	0	8,828,925	4,148,073
<i>Total Liabilities</i>	<u>28,601,814</u>	<u>18,604,583</u>	<u>43,216</u>	<u>27,405</u>	<u>28,645,030</u>	<u>18,631,988</u>
Deferred Inflows of Resources						
Property Taxes	7,556,624	7,394,886	0	0	7,556,624	7,394,886
Pension	352,707	236,908	785	484	353,492	237,392
<i>Total Deferred Inflows of Resources</i>	<u>7,909,331</u>	<u>7,631,794</u>	<u>785</u>	<u>484</u>	<u>7,910,116</u>	<u>7,632,278</u>
Net Position						
Net Investment in Capital Assets	40,238,426	37,516,543	7,348,033	7,546,027	47,586,459	45,062,570
Restricted	24,946,647	18,500,614	0	0	24,946,647	18,500,614
Unrestricted	29,576,950	36,013,195	(2,127,801)	(2,408,501)	27,449,149	33,604,694
<i>Total Net Position</i>	<u>\$ 94,762,023</u>	<u>\$ 92,030,352</u>	<u>\$ 5,220,232</u>	<u>\$ 5,137,526</u>	<u>\$ 99,982,255</u>	<u>\$ 97,167,878</u>

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.

Clinton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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.

Clinton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

At year end, capital assets represented 42 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 \$47,586,459 at December 31, 2016, with \$40,238,426 in governmental activities and \$7,348,033 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, \$24,946,647 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$27,449,149 may be used to meet the government's ongoing obligations to citizens and creditors.

Current and other assets increased due to increased cash and cash equivalents, which was caused by unspent debt proceeds.

The increases in deferred outflows of resources and long term liabilities for pension are related to changes in net pension liability in 2016. The County issued various purpose general obligation bonds for the renovations of the courthouse during 2016 which also caused the increase in total long term liabilities.

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Clinton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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 2016 and 2015.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 5,536,951	\$ 4,980,983	\$ 398,191	\$ 243,289	\$ 5,935,142	\$ 5,224,272
Operating Grants	12,512,688	11,770,334	0	0	12,512,688	11,770,334
Capital Grants	2,768,241	2,027,181	0	0	2,768,241	2,027,181
<i>General Revenues:</i>						
Property Taxes	7,959,461	6,140,834	0	0	7,959,461	6,140,834
Sales and Other Taxes	8,399,949	8,658,020	0	0	8,399,949	8,658,020
Grants and Entitlements	2,377,955	1,787,686	0	0	2,377,955	1,787,686
Investment Earnings	59,591	590,278	0	0	59,591	590,278
Miscellaneous	548,929	621,407	6,512	6,532	555,441	627,939
<i>Total Revenues</i>	<u>40,163,765</u>	<u>36,576,723</u>	<u>404,703</u>	<u>249,821</u>	<u>40,568,468</u>	<u>36,826,544</u>
Program Expenses						
<i>General Government</i>						
Legislative and Executive	7,815,249	7,869,875	0	0	7,815,249	7,869,875
Judicial	3,566,408	3,224,130	0	0	3,566,408	3,224,130
Public Safety	6,196,999	5,751,145	0	0	6,196,999	5,751,145
Public Works	7,251,987	6,874,456	0	0	7,251,987	6,874,456
Health	3,907,290	3,922,478	0	0	3,907,290	3,922,478
Human Services	8,375,966	8,454,076	0	0	8,375,966	8,454,076
Conservation and Recreation	81,941	0	0	0	81,941	0
Interest and Fiscal Charges	236,254	169,498	0	0	236,254	169,498
<i>Enterprise Operations:</i>						
Sewer	0	0	321,997	284,850	321,997	284,850
<i>Total Program Expenses</i>	<u>37,432,094</u>	<u>36,265,658</u>	<u>321,997</u>	<u>284,850</u>	<u>37,754,091</u>	<u>36,550,508</u>
<i>Change in Net Position</i>	2,731,671	311,065	82,706	(35,029)	2,814,377	276,036
<i>Net Position Beginning of Year</i>	<u>92,030,352</u>	<u>91,719,287</u>	<u>5,137,526</u>	<u>5,172,555</u>	<u>97,167,878</u>	<u>96,891,842</u>
<i>Net Position End of Year</i>	<u>\$ 94,762,023</u>	<u>\$ 92,030,352</u>	<u>\$ 5,220,232</u>	<u>\$ 5,137,526</u>	<u>\$ 99,982,255</u>	<u>\$ 97,167,878</u>

Governmental Activities

Operating grants were the largest program receipts, accounting for \$12,512,688 or 31 percent of total receipts for governmental activities. Capital grants totaled \$2,768,241 or 7 percent of total receipts for governmental activities. The increase in capital grants during 2016 was caused by increased grant proceeds for the Friendship Nature Trail.

Property tax receipts accounted for \$7,959,461 or 20 percent of total governmental receipts. Another major component of general governmental receipts was permissive sales taxes, which accounted for \$8,399,949 or 21 percent of total receipts. Property taxes revenue increased as the board's voluntary reduction in the property tax rate during 2014 and 2015 was no longer in place during 2016.

Clinton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The County's direct charges to users of governmental services made up \$5,536,951 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. The increase in 2016 was primarily caused by higher rental income.

Human services programs accounted for \$8,375,966 or 22 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 \$3,907,290 or 10 percent of total disbursements, public safety, which accounted for \$6,196,999 or 17 percent of total disbursements, public works, which accounted for \$7,251,987 or 19 percent of total disbursements, and general government – legislative and executive, which accounted for \$7,815,249 or 21 percent of total disbursements.

Grants and entitlements not restricted increased due to an increase in homestead and rollback because normal property tax collection resumed in 2016.

Business-Type Activities

Business-type activities consist of sewer operations. The revenues are generated primarily from charges for services. In 2016, charges for services of \$398,191 accounted for 98 percent of the business-type revenues. The total expenses for sewer were \$321,997, thus leaving an increase in net position of \$82,706 for the business-type activities.

The County's Funds

Governmental Funds

Information about the County's governmental funds begins on page 16. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues and other financing sources of \$58,934,362 and expenditures and other financing uses of \$53,355,768. 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 2016 was a decrease of \$5,517,078. Property tax and intergovernmental revenues increased in 2016, while expenditures increased due to increased transfers that were made to other funds throughout the 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 increased by \$1,130,311. This was primarily due to an increase in property taxes revenue as the board's voluntary reduction in the property tax rate during 2014 and 2015 was no longer in place during 2016.

The motor vehicle and gas tax fund's net change in fund balance for 2016 was an increase of \$253,406 due to the timing of revenues versus road project expenditures each year.

Clinton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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 position of the sewer fund was a deficit of \$2,127,801. The total increase in net position for the sewer fund was \$82,706.

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 \$16,202,994, representing an increase of \$1,262,014 over the final budget estimate of \$14,940,980. Most of this difference was attributable to sales tax collections being higher than anticipated.

Final expenditure appropriations of \$16,954,904 were \$2,740,913 higher than the actual expenditures of \$14,213,991, as cost savings were recognized for legislative and executive throughout the year.

The variance within other financing sources was due to the general fund receiving cash that was previously being held in an escrow account for the sale of the hospital. Transfers made to other funds throughout the year were higher than originally anticipated, causing the variance within other financing uses.

Capital Assets and Debt Administration

Capital Assets

At the end of 2016, the County had \$54,641,101 invested in capital assets. A total of \$47,293,068 of this was for governmental activities and \$7,348,033 being attributable to business-type activities. Table 3 shows 2016 balances compared with 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,244,112	\$ 2,418,595	\$ 396,710	\$ 426,460	\$ 2,640,822	\$ 2,845,055
Infrastructure	19,826,689	18,459,597	6,944,536	7,111,875	26,771,225	25,571,472
Land Improvements	2,537,144	783,265	0	0	2,537,144	783,265
Buildings and Improvements	17,018,687	12,777,431	0	0	17,018,687	12,777,431
Equipment	3,970,219	4,008,230	6,787	7,692	3,977,006	4,015,922
Software	291,521	244,183	0	0	291,521	244,183
Vehicles	1,313,082	1,078,089	0	0	1,313,082	1,078,089
Construction in Progress	91,614	2,262,244	0	0	91,614	2,262,244
<i>Total</i>	<u>\$ 47,293,068</u>	<u>\$ 42,031,634</u>	<u>\$ 7,348,033</u>	<u>\$ 7,546,027</u>	<u>\$ 54,641,101</u>	<u>\$ 49,577,661</u>

Clinton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The \$5,261,434 increase in capital assets of governmental activities was attributable to renovations of the courthouse. The \$197,994 decrease in capital assets of business-type activities is primarily 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, 2016 was \$8,570,961. See Note 12 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities	
	2016	2015
General Obligation Bonds	\$ 8,515,000	\$ 3,785,000
Loans Payable	13,441	26,353
Capital Leases	42,520	60,336
<i>Total</i>	\$ 8,570,961	\$ 3,871,689

The County issued \$5,790,000 in various purpose general obligation bonds during 2016 that will be used for renovations to the County Courthouse.

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.

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Clinton County, Ohio
Statement of Net Position
December 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port Authority
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 49,224,549	\$ 522,234	\$ 49,746,783	\$ 3,909,914
Cash and Cash Equivalents with Fiscal Agent	2,387,113	0	2,387,113	0
Accounts Receivable	193,728	260,574	454,302	99,400
Accrued Interest Receivable	85,888	0	85,888	0
Intergovernmental Receivable	4,820,090	0	4,820,090	923,685
Sales Taxes Receivable	1,721,831	0	1,721,831	0
Property Taxes Receivable	8,224,011	0	8,224,011	0
Special Assessments Receivable	102,589	0	102,589	0
Notes Receivable	7,144,591	0	7,144,591	0
Loans Receivable	0	0	0	46,856
Internal Balances	2,881,336	(2,881,336)	0	0
Prepaid Items	149,655	0	149,655	68,407
Materials and Supplies Inventory	408,986	0	408,986	0
Non-Depreciable Capital Assets	2,335,726	396,710	2,732,436	15,586,699
Depreciable Capital Assets, Net	44,957,342	6,951,323	51,908,665	50,039,836
<i>Total Assets</i>	<u>124,637,435</u>	<u>5,249,505</u>	<u>129,886,940</u>	<u>70,674,797</u>
Deferred Outflows of Resources				
Pension	6,604,417	14,728	6,619,145	134,425
Deferred Charges on Refunding	31,316	0	31,316	0
<i>Total Deferred Outflows of Resources</i>	<u>6,635,733</u>	<u>14,728</u>	<u>6,650,461</u>	<u>134,425</u>
Liabilities				
Accounts Payable	483,571	4,950	488,521	435,007
Accrued Wages and Benefits	222,096	489	222,585	0
Contracts Payable	392,597	0	392,597	0
Intergovernmental Payable	35,902	75	35,977	0
Accrued Interest Payable	22,398	0	22,398	26,122
Matured Compensated Absences Payable	56,620	0	56,620	0
Deposits Held and Due to Others	0	0	0	87,714
Property Taxes Payable	0	0	0	292,365
Long-Term Liabilities:				
Due Within One Year	1,489,369	0	1,489,369	518,793
Due In More Than One Year:				
Net Pension Liability (See Note 14)	17,070,336	37,702	17,108,038	280,431
Other Amounts Due in More Than One Year	8,828,925	0	8,828,925	12,603,251
<i>Total Liabilities</i>	<u>28,601,814</u>	<u>43,216</u>	<u>28,645,030</u>	<u>14,243,683</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	7,556,624	0	7,556,624	0
Pension	352,707	785	353,492	5,418
<i>Total Deferred Inflows of Resources</i>	<u>7,909,331</u>	<u>785</u>	<u>7,910,116</u>	<u>5,418</u>
Net Position				
Net Investment in Capital Assets	40,238,426	7,348,033	47,586,459	52,481,822
Restricted for:				
Debt Service	5,958,655	0	5,958,655	0
Capital Outlay	10,710	0	10,710	0
Public Service Programs	4,552,685	0	4,552,685	0
Transportation Projects	4,195,071	0	4,195,071	0
Health Programs	7,824,869	0	7,824,869	0
General Government	1,528,787	0	1,528,787	0
Security Programs	630,726	0	630,726	0
Conservation and Recreation	245,144	0	245,144	0
Other Purposes	0	0	0	32,930
Unrestricted	29,576,950	(2,127,801)	27,449,149	4,045,369
<i>Total Net Position</i>	<u>\$ 94,762,023</u>	<u>\$ 5,220,232</u>	<u>\$ 99,982,255</u>	<u>\$ 56,560,121</u>

See accompanying notes to the basic financial statements.

Clinton County, Ohio
Statement of Activities
For the Year Ended December 31, 2016

	Net (Expense) Revenue and Changes in Net Position							Component Unit Port Authority
	Expenses	Program Revenues			Primary Government		Total	
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities		
Governmental Activities								
General Government								
Legislative and Executive	\$ 7,815,249	\$ 2,320,193	\$ 640,322	\$ 0	\$ (4,854,734)	\$ 0	\$ (4,854,734)	\$ 0
Judicial	3,566,408	192,159	751,349	0	(2,622,900)	0	(2,622,900)	0
Public Safety	6,196,999	1,676,104	148,526	0	(4,372,369)	0	(4,372,369)	0
Public Works	7,251,987	549,615	4,098,461	1,719,212	(884,699)	0	(884,699)	0
Health	3,907,290	594,260	873,570	0	(2,439,460)	0	(2,439,460)	0
Human Services	8,375,966	204,620	6,000,460	0	(2,170,886)	0	(2,170,886)	0
Conservation and Recreation	81,941	0	0	1,049,029	967,088	0	967,088	0
Interest and Fiscal Charges	236,254	0	0	0	(236,254)	0	(236,254)	0
<i>Total Governmental Activities</i>	<u>37,432,094</u>	<u>5,536,951</u>	<u>12,512,688</u>	<u>2,768,241</u>	<u>(16,614,214)</u>	<u>0</u>	<u>(16,614,214)</u>	<u>0</u>
Business-Type Activities								
Sewer	321,997	398,191	0	0	0	76,194	76,194	0
<i>Total Primary Government</i>	<u>\$37,754,091</u>	<u>\$ 5,935,142</u>	<u>\$ 12,512,688</u>	<u>\$ 2,768,241</u>	<u>(16,614,214)</u>	<u>76,194</u>	<u>(16,538,020)</u>	<u>\$ 0</u>
Component Unit								
Port Authority	<u>\$ 8,382,241</u>	<u>\$ 8,509,814</u>	<u>\$ 0</u>	<u>\$ 939,854</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,067,427</u>
General Revenues:								
Property Taxes Levied for:								
General Fund					2,732,668	0	2,732,668	0
Health - County Board of DD					3,049,431	0	3,049,431	0
Human Services - Children Services					1,028,506	0	1,028,506	0
Human Services - Senior Services					1,148,856	0	1,148,856	0
Sales and Other Taxes					8,399,949	0	8,399,949	0
Grants and Entitlements not Restricted to Specific Programs					2,377,955	0	2,377,955	0
Investment Earnings					59,591	0	59,591	7,397
Miscellaneous					548,929	6,512	555,441	36,900
<i>Total General Revenues</i>					<u>19,345,885</u>	<u>6,512</u>	<u>19,352,397</u>	<u>44,297</u>
<i>Change in Net Position</i>					<u>2,731,671</u>	<u>82,706</u>	<u>2,814,377</u>	<u>1,111,724</u>
<i>Net Position Beginning of Year</i>					<u>92,030,352</u>	<u>5,137,526</u>	<u>97,167,878</u>	<u>55,448,397</u>
<i>Net Position End of Year</i>					<u>\$94,762,023</u>	<u>\$ 5,220,232</u>	<u>\$99,982,255</u>	<u>\$ 56,560,121</u>

See accompanying notes to the basic financial statements.

Clinton County, Ohio
Balance Sheet
Governmental Funds
December 31, 2016

	General	County Board of DD	Motor Vehicle & Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 18,615,964	\$ 4,975,043	\$ 1,362,259	\$ 24,271,283	\$ 49,224,549
Cash and Cash Equivalents with Fiscal Agent	0	2,387,113	0	0	2,387,113
Accounts Receivable	130,025	1,060	25,457	37,186	193,728
Accrued Interest Receivable	85,888	0	0	0	85,888
Intergovernmental Receivable	598,471	186,273	1,674,720	2,360,626	4,820,090
Property Taxes Receivable	2,302,576	3,377,770	0	2,543,665	8,224,011
Sales Taxes Receivable	1,721,831	0	0	0	1,721,831
Special Assessments Receivable	0	0	0	102,589	102,589
Notes Receivable	7,144,591	0	0	0	7,144,591
Interfund Receivable	6,108	0	0	0	6,108
Prepaid Items	78,261	59,985	1,125	10,284	149,655
Materials and Supplies Inventory	0	0	408,986	0	408,986
Advances to Other Funds	2,881,336	0	0	0	2,881,336
<i>Total Assets</i>	<u>\$ 33,565,051</u>	<u>\$ 10,987,244</u>	<u>\$ 3,472,547</u>	<u>\$ 29,325,633</u>	<u>\$ 77,350,475</u>
Liabilities					
Accounts Payable	\$ 201,023	\$ 52,607	\$ 1,494	\$ 228,447	\$ 483,571
Accrued Wages	113,711	23,805	27,981	56,599	222,096
Contracts Payable	0	0	18,901	373,696	392,597
Intergovernmental Payable	18,376	3,666	4,104	9,756	35,902
Interfund Payable	0	0	0	6,108	6,108
Matured Compensated Absences Payable	9,638	0	45,616	1,366	56,620
<i>Total Liabilities</i>	<u>342,748</u>	<u>80,078</u>	<u>98,096</u>	<u>675,972</u>	<u>1,196,894</u>
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	2,075,543	3,120,807	0	2,360,274	7,556,624
Unavailable Revenue	1,207,443	428,999	1,074,528	2,137,424	4,848,394
Hospital Sale	6,800,000	0	0	0	6,800,000
<i>Total Deferred Inflows of Resources</i>	<u>10,082,986</u>	<u>3,549,806</u>	<u>1,074,528</u>	<u>4,497,698</u>	<u>19,205,018</u>
Fund Balances					
Nonspendable	3,123,986	59,985	410,111	10,284	3,604,366
Restricted	0	7,297,375	1,889,812	6,038,249	15,225,436
Committed	466,208	0	0	10,871,102	11,337,310
Assigned	3,090,827	0	0	7,297,357	10,388,184
Unassigned	16,458,296	0	0	(65,029)	16,393,267
<i>Total Fund Balances</i>	<u>23,139,317</u>	<u>7,357,360</u>	<u>2,299,923</u>	<u>24,151,963</u>	<u>56,948,563</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 33,565,051</u>	<u>\$ 10,987,244</u>	<u>\$ 3,472,547</u>	<u>\$ 29,325,633</u>	<u>\$ 77,350,475</u>

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, 2016*

Total Governmental Fund Balances		\$ 56,948,563
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		47,293,068
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 627,172	
Sales Taxes	691,620	
Intergovernmental	3,427,013	
Special Assessments	102,589	
Note Receivable - Sale of Hospital	6,800,000	11,648,394
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(22,398)
Unamortized gain/loss on refunding represents deferred outflows, which do not provide current financial resources and, therefore, are not reported in the funds.		31,316
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	6,604,417	
Deferred Inflows - Pension	(352,707)	
Net Pension Liability	(17,070,336)	(10,818,626)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(8,515,000)	
Bond Premium	(324,834)	
Capital Leases	(42,520)	
Loan Payable	(13,441)	
Compensated Absences	(1,422,499)	(10,318,294)
 <i>Net Position of Governmental Activities</i>		 \$ 94,762,023

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, 2016

	General	County Board of DD	Motor Vehicle & Gas Tax	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 2,652,736	\$ 3,008,969	\$ 0	\$ 2,160,506	\$ 7,822,211
Sales Taxes	8,559,441	0	0	0	8,559,441
Special Assessments	0	0	0	102,587	102,587
Charges for Services	2,060,750	374,568	342,936	1,585,399	4,363,653
Licenses and Permits	626,500	0	3,347	3,786	633,633
Fines and Forfeitures	82,879	0	146,743	13,983	243,605
Intergovernmental	1,620,316	1,264,677	3,882,632	11,091,769	17,859,394
Interest	59,591	0	1,989	3,528	65,108
Rent	427,212	61,800	0	0	489,012
Contributions and Donations	0	0	0	16,506	16,506
Other	105,657	54,554	2,613	364,712	527,536
<i>Total Revenues</i>	<u>16,195,082</u>	<u>4,764,568</u>	<u>4,380,260</u>	<u>15,342,776</u>	<u>40,682,686</u>
Expenditures					
Current:					
General Government					
Legislative and Executive	5,858,784	0	0	1,207,477	7,066,261
Judicial	2,596,690	0	0	815,134	3,411,824
Public Safety	5,125,433	0	0	259,272	5,384,705
Public Works	0	0	3,445,576	1,225,732	4,671,308
Health	23,871	3,556,842	0	138,559	3,719,272
Human Services	273,309	0	0	7,873,274	8,146,583
Conservation and Recreation	0	0	0	81,941	81,941
Capital Outlay	557,245	2,500	678,107	7,895,430	9,133,282
Debt Service:					
Principal Retirement	13,418	0	3,048	1,074,262	1,090,728
Interest and Fiscal Charges	3,767	0	123	240,788	244,678
<i>Total Expenditures</i>	<u>14,452,517</u>	<u>3,559,342</u>	<u>4,126,854</u>	<u>20,811,869</u>	<u>42,950,582</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,742,565</u>	<u>1,205,226</u>	<u>253,406</u>	<u>(5,469,093)</u>	<u>(2,267,896)</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Hospital	1,700,000	0	0	0	1,700,000
Proceeds from Sale of Capital Assets	16,314	85	0	2,525	18,924
General Obligation Bonds Issued	0	0	0	5,790,000	5,790,000
Premium on Debt Issuance	0	0	0	337,566	337,566
Other Financing Sources	0	0	0	1,354,229	1,354,229
Other Financing Uses	0	0	0	(1,354,229)	(1,354,229)
Transfers In	0	0	0	9,050,957	9,050,957
Transfers Out	(8,975,957)	(75,000)	0	0	(9,050,957)
<i>Total Other Financing Sources (Uses)</i>	<u>(7,259,643)</u>	<u>(74,915)</u>	<u>0</u>	<u>15,181,048</u>	<u>7,846,490</u>
<i>Net Change in Fund Balance</i>	(5,517,078)	1,130,311	253,406	9,711,955	5,578,594
<i>Fund Balance Beginning of Year</i>	<u>28,656,395</u>	<u>6,227,049</u>	<u>2,046,517</u>	<u>14,440,008</u>	<u>51,369,969</u>
<i>Fund Balance End of Year</i>	<u>\$ 23,139,317</u>	<u>\$ 7,357,360</u>	<u>\$ 2,299,923</u>	<u>\$ 24,151,963</u>	<u>\$ 56,948,563</u>

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, 2016*

Net Change in Fund Balances - Total Governmental Funds \$ 5,578,594

*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	\$ 8,813,199	
Current Year Depreciation	(2,923,856)	5,889,343

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. (627,909)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	137,249	
Sales Taxes	(159,492)	
Intergovernmental	(505,222)	
Special Assessments	8,544	
Sale of Hospital	(1,700,000)	(2,218,921)

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	1,060,000	
Loan Payable	12,912	
Capital Lease	17,816	1,090,728

Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.

General Obligation Bonds	(5,790,000)	
Premium on Bonds Issued	(337,566)	(6,127,566)

In the statement of activities, 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	(10,352)	
Amortization of Premium on Bonds	29,214	
Amortization of Refunding Loss	(10,438)	8,424

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,630,976

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. (2,296,389)

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		(195,609)

Change in Net Position of Governmental Activities \$ 2,731,671

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 2,627,000	\$ 2,702,200	\$ 2,637,956	\$ (64,244)
Sales Taxes	7,855,000	8,105,800	8,923,894	818,094
Charges for Services	1,167,875	1,167,875	1,349,959	182,084
Licenses and Permits	478,715	478,715	634,195	155,480
Fines and Forfeitures	61,500	61,500	90,968	29,468
Intergovernmental	1,334,600	1,334,600	1,509,313	174,713
Interest	400,400	400,400	534,011	133,611
Rent	331,830	331,830	416,697	84,867
Other	337,710	358,060	106,001	(252,059)
<i>Total Revenues</i>	14,594,630	14,940,980	16,202,994	1,262,014
Expenditures				
Current:				
Legislative and Executive	7,243,195	7,771,822	5,745,113	2,026,709
Judicial	2,752,818	2,902,648	2,745,038	157,610
Public Safety	5,304,981	5,339,850	4,925,924	413,926
Human Services	332,308	333,343	276,678	56,665
Capital Outlay	307,278	607,241	521,238	86,003
<i>Total Expenditures</i>	15,940,580	16,954,904	14,213,991	2,740,913
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,345,950)	(2,013,924)	1,989,003	4,002,927
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	16,315	16,315
Proceeds from Sale of Hospital	1,700,000	1,700,000	1,700,000	0
Advances In	100,000	100,000	432,645	332,645
Transfers In	0	3,000,000	3,016,036	16,036
Advances Out	0	(5,000)	(5,000)	0
Transfers Out	(306,972)	(9,063,486)	(9,096,477)	(32,991)
<i>Total Other Financing Sources (Uses)</i>	1,493,028	(4,268,486)	(3,936,481)	332,005
<i>Net Change in Fund Balance</i>	147,078	(6,282,410)	(1,947,478)	4,334,932
<i>Fund Balance Beginning of Year</i>	13,979,183	13,979,183	13,979,183	0
Prior Year Encumbrances Appropriated	332,696	332,696	332,696	0
<i>Fund Balance End of Year</i>	\$ 14,458,957	\$ 8,029,469	\$ 12,364,401	\$ 4,334,932

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, 2016*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 2,921,000	\$ 3,004,600	\$ 2,990,385	\$ (14,215)
Charges for Services	112,800	112,800	373,508	260,708
Intergovernmental	952,216	952,216	1,264,677	312,461
Rent	60,000	60,000	61,800	1,800
Other	174,520	174,520	54,554	(119,966)
<i>Total Revenues</i>	<u>4,220,536</u>	<u>4,304,136</u>	<u>4,744,924</u>	<u>440,788</u>
Expenditures				
Current:				
Health	4,705,228	4,757,581	4,192,052	565,529
Capital Outlay	0	2,500	2,500	0
<i>Total Expenditures</i>	<u>4,705,228</u>	<u>4,760,081</u>	<u>4,194,552</u>	<u>565,529</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(484,692)</u>	<u>(455,945)</u>	<u>550,372</u>	<u>1,006,317</u>
Other Financing Sources (Uses)				
Transfers In	0	0	85	85
Transfers Out	0	(75,000)	(75,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(75,000)</u>	<u>(74,915)</u>	<u>85</u>
<i>Net Change in Fund Balance</i>	(484,692)	(530,945)	475,457	1,006,402
<i>Fund Balance Beginning of Year</i>	4,040,799	4,040,799	4,040,799	0
Prior Year Encumbrances Appropriated	94,593	94,593	94,593	0
<i>Fund Balance End of Year</i>	<u>\$ 3,650,700</u>	<u>\$ 3,604,447</u>	<u>\$ 4,610,849</u>	<u>\$ 1,006,402</u>

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, 2016*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Charges for Services	242,639	242,639	334,604	91,965
Licenses and Permits	0	0	3,347	3,347
Fines and Forfeitures	143,480	143,480	137,970	(5,510)
Intergovernmental	3,787,652	3,787,652	3,804,084	16,432
Interest	0	0	1,989	1,989
Other	150,000	111,000	8,893	(102,107)
<i>Total Revenues</i>	<u>4,323,771</u>	<u>4,284,771</u>	<u>4,290,887</u>	<u>6,116</u>
Expenditures				
Current:				
Public Works	4,351,423	4,428,436	3,518,053	910,383
Capital Outlay	977,500	971,653	739,206	232,447
<i>Total Expenditures</i>	<u>5,328,923</u>	<u>5,400,089</u>	<u>4,257,259</u>	<u>1,142,830</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,005,152)</u>	<u>(1,115,318)</u>	<u>33,628</u>	<u>1,148,946</u>
Other Financing Sources (Uses)				
Transfers In	1,000	1,000	0	(1,000)
<i>Net Change in Fund Balance</i>	<u>(1,004,152)</u>	<u>(1,114,318)</u>	<u>33,628</u>	<u>1,147,946</u>
<i>Fund Balance Beginning of Year</i>	1,157,173	1,157,173	1,157,173	0
Prior Year Encumbrances Appropriated	136,405	136,405	136,405	0
<i>Fund Balance End of Year</i>	<u>\$ 289,426</u>	<u>\$ 179,260</u>	<u>\$ 1,327,206</u>	<u>\$ 1,147,946</u>

See accompanying notes to the basic financial statements.

Clinton County, Ohio
Statement of Fund Net Position
Proprietary Fund
December 31, 2016

	Enterprise Fund
	Martinsville- Midland Sewer Sewer
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 522,234
Accounts Receivable	260,574
<i>Total Current Assets</i>	782,808
<i>Non-Current Assets:</i>	
Non-Depreciable Capital Assets	396,710
Depreciable Capital Assets, Net	6,951,323
<i>Total Non-Current Assets</i>	7,348,033
<i>Total Assets</i>	8,130,841
Deferred Outflows of Resources	
Pension	14,728
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	4,950
Accrued Wages	489
Intergovernmental Payable	75
<i>Total Current Liabilities</i>	5,514
<i>Long-Term Liabilities:</i>	
Advances from Other Funds	2,881,336
Net Pension Liability (See Note 14)	37,702
<i>Total Long-Term Liabilities</i>	2,919,038
<i>Total Liabilities</i>	2,924,552
Deferred Inflows of Resources	
Pension	785
Net Position	
Net Investment in Capital Assets	7,348,033
Unrestricted	(2,127,801)
<i>Total Net Position</i>	\$ 5,220,232

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, 2016

	Enterprise Fund
	Martinsville- Midland Sewer
Operating Revenues	
Charges for Services	\$ 398,191
Other	6,512
<i>Total Operating Revenues</i>	404,703
Operating Expenses	
Personal Services	41,114
Contractual Services	78,819
Materials and Supplies	4,070
Depreciation	168,244
<i>Total Operating Expenses</i>	292,247
<i>Operating Loss</i>	112,456
Non-Operating Revenues (Expense)	
Loss on Sale of Capital Assets	(29,750)
<i>Change in Net Position</i>	82,706
<i>Net Position Beginning of Year</i>	5,137,526
<i>Net Position End of Year</i>	\$ 5,220,232

See accompanying notes to the basic financial statements.

Clinton County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2016

	Enterprise Fund
	Martinsville- Midland Sewer
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 256,321
Cash Received from Other Operating Receipts	6,512
Cash Payments to Suppliers for Goods and Services	(2,320)
Cash Payments to Employees for Services and Benefits	(40,090)
Cash Payments for Contractual Services	(75,619)
<i>Net Cash Provided by Operating Activities</i>	144,804
Cash Flows from Noncapital Financing Activities	
Advances Out	(222,387)
<i>Net Increase in Cash and Cash Equivalents</i>	(77,583)
<i>Cash and Cash Equivalents Beginning of Year</i>	599,817
<i>Cash and Cash Equivalents End of Year</i>	\$ 522,234
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ 112,456
Adjustments:	
Depreciation	168,244
(Increase) Decrease in Assets and Deferred Outflows:	
Accounts Receivable	(141,870)
Net Pension Asset	50
Deferred Outflows - Pension	(10,188)
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	4,950
Accrued Wages	(6)
Intergovernmental Payable	(162)
Deferred Inflows - Pension	301
Net Pension Liability	11,029
<i>Net Cash Provided by Operating Activities</i>	\$ 144,804

See accompanying notes to the basic financial statements.

Clinton County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 15,093	\$ 4,235,624
Cash in Segregated Accounts	0	464,565
Intergovernmental Receivable	0	1,735,108
Property Taxes Receivable	0	32,180,276
Special Assessments Receivable	0	666,390
<i>Total Assets</i>	<u>15,093</u>	<u>\$ 39,281,963</u>
Liabilities		
Intergovernmental Payable	0	\$ 4,347,263
Deposits Held and Due to Others	0	34,915,229
Undistributed Monies	0	19,471
<i>Total Liabilities</i>	<u>0</u>	<u>\$ 39,281,963</u>
Net Position		
Held in Trust for Scholarships	<u>\$ 15,093</u>	

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, 2016

	Private Purpose Trust
Additions	
Contributions and Donations	\$ 16,000
Interest	16
<i>Total Additions</i>	<u>16,016</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>16,194</u>
<i>Change in Net Position</i>	(178)
<i>Net Position Beginning of Year</i>	<u>15,271</u>
<i>Net Position End of Year</i>	<u><u>\$ 15,093</u></u>

See accompanying notes to the basic financial statements.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 2016, the SOCOG received \$400,000 in supportive living monies from Clinton County and as of December 31, 2016, the County had a \$2,387,113 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.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the 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.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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, 2016, but which were levied to finance 2017 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.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 2016.

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 2016 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 2016, investments were limited to federal agency securities, 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 2016 amounted to \$59,591 which includes \$43,147 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.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 acquisition 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

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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, 2016, 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, 2016, 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, 2016, 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.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and pension 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 position 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:

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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, 2016 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.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 2016.

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

For the year ended December 31, 2016, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the County's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the County.

Clinton County, Ohio
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For the Year Ended December 31, 2016

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the County.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the County's financial statements as the County does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the County.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the County.

NOTE 3 – DEFICIT FUND BALANCES

The following funds had deficit balances as of December 31, 2016:

<u>Fund</u>	<u>Deficit</u>
Nonmajor governmental funds	
Park District	\$ 43,124
Special Assessment Bond Retirement	2,135
Federal Road & Bridge	19,770

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;

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 and Federal Home Loan Mortgage Corporation. 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 \$231,520 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."

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

B. Cash and Cash Equivalents in Segregated Accounts

At year end, the County had \$464,565 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 Fiscal Agent

At year end, the County had \$2,387,113 in monies held by SOCOG 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, 2016, the carrying amount of all County deposits was \$16,053,963. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2016, \$15,600,753 of the County's bank balance of \$16,697,837 was exposed to custodial risk as discussed below, while \$1,097,084 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, 2016, the County had the following investments and maturities:

Rating	Investment	Measurement Amount	Investment Maturity in Months			% Total
			0 - 12	13 -36	Over 36	
AAA	Federal Home Loan Bank	\$ 2,469,450	\$ 0	\$ 496,570	\$ 1,972,880	6.47%
AA+	Federal Home Loan Mortgage	26,860,942	0	0	26,860,942	70.36%
AA+	Federal National Mortgage Association Notes	8,846,190	0	0	8,846,190	23.17%
		<u>\$ 38,176,582</u>	<u>\$ 0</u>	<u>\$ 496,570</u>	<u>\$ 37,680,012</u>	<u>100.00%</u>

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the County's recurring fair value measurements as of December 31, 2016. As discussed further in Note 2, the repurchase agreement is reported at cost. All other investments of the County are valued using quoted market prices (Level 1 inputs).

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.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Credit Risk: The County's investments in federal agency securities 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, 2016.

G. Component Unit

At December 31, 2016, the carrying amount of the Port Authority's demand deposits was \$3,909,914, and the bank balance was \$4,271,940. \$250,000 of the Port Authority's bank balance was covered by the FDIC, while \$4,021,940 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 percent 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, 2016 consisted of the following, as reported on the fund financial statements:

	Transfer From		
Transfer To	General Fund	County Board of DD	Total
Nonmajor governmental funds	8,975,957	75,000	9,050,957
Grand Total	\$ 8,975,957	\$ 75,000	\$ 9,050,957

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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, the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During 2016, the County board of developmental disabilities fund transferred \$75,000 to the County board of developmental disabilities capital projects fund.

B. Long-Term Loans

Long-term loans to and from other funds from the General fund to the Martinsville-Midland Sewer fund amount to \$2,881,336 at December 31, 2016. 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 been fully reimbursed for 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 2016.

C. Interfund Balances

Interfund balances consisted of the following at December 31, 2016, 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 2016 for real and public utility property taxes represents collections of the 2015 taxes.

2016 real property taxes were levied after October 1, 2016 on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 20165 real property taxes are collected in and intended to finance 2017.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The full tax rate for all County operations for the year ended December 31, 2016, was \$11.40 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	
Agricultural/Residential	\$ 751,587,290
Commerical/Industrial/Mineral	151,935,230
Tangible Personal Property	
Public Utility	70,415,710
Total Assessed Value	\$ 973,938,230

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, 2016, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 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 percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. In 1988, the County Commissioners added an additional 0.5 percent tax to the existing tax. On October 1, 2005, the County Commissioners imposed a 0.5 percent 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 2016 operations. On the government-wide financial statements, the entire receivable amount is recorded as revenue. Sales and use tax revenue for 2016 amounted to \$8,559,441 in the governmental funds.

NOTE 8 – RECEIVABLES

Receivables at December 31, 2016, 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, 2016, as well as intended to finance 2016 operations.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 \$7,144,591 in notes receivable. \$6,800,000 relates to the deferred purchase of the sale of the hospital. The County will receive \$1,700,000 annually over the next four years.

The remaining \$344,591 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.

NOTE 9 - CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,418,595	\$ 182,587	\$ (357,070)	\$ 2,244,112
Construction in Progress	2,262,244	7,242,990	(9,413,620)	91,614
Total Capital Assets Not Being Depreciated, Net	<u>4,680,839</u>	<u>7,425,577</u>	<u>(9,770,690)</u>	<u>2,335,726</u>
Capital Assets, Being Depreciated:				
Land Improvements	944,270	1,791,142	0	2,735,412
Buildings and Improvements	21,826,586	4,927,185	(2,000)	26,751,771
Equipment	6,633,229	785,197	(418,116)	7,000,310
Software	637,281	135,385	(132,115)	640,551
Vehicles	3,069,149	605,681	(168,699)	3,506,131
Infrastructure	38,235,618	2,556,652	0	40,792,270
Total Capital Assets, Being Depreciated	<u>71,346,133</u>	<u>10,801,242</u>	<u>(720,930)</u>	<u>81,426,445</u>
Less Accumulated Depreciation:				
Land Improvements	(161,005)	(37,263)	0	(198,268)
Buildings and Improvements	(9,049,155)	(683,929)	0	(9,733,084)
Equipment	(2,624,999)	(565,753)	160,661	(3,030,091)
Software	(393,098)	(89,420)	133,488	(349,030)
Vehicles	(1,991,060)	(357,931)	155,942	(2,193,049)
Infrastructure	(19,776,021)	(1,189,560)	0	(20,965,581)
Total Accumulated Depreciation	<u>(33,995,338)</u>	<u>(2,923,856)</u>	<u>450,091</u>	<u>(36,469,103)</u>
Total Capital Assets Being Depreciated, Net	<u>37,350,795</u>	<u>7,877,386</u>	<u>(270,839)</u>	<u>44,957,342</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 42,031,634</u>	<u>\$ 15,302,963</u>	<u>\$ (10,041,529)</u>	<u>\$ 47,293,068</u>

Clinton County, Ohio
Notes to the Basic Financial Statements
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Depreciation expense was charged to functions/programs of the governmental activities as follows:

General Government	
Legislative and executive	\$ 593,508
Judicial	32,594
Public Safety	610,382
Public Works	1,557,417
Health	85,054
Human Services	<u>44,901</u>
Total Depreciation Expense	<u><u>\$ 2,923,856</u></u>

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 426,460	\$ 0	\$ (29,750)	\$ 396,710
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	<u>8,375,965</u>	<u>0</u>	<u>0</u>	<u>8,375,965</u>
Less Accumulated Depreciation:				
Equipment	(1,357)	(905)	0	(2,262)
Infrastructure	(1,255,041)	(167,339)	0	(1,422,380)
Total Accumulated Depreciation	<u>(1,256,398)</u>	<u>(168,244)</u>	<u>0</u>	<u>(1,424,642)</u>
Total Capital Assets Being Depreciated, Net	<u>7,119,567</u>	<u>(168,244)</u>	<u>0</u>	<u>6,951,323</u>
Total Governmental Activities Capital Assets, Net	<u><u>\$ 7,546,027</u></u>	<u><u>\$ (168,244)</u></u>	<u><u>\$ (29,750)</u></u>	<u><u>\$ 7,348,033</u></u>

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

B. Component Unit Capital Assets

A summary of the changes in the Port Authority's capital assets during 2016 follows:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Port Authority:				
Capital Assets Not Being Depreciated:				
Land	\$ 15,586,699	\$ 0	\$ 0	\$ 15,586,699
Capital Assets, Being Depreciated:				
Land Improvements	28,691,662	228,256	0	28,919,918
Buildings and Improvements	23,663,985	754,355	0	24,418,340
Vehicles and Equipment	6,353,859	303,101	0	6,656,960
Total Capital Assets, Being Depreciated	<u>58,709,506</u>	<u>1,285,712</u>	<u>0</u>	<u>59,995,218</u>
Less Accumulated Depreciation:				
Land Improvements	(5,756,660)	(1,080,802)	0	(6,837,462)
Buildings and Improvements	(1,361,984)	(548,715)	0	(1,910,699)
Vehicles and Equipment	(1,055,728)	(151,493)	0	(1,207,221)
Total Accumulated Depreciation	<u>(8,174,372)</u>	<u>(1,781,010)</u>	<u>0</u>	<u>(9,955,382)</u>
Total Capital Assets Being Depreciated, Net	<u>50,535,134</u>	<u>(495,298)</u>	<u>0</u>	<u>50,039,836</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 66,121,833</u>	<u>\$ (495,298)</u>	<u>\$ 0</u>	<u>\$ 65,626,535</u>

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 \$72,927. 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 \$17,816 and \$4,165, respectively, were made during 2016.

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, 2016:

Year ending December 31,	2017	Governmental Activities
	\$	18,543
		16,815
		<u>12,000</u>
Minimum lease payments		47,358
Less: amount representing interest		(4,838)
Present value of net minimum lease payments	\$	<u>42,520</u>

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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.

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2016, the following changes occurred in the County's governmental long-term obligations:

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	One Year
Governmental Activities:					
<u>General Obligation Bonds</u>					
Various Purpose Refunding Bonds					
2.23 - 3.75%	\$ 1,385,000	\$ 0	\$ 330,000	\$ 1,055,000	\$ 340,000
Unamortized Premium	16,482		4,209	12,273	0
Fairground/Public Service Agency					
Building Bond - 3.73 - 4.12%	2,400,000	0	160,000	2,240,000	165,000
Various Purpose Bonds					
2.00 - 3.00%	0	5,790,000	570,000	5,220,000	525,000
Unamortized Premium	0	337,566	25,005	312,561	0
	<u>3,801,482</u>	<u>6,127,566</u>	<u>1,089,214</u>	<u>8,839,834</u>	<u>1,030,000</u>
Loan Payable	26,353	0	12,912	13,441	13,441
Compensated Absences	1,226,890	264,359	68,750	1,422,499	430,222
Capital Leases	60,336	0	17,816	42,520	15,706
Net Pension Liability - OPERS and STRS	<u>11,946,110</u>	<u>5,124,226</u>	<u>0</u>	<u>17,070,336</u>	<u>0</u>
<i>Total Governmental Activities</i>	<u>\$ 17,061,171</u>	<u>\$ 11,516,151</u>	<u>\$ 1,188,692</u>	<u>\$ 27,388,630</u>	<u>\$ 1,489,369</u>
	Balance			Balance	One
	12/31/2015	Additions	Reductions	12/31/2016	Year
Business-Type Activities					
Net Pension Liability - OPERS	<u>\$ 26,673</u>	<u>\$ 11,029</u>	<u>\$ 0</u>	<u>\$ 37,702</u>	<u>\$ 0</u>

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

In 2008, the County issued various purpose general obligation bonds. The proceeds were used for the construction and renovation of buildings at the County's fairgrounds, the construction of a human services building, improvements to the County building and the replacement of the roof of the human services building.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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, 2016, \$1,020,000 of the refunded bonds being held by escrow agent are still outstanding.

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 percent. Payments will be made from the Ditch Assessment nonmajor special revenue fund.

2016 Various Purpose Bonds: On March 26, 2016, the County issued general obligation bonds in the amount of \$5,790,000. Proceeds from the bonds will be used to renovate the County courthouse. The bonds were issued with a varying interest rate of 2.00-3.00 percent. The bonds were issued for a ten year period with final maturities at December 1, 2025.

The bonds were issued with a premium of \$337,566, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method.

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
2017	\$ 1,030,000	\$ 267,550	\$ 13,441	\$ 409	\$ 1,043,441	\$ 267,959
2018	1,065,000	239,813	0	0	1,065,000	239,813
2019	1,090,000	209,686	0	0	1,090,000	209,686
2020	745,000	177,988	0	0	745,000	177,988
2021	770,000	153,788	0	0	770,000	153,788
2022-2026	3,570,000	376,152	0	0	3,570,000	376,152
2027	245,000	10,106	0	0	245,000	10,106
Totals	\$ 8,515,000	\$ 1,435,083	\$ 13,441	\$ 409	\$ 8,528,441	\$ 1,435,492

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

B. Component Unit Long-Term Obligations

During 2016, the following changes occurred in the Port Authority's long-term obligations:

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Due in One Year
Port Authority:					
Mortgage Loan - Ag Land	\$ 1,181,000	\$ 0	\$ 28,723	\$ 1,152,277	\$ 30,290
Unamortized discount on loans	(23,809)	1,140	0	(22,669)	0
OEBF Loan	8,470,000	0	300,833	8,169,167	310,000
166 Loan	4,000,000	0	176,731	3,823,269	178,503
Net Pension Liability - OPERS	152,573	127,858	0	280,431	0
Total Long-Term Obligations	\$ 13,779,764	\$ 128,998	\$ 506,287	\$ 13,402,475	\$ 518,793

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 percent. 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 percent. 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 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 percent, 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
2017	\$ 30,290	\$ 54,948	\$ 310,000	\$ 298,506	\$ 178,503	\$ 47,234	\$ 518,793	\$ 400,688
2018	31,776	53,462	315,834	291,692	180,292	44,998	527,902	390,152
2019	33,334	51,904	320,833	284,714	182,100	42,738	536,267	379,356
2020	34,827	50,411	330,000	277,479	183,925	40,456	548,752	368,346
2021	36,676	48,562	335,833	269,400	185,769	38,152	558,278	356,114
2022-2026	212,056	214,134	1,830,001	1,187,630	957,159	155,367	2,999,216	1,557,131
2027-2031	269,424	156,766	2,130,833	859,295	1,006,106	94,182	3,406,363	1,110,243
2032-2036	342,289	83,901	2,595,833	322,979	949,415	29,866	3,887,537	436,746
2037-2038	161,605	8,870	0	0	0	0	161,605	8,870
Totals	\$ 1,152,277	\$ 722,958	\$ 8,169,167	\$ 3,791,695	\$ 3,823,269	\$ 492,993	\$ 13,144,713	\$ 5,007,646

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 13 - RISK MANAGEMENT

A. General Insurance

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

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

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

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

B. Health Care, Vision, Dental and Life Insurance

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

NOTE 14 - PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a 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 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 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.

Clinton County, Ohio
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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 liability. Resulting adjustments to the net pension 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 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 plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. 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 plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Clinton County, Ohio
Notes to the Basic Financial Statements
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Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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	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	Formula: 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 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: 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 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: 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: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	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	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

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.

Clinton County, Ohio
Notes to the Basic Financial Statements
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Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
2016 Statutory Maximum Contribution Rates			
Employer	14.00 %	18.10 %	18.10 %
Employee	10.00 %	*	**
2016 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 \$1,628,892 for 2016. The entire amount was paid during 2016. The Port Authority's contractually required contribution was \$23,826 for 2016. The entire amount was paid during 2016.

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.

Clinton County, Ohio
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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 13 percent of their covered salary for the period from January 1, 2016 through June 30, 2016 and 14 percent of their covered salary for the period from July 1, 2016 through December 31, 2016. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2016 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$11,460 for 2016. The entire amount was paid during 2016.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. STRS net pension liability was measured as of June 30, 2016, and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension 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	STRS	Total
Proportionate Share of the Net Pension Liability	\$ 16,842,335	\$ 265,702	\$ 17,108,037
Proportion of the Net Pension Liability	0.09723504%	0.00079378%	
Pension Expense	\$ 2,287,756	\$ 13,471	\$ 2,301,227

Component Unit - PortAuthority	
	OPERS Traditional Plan
Proportionate Share of the Net Pension Liability	\$ 280,431
Proportion of the Net Pension Liability	0.00161900%
Pension Expense	\$ 62,950

At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	STRS	Total
Deferred Outflows of Resources			
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ 4,950,594	\$ 22,061	\$ 4,972,655
Differences between Expected and Actual Experience	0	10,733	10,733
Changes in Proportionate Share County Contributions Subsequent to the Measurement Date	0	1,135	1,135
Total Deferred Outflows of Resources	<u>\$ 6,579,486</u>	<u>\$ 39,659</u>	<u>\$ 6,619,145</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 325,425	\$ 0	\$ 325,425
Changes in Proportionate Share	25,461	2,606	28,067
Total Deferred Inflows of Resources	<u>\$ 350,886</u>	<u>\$ 2,606</u>	<u>\$ 353,492</u>

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Component Unit - PortAuthority		OPERS
		Traditional Plan
Deferred Outflows of Resources		
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	\$	82,429
Changes in Proportionate Share		28,170
Port Authority Contributions Subsequent to the Measurement Date		23,826
Total Deferred Outflows of Resources	\$	134,425
Deferred Inflows of Resources		
Differences between Expected and Actual Experience		
Total Deferred Inflows of Resources	\$	5,418

\$1,634,622 and \$23,826 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, 2017. 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		STRS	Total
	Traditional Plan			
2017	\$ 1,070,994	\$ 4,919	\$ 1,075,913	
2018	1,150,155	4,918	1,155,073	
2019	1,258,238	13,383	1,271,621	
2020	1,120,321	8,103	1,128,424	
	\$ 4,599,708	\$ 31,323	\$ 4,631,031	

Component Unit - PortAuthority		OPERS
Year Ending December 31:	Traditional Plan	
2017	\$	31,027
2018		32,346
2019		23,155
2020		18,653
	\$	105,181

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.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation at 3.75 percent
COLA or Ad Hoc COLA	3.00 percent, simple
Investment Rate of Return	8.00 percent
Actuarial Cost Method	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 0.40 percent for 2015.

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 2015 and the long-term expected real rates of return:

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	<u>18.00</u>	<u>4.59</u>
Total	<u>100.00 %</u>	<u>5.27 %</u>

Discount Rate The discount rate used to measure the total pension liability was eight 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 liability.

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 eight 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 (seven percent) or one-percentage-point higher (nine percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
County's proportionate share of the Net Pension Liability	\$ 26,833,954	16,842,335	\$ 8,414,720
Port Authority's Proportionate Share of the Net Pension Liability	\$ 446,795	280,431	\$ 140,108

Changes Between Measurement Date and Report Date In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial evaluation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the County's net position liability is expected to be significant.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2016, 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, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The ten 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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	<u>1.00</u>	3.00
	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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	\$ 353,096	\$ 265,702	\$ 191,980

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 2015 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 2016, 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.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 2016 as recommended by OPERS' actuary. 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 2016 was 4.0 percent.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$262,905, \$221,991 and \$253,924, respectively. The full amount has been contributed for all years. The Port Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$3,971, \$5,090 and \$4,132, respectively. The full amount has been contributed for all years.

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 2016, 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, 2016, 2015, and 2014 were \$0, \$0, and \$400, 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.

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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:

<u>Fund</u>	<u>Amount</u>
General	\$ 140,243
County Board of DD	174,943
Motor Vehicle and Gas Tax	14,658
Other Governmental Funds	203,093
	<u>\$ 532,937</u>

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).

Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

	<u>General</u>	<u>County Board of DD</u>	<u>Motor Vehicle and Gas Tax</u>
GAAP Basis	\$ (5,517,078)	\$ 1,130,311	\$ 253,406
Net Adjustment for Revenue Accruals	1,128,386	(19,644)	(89,373)
Net Adjustment for Expenditure Accruals	81,923	(419,602)	(95,352)
Funds Budgeted Elsewhere *	2,673,015	0	0
Adjustment for Encumbrances	<u>(313,724)</u>	<u>(215,608)</u>	<u>(35,053)</u>
Budget Basis	<u>\$ (1,947,478)</u>	<u>\$ 475,457</u>	<u>\$ 33,628</u>

*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.

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Clinton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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	\$ 2,881,336	\$ 0	\$ 0	\$ 0	\$ 2,881,336
Inventory	0	0	408,986	0	408,986
Prepaid Items	78,261	59,985	1,125	10,284	149,655
Unclaimed Monies	164,389	0	0	0	164,389
Total Nonspendable	3,123,986	59,985	410,111	10,284	3,604,366
Restricted for:					
General Government	0	0	0	1,525,950	1,525,950
Public Safety	0	0	0	594,672	594,672
Conserv & Receration	0	0	0	77,204	77,204
Human Services Programs	0	0	0	2,788,313	2,788,313
Public Works	0	0	1,889,812	862,921	2,752,733
Health Programs	0	7,297,375	0	178,479	7,475,854
Capital Outlay	0	0	0	10,710	10,710
Total Restricted	0	7,297,375	1,889,812	6,038,249	15,225,436
Committed for:					
Health Programs	37,729	0	0	0	37,729
Geographic Info Systems	206,910	0	0	0	206,910
Sheriff's Policing rotary	221,569	0	0	0	221,569
Capital Improvements	0	0	0	378,666	378,666
Debt	0	0	0	10,492,436	10,492,436
Total Committed	466,208	0	0	10,871,102	11,337,310
Assigned:					
Encumbrances					
General Government	113,834	0	0	0	113,834
Public Safety	22,498	0	0	0	22,498
Human Service Programs	3,550	0	0	0	3,550
Health Programs	2,950,945	0	0	0	2,950,945
Capital Projects	0	0	0	7,297,357	7,297,357
Total Assigned	3,090,827	0	0	7,297,357	10,388,184
Unassigned	16,458,296	0	0	(65,029)	16,393,267
Total Fund Balance	\$ 23,139,317	\$ 7,357,360	\$ 2,299,923	\$ 24,151,963	\$ 56,948,563

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>			
County's Proportion of the Net Pension Liability	0.0972350%	0.0975550%	0.0975550%
County's Proportionate Share of the Net Pension Liability	\$ 16,842,335	\$ 11,766,221	\$ 11,500,462
County's Covered-Employee Payroll	\$ 10,913,808	\$ 11,487,765	\$ 11,806,980
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	154.32%	102.42%	97.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%
<i>State Teachers Retirement System (STRS)</i>			
County's Proportion of the Net Pension Liability	0.0007938%	0.0007474%	0.0007474%
County's Proportionate Share of the Net Pension Liability	\$ 265,702	\$ 206,564	\$ 180,188
County's Covered-Employee Payroll	\$ 79,507	\$ 77,179	\$ 69,507
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	334.19%	267.64%	259.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	73.00%

(1) Information prior to 2014 is not available.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 1,628,892	\$ 1,351,318	\$ 1,422,878	\$ 1,698,048
Contributions in Relation to the Contractually Required Contribution	<u>(1,628,892)</u>	<u>(1,351,318)</u>	<u>(1,422,878)</u>	<u>(1,698,048)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
County's covered-employee payroll	\$ 13,574,100	\$ 10,913,808	\$ 11,487,765	\$ 11,806,980
Contributions as a percentage of covered-employee payroll	12.00%	12.38%	12.39%	14.38%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 11,460	\$ 11,131	\$ 10,419	\$ 9,036
Contributions in Relation to the Contractually Required Contribution	<u>(11,460)</u>	<u>(11,131)</u>	<u>(10,419)</u>	<u>(9,036)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
County's covered-employee payroll	\$ 81,857	\$ 79,507	\$ 77,179	\$ 69,507
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.50%	13.00%

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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
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
<u>(8,771)</u>	<u>(20,703)</u>	<u>(29,402)</u>	<u>(26,246)</u>	<u>(24,705)</u>	<u>(23,475)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 67,471	\$ 159,250	\$ 226,171	\$ 201,893	\$ 190,036	\$ 180,579
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Ohio Public Employees' Retirement System (OPERS)			
Port Authority's Proportion of the Net Pension Liability	0.0016190%	0.0012650%	0.0012650%
Port Authority's Proportionate Share of the Net Pension Liability	\$ 280,431	\$ 152,573	\$ 149,127
Port Authority's Covered-Employee Payroll	\$ 201,458	\$ 155,108	\$ 161,092
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	139.20%	98.37%	92.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Component Unit - Port Authority
Clinton County, Ohio
Required Supplementary Information
Schedule of Port Authority Contributions
Last Four Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 23,826	\$ 24,175	\$ 18,613	\$ 20,942
Contributions in Relation to the Contractually Required Contribution	<u>(23,826)</u>	<u>(24,175)</u>	<u>(18,613)</u>	<u>(20,942)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Port Authority's Covered-Employee Payroll	\$ 198,550	\$ 201,458	\$ 155,108	\$ 161,092
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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CLINTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through the Ohio Department of Job and Family Services</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
Food Assistance E&T	G-1617-11-5497	10.561	\$ 38	\$ 0
Food Assistance E&T 50%	G-1617-11-5497	10.561	3,043	0
Food Assistance	G-1617-11-5497	10.561	237,289	0
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluster			<u>240,370</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>240,370</u>	<u>0</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through the Ohio Department of Health</i>				
Help Me Grow - Part C	01410021HG0716	84.181	132,033	121,169
Help Me Grow - Part C	01410021HG0817	84.181	68,920	68,920
Total Help Me Grow - Part C			<u>200,953</u>	<u>190,089</u>
Total U.S. Department of Education			<u>200,953</u>	<u>190,089</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through the Ohio Department of Job and Family Services</i>				
Temporary Assistance for Needy Families (TANF)				
TANF - Independent Living	G-1415-11-5342 / G-1617-11-5497	93.558	12,612	0
TANF - Administration	G-1617-11-5497	93.558	253,404	0
TANF - Regular (Program)	G-1617-11-5497	93.558	312,457	0
TANF - Summer Youth	G-1617-11-5497	93.558	130,639	130,639
TANF - Fraud Awareness	G-1617-11-5497	93.558	2,000	0
Total Temporary Assistance for Needy Families (TANF) Cluster			<u>711,112</u>	<u>130,639</u>
Child Care and Development Block Grant				
Child Care Administration	G-1617-11-5497	93.575	14,167	0
Child Care Non-Administration	G-1617-11-5497	93.575	25,670	0
Total Child Care and Development Block Grant Cluster			<u>39,837</u>	<u>0</u>
Social Services Block Grant				
Title XX - Base Subsidy	G-1617-11-5497	93.667	60,726	0
Title XX - Transfer Subsidy	G-1617-11-5497	93.667	214,541	0
Total Social Services Block Grant			<u>275,267</u>	<u>0</u>
Medical Assistance Program				
Medicaid	G-1617-11-5497	93.778	149,362	0
Medicaid Enhanced	G-1617-11-5497	93.778	341,080	0
Medicaid NET	G-1617-11-5497	93.778	105,452	0
Total Medicaid Cluster			<u>595,894</u>	<u>0</u>
Child Support Enforcement				
Federal Child Support	G-1617-11-5497	93.563	369,888	0
Child Support Training	G-1617-11-5497	93.563	896	0
County Incentives	G-1617-11-5497	93.563	95,549	0
Total Child Support Enforcement			<u>466,333</u>	<u>0</u>

(Continued)

CLINTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
<i>Passed Through the Ohio Department of Job and Family Services (Continued)</i>				
Promoting Safe and Stable Families				
Caseworker Visits	G-1617-11-5497	93.556	20	0
Caseworker Visits Administration	G-1617-11-5497	93.556	3	0
ESSA Preservation	G-1617-11-5497	93.556	3,837	0
ESSA Reunificaton	G-1617-11-5497	93.556	3,814	0
Family Preservation Operating	G-1617-11-5497	93.556	4,980	0
Family Reunification Operating	G-1617-11-5497	93.556	4,402	0
Post Adoption Special	G-1617-11-5497	93.556	22,500	0
Total Promoting Safe and Stable Families			<u>39,556</u>	<u>0</u>
Stephanie Tubbs Jones Child Welfare Services Program				
Title IV-B	G-1617-11-5497	93.645	16,254	0
Title IV-B Administration	G-1617-11-5497	93.645	83	0
Total Stephanie Tubbs Jones Child Welfare Services Program			<u>16,337</u>	<u>0</u>
Foster Care (Title IV-E)				
Title IV-E Admin & Training	G-1617-11-5497	93.658	\$ 215,241	\$ 0
Title IV-E Contracts FCM	G-1617-11-5497	93.658	18,152	0
Title IV-E Foster Care Services	G-1617-11-5497	93.658	632,488	0
Total Foster Care (Title IV-E)			<u>865,881</u>	<u>0</u>
Adoption Assistance (Title IV-E)				
Title IV-E Admin & Training	G-1617-11-5497	93.659	398,484	0
Non-Recurring Adoption	G-1617-11-5497	93.659	2,856	0
Title IV-E Contracts AA	G-1617-11-5497	93.659	32,791	0
Total Adoption Assistance (Title IV-E)			<u>434,131</u>	<u>0</u>
Chafee Foster Care Independence Program	G-1617-11-5497	93.674	16,073	0
<i>Passed Through Ohio Department of Developmental Disabilities:</i>				
Title XX - Social Services Block Grant	Title XX	93.667	27,309	0
Medical Assistance Program (MAC)	Title XIX	93.778	193,930	0
<i>Passed Through Ohio Department of Mental Health:</i>				
Engage	N/A	93.243	2,500	0
Family-Centered Services and Supports	FY16	93.556	16,305	0
Family-Centered Services and Supports	FY17	93.556	5,935	0
Total Family-Centered Services and Supports			<u>22,240</u>	<u>0</u>
<i>Passed Through the Ohio Department of Jobs and Family Services via Ohio Area 7 Workforce Investment Board</i>				
Ohio Works Incentive Program - Incentives	G-1415-11-5342 / G-1617-11-5497	93.558	4,500	4,500
Total U.S. Department of Health and Human Services			<u>3,710,900</u>	<u>135,139</u>

(Continued)

CLINTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Subrecipients
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
<i>Passed Through the Ohio Department of Transportation</i>				
Highway Planning and Construction: CLI - CR7/CR8/CR19	PID #99227	20.205	1,302,947	0
Gurneyville/North Curry	PID #95399	20.205	534,833	0
Total Highway Planning and Construction Cluster			<u>1,837,780</u>	<u>0</u>
<i>Passed Through the Federal Aviation Administration</i>				
Airport Improvement Program	3-39-0091-008-2012	20.106	30,519	0
Airport Improvement Program	3-39-0091-009-2010	20.106	388	0
Airport Improvement Program	3-39-0091-009-2014	20.106	3,947	0
Airport Improvement Program	3-39-0091-010-2015	20.106	122,023	0
Airport Improvement Program	3-39-0091-011-2016	20.106	7,849	0
Total Airport Improvement Program			<u>164,726</u>	<u>0</u>
Total U.S. Department of Transportation			<u>2,002,506</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed Through the Ohio Development Services Agency</i>				
Community Development Block Grants:				
Small Cities CDBG Program	B-C-14-1AN-1	14.228	152,128	0
Small Cities Program Grant (Formula)	B-F-14-1AN-1	14.228	323,143	0
Small Cities Program Grant (Formula)	B-F-15-1AN-1	14.228	40,325	0
Total Small Cities Program Grant (Formula)			<u>363,468</u>	<u>0</u>
Home Investment Partnerships Program	B-C-14-1AN-2	14.239	280,794	0
Total U.S. Department of Housing and Urban Development			<u>796,390</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
<i>Passed Through the Ohio Department of Public Safety</i>				
Emergency Management Performance Grant	EMC-2016-EP-00003-S01	97.042	48,458	0
Total U.S. Department of Homeland Security			<u>48,458</u>	<u>0</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Passed Through the Ohio Attorney General's Office - Crime Victim Section</i>				
Crime Victim Assistance	2016-VOCA-20182338	16.575	6,564	0
Total U.S. Department of Justice			<u>6,564</u>	<u>0</u>

(Continued)

CLINTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Subrecipients
<u>U.S. DEPARTMENT OF LABOR</u>				
<i>Passed Through the Ohio Department of Jobs and Family Services via Ohio Area 7 Workforce Investment Board</i>				
Workforce Investment Act Cluster:				
WIA - Adult Program	G-1617-11-5497	17.258	\$ 30,370	\$ 30,370
WIA - Adult Administration	G-1617-11-5497	17.258	6	0
WIOA - Adult Program	G-1617-11-5497	17.258	97,127	97,127
WIOA - Adult Administration	G-1617-11-5497	17.258	91	0
WIA - Adult Total			<u>127,594</u>	<u>127,497</u>
WIA - Youth Program	G-1415-11-5342 / G-1617-11-5497	17.259	103,904	103,904
WIA - Youth Administration	G-1415-11-5342 / G-1617-11-5497	17.259	1,130	0
CCMEP - WIOA - Youth Program	G-1617-11-5497	17.259	14,128	14,128
WIA - Youth Total			<u>119,162</u>	<u>118,032</u>
WIA - Dislocated Worker Program	G-1617-11-5497	17.278	68,339	68,339
WIA - Dislocated Worker Administration	G-1617-11-5497	17.278	12	0
WIOA - Dislocated Worker Program	G-1617-11-5497	17.278	81,448	81,448
WIOA - Dislocated Worker Administration	G-1617-11-5497	17.278	162	0
WIA - Dislocated Workers Total			<u>149,961</u>	<u>149,787</u>
WIA - Rapid Response	G-1617-11-5497	17.278	75,000	75,000
Total Workforce Investment Act Cluster			<u>471,717</u>	<u>470,316</u>
Employment Service Cluster				
OMJ Center Resource Sharing	G-1617-11-5497	17.207	20,234	0
Total U.S. Department of Labor			<u>491,951</u>	<u>470,316</u>
Total Federal Expenditures			<u>\$ 7,498,092</u>	<u>\$ 795,545</u>

CLINTON COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016. 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, as applicable, either 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 Education, 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.

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

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.

NOTE E – SETTLEMENT PAYMENTS

During the calendar year, the County Board of Developmental Disabilities received a settlement payment for the 2010 and 2011 Cost Reports from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount of \$1,107.70 and \$3,000.78, respectively. The Cost Report Settlement payment was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. The revenue is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in the prior reporting periods.

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Dave Yost • Auditor of State

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

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 27, 2017, wherein we modified our opinion for the discretely presented component unit.

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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 2016-001.

Entity's Response to Findings

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

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.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 27, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 affect each of Clinton County's major federal programs for the year ended December 31, 2016. 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, 2016.

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
Auditor of State

Columbus, Ohio

September 27, 2017

CLINTON COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016

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):	TANF Cluster Medicaid Cluster Highway Planning and Construction 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 2016-001

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 93% 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 2016-001
(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 acquiring ownership of the Wilmington Air Park have been recorded and maintained, as necessary. The CCPA continues its effort to reconstruct, and/or determine, value of capital assets by DHL to the CCPA as many of these assets were not accompanied by documentation/valuation sufficient for public accounting purposes. Efforts and 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 continue to pursue, with the Clinton County Auditor and legal counsel, more precise value 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 beyond the control of the CCPA. We anticipate this appraisal to be conducted during calendar year 2017, or early 2018;
- 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 - CLI- 89-1.72 (Structural file number of 1436082; estimated replacement cost \$1,480,000), CLI- 89-2.49 (Structural file number of 1436139; estimated replacement cost \$1,580,000) 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 2017/18, we anticipate values and a depreciation schedule to be established for all rolling stock owned by the CCPA.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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CLINTON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Port Authority did not properly maintain capital asset listing	Not Corrected	Re-issued as Finding 2016-001. The Port Authority plans to have a comprehensive fixed asset appraisal completed by the end of 2017 or early 2018.
2015-002	County financial statement posting errors	Fully Corrected	

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CLINTON COUNTY

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	<p>The Clinton County Port Authority (CCPA) recognizes the need to record, maintain, and monitor the capital assets of the entity. Items purchased since acquiring ownership of the Wilmington Air Park have been recorded and maintained, as necessary. The CCPA continues its effort to reconstruct, and/or determine, value of capital assets by DHL to the CCPA as many of these assets were not accompanied by documentation/valuation sufficient for public accounting purposes. Efforts and improvements continue to be made to the valuation and financial reporting of our capital assets regarding the donated assets, and will continue.</p> <p>Relative to the specific elements of this finding:</p> <ul style="list-style-type: none"> We continue to pursue, with the Clinton County Auditor and legal counsel, more precise value 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 beyond the control of the CCPA. We anticipate this appraisal to be conducted during calendar year 2017, or early 2018; 	12/31/17	Dan Evers, Executive Director

	<p>Clinton County Corrective Action Plan Page 2</p> <ul style="list-style-type: none"> 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 - CLI- 89-1.72 (Structural file number of 1436082; estimated replacement cost \$1,480,000), CLI- 89-2.49 (Structural file number of 1436139; estimated replacement cost \$1,580,000) will be included in future asset listings; Please refer to our first bulleted response; <p>As a component of the anticipated asset appraisals to be conducted in calendar year 2017/18, we anticipate values and a depreciation schedule to be established for all rolling stock owned by the CCPA.</p>		
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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
OCTOBER 10, 2017