WASHINGTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2016

Dave Yost • Auditor of State

WASHINGTON COUNTY
DECEMBER 31, 2016

TABLE OF CONTENTS

**TABLE OF CONTENTS
(Continued)**

INDEPENDENT AUDITOR'S REPORT

Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of 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 units, each major fund, and the aggregate remaining fund information of Washington 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 did not audit the financial statements of WASCO, Inc., which represents 39 percent of assets, 41 percent of net position, and 91 percent of revenues for the discretely presented component units of the County. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for WASCO, Inc., is based solely on the report of other auditors. 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. The other auditors audited the financial statements of WASCO, Inc., in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

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 such 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.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units**,** each major fund, and the aggregate remaining fund information of Washington 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, Motor Vehicle and Gasoline Tax Fund, Board of Developmental Disabilities Fund, County Home Fund, and Mental Health and Addiction Recovery Board 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, the Condition Assessments of the County's Infrastructure Reported Using the Modified Approach, and the Schedules of Net Pension Liabilities and Pension Contributions as listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires 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 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 (the Schedule) 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 August 28, 2017, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

August 28, 2017

This page intentionally left blank.

The discussion and analysis of Washington County's (the County) financial performance provides an overview 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 financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic 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 $2,971,634. Net position of governmental activities increased $2,971,150 or nearly 2 percent from 2015. Net position of the business-type activity increased $484 from 2015.

- At the end of the current year, the County reported a deficit in unrestricted net position for governmental activities of $3,692,682.

- At the end of the current year, the County's governmental funds reported a combined ending fund balance of $29,818,711, a decrease of $88,498 from the prior year.

Using This Annual Financial Report

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the County as a financial whole or as an entire operating entity.

The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the whole County, presenting an aggregate view of the County's finances as well as a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's most significant funds. Non-major funds are presented separately from major funds in total and in one column.

County-Wide Financial Statements

The County-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question.

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. The statement of activities presents information showing how the County's net position changed during the current year. These statements are prepared using the accrual basis of accounting similar to the accounting method used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses, regardless of when the cash is received or paid.

The change in net position is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or diminished. However, in evaluating the overall position of the County, nonfinancial information such as changes in the County's tax base and the condition of the County's capital assets will also need to be evaluated.

In the statement of net position and the statement of activities, the County is divided into three kinds of activities:

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

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The County's Sewer system is reported here.

Component Units - The County's financial statements include financial data of the WASCO, Inc. Sheltered Workshop (See Note 26) and the Southeastern Ohio Port Authority (See Note 27). These component units are described in the notes to the financial statements. Component units are separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or projects. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements provide detailed information about the County's major funds. Based on the restriction on the use of moneys, the County has established many funds that account for the multitude of services provided to our residents. The County's major governmental funds are the General Fund and the Motor Vehicle and Gasoline Tax, Board of Developmental Disabilities, County Home, and Mental Health and Addiction Recovery Board Special Revenue Funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year end balances available for spending. These funds are reported on the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services being provided, along with the financial resources available.

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

The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds - The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements. The County uses an enterprise fund to account for the Sewer Fund operations. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities. The Internal Service Fund was used to account for the operation of the County's workers' compensation program through a retrospective rating plan. The County discontinued using this plan starting in 2009.

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information relating to the modified approach to reporting infrastructure.

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net position for 2016 compared to 2015:

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Totals	
	2016	2015	2016	2015	2016	2015
Assets						
Current and						
Other Assets	$50,157,196	$49,562,941	$435,727	$343,397	$50,592,923	$49,906,338
Capital Assets, Net	152,228,990	149,385,283	7,040,936	7,279,178	159,269,926	156,664,461
Totals Assets	202,386,186	198,948,224	7,476,663	7,622,575	209,862,849	206,570,799
Deferred Outflows of Resources						
Pension	10,556,839	3,109,621	0	0	10,556,839	3,109,621
Liabilities						
Current and						
Other Liabilities	3,251,815	5,217,453	70,473	66,916	3,322,288	5,284,369
Long-Term Liabilities						
Due Within One Year	445,655	482,870	108,085	75,111	553,740	557,981
Due Within More Than One Year:						
Net Pension Liability	28,527,027	20,589,482	0	0	28,527,027	20,589,482
Other Amounts	3,195,138	3,646,538	2,852,826	3,035,753	6,047,964	6,682,291
Total Liabilities	35,419,635	29,936,343	3,031,384	3,177,780	38,451,019	33,114,123
Deferred Inflows of Resources						
Property Taxes	11,111,031	9,232,083	0	0	11,111,031	9,232,083
Pension	813,640	261,850	0	0	813,640	261,850
Total Deferred Inflows of Resources	11,924,671	9,493,933	0	0	11,924,671	9,493,933
Net Position						
Net Investment in						
Capital Assets	149,080,743	145,671,546	4,575,022	4,169,036	153,655,765	149,840,582
Restricted	20,210,658	18,849,368	0	0	20,210,658	18,849,368
Unrestricted	(3,692,682)	(1,893,345)	(129,743)	275,759	(3,822,425)	(1,617,586)
Total Net Position	$165,598,719	$162,627,569	$4,445,279	$4,444,795	$170,043,998	$167,072,364

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." 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 deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension 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.

GASB 68 requires the net pension liability to equal 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 liability not accounted for as deferred inflows/outflows.

As mentioned previously, net position increased $2,971,634, or nearly two percent. Even though there was an immaterial change in net position, overall total assets increased $3,292,050. In the governmental activities, property taxes receivable increased $2,141,704 from the prior year due to a reappraisal.

Accounts receivable, accrued interest, and prepaid items also had small increases. Intergovernmental receivables decreased by $1,135,643 due to the completion of some operating grants during 2016 that were awarded to the County in previous years. The significant increase in total deferred outflow of resources in 2016 was due to an increase in the difference between projected and actual earnings on investments related to the County's net pension liability for OPERS. The County had significant decreases in several liabilities. Contracts payable decreased $1,364,134. Intergovernmental payables and accounts payable decreased by $199,093 and $132,033, respectively. Accrued wages increased by $59,714. Although the majority of the County's governmental activity liabilities decreased, the total liabilities increased by $5,483,292 due to an increase of $7,937,545 in net pension liability. The net pension liability increase represents the County's proportionate share of the OPERS traditional plan's unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

The business-type activity had a decrease in total assets of $145,912. This decrease was caused primarily from a decrease in capital assets, which was offset by increases in cash and cash equivalents, accounts receivable, and prepaid items. The business-type activity also had a decrease in total liabilities of $146,396, which was caused primarily from a decrease in amounts due in one year and accounts payable, which were offset by increases in intergovernmental payable and accrued interest payable.

Table 2 shows the changes in net position for 2016 compared to 2015:

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
Revenues	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for Services	$6,518,251	$7,104,998	$944,022	$917,870	$7,462,273	$8,022,868
Operating Grants, Contributions, and Interest	18,701,550	17,829,528	5,412	0	18,706,962	17,829,528
Capital Grants, Contributions, and Interest	2,199,528	2,636,677	0	0	2,199,528	2,636,677
Total Program Revenues	27,419,329	27,571,203	949,434	917,870	28,368,763	28,489,073
General Revenues:						
Property Taxes	9,333,610	9,171,840	0	0	9,333,610	9,171,840
Permissive Sales Taxes	13,014,790	13,775,181	0	0	13,014,790	13,775,181
Intergovernmental	1,760,750	1,766,672	0	0	1,760,750	1,766,672
Gain on Sale of Capital Assets	3,952	8,971	0	0	3,952	8,971
Interest	295,193	85,264	0	0	295,193	85,264
Rent	22,952	13,825	0	0	22,952	13,825
Miscellaneous	632,065	853,153	464	3,359	632,529	856,512
Total General Revenues	25,063,312	25,674,906	464	3,359	25,063,776	25,678,265
Total Revenues	52,482,641	53,246,109	949,898	921,229	53,432,539	54,167,338
Program Expenses						
General Government:						
Legislative and Executive	6,494,776	6,753,042	0	0	6,494,776	6,753,042
Judicial	2,677,821	2,727,268	0	0	2,677,821	2,727,268
Public Safety	10,483,035	9,907,899	0	0	10,483,035	9,907,899
Public Works	6,458,848	6,437,418	0	0	6,458,848	6,437,418
Health:						
Alcohol, Drug, and Mental Health	883,083	881,520	0	0	883,083	881,520
Board of Developmental Disabilities	7,614,285	9,089,770	0	0	7,614,285	9,089,770
County Home	2,456,376	2,614,376	0	0	2,456,376	2,614,376
Other Health	283,861	324,000	0	0	283,861	324,000
Human Services:						
Child Support Enforcement	972,254	936,328	0	0	972,254	936,328
Children Services	3,747,512	3,151,692	0	0	3,747,512	3,151,692
Job and Family Services	4,676,553	4,582,250	0	0	4,676,553	4,582,250
Senior Services	1,099,104	1,209,243	0	0	1,099,104	1,209,243
Other Human Services	752,350	597,276	0	0	752,350	597,276
Economic Development and Assistance	487,048	406,896	0	0	487,048	406,896
Intergovernmental	347,472	376,494	0	0	347,472	376,494
Interest and Fiscal Charges	77,113	89,387	0	0	77,113	89,387
Sewer	0	0	949,414	962,568	949,414	962,568
Total Program Expenses	$49,511,491	$50,084,859	$949,414	$962,568	$50,460,905	$51,047,427

(continued)

Table 2
Changes in Net Position (continued)

	Governmental Activities		Business-Type Activity		Total	
	2016	2015	2016	2015	2016	2015
Net Increase (Decrease) in Net Position	$2,971,150	$3,161,250	$484	($41,339)	$2,971,634	$3,119,911
Net Position Beginning of Year	162,627,569	159,466,319	4,444,795	4,486,134	167,072,364	163,952,453
Net Position End of Year	$165,598,719	$162,627,569	$4,445,279	$4,444,795	$170,043,998	$167,072,364

Governmental Activities

The operating grants, contributions, and interest category of program revenues were the largest program revenues, accounting for $18,701,150 or 35.6 percent of total governmental activities revenues. The major recipients of intergovernmental program revenues were the Job and Family Services, Mental Health, Motor Vehicle and Gasoline Tax, Board of Developmental Disabilities, Child Support Enforcement Agency, and Children Services governmental activities. This category of program revenues consists of grants, entitlements, interest earned on restricted monies, motor vehicle license taxes, and gasoline excise taxes.

Property tax revenues account for $9,333,610 or 17.8 percent of total governmental activities revenues. Another major component of governmental activities revenues was permissive sales taxes, which accounted for $13,014,790 or 24.8 percent of total revenues.

The County's direct charges to users of governmental services made up $6,518,251 or 12.4 percent of total governmental activities revenues. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Health programs accounted for $11,237,605, or 22.7 percent of total expenses for governmental activities. The Board of Developmental Disabilities program expenses decreased $1,475,485. According to the Business Director, this was due to the privatization of WASCO and with the loss of Medicaid funding to provide programming such as day services and transportation through WASCO. County Home expenses decreased $158,000 due to general overall expense oversight and management by the new County Home Administrator, according to the Secretary of the Administrator. Children Services had a total increase of $595,820 due to an increased number of cases, causing an increased number of children in agency custody which resulted in increased placement costs, according to the Board Chief Fiscal Officer.

Other major program expenses for governmental activities include human service programs, which accounted for $11,247,773, or 22.7 percent of total expenses.

Public safety program expenses increased $575,136 in 2016 from 2015. According to the County Sheriff, this was largely attributable to replacement of much of the fleet of rolling stock.

Economic Development and Assistance expenses increased $80,152 in 2016 from 2015. This increase is primarily attributable to the timing of when grant revenues such as CHIP and CDBG are received and distributed.

Business-Type Activity

The net position for business-type activities increased $484 during 2016. Charges for services accounted for $944,022, or 99.4 percent of revenues. This increased $26,152 from 2015. Sewer enterprise expenses decreased $13,154 from 2015, an immaterial amount.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
General Government:				
Legislative and Executive	$6,494,776	$3,617,021	$6,753,042	$3,517,537
Judicial	2,677,821	1,147,190	2,727,268	1,139,514
Public Safety	10,483,035	9,238,382	9,907,899	8,463,379
Public Works	6,458,848	188,301	6,437,418	(1,796,730)
Health:				
Alcohol, Drug, and Mental Health	883,083	20,703	881,520	60,310
Board of Developmental Disabilities	7,614,285	3,248,595	9,089,770	4,462,179
County Home	2,456,376	1,609,789	2,614,376	1,986,728
Other Health	283,861	66,439	324,000	136,239
Human Services:				
Child Support Enforcement	972,254	(64,475)	936,328	(74,496)
Children Services	3,747,512	1,826,925	3,151,692	2,230,285
Job and Family Services	4,676,553	35,519	4,582,250	348,160
Senior Services	1,099,104	823,765	1,209,243	922,908
Other Human Services	752,350	738,169	597,276	581,714
Economic Development and Assistance	487,048	(463,207)	406,896	406,896
Intergovernmental	347,472	(18,067)	376,494	39,646
Interest and Fiscal Charges	77,113	77,113	89,387	89,387
Total Expenses	$49,511,491	$22,092,162	$50,084,859	$22,513,656

Charges for services, operating grants, and capital grants of $27,419,329 or 55.4 percent of the total costs of services, are received and used to fund governmental activities' program expenses of the County. Remaining governmental activities expenses are funded by property taxes, permissive sales taxes, unrestricted intergovernmental revenues, gains on the sale of capital assets, interest, rent, and miscellaneous revenues.

The $4,945,526 in net cost of services for health expenses demonstrates the costs of services that are not supported from state and federal resources. As such, the taxpayers have approved property tax levies for programs including the Board of Developmental Disabilities and the County Home.

Financial Analysis of County Funds

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

As of December 31, 2016, the County's governmental funds reported a combined ending fund balance of $29,818,711, a decrease of $88,498 in comparison with the prior year. Of that total ending fund balance, $1,078,955 is nonspendable, $15,669,058 is restricted, $1,000,062 is committed, $2,529,916 is assigned, and $9,540,720 is unassigned, as defined in GASB Statement No. 54.

The General Fund is the primary operating fund of the County. At the end of 2016, the unassigned fund balance was $9,540,720, while total fund balance was $12,648,875. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 47.0 percent to total General Fund expenditures, while total fund balance represents 62.3 percent of that same amount. The County's General Fund balance decreased $580,653 during 2016.

The fund balance of the Motor Vehicle and Gasoline Tax Special Revenue Fund decreased $481,394 during 2016 due primarily to decreases in several revenue sources and a large increase in public works expenditures.

The fund balance of the Board of Developmental Disabilities Special Revenue Fund increased $481,209 during 2016. After consulting with the Board Business Director, it was determined that this was primarily due to a timing issue with regard to billing for services from 2015 to 2016.

The fund balance of the County Home Special Revenue Fund increased $440,945 during 2016. According to the Secretary to the County Home Administrator, this increase is due to the receipt of a bequest in the amount of approximately $225,000, miscellaneous revenues other than the property tax performing better than expected, and a closer scrutiny of overall expenses by the new Administrator.

The fund balance of the Mental Health and Addiction Recovery Board Special Revenue Fund decreased $73,185 during 2016, mainly due to the timing of when expenses and revenues were recorded in comparison to the prior year according to the Board Fiscal Manager.

As of December 31, 2016, net position for the County's enterprise fund was $4,445,279. Of that total, $129,743 represents deficit unrestricted net position.

Budgetary Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Board of County Commissioners adopts a permanent annual operating budget for the County on or about January 1.

For the General Fund, budget basis revenue was $21,886,426, above final estimates of $21,691,024. Final estimated revenues were below original estimates of $22,038,291, due to a combination of factors, primarily due to a decrease of $87,693 in sales taxes, $207,552 in charges for services, and $49,532 in intergovernmental revenue. Actual expenditures for the year were $21,085,340, under final estimated appropriations of $22,424,051. All expenditure programs experienced spending under budget in 2016. The original appropriations were increased $469,765; all areas were increased except judicial programs.

Capital Assets and Debt Administration

Capital Assets **-** The County's capital assets for governmental and business-type activities as of December 31, 2016, were $159,269,926 (net of accumulated depreciation). This includes land and land improvements, buildings and improvements, machinery and equipment, furniture and fixtures, infrastructure, and vehicles.

For governmental activities, the most significant capital asset additions during 2016 included a new roof and window replacement at the Courthouse, a salt storage building and a Bobcat track loader for the highway department, and a roof replacement for the Board of Developmental Disabilities. Several vehicles were bought for the Sheriff's office and the highway garage.

The County uses the modified approach to present county roads and bridges (infrastructure). Disclosures about the condition assessments and maintenance costs regarding the County's infrastructure can be found in the Required Supplementary Information.

Note 9 (Capital Assets) provides capital asset activity during 2016.

Debt Administration - As of December 31, 2016, the County had total bonded debt outstanding of $2,465,169. All of this debt will be repaid through governmental activities. The County's long-term general obligation bonded debt decreased $448,403 during 2016. Other governmental outstanding long-term debt included OPWC loans of $341,886 and capital leases of $308,207. The business-type activity had outstanding debt consisting of OPWC loans of $579,992, OWDA Loans of $1,712,058, and FHA loans of $668,000.

In addition, the County's long-term obligations include compensated absences for sick leave benefits and net pension liability. Additional information on the County's long-term obligations can be found in Notes 14 and 15 of this report.

Economic Factors

The unemployment rate for the County is currently 6.0 percent, which is a decrease from 6.5 percent a year ago. This rate is higher than the State's current rate of 4.8 percent and more than the current national rate of 4.5 percent. The level of unemployment locally is not a significant change, but remains higher than desirable as locals adjust to the continuing loss of jobs attributable to the decrease in "shale play" related employment in the area as 2015 drew to a close.

The County's $1.474 billion tax base is a significant increase from the $1.261 billion value from the prior year. Valuations increased in the aggregate for the year and are at an all-time high largely due to the State mandated sexennial reappraisal of real property and the purchase and substantial revaluation of a public utility power plant.

The County's permissive sales tax revenues in governmental activities decreased from 2015 to 2016 by 4.9% on a cash basis, near the amount estimated. The reduction of "shale play" activity and affiliated receipts in the area during 2016 is presumed to be the primary driver of the loss of revenues.

Various economic factors were considered in the preparation of the County's 2016 budget and will be considered in the preparation of future budgets. Appropriate measures will continue to be taken to ensure spending is within available resources.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: William D. McFarland, Washington County Auditor, 205 Putnam Street, Marietta, Ohio 45750.

Washington County, Ohio
Statement of Net Position
December 31, 2016
August 31, 2016 - WASCO, Inc. Component Unit

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
Assets					
Equity in Pooled Cash and Cash Equivalents	$26,796,845	$523,760	$27,320,605	$0	$0
Cash and Cash Equivalents	0	0	0	503,305	179,135
Cash and Cash Equivalents in Segregated Accounts	55,292	0	55,292	0	0
Accounts Receivable	51,127	90,615	141,742	543,840	5,600
Internal Balances	360,048	(360,048)	0	0	0
Intergovernmental Receivable	6,290,567	0	6,290,567	0	19
Accrued Interest Receivable	10,369	0	10,369	0	0
Property Taxes Receivable	12,180,439	0	12,180,439	0	0
Sales Taxes Receivable	3,373,699	0	3,373,699	0	0
Prepaid Items	334,493	220	334,713	23,913	3,303
Materials and Supplies Inventory	677,969	1,342	679,311	23,001	0
Special Assessments Receivable	0	179,838	179,838	0	0
Investments in Segregated Accounts	26,348	0	26,348	0	0
Non-Depreciable Capital Assets	135,719,800	379,120	136,098,920	0	124,950
Depreciable Capital Assets, Net	16,509,190	6,661,816	23,171,006	424,998	2,044,303
Total Assets	202,386,186	7,476,663	209,862,849	1,519,057	2,357,310
Deferred Outflows of Resources					
Pension	10,556,839	0	10,556,839	0	16,664
Liabilities					
Accounts Payable	691,056	9,734	700,790	35,832	6,918
Contracts Payable	288,903	0	288,903	0	0
Accrued Wages Payable	718,846	3,733	722,579	111,369	0
Matured Compensated Absences Payable	7,008	0	7,008	0	0
Retainage Payable	45,194	0	45,194	0	0
Leave Benefits Payable	1,063,408	5,556	1,068,964	100,622	1,377
Intergovernmental Payable	432,442	35,906	468,348	14,651	29,727
Accrued Interest Payable	4,958	15,544	20,502	0	1,105
Long-Term Liabilities:					
Due Within One Year	445,655	108,085	553,740	0	29,133
Due In More Than One Year:					
Net Pension Liability (See Note 11)	28,527,027	0	28,527,027	0	43,822
Other Amounts Due In More Than One Year	3,195,138	2,852,826	6,047,964	0	412,990
Total Liabilities	35,419,635	3,031,384	38,451,019	262,474	525,072
Deferred Inflows of Resources					
Property Taxes	11,111,031	0	11,111,031	0	0
Pension	813,640	0	813,640	0	8,955
Total Deferred Inflows of Resources	11,924,671	0	11,924,671	0	8,955
Net Position					
Net Investment in Capital Assets	149,080,743	4,575,022	153,655,765	424,998	1,727,130
Restricted for:					
Capital Projects	406,474	0	406,474	0	0
Debt Service	485,446	0	485,446	0	0
Road and Bridge Projects	5,141,567	0	5,141,567	0	0
Mental Health	1,042,129	0	1,042,129	0	0
County Home	3,151,751	0	3,151,751	0	0
Developmental Disabilities	4,397,533	0	4,397,533	0	0
Real Estate Assessment	1,626,298	0	1,626,298	0	0
Child Support Enforcement	654,255	0	654,255	0	0
Job and Family Services	93,027	0	93,027	0	0
Court and Corrections	455,292	0	455,292	0	0
Sheriff Operations	173,751	0	173,751	0	0
911 Operations	335,849	0	335,849	0	0
Economic Development	1,335,585	0	1,335,585	0	0
Senior Services	354,184	0	354,184	0	0
Unclaimed Monies	66,493	0	66,493	0	0
Other Purposes	491,024	0	491,024	0	0
Unrestricted	(3,692,682)	(129,743)	(3,822,425)	831,585	112,817
Total Net Position	$165,598,719	$4,445,279	$170,043,998	$1,256,583	$1,839,947

See accompanying notes to the basic financial statements.

Washington County, Ohio
Statement of Activities
For the Year Ended December 31, 2016
For the Fiscal Year Ended August 31, 2016 - WASCO, Inc. Component Unit

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	$6,494,776	$2,798,827	$78,928	$0
Judicial	2,677,821	1,328,866	201,765	0
Public Safety	10,483,035	1,129,276	115,377	0
Public Works	6,458,848	115,440	3,955,579	2,199,528
Health:				
Alcohol, Drug, and Mental Health	883,083	0	862,380	0
Board of Developmental Disabilities	7,614,285	288,145	4,077,545	0
County Home	2,456,376	399,830	446,757	0
Other Health	283,861	217,422	0	0
Human Services:				
Child Support Enforcement	972,254	87,782	948,947	0
Children Services	3,747,512	10,381	1,910,206	0
Job and Family Services	4,676,553	122,757	4,518,277	0
Senior Services	1,099,104	5,344	269,995	0
Other Human Services	752,350	14,181	0	0
Economic Development and Assistance	487,048	0	0	0
Intergovernmental	347,472	0	950,255	0
Interest and Fiscal Charges	77,113	0	365,539	0
Total Governmental Activities	49,511,491	6,518,251	18,701,550	2,199,528
Business-Type Activity				
Sewer	949,414	944,022	5,412	0
Total Primary Government	$50,460,905	$7,462,273	$18,706,962	$2,199,528
Component Units				
WASCO, Inc.	$3,598,303	$3,576,169	$0	$0
Southeastern Ohio Port Authority	$348,564	$75,731	$158,300	$0

General Revenues
Property Taxes Levied for:
General Purposes
County Home
Board of Developmental Disabilities
Senior Services
Bond Retirement
911
Sales Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Gain on Sale of Capital Assets
Interest
Rent
Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
($3,617,021)	$0	($3,617,021)	$0	$0
(1,147,190)	0	(1,147,190)	0	0
(9,238,382)	0	(9,238,382)	0	0
(188,301)	0	(188,301)	0	0
			0	
(20,703)	0	(20,703)	0	0
(3,248,595)	0	(3,248,595)	0	0
(1,609,789)	0	(1,609,789)	0	0
(66,439)	0	(66,439)	0	0
64,475	0	64,475	0	0
(1,826,925)	0	(1,826,925)	0	0
(35,519)	0	(35,519)	0	0
(823,765)	0	(823,765)	0	0
(738,169)	0	(738,169)	0	0
(487,048)	0	(487,048)	0	0
602,783	0	602,783	0	0
288,426	0	288,426	0	0
(22,092,162)	0	(22,092,162)	0	0
0	20	20	0	0
(22,092,162)	20	(22,092,142)	0	0
0	0	0	(22,134)	0
0	0	0	0	(114,533)
2,635,639	0	2,635,639	0	0
2,010,493	0	2,010,493	0	0
3,370,353	0	3,370,353	0	0
920,499	0	920,499	0	0
342,593	0	342,593	0	0
54,033	0	54,033	0	0
13,014,790	0	13,014,790	0	0
1,760,750	0	1,760,750	0	0
3,952	0	3,952	307	0
295,193	0	295,193	514	5
22,952	0	22,952	0	0
632,065	464	632,529	1,100	5,877
25,063,312	464	25,063,776	1,921	5,882
2,971,150	484	2,971,634	(20,213)	(108,651)
162,627,569	4,444,795	167,072,364	1,276,796	1,948,598
$165,598,719	$4,445,279	$170,043,998	$1,256,583	$1,839,947

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

	General	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities
Assets			
Equity in Pooled Cash and Cash Equivalents	$10,600,330	$2,680,442	$3,842,849
Cash and Cash Equivalents in Segregated Accounts	0	0	0
Investments in Segregated Accounts	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	66,493	0	0
Materials and Supplies Inventory	120,875	530,001	0
Receivables:			
Property Taxes	3,406,892	0	4,186,662
Sales Taxes	3,373,699	0	0
Accounts	15,505	12,111	1,590
Intergovernmental	874,714	2,449,232	707,154
Interfund	25,999	0	0
Accrued Interest	0	0	0
Prepaid Items	287,801	2,256	2,688
Total Assets	$18,772,308	$5,674,042	$8,740,943
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	$274,104	$43,016	$56,566
Contracts Payable	0	284,871	0
Accrued Wages Payable	320,799	55,261	108,251
Retainage Payable	0	0	0
Matured Compensated Absences Payable	5,885	0	1,123
Interfund Payable	64	0	0
Intergovernmental Payable	225,877	25,788	47,128
Total Liabilities	826,729	408,936	213,068
Deferred Inflows of Resources			
Property Taxes	3,109,052	0	3,819,702
Unavailable Revenue	2,187,652	1,426,812	851,463
Total Deferred Inflows of Resources	5,296,704	1,426,812	4,671,165
Fund Balances			
Nonspendable	475,169	532,257	2,688
Restricted	0	3,306,037	3,854,022
Committed	103,070	0	0
Assigned	2,529,916	0	0
Unassigned	9,540,720	0	0
Total Fund Balances	12,648,875	3,838,294	3,856,710
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$18,772,308	$5,674,042	$8,740,943

See accompanying notes to the basic financial statements.

County Home	Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
$2,943,320	$748,627	$5,806,262	$26,621,830
0	0	55,292	55,292
0	0	26,348	26,348
0	0	0	66,493
14,131	0	12,962	677,969
2,481,208	0	2,105,677	12,180,439
0	0	0	3,373,699
0	0	21,921	51,127
111,297	333,054	1,815,116	6,290,567
0	0	360,912	386,911
0	0	10,369	10,369
8,332	0	33,416	334,493
$5,558,288	$1,081,681	$10,248,275	$50,075,537
$23,743	$12,153	$281,474	$691,056
0	0	4,032	288,903
51,481	6,573	176,481	718,846
0	0	45,194	45,194
0	0	0	7,008
0	0	26,799	26,863
24,609	8,687	100,353	432,442
99,833	27,413	634,333	2,210,312
2,261,340	0	1,920,937	11,111,031
331,165	260,982	1,877,409	6,935,483
2,592,505	260,982	3,798,346	18,046,514
22,463	0	46,378	1,078,955
2,843,487	793,286	4,872,226	15,669,058
0	0	896,992	1,000,062
0	0	0	2,529,916
0	0	0	9,540,720
2,865,950	793,286	5,815,596	29,818,711
$5,558,288	$1,081,681	$10,248,275	$50,075,537

Washington County, Ohio

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2016

Total Governmental Fund Balances		$29,818,711
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		152,228,990
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Delinquent Property Taxes	1,069,408	
Sales Taxes	1,310,135	
Intergovernmental	4,531,720	
Charges for Services	24,116	
Miscellaneous	104	6,935,483
An internal service fund is used by management to charge the costs of providing workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		108,522
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 the funds:		
Deferred Outflows - Pension	10,556,839	
Deferred Inflows - Pension	(813,640)	
Net Pension Liability	(28,527,027)	(18,783,828)
Leave Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(1,063,408)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Refunding Bonds Payable	(2,465,169)	
OPWC Loans Payable	(341,886)	
Accrued Interest Payable	(4,958)	
Capital Leases Payable	(308,207)	
Compensated Absences Payable	(525,531)	(3,645,751)
Net Position of Governmental Activities		$165,598,719

See accompanying notes to the basic financial statements.

This page intentionally left blank.

Washington County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	County Home
Revenues				
Property Taxes	$2,570,897	$0	$3,293,097	$1,963,604
Sales Taxes	13,011,593	0	0	0
Charges for Services	3,361,543	63,314	263,061	399,830
Licenses and Permits	3,366	0	0	0
Fines and Forfeitures	97,242	45,422	0	0
Intergovernmental	1,788,052	6,261,905	4,209,203	224,349
Interest	288,388	7,967	0	0
Rent	166,916	0	18,000	0
Contributions and Donations	0	0	29,384	225,698
Miscellaneous	389,005	13,333	176,696	0
Total Revenues	21,677,002	6,391,941	7,989,441	2,813,481
Expenditures				
Current:				
General Government:				
Legislative and Executive	5,501,490	0	0	0
Judicial	2,043,564	0	0	0
Public Safety	9,373,183	0	0	0
Public Works	2,454,654	6,958,388	0	0
Health:				
Alcohol, Drug, and Mental Health	0	0	0	0
Board of Developmental Disabilities	0	0	7,519,047	0
County Home	0	0	0	2,372,536
Other Health	84,291	0	0	0
Human Services:				
Child Support Enforcement	0	0	0	0
Children Services	0	0	0	0
Job and Family Services	0	0	0	0
Senior Services	0	0	0	0
Other Human Services	627,700	0	0	0
Economic Development and Assistance	172,514	0	0	0
Capital Outlay	0	0	0	0
Intergovernmental	0	0	0	0
Debt Service:				
Principal Retirement	45,478	32,230	0	0
Interest and Fiscal Charges	12,344	0	0	0
Total Expenditures	20,315,218	6,990,618	7,519,047	2,372,536
Excess of Revenues Over (Under) Expenditures	1,361,784	(598,677)	470,394	440,945
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	4,000	5,050	4,615	0
Proceeds of OPWC Loans	0	107,433	0	0
Transfers In	0	4,800	6,200	0
Transfers Out	(1,946,437)	0	0	0
Total Other Financing Sources (Uses)	(1,942,437)	117,283	10,815	0
Net Change in Fund Balances	(580,653)	(481,394)	481,209	440,945
Fund Balances Beginning of Year	13,229,528	4,319,688	3,375,501	2,425,005
Fund Balances End of Year	$12,648,875	$3,838,294	$3,856,710	$2,865,950

See accompanying notes to the basic financial statements.

Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
$0	$1,243,256	$9,070,854
0	0	13,011,593
0	1,431,665	5,519,413
0	284,351	287,717
0	366,431	509,095
786,926	8,650,082	21,920,517
0	7,230	303,585
0	71,264	256,180
0	373	255,455
0	52,927	631,961
786,926	12,107,579	51,766,370
0	617,414	6,118,904
0	593,372	2,636,936
0	812,993	10,186,176
0	0	9,413,042
875,011	0	875,011
0	0	7,519,047
0	0	2,372,536
0	168,642	252,933
0	945,912	945,912
0	3,560,586	3,560,586
0	4,468,935	4,468,935
0	1,203,305	1,203,305
0	14,219	641,919
0	314,534	487,048
0	342,192	342,192
0	347,472	347,472
0	445,000	522,708
0	68,960	81,304
875,011	13,903,536	51,975,966
(88,085)	(1,795,957)	(209,596)
0	0	13,665
0	0	107,433
14,900	1,920,537	1,946,437
0	0	(1,946,437)
14,900	1,920,537	121,098
(73,185)	124,580	(88,498)
866,471	5,691,016	29,907,209
$793,286	$5,815,596	$29,818,711

Washington 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 - Governmental Funds		($88,498)
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. This is the amount by which capital outlay exceeded depreciation in the current period:		
Capital Asset Additions	4,469,900	
Current Year Depreciation	(1,461,182)	3,008,718
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of assets:		
Disposal of Capital Assets		(165,011)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund:		
Delinquent Property Taxes	262,756	
Sales Tax	3,197	
Intergovernmental	477,464	
Charges for Services	(31,202)	
Miscellaneous	104	712,319
Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities:		
General Obligation Bonds Payable	175,000	
Refunding Bonds Payable	215,000	
OPWC Loan Payable	32,230	
Energy Conservation Bonds Payable	55,000	
Capital Lease Payable	45,478	522,708
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:		
Bond Premium Amortization	4,182	
Accrued Interest Payable	788	
Amortization of Discount	(779)	4,191
Loan proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. Governmental funds report the effect of premiums and discounts when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:		
OPWC Loans		(107,433)
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 the funds:		
Vacation Benefits Payable	56,336	
Compensated Absences Payable	69,937	126,273
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows or a reduction in the net pension liability		2,457,680
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(3,499,797)
Change in Net Position of Governmental Activities		$2,971,150

See accompanying notes to the basic financial statements.

Washington County, Ohio

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$2,567,785	$2,568,142	$2,568,564	$422
Sales Taxes	13,229,149	13,141,456	13,142,840	1,384
Charges for Services	3,601,929	3,394,377	3,389,006	(5,371)
Licenses and Permits	3,000	3,000	3,366	366
Fines and Forfeitures	97,000	106,961	97,515	(9,446)
Intergovernmental	1,829,268	1,779,736	1,806,601	26,865
Interest	242,431	242,375	318,842	76,467
Rent	125,077	125,077	160,792	35,715
Miscellaneous	342,652	329,900	398,900	69,000
Total Revenues	22,038,291	21,691,024	21,886,426	195,402
Expenditures				
Current:				
General Government:				
Legislative and Executive	5,855,553	5,947,640	5,637,575	310,065
Judicial	2,358,625	2,322,248	2,074,828	247,420
Public Safety	10,285,244	10,645,504	9,948,641	696,863
Public Works	2,464,036	2,472,675	2,465,462	7,213
Health	127,500	128,869	124,971	3,898
Human Services	708,762	727,549	659,298	68,251
Economic Development and Assistance	154,566	179,566	174,565	5,001
Total Expenditures	21,954,286	22,424,051	21,085,340	1,338,711
Excess of Revenues Over (Under) Expenditures	84,005	(733,027)	801,086	1,534,113
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	17,056	3,284	4,000	716
Advance In	50,000	10,328	10,328	0
Advance Out	0	(10,328)	(10,328)	0
Transfers Out	(1,894,372)	(1,948,329)	(1,946,437)	1,892
Total Other Financing Sources (Uses)	(1,827,316)	(1,945,045)	(1,942,437)	2,608
Net Change in Fund Balance	(1,743,311)	(2,678,072)	(1,141,351)	1,536,721
Fund Balance Beginning of Year	10,268,127	10,268,127	10,268,127	0
Prior Year Encumbrances Appropriated	757,444	757,444	757,444	0
Fund Balance End of Year	$9,282,260	$8,347,499	$9,884,220	$1,536,721

See accompanying notes to the basic financial statements.

Washington County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis)

Motor Vehicle and Gasoline Tax Fund

For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Charges for Services	$28,850	$28,850	$50,836	$21,986
Fines and Forfeitures	40,000	40,000	43,161	3,161
Intergovernmental	7,669,153	7,670,942	7,635,657	(35,285)
Interest	25,000	25,000	7,967	(17,033)
Miscellaneous	8,100	8,100	13,109	5,009
Total Revenues	7,771,103	7,772,892	7,750,730	(22,162)
Expenditures				
Current:				
Public Works	8,412,499	10,553,800	8,553,571	2,000,229
Debt Service:				
Principal Retirement	18,540	32,230	32,230	0
Total Expenditures	8,431,039	10,586,030	8,585,801	2,000,229
Excess of Revenues Under Expenditures	(659,936)	(2,813,138)	(835,071)	1,978,067
Other Financing Sources				
Transfers In	0	0	4,800	4,800
Proceeds from Sale of Capital Assets	5,050	5,050	5,050	0
Proceeds of OPWC Loans	107,433	107,433	107,433	0
Total Other Financing Sources	112,483	112,483	117,283	4,800
Net Change in Fund Balance	(547,453)	(2,700,655)	(717,788)	1,982,867
Fund Balance Beginning of Year	2,405,285	2,405,285	2,405,285	0
Prior Year Encumbrances Appropriated	670,114	670,114	670,114	0
Fund Balance End of Year	$2,527,946	$374,744	$2,357,611	$1,982,867

See accompanying notes to the basic financial statements.

Washington County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis)

Board of Developmental Disabilities Fund

For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$3,288,367	$3,288,367	$3,293,909	$5,542
Charges for Services	353,000	224,800	264,831	40,031
Intergovernmental	4,115,692	3,793,604	4,324,217	530,613
Rent	18,000	18,000	18,000	0
Contributions and Donations	27,000	27,000	29,180	2,180
Miscellaneous	216,385	180,740	195,208	14,468
Total Revenues	8,018,444	7,532,511	8,125,345	592,834
Expenditures				
Current:				
Health	8,977,582	9,060,245	7,969,843	1,090,402
Excess of Revenues Over (Under) Expenditures	(959,138)	(1,527,734)	155,502	1,683,236
Other Financing Sources				
Transfers In	0	0	6,200	6,200
Proceeds from Sale of Capital Assets	4,615	4,615	4,615	0
Total Other Financing Sources	4,615	4,615	10,815	6,200
Net Change in Fund Balance	(954,523)	(1,523,119)	166,317	1,689,436
Fund Balance Beginning of Year	3,009,962	3,009,962	3,009,962	0
Prior Year Encumbrances Appropriated	357,194	357,194	357,194	0
Fund Balance End of Year	$2,412,633	$1,844,037	$3,533,473	$1,689,436

See accompanying notes to the basic financial statements.

Washington County, Ohio

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
County Home Fund
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$1,962,855	$1,962,855	$1,964,442	$1,587
Charges for Services	320,000	320,000	399,830	79,830
Intergovernmental	231,656	231,656	224,349	(7,307)
Contributions and Donations	0	225,506	225,698	192
Total Revenues	2,514,511	2,740,017	2,814,319	74,302
Expenditures				
Current:				
Health	3,057,697	3,073,861	2,440,231	633,630
Net Change in Fund Balance	(543,186)	(333,844)	374,088	707,932
Fund Balance Beginning of Year	2,411,217	2,411,217	2,411,217	0
Prior Year Encumbrances Appropriated	63,012	63,012	63,012	0
Fund Balance End of Year	$1,931,043	$2,140,385	$2,848,317	$707,932

See accompanying notes to the basic financial statements.

Washington County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis)

Mental Health and Addiction Recovery Board Fund

For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	$737,137	$737,137	$869,801	$132,664
Expenditures				
Current:				
Health	971,603	986,729	897,714	89,015
Excess of Revenues Under Expenditures	(234,466)	(249,592)	(27,913)	221,679
Other Financing Sources				
Transfers In	13,888	13,888	14,900	1,012
Net Change in Fund Balance	(220,578)	(235,704)	(13,013)	222,691
Fund Balance Beginning of Year	652,463	652,463	652,463	0
Prior Year Encumbrances Appropriated	78,306	78,306	78,306	0
Fund Balance End of Year	$510,191	$495,065	$717,756	$222,691

See accompanying notes to the basic financial statements.

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

	Business-Type Activity	Governmental Activities
	Sewer Enterprise Fund	Internal Service Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$523,760	$108,522
Receivables:		
Accounts	90,615	0
Special Assessments	179,838	0
Prepaid Items	220	0
Materials and Supplies Inventory	1,342	0
Total Current Assets	795,775	108,522
Noncurrent Assets:		
Non-Depreciable Capital Assets	379,120	0
Depreciable Capital Assets, Net	6,661,816	0
Total Noncurrent Assets	7,040,936	0
Total Assets	7,836,711	108,522
Liabilities		
Current Liabilities:		
Accounts Payable	9,734	0
Accrued Wages Payable	3,733	0
Vacation Benefits Payable	5,556	0
Intergovernmental Payable	35,906	0
Accrued Interest Payable	15,544	0
Interfund Payable	360,048	0
Current Portion of OWDA Loan Payable	51,659	0
Current Portion of OPWC Loans Payable	38,926	0
Current Portion of FHA Loan Payable	17,500	0
Total Current Liabilities	538,606	0
Long-Term Liabilities (Net of Current Portion):		
Compensated Absences Payable	861	0
OWDA Loans Payable	1,660,399	0
OPWC Loans Payable	541,066	0
FHA Sewer Loan Payable	650,500	0
Total Long-Term Liabilities	2,852,826	0
Total Liabilities	3,391,432	0
Net Position		
Net Investment in Capital Assets	4,575,022	0
Unrestricted	(129,743)	108,522
Total Net Position	$4,445,279	$108,522

See accompanying notes to the basic financial statements.

Washington County, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2016

	Business-Type Activity	Governmental Activities
	Sewer Enterprise Fund	Internal Service Fund
Operating Revenues		
Charges for Services	$944,022	$0
Other	464	0
Total Operating Revenues	944,486	0
Operating Expenses		
Personal Services	97,692	0
Fringe Benefits	44,439	0
Contractual Services	430,239	0
Materials and Supplies	25,650	0
Depreciation	264,442	0
Other	2,559	0
Total Operating Expenses	865,021	0
Operating Income	79,465	0
Non-Operating Revenues (Expenses)		
Intergovernmental	5,412	0
Interest and Fiscal Charges	(84,393)	0
Total Non-Operating Revenues (Expenses)	(78,981)	0
Change in Net Position	484	0
Net Position Beginning of Year	4,444,795	108,522
Net Position End of Year	$4,445,279	$108,522

See accompanying notes to the basic financial statements.

Washington County, Ohio
Statement of Cash Flows
Sewer Enterprise Fund
For the Year Ended December 31, 2016

	Business-Type Activity Sewer Enterprise Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	$924,544
Cash Payments for Employee Services and Benefits	(142,039)
Cash Payments for Goods and Services	(455,259)
Other Operating Revenues	464
Other Operating Expenses	(2,603)
Net Cash Provided by Operating Activities	325,107
Cash Flows from Capital and Related Financing Activities	
Special Assessments	10,977
Payments for Capital Acquistions	(26,200)
Grants	5,412
Principal Paid on Debt	(150,092)
Interest and Fiscal Charges Paid on Debt	(77,470)
Net Cash Used for Capital and Related Financing Activities	(237,373)
Net Increase in Cash and Cash Equivalents	87,734
Cash and Cash Equivalents Beginning of Year	436,026
Cash and Cash Equivalents End of Year	$523,760
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$79,465
Adjustments:	
Depreciation	264,442
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(10,623)
Increase in Delinquent Sewer Receivable	(5,804)
Increase in Prepaid Items	(44)
Decrease in Materials and Supplies Inventory	926
Decrease in Accounts Payable	(37,600)
Increase in Accrued Wages Payable	311
Decrease in Vacation Benefits Payable	(5)
Increase in Compensated Absences Payable	139
Decrease in Interfund Payable	(28)
Increase in Intergovernmental Payable	33,928
Net Cash Provided by Operating Activities	$325,107

See accompanying notes to the basic financial statements.

Washington County, Ohio

Statement of Assets and Liabilities

Agency Funds

December 31, 2016

Assets	
Equity in Pooled Cash and Cash Equivalents	$2,203,267
Cash and Cash Equivalents in Segregated Accounts	1,142,199
Investments in Segregated Accounts	30,435
Receivables:	
Property Taxes	56,148,693
Accounts	385,751
Special Assessments	429,321
Intergovernmental	2,788,475
Total Assets	$63,128,141
Liabilities	
Intergovernmental Payable	$60,545,055
Undistributed Monies	2,583,086
Total Liabilities	$63,128,141

See accompanying notes to the basic financial statements.

This page intentionally left blank.

NOTE 1 - REPORTING ENTITY

Washington County, Ohio (the County), was created July 26, 1778, by Governor Arthur St. Clair. The County was the first county formed in the Northwest Territory and is composed of twenty-two townships. The County is governed by a board of three County Commissioners elected by the voters of the County. An elected County Auditor serves as chief fiscal officer. In addition, there are seven other elected administrative officials. These officials are: County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, and Sheriff. Also elected are two Common Pleas Court Judges and a Probate and Juvenile Court Judge. The County Commissioners serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the County.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the County are not misleading.

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Washington County, this includes the Board of Developmental Disabilities, the Children Services' Board, the Mental Health and Addiction Recovery Board, and all departments and activities that are directly operated by the elected County Officials.

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 program's governing board and (1) the County is able to significantly influence the programs of services performed or provided by the organization; or (2) the County is legally entitled to or can access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent upon the County in that the County approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government.

Discretely Presented Component Units

WASCO, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. WASCO, Inc., under a contractual agreement with the Washington County Board of Developmental Disabilities, provides sheltered employment for developmentally disabled or handicapped adults in Washington County. The Washington County Board of Developmental Disabilities provides WASCO, Inc. with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of WASCO, Inc. Based on the significant services and resources provided by the County to WASCO, Inc., and the sole purpose of WASCO, Inc. being to provide assistance to the developmentally disabled and handicapped adults of Washington County, WASCO, Inc. is presented as a component unit of Washington County. WASCO, Inc. operates on a fiscal year ending August 31. The financial statements of Wasco, Inc. are prepared in accordance with Governmental Accounting Standards Board Statement 34 following the governmental model of reporting. Separately issued financial statements can be obtained from Wasco, Inc., Marietta, Ohio. See the Subsequent Event Note 25.

Southeastern Ohio Port Authority (the Authority) was created during 2003, pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution, and research and development interest of Southeastern Ohio, including rendering financial and other assistance to such enterprises situated in the region and to induce the location in Southeastern Ohio of other manufacturing, commerce, distribution, and research entities; to purchase, subdivide, sell, and lease real property in Southeastern Ohio; and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio. The Authority's Board of Directors consists of the number of Directors it deems necessary. They are appointed by the Washington County Commissioners. The County assumes the responsibility to provide financial support to the Authority and has guaranteed the debt of the Authority; therefore, it is included as a discretely presented component unit. Separately issued financial statements can be obtained from the Authority in Marietta, Ohio.

The following potential component units have been excluded from the County's financial statements:

Washington County Career Center
Washington County Agricultural Society
Washington County Historical Society
Washington State Community College
Washington County Cooperative Extension
Marietta Tourist and Convention Bureau
Washington County Law Library

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statements:

Washington County General Health District The District is governed by the Board of Health which oversees the operation of the District and is elected by a regional advisory council composed of township trustees, mayors of participating municipalities, and one County Commissioner. The council adopts its own budget and operates autonomously from the County. Funding is based on a rate per taxable valuation, along with state and federal grants applied for by the District.

Washington County Soil and Water Conservation District The Soil and Water Conservation District is statutorily created as a separate and distinct political subdivision of the State. The five supervisors of the Soil and Water Conservation District are elected officials authorized to contract and sue on behalf of the District. The supervisors adopt their own budget, authorize District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

The County is associated with certain organizations which are defined as jointly governed organizations and insurance purchasing pools. These organizations are presented in Notes 19 and 21 to the Basic Financial Statements. The organizations are:

Buckeye Hills-Hocking Valley Regional Development District
Joint Solid Waste District
Washington-Morgan Community Action Corporation
Washington County Family and Children First Council
Wood, Washington, and Wirt Planning Commission
Buckeye Hills Resource Conservation and Development Council (RC&D)
Mid Eastern Ohio Regional Council of Governments (MEORC)
Ohio Valley Employment Resource (OVER)
County Risk Sharing Authority, Inc. (CORSA)
County Employee Benefits Consortium of Ohio, Inc. (CEBCO)

The County is associated with the Washington County Public Library, which is classified as a related organization. Additional information concerning the related organization is presented in Note 20.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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. Basis of Presentation

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

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

The statement of net 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 activities and for the business-type activities of the County. 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 and interest earned on grants that is required to be used to support 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 business segment or 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 and enterprise 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. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

> ***General Fund*** The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose, provided it is expended and transferred according to the general laws of Ohio.
>
> ***Motor Vehicle and Gasoline Tax Fund*** This fund accounts for revenue derived from motor vehicle licenses, gasoline taxes, grants, permissive sales taxes, and interest. Expenditures in this fund are restricted by state law to County road and bridge repair/improvements programs.
>
> ***Board of Developmental Disabilities Fund*** This fund accounts for the operation of a school and the costs of administering a sheltered workshop for the developmentally disabled residents of the County. Revenue sources are federal and state grant monies and a county-wide property tax levy.
>
> ***County Home Fund*** This fund accounts for property tax revenues and other resources used to finance the operation of the County Home.
>
> ***Mental Health and Addiction Recovery Board Fund*** This fund accounts for all state, federal, and local funds that have been expended primarily to pay the cost of contracts with local mental health agencies that provide services to the public at large.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

> ***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 following is a description of the County's Enterprise Fund:
>
> > ***Sewer Fund*** This fund accounts for sanitary sewer services provided to County individual and commercial users. The costs of providing these services are financed primarily through user charges.
>
> ***Internal Service Funds*** Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The Internal Service Fund was used to account for the operation of the County's workers' compensation program through a retrospective rating plan.

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 all classified as agency funds. The agency funds account for assets held by the County as agent for the Board of Health and other districts and entities and for various taxes, assessments, and state shared resources collected on behalf of and distributed to other local governments.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the 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 also 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 outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the 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 fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal 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 an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: sales tax (see Note 8), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees, and rentals.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Deferred Outflows/Inflows 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 pension. The deferred outflows of resources related to pension are explained in Note 11.

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 as an inflow of resources (revenue) 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 taxes, intergovernmental grants, charges for services, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities are found on page 22. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11)

Expenses/Expenditures On the 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.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund, program, department, and object level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2016 upon which the final appropriations were based.

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

F. <u>Cash and Cash Equivalents</u>

To improve cash management, cash received by the County Treasurer is pooled. Cash balances, except cash held by a fiscal agent or held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through the County's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Various departments within the County have segregated bank accounts for monies held separate from the County's central bank account. These accounts are presented as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited with the County Treasurer.

During 2016, investments were limited to certificates of deposit, which are reported at cost, and in federal agency securities. These investments are reported at fair value, which is based on quoted market prices. The County Court Agency Fund certificates of deposit and the investment of the Children Services Special Revenue Fund are reflected as "Investments in Segregated Accounts".

Investment procedures are restricted by the provisions of the Ohio Revised Code. County policy requires interest earned on investments to be credited to the General Fund except where there is a legal requirement or there are bond proceeds for capital improvements. Interest revenue credited to the General Fund during 2016 amounted to $288,388, which includes $183,915 assigned from other County funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the County are considered to be cash equivalents.

G. <u>Inventory</u>

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

H. <u>Restricted Assets</u>

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by the creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the County are reported as restricted.

I. Receivables and Payables

Receivables and payables are recorded on the County's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

Using these criteria, the County has elected to not record child support arrearages. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

J. 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. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The County was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The County maintains a capitalization threshold of five thousand dollars. 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. Interest costs incurred during the construction of capital assets utilized by the enterprise funds are also capitalized.

All reported capital assets are depreciated except for land, infrastructure, and construction in process. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activity Estimated Lives
Land Improvements	40-100 Years	n/a
Buildings and Improvements	40-100 Years	40-100 Years
Machinery and Equipment	5-10 Years	5-10 Years
Furniture and Fixtures	5-20 Years	n/a
Vehicles	8 Years	8 Years
Business-Type Infrastructure	N/A	40 Years

The County's infrastructure consists of County roads and bridges, certain culverts, and sewer systems. The County reports infrastructure acquired prior to December 31, 1980.

County road and bridges (infrastructure reported in the Governmental activities column of the statement of net position) are presented using the modified approach and therefore these assets are not depreciated. In addition, expenditures made by the County to preserve existing roads or bridges are expensed rather than capitalized. Only expenditures for additions or improvements are capitalized. Additional disclosures about the condition assessments and maintenance cost regarding the County's roads and bridges appear in the Required Supplementary Information.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "leave benefits payable", rather than long term liabilities, as the balances are to be used by the employees in the year following the year benefits are earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the County's termination policy. The County records a liability for accumulated, unused sick leave for all employees of the County after ten years of service.

N. Accrued Liabilities and Long-term Obligations

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

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

O. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the 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 County Commissioners. Those committed amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Commissioners or a County official delegated that authority by resolution or by State Statute. State statute authorizes the County Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

P. Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for disaster services, dog and kennel, litter control, marriage license, and urban mass transportation.

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for wastewater treatment. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

R. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

S. Bond Premiums and Discounts

Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. On the government fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be sued as part of the payment to the bond escrow agent.

T. Pensions

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

U. 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. The County did not have any extraordinary or special items in 2016.

V. Estimates

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

For 2016, the County implemented Governmental Accounting Standards Board (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;" and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68, and No. 73."

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the County's financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the County's financial statements.

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 and also establishes additional note disclosure requirements for governments that participate in those pools. The County incorporated the corresponding GASB 79 guidance into their 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the County's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - FUND BALANCES

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 the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	County Home	Mental Health and Addiction Recovery Board	Nonmajor Governmental Funds	Total
Nonspendable:							
Inventory	$120,875	$530,001	$0	$14,131	$0	$12,962	$677,969
Prepaids	287,801	2,256	2,688	8,332	.	33,416	334,493
Unclaimed monies	66,493	0	0	0	0	0	66,493
Total Nonspendable	475,169	532,257	2,688	22,463	0	46,378	1,078,955
Restricted for:							
County Home Operations	0	0	0	2,843,487	0	0	2,843,487
Road and Bridge Maintenance	0	3,306,037	0	0	0	0	3,306,037
Developmental Disabilities	0	0	3,854,022	0	0	0	3,854,022
Mental Health Operations	0	0	0	0	793,286	0	793,286
Job and Family Services Operations	0	0	0	0	0	195,888	195,888
Litter Control	0	0	0	0	0	801	801
Capital Improvements	0	0	0	0	0	389,406	389,406
Urban Transportation	0	0	0	0	0	155,708	155,708
Bond Retirement	0	0	0	0	0	397,685	397,685
Sheriff Operations	0	0	0	0	0	174,295	174,295
Disaster Services	0	0	0	0	0	121,014	121,014
911 Operations	0	0	0	0	0	294,265	294,265
Dog and Kennel	0	0	0	0	0	206,456	206,456
Senior Citizens	0	0	0	0	0	84,177	84,177
Marriage Licenses	0	0	0	0	0	929	929
Senior Services	0	0	0	0	0	78,157	78,157
Child Support Services	0	0	0	0	0	484,491	484,491
Court Operations	0	0	0	0	0	438,931	438,931
Economic Development	0	0	0	0	0	182,941	182,941
Children Services Operations	0	0	0	0	0	38,364	38,364
Real Estate Assessments	0	0	0	0	0	1,628,718	1,628,718
Total Restricted	0	3,306,037	3,854,022	2,843,487	793,286	4,872,226	15,669,058
Committed to:							
Voting Equipment	16,570	0	0	0	0	0	16,570
Sheriff Building Repairs	86,500	0	0	0	0	0	86,500
Capital Projects	0	0	0	0	0	852,556	852,556
Background Investigations	0	0	0	0	0	44,436	44,436
Total Committed	103,070	0	0	0	0	896,992	1,000,062
Assigned to:							
2017 Appropriations	2,088,770	0	0	0	0	0	2,088,770
Purchases on Order	441,146	0	0	0	0	0	441,146
Total Assigned	2,529,916	0	0	0	0	0	2,529,916
Unassigned:	9,540,720	0	0	0	0	0	9,540,720
Total Fund Balances	$12,648,875	$3,838,294	$3,856,710	$2,865,950	$793,286	$5,815,596	$29,818,711

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP).

4. Unrecorded cash and prepaid items are reported on the balance sheet (GAAP basis) but not on the budgetary basis.

5. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.

Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

Net Change in Fund Balances
General and Major Special Revenue Funds

	General	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	County Home	Mental Health and Addiction Recovery Board
GAAP Basis	($580,653)	($481,394)	$481,209	$440,945	($73,185)
Net Adjustment for Revenue Accruals	163,237	1,352,712	151,651	0	82,875
Beginning of the Year:					
Unrecorded Cash	39,087	6,301	0	0	0
Unreported Interest	(8,741)	0	0	0	0
Agency Fund	342				
Cash Allocation	65,276	0	83,890	50,076	0
Prepaid Items	221,301	2,294	4,136	7,147	4,648
End of the Year:					
Unrecorded Cash	(21,348)	(224)	(16,559)	0	0
Unreported Interest	39,180	0	0	0	0
Agency Fund Cash Allocation	(67,609)	0	(83,078)	(49,238)	0
Prepaid Items	(287,801)	(2,256)	(2,688)	(8,332)	0
Net Adjustment for Expenditure Accruals	29,204	(1,272,614)	(242,505)	(20,745)	3,520
Encumbrances	(732,826)	(322,607)	(209,739)	(45,765)	(30,871)
Budget Basis	($1,141,351)	($717,788)	$166,317	$374,088	($13,013)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States; or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All

federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided 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 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 describe in division (1) or (2) above and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the County lends securities and eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;

9. Up to twenty-five percent of the County's average portfolio in either of the following:

   a. Commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.

   b. Bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;

10. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;

11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,

12. Up to one percent of the County's average portfolio in debt interests rated at the time of purchase in the three categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers' acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County.

Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $7,820,968 of the County's bank balance of $9,287,609 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments As of December 31, 2016, the County had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level One Inputs				
Commercial Papers	$5,480,272	Less than two years	A1-P1	34.68 %
Corporation Notes	2,028,357	Less than two years	AA-	12.84
Federal National Mortgage Association Note	2,673,417	Less than five years	AAA	16.92
Federal Home Loan Mortgage Corporation Notes	5,618,702	Less than four years	AAA	35.56
Total Investments	$15,800,748			

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 chart identifies the County's recurring fair value measurements as of December 31, 2016. All of the County's investments are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk The County's investment policy does not address interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and that an investment must be purchased with the expectation that it will be held to maturity.

The intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk The Federal National Mortgage Association Note carried a credit rating by Moody's of Aaa. The County has no investment policy that would limit its investment choices other than the restrictions contained in 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 investments or collateral securities that are in the possession of an outside party. The County has no investment policy dealing with investment custodial credit risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The County places no limit on the amount it may invest in any one issuer. The County has 100 percent in Federal National Mortgage Association Note.

NOTE 7 - RECEIVABLES

A. 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 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. 2016 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.

The full tax rate for all County operations for the year ended December 31, 2016, was $10.05 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	$1,070,332,100
Public Utility Personal Property	190,407,850
Total	$1,260,739,950

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds. Property taxes receivable represents real and public utility 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. 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.

B. Intergovernmental Receivables

Governmental Activities	Amounts
Community Development Block Grants	$1,152,644
Gas Excise Tax	1,151,525
Motor Vehicle License Tax	1,027,184
Homestead and Rollback	784,278
Casino Tax	350,417
Over/Under Funding	345,533
Local Government	309,176
County Road Paving	185,375
State Operating Subsidy (501)	173,921
Continuum of Care	132,444
Permissive Motor Vehicle License Tax	73,476
Federal Treatment (Per Capita Grant)	69,362
2016 Federal - Rural Transit Program	64,536
Board of Developmental Disabilities Title XIX	44,540
Special Education Part B- IDEA	43,588
Women's Prevention	35,933
Miscellaneous	46,770
Community Corrections Grant	30,000
Federal Prevention	23,317
Mental Health Title XX	21,387
Mental Health Block Grants	20,945
Election Expense Reimbursement	20,832
Board of Developmental Disabilities Reimbursements	19,710
Emergency Management Performance Grant	18,603
VOCA Grants	18,477
National Service Grants	17,115
State Family Support	16,533
Continuum of Care - Alcohol or Drug	14,239
MVGT Miscellaneous	11,672
Early Childhood Special Education	11,454
TDD Case Management Subsidy	10,062
Title XX Social Services	7,284
School Lunch Reimbursements	7,108
State Gambling Addiction Prevention	6,054
Sheriff Continuing Professional Training	5,720
Waiver Administration	5,526
Children Services Reimbursements	4,454
State Casino Gambling Addiction Treatment	4,037
Criminal Justice Services - Forensic Monitoring	3,022
Mental Health State Prevention Grant	2,314
Total Intergovernmental Receivable	$6,290,567

NOTE 8 - PERMISSIVE SALES AND USE TAX

In 1983, the County Commissioners, by resolution, imposed a one percent tax on all retail sales 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. At the November 1989 general election, an additional one-half percent tax was approved by the voters of the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management (OBM) the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Tax Commissioner shall then, on or before the twentieth day of the month in which certification is made, provide for payment to the County. A receivable is recognized at year end for amounts that will be received from sales which occurred during 2016.

NOTE 9 - CAPITAL ASSETS

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

Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	$1,099,719	$0	$0	$1,099,719
Infrastructure	131,823,503	2,951,876	(155,298)	134,620,081
Construction in Progress	212,535	299,245	(511,780)	0
Total Non-Depreciable Capital Assets	133,135,757	3,251,121	(667,078)	135,719,800
Depreciable Capital Assets:				
Land Improvements	701,180	18,450	0	719,630
Buildings and Improvements	24,031,119	639,200	0	24,670,319
Machinery and Equipment	7,448,661	314,542	(44,929)	7,718,274
Furniture and Fixtures	1,449,346	13,782	0	1,463,128
Vehicles	6,698,796	744,585	(311,995)	7,131,386
Total Depreciable Capital Assets	40,329,102	1,730,559	(356,924)	41,702,737
Accumulated Depreciation:				
Land Improvements	(576,449)	(54,725)	0	(631,174)
Buildings and Improvements	(12,449,438)	(562,153)	41,853	(12,969,738)
Machinery and Equipment	(5,315,613)	(393,469)	0	(5,709,082)
Furniture and Fixtures	(1,028,855)	(56,776)	0	(1,085,631)
Vehicles	(4,709,221)	(394,059)	305,358	(4,797,922)
Total Accumulated Depreciation	(24,079,576)	(1,461,182) *	347,211	(25,193,547)
Total Depreciable Capital Assets, Net	16,249,526	269,377	(9,713)	16,509,190
Governmental Capital Assets, Net	$149,385,283	$3,520,498	($676,791)	$152,228,990

* Depreciation expense was charged to governmental activities as follows:

General Government:	
Legislative and Executive	$255,304
Judicial	27,152
Public Safety	449,683
Public Works	289,587
Health:	
Mental Health and Addiction Recovery Board	2,752
Board of Developmental Disabilities	144,786
County Home	45,382
Other Health	16,362
Human Services:	
Child Support Enforcement	1,208
Children Services	108,090
Job and Family Services	103,805
Other Human Services	17,071
Total Depreciation Expense	$1,461,182

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016
Business-Type Activity:				
Non-Depreciable Capital Assets:				
Land	$379,120	$0	$0	$379,120
Depreciable Capital Assets:				
Buildings and Improvements	616,181	0	0	616,181
Machinery and Equipment	497,361	0	0	497,361
Infrastructure	9,624,227	0	0	9,624,227
Vehicles	39,141	26,200	0	65,341
Total Depreciable Capital Assets	10,776,910	26,200	0	10,803,110
Accumulated Depreciation:				
Buildings and Improvements	(400,906)	(17,767)	0	(418,673)
Machinery and Equipment	(429,743)	(8,414)	0	(438,157)
Infrastructure	(3,021,133)	(235,979)	0	(3,257,112)
Vehicles	(25,070)	(2,282)	0	(27,352)
Total Accumulated Depreciation	(3,876,852)	(264,442)	0	(4,141,294)
Total Depreciable Capital Assets, Net	6,900,058	(238,242)	0	6,661,816
Business-Type Capital Assets, Net	$7,279,178	($238,242)	$0	$7,040,936

NOTE 10 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. During 2016, the County contracted with the County Risk Sharing Authority, Inc. (CORSA), an insurance purchasing pool (see Note 21), for liability, auto, and crime insurance. CORSA, a non-profit corporation sponsored by the County Commissioners of Ohio, was created to provide affordable liability, property, casualty, and crime insurance coverage for its members and was established May 12, 1987. Coverage provided by the program and applicable deductibles are as follows:

	Coverage	Deductible
General Liability	$1,000,000 each occurrence	$2,500
Law Enforcement Liability	1,000,000 each occurrence	2,500
Automobile Liability	1,000,000 each occurrence	2,500
Errors and Omissions Liability	1,000,000/1,000,000	2,500
Property Damage Liability	115,564,373	2,500
Equipment Breakdown	1,000,000	2,500
Crime	1,000,000	2,500
Stop Gap Liability	1,000,000	2,500
Professional Liability	1,000,000	2,500
Medical Professional Liability	3,000,000	2,500

Settled claims have not exceeded coverage in any of the last three years. There has been no significant reduction in coverage from the prior year.

The County pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 11 - DEFINED BENEFIT 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.

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. WASCO, Inc. was a component unit of the County through July 6, 2016. Their employees are no longer County employees; however, the BDD is responsible for pension contributions for those employees electing to continue in the OPERS plan. This relationship is presented as a special funding situation within the accompanying financials statements.

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, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 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.

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	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

* 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 $2,357,601 for 2016. Of this amount, $291,855 is reported as an intergovernmental payable. The Special Funding Situation contractually required contribution to OPERS was $12,736 for 2016.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – County licensed teachers and other faculty members participate 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 is 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 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

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, 11.5 percent of the 13 percent member rate goes to the DC Plan and the remaining 1.5 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 after termination of employment at age 50 or later.

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. Through June 30, 2016, the employer rate was 14 percent and the member rate was 13 percent of covered payroll. The statutory employer rate for fiscal year 2017 and subsequent years is 14 percent. The statutory member contribution rate increased to 14 percent on July 1, 2016. The 2016 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was $100,079 for 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 net pension liability for STRS was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the respective measurement dates. 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	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.15129960%	0.00693104%	
Prior Measurement Date	0.15354430%	0.00749110%	
Change in Proportionate Share	-0.00224470%	-0.00056006%	
Proportionate Share of the Net Pension Liability	$26,206,999	$2,320,028	$28,527,027
Pension Expense	$3,307,131	$142,947	$3,450,078

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

	OPERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$7,703,220	$93,740	$7,796,960
Net difference between projected and actual earnings on pension plan investments	0	192,625	192,625
Changes in proportion and differences between County contributions and proportionate share of contributions	0	159,293	159,293
County contributions subsequent to the measurement date	2,357,601	50,360	2,407,961
Total Deferred Outflows of Resources	$10,060,821	$496,018	$10,556,839
Deferred Inflows of Resources			
Differences between expected and actual experience	$506,370	$0	$506,370
Changes in proportion and differences between County contributions and proportionate share of contributions	178,628	128,642	307,270
Total Deferred Inflows of Resources	$684,998	$128,642	$813,640

$2,407,961 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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:

	OPERS	STRS	Total
Year Ending December 31:			
2017	$1,602,349	$66,277	$1,668,626
2018	1,725,522	66,277	1,791,799
2019	1,947,111	140,195	2,087,306
2020	1,743,240	44,267	1,787,507
Total	$7,018,222	$317,016	$7,335,238

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 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 0.4 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:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
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	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. 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 8 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 (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability	$41,754,151	$26,206,999	$13,093,468

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation 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 pension liability is expected to be significant.

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 increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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 commences 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 no 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.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.5 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual assets classes.

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 excluded. 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.

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 (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability	$3,083,129	$2,320,028	$1,676,308

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - The 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 maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded 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 postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS 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 postemployment 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. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the County's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014, was $377,337, $326,708, and $415,092, respectively. For 2016, 87.19 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

B. State Teachers Retirement System

Plan Description – Ohio law authorizes State Teachers Retirement System of Ohio (STRS Ohio) to offer a cost-sharing, multiple-employer defined benefit Health Care Plan administered by STRS Ohio to eligible retirees who participated in the defined benefit or the combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strs.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 Ohio. 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. The County's contributions allocated to fund postemployment health care benefits for the years ended December 31, 2016, 2015, and 2014, were $0 for all three years. The full amount has been contributed for all three years.

NOTE 13 - OTHER EMPLOYER BENEFITS

A. Deferred Compensation Plan

Washington County employees and elected officials may participate in a state-wide deferred compensation plan created in accordance with Internal Revenue Code Section 457 offered by the State of Ohio. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

B. Compensated Absences

County employees follow various personnel policies as established by the County Commissioners, union agreements, or departmental mandates. Some employees of the Board of Developmental Disabilities, Child Support Enforcement, departments are represented by union agreements. Employees of Mental Health, Job and Family Services, Sheriff, Engineer, Board of Developmental Disabilities (union and non-union), Children's Services, County Home departments follow their own departmental policies. All other County employees follow the Commissioners policy

Each employee accrues 4.6 hours of sick time for each two week pay period worked. Accrual continues during periods of approved paid leave. Unused sick leave is cumulative without limit. Job and Family Services, the Board of Developmental Disabilities (union employees), and Child Support Enforcement employees earn annual leave based on their length of service and can be converted to extended illness leave at the rate of three days credit for each two days of unused leave converted. Upon retirement, with 10 years of service with the County, the State, or any of its political subdivisions, all employees, except for Job and Family Services, Board of Developmental Disabilities employees (non-union and union), Child Support Enforcement (union), and Children Services (hired prior to July 3, 2013) are paid 25% of their sick leave up to a maximum of 240 hours. Board of Developmental Disabilities non-union employees, with 10 years of service with the County, are paid 50% of their sick leave up to a maximum of 480 hours. Board of Developmental Disabilities union employees are paid 25% of their annual leave balance not to exceed 480 hours. Children's Services employees hired prior to July 3, 2013, with 10 years of service with the County, are paid 100% of their sick balances that they had accrued at June 22, 2013. In addition to each employee's June 22, 2013 sick leave balance they are paid 25% of the value of the sick leave accrued but unused between June 23, 2013 and the time of retirement or 240 hours; the lessor of the two numbers. The maximum of such payment shall not exceed 1,000 hours. Child Support Enforcement union employees are paid their total hours times 2/3 times 50% of the final rate of pay up to a maximum of 500 hours. Job and Family Services employees are paid their total hours times 2/3 times 50% of the final rate of pay up to a maximum of three times the employee's annual leave entitlement.

Unused vacation time and compensatory time are paid to a terminated employee at varying rates depending on length of service and department policy.

C. Insurance Benefits

During 2016, the County participated with the County Employee Benefits Consortium of Ohio, Inc. (CEBCO) (a risk-sharing pool – see Note 21). CEBCO charges a fixed premium per month per enrolled employee. The premiums, along with an administrative charge, are paid into each participating County funds and, in turn, the premiums are paid to CEBCO. Premiums charged by CEBCO are based upon the County's claims experience. An excess coverage policy covers annual individual claims in excess of $75,000 with an unlimited maximum. CEBCO retains liability for claims that exceed the expected losses and charged premiums.

The County provides employee medical/surgical benefits to employees, except Children Services, through Anthem Blue Cross/Blue Shield. The plan has $1,000 single and $2,000 family deductible limits. Except for employees of the Mental Health, Soldiers Relief, and Health Department, the County pays 80 percent of the total monthly premium for both single and family coverage. The County pays 100 percent for both single and family coverage for employees of the Mental Health Department and Soldiers Relief. The County pays 81 percent for both single and family coverage for employees of the Health Department. Premiums are paid from the same funds that pay the employee's salaries.

The County provides employee life insurance and accidental death and dismemberment insurance to employees, except for life insurance for Children Services and Board of Developmental Disabilities, through Dearborn National in the amount of $10,000 each employee and $30,000 for management employees.

For the employees of the Children Services Department, medical/surgical benefits is provided through Medical mutual of Ohio, dental is provided through Delta Dental, and life insurance through American United Life for $25,000. The County Board of Developmental Disabilities provides life insurance to their employees through CBA Benefit Services, in the amount of $20,000.

Dental insurance is provided to employees of the Department of Job and Family Services, Child Support Enforcement Agency, and the Children Services Board. Vision insurance is provided to employees of the Department of Job and Family Services and the Child Support Enforcement Agency. Dental insurance is provided to employees of the Board of Developmental Disabilities through CBA Benefit Services.

NOTE 14 - LEASES - LESSEE DISCLOSURE

A. *Capital Leases*

In the prior years, the County entered into agreements to lease radio equipment. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations in the financial statements. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds.

Equipment acquired by leases has been capitalized in the government wide statements for governmental activities in the amount of $180,000 as of December 31, 2016, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements for governmental activities. During 2013, the County entered into a capital lease for the purchase of radio equipment from Motorola for $481,121. The radio equipment acquired by lease in the amount of $301,121 has not been capitalized but a capital lease payable has been recorded in the government-wide statements. Governmental activities capitalized leased assets are reflected net of accumulated depreciation for a book value of $126,000 as of December 31, 2016. Principal payments for all capital leases during 2016 totaled $45,478 for governmental activities.

Future minimum lease payments through 2023 are as follows:

	Governmental Activities		
Year	Principal	Interest	Total
2018	$47,065	$10,756	$57,821
2019	48,708	9,114	57,822
2020	50,408	7,414	57,822
2021	52,167	5,655	57,822
2022	53,987	3,834	57,821
2023	55,872	1,950	57,822
Total	$308,207	$38,723	$346,930

B. Operating Leases

During 2016, the County entered into a lease agreement with Broughton Commercial Properties, LLC, to rent a building for the Sheriff's office. The term of the lease agreement is for twelve months and ends on September 30, 2017. The terms of the agreement call for the County to make monthly rent payments of $1,300 for a total of $15,600. During 2016, the County paid $3,900 in rental payments for this lease. The amount to be paid during 2017 is $11,700.

During 2011, the County entered into a lease agreement with Broughton Commercial Properties, LLC, to rent a building for the Board of Developmental Disabilities. The term of the lease agreement is for six years and ends on February 28, 2017. The current terms of the agreement calls for the County to make monthly rent payments of $1,544 plus $599 in utility, insurance, and maintenance fees for a total of $2,141 monthly. During 2016, the County paid $25,699 in rental payments for this lease. The amount to be paid during 2017 is $4,282.

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the County's long-term obligations during the year consisted of the following:

	Original Issue Amount	Principal Outstanding 12/31/15	Additions	Deductions	Principal Outstanding 12/31/16	Amounts Due within One Year
Governmental Activities:						
General Obligation Bonds:						
2006 Energy Conservation Bonds - 5.00%	$440,000	$55,000	$0	$55,000	$0	$0
Bond Premium		2,137	0	2,137	0	0
2011 - Various Purpose Refunding Bonds:						
Serial - 2%-2.50%	1,195,000	530,000	0	175,000	355,000	180,000
Term - 2.75%	110,000	110,000	0	0	110,000	0
Term - 2.90%	115,000	115,000	0	0	115,000	0
Term - 3.60%	250,000	250,000	0	0	250,000	0
Bond Premium		13,437	0	1,240	12,197	0
Bond Discount		(8,443)	0	(779)	(7,664)	0
2012 - Capital Facilities Jail Refunding Bonds:						
Serial - 1%-2.50%	2,055,000	1,840,000	0	215,000	1,625,000	220,000
Bond Premium		6,441	0	805	5,636	0
Total General Obligation Bonds		2,913,572	0	448,403	2,465,169	400,000
OPWC Loans:						
2012 - Resurfacing OPWC Loan - 0%	185,400	129,780	0	18,540	111,240	9,270
2015 - County Road Paving Loan - 0%	136,903	136,903	0	13,690	123,213	6,845
2016 - Base Stabilization OPWC - 0%	107,433	0	107,433	0	107,433	5,372
Total OPWC Loans	429,736	266,683	107,433	32,230	341,886	21,487
Net Pension Liability:						
OPERS		18,519,161	7,687,838	0	26,206,999	0
STRS		2,070,321	249,707	0	2,320,028	0
Total Net Pension Liability		20,589,482	7,937,545	0	28,527,027	0
Capital Leases		353,685	0	45,478	308,207	0
Compensated Absences - Sick Leave		595,468	50,209	120,146	525,531	24,168
Total Governmental Activities		$24,718,890	$8,095,187	$646,257	$32,167,820	$445,655

	Original Issue Amount	Principal Outstanding 12/31/15	Additions	Deductions	Principal Outstanding 12/31/16	Amounts Due within One Year
Business-Type Activities:						
OPWC Loans:						
1999 - Cherry Blossom Sewer Loan - 2.00%	$80,370	$20,967	$0	$4,498	$16,469	$4,589
1998 - Barlow Vincent Sewer Plant Loan - 0%	225,000	28,125	0	11,250	16,875	11,250
2012 Woodlawn Acres Sewer Improvements Loan - 0%	440,512	418,486	0	14,683	403,803	14,684
2011 Sanitary System Improvements Loan - 0%	168,053	151,248	0	8,403	142,845	8,403
Total OPWC Loans		618,826	0	38,834	579,992	38,926
1997 - FHA Sewer Loan - 0%	873,000	685,000	0	17,000	668,000	17,500
OWDA Loans:						
2004 - OWDA Sewer Loan - 3.41%	283,227	143,949	0	14,868	129,081	7,625
2009 - OWDA River Sewer Rehabilitation Loan - 1.50%	283,024	206,809	0	13,380	193,429	6,766
2010 - OWDA Lift Station and Sewer Improvements Loan - 1.50%	227,595	182,147	0	10,521	171,626	5,320
2011 - OWDA Devola Lift Station Improvements Loan - 3.20%	1,556,231	1,273,411	0	55,489	1,217,922	31,948
Total OWDA Loans		1,806,316	0	94,258	1,712,058	51,659
Compensated Absences - Sick Leave		722	139	0	861	0
Total Business-Type Activities		$3,110,864	$139	$150,092	$2,960,911	$108,085

A. *Governmental Activities*

The 2006 Energy Conservation Bonds are unvoted and were repaid with monies realized through energy savings. The 2011 Various Purpose Refunding Bonds are unvoted and are being retired from the General Bond Retirement Fund with general property tax revenues for the Juvenile Center portion and from with rental payments received from the Job and Family Services Special Revenue Fund for their portion. The 2012 Capital Facilities Jail Refunding Bonds are unvoted and will be retired from the General Bond Retirement Fund with general property tax revenues. The OPWC loans are unvoted and will be retired from the Motor Vehicle and Gasoline Tax Fund. The capital leases are being paid for by the General Fund. Compensated absences for sick leave liabilities will be paid from the General Fund and the Mental Health, Job and Family Services, Child Support Enforcement Agency, Motor Vehicle and Gasoline Tax, County Home, Board of Developmental Disabilities, Children Services, Dog and Kennel, 911, Court Corrections, Sheriff, Disaster Services, Retired Senior Volunteer Program, and Real Estate Assessment Special Revenue Funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: the General Fund and the Mental Health, Job and Family Services, Child Support Enforcement Agency, Motor Vehicle and Gasoline Tax, County Home, Board of Developmental Disabilities, Children Services, Dog and Kennel, 911, Court Corrections, Common Pleas Background, Sheriff, Disaster Services, Retired Senior Volunteer Program, and Real Estate Assessment Special Revenue Funds.
2011 Refunding Bonds:

On November 11, 2011, the County issued refunding bonds of $1,670,000 consisting of $1,195,000 in serial bonds and $475,000 in term bonds. The bonds were sold at a premium and discount of $18,605 and $11,690, respectively, and will be amortized over the term of the bonds.

Mandatory Redemptions The Refunding Bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 of the year shown in, and according to, the following schedule:

Year	Amount
2019	$55,000

The remaining principal balance of $55,000 is scheduled to be paid at the stated maturity of the corresponding Term Bond.

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 of the year shown in, and according to, the following schedule:

Year	Amount
2021	$55,000

The remaining principal balance of $60,000 is scheduled to be paid at the stated maturity of the corresponding Term Bond.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 of the year shown in, and according to, the following schedule:

Year	Amount
2023	$60,000
2024	60,000
2025	65,000

The remaining principal balance of $65,000 is scheduled to be paid at the stated maturity of the corresponding Term Bond.

Term bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement for the corresponding Term Bonds.

Optional Redemption The bonds maturing on or after December 1, 2019, are also subject to prior redemption, by and at the sole option of the County, in whole or in part as selected by the County (in whole multiples of $5,000), on any date on or after December 1, 2018, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

2012 Refunding Bonds:

On April 11, 2012, the County issued refunding bonds of $2,180,000 consisting of $2,055,000 in serial bonds and $125,000 in term bonds. The refunding bonds will mature on December 1, 2023. These bonds were issued to advance refund part of the 2004 Capital Facilities Jail Bonds. The advance refunded portion of the bonds, as well as the unamortized premium and discount of these advance refunded bonds, were removed from the financial statements of the County. The refunded bonds were retired in 2014.

Optional Redemption The bonds maturing on or after December 1, 2019, are also subject to prior redemption on or after June 1, 2019, by and at the sole option of the County, either in whole or in part (as selected by the County) on any date and in integral multiples of $5,000, at par plus accrued interest to the redemption date.

Principal and interest requirements to retire the various purpose refunding bonds outstanding at December 31, 2016, are as follows:

	Various Purpose Refunding Bonds				
Year Ended	Serial		Term		
December 31,	Principal	Interest	Principal	Interest	Total
2017	$180,000	$24,235	$0	$0	$204,235
2018	175,000	19,735	0	0	194,735
2019	0	0	55,000	15,360	70,360
2020	0	0	55,000	13,848	68,848
2021	0	0	55,000	12,335	67,335
2022-2026	0	0	310,000	33,600	343,600
	$355,000	$43,970	$475,000	$75,143	$949,113

Principal and interest requirements to retire the capital facilities jail refunding bonds outstanding at December 31, 2016, are as follows:

	Capital Facilities Jail Refunding Bonds		
Year Ended	Serial		
December 31,	Principal	Interest	Total
2017	$220,000	$35,250	$255,250
2018	220,000	30,850	250,850
2019	225,000	26,450	251,450
2020	230,000	21,950	251,950
2021	235,000	17,350	252,350
2022-2023	495,000	18,188	513,188
	$1,625,000	$150,038	$1,775,038

OPWC:

In June 2012, the County entered into a loan with the Ohio Public Works Commission (OPWC) in the amount of $185,400 at zero percent interest for the purpose of resurfacing certain county roads. Principal payments are due July 1 of each year through 2023.

During 2015, the County entered into a loan with the Ohio Public Works Commission (OPWC) in the amount of $136,903 at zero percent interest for the purpose of resurfacing certain county roads. Principal payments are due July 1 of each year through 2026.

During 2016, the County entered into a loan with the Ohio Public Works Commission (OPWC) in the amount of $107,433 at zero percent interest for the purpose of resurfacing certain county roads. Principal payments are due July 1 of each year through 2027.

Principal requirements to retire the OPWC Loans at December 31, 2016, are as follows:

Year Ended December 31,	2012 Loan	2015 Loan	2016 Loan	Total
2017	$9,270	$6,845	$5,372	$21,487
2018	18,540	13,692	10,744	42,976
2019	18,540	13,690	10,744	42,974
2020	18,540	13,690	10,744	42,974
2121	18,540	13,690	10,744	42,974
2022-2026	27,810	61,606	53,713	143,129
2027	0	0	5,372	5,372
Total	$111,240	$123,213	$107,433	$341,886

B. Business-Type Activity

The Ohio Public Works Commission Woodlawn Acres loan and part of the Cherry Blossom loan will be repaid using revenue from a special assessment assessed upon property owners. In the event of default of the property owners, the County would pay the loan using the operating revenues of the sewer district. The Barlow Vincent Sewer loan, Sanitary System Improvements loan, parts of the Cherry Blossom loan, the OWDA Loans, and the FHA loans will be repaid using operating revenues of the sewer district. All of the loans are recorded in the Sewer Enterprise Fund. All of the loans are general obligations except the OWDA Loans.

OWDA:

The 2004 Ohio Water Development Authority (OWDA) Sewer Loan relates to a project for engineering design of various Sewer projects. The loan is payable solely from net revenues along with a onetime charge of $1,000 per household to the residents in the Oxbow area. The loan is payable through 2024.

The 2009 Ohio Water Development Authority (OWDA) Riverview Sewer Rehabilitation Loan relates to the rehabilitation of sewer lines in the Riverview Community. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements. The loan is payable through 2030.

The 2010 Ohio Water Development Authority (OWDA) Lift Station and Sewer Improvements Loan relates to the rehabilitation of sewer lines for the Oxbow Sanitary Sewer System. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements. The loan is payable through 2031.

The 2011 Ohio Water Development Authority (OWDA) Devola Life Station and Sewer Improvements Loan relates to the rehabilitation of sewer lines for the Devola Sanitary Sewer System. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.
The County has pledged future customer revenues, net of specified operating expenses, to repay $1,712,057 in OWDA loans issued from 2004 to 2011. Proceeds from these loans provided financing for various sewer projects. The loans are payable solely from customer net revenues and are payable through 2031. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require

more than 100 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans is $2,171,743. Principal and interest payments for the current year were $94,258, net revenues were $343,907, and total revenues were $944,486.

The following is a summary of the County's future annual principal and interest requirements to retire the loans:

Year Ended December 31,	Principal	Interest	Total
2017	$108,085	$79,938	$188,023
2018	157,915	76,132	234,047
2019	155,901	72,165	228,066
2020	158,159	68,157	226,316
2121	159,439	63,910	223,349
2022-2026	829,979	268,583	1,098,562
2027-2031	867,093	142,347	1,009,440
2032-2036	361,348	43,403	404,751
2037-2041	125,419	2,340	127,759
2042-2044	36,712	0	36,712
Total	$2,960,050	$816,975	$3,777,025

C. Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total valuation of the County. The Code further provides that the total shall never exceed a sum equal to three percent of the first $100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of $100,000,000 and not in excess of $300,000,000, plus two and one-half percent of such valuation in excess of $300,000,000. The County's total debt margin was $26,823,928 and the unvoted debt margin was $9,412,829 at December 31, 2016.

NOTE 16 - INTERFUND TRANSFERS AND BALANCES

Interfund balances, as of December 31, 2016, consist of the following individual interfund receivables and payables:

	Interfund Receivable		
Interfund Payable	General	Other Governmental Funds	Total
Major Funds:			
General Fund	$0	$64	$64
Other Governmental Funds	25,042	1,757	26,799
Sewer Enterprise Fund	957	359,091	360,048
	$25,999	$360,912	$386,911

The interfund receivables/payables are due to lags between the dates interfund goods and services are provided, transactions were recorded in the accounting system, and payments between funds were made.

Certain interfund receivables/payables of a longer term repayment schedule also exist. The Capital Improvements Capital Projects Fund provided interfund loans to the Sewer Enterprise Fund for $359,091 in 2016 for an OWDA loan payment. The Sewer Fund will repay the loan prior to the interfund loan maturity, which is July 31, 2018.

Interfund transfers for the year ended December 31, 2016, consisted of the following:

	Transfer In				
Transfer Out	Motor Vehicle and Gasoline Tax	Board of Developemental Disabilities	Mental Health and Addiction Recovery Board	Other Nonmajor Governmental	Total
General Fund	$4,800	$6,200	$14,900	$1,920,537	$1,946,437

Transfers were used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 17 - SIGNIFICANT COMMITMENTS

A. *Contractual Commitments*

As of December 31, 2016, the County had a contractual purchase commitment as follows:

Project	Purchase Commitment	Amount Paid as of 12/31/2016	Amount Remaining on Contract
Sheriff Cruisers:			
General Fund	$210,441	$144,405	$66,036

B. *Encumbrances*

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds:	
General	$732,826
Motor Vehicle and Gasoline Tax	322,607
Board of Developmental Disabilities	209,739
County Home	45,765
Mental Health and Addiction Recovery Board	30,871
Nonmajor Governmental Funds	346,607
Total Governmental Funds	1,688,415
Enterprise Fund:	
Sewer	19,521
Total	$1,707,936

NOTE 18 - FINANCIAL GUARANTEE

In April 2014, Washington County guaranteed one year of debt payments equal to $55,291.79 of the Southeastern Ohio Port Authority's Rural Industrial Park Loan of $484,970. The guaranteed will remain in effect until the debt is paid in full. The Southeastern Ohio Port Authority is a discretely presented component unit of the County. The County assumes the responsibility to provide financial support to the Authority and has guaranteed the debt of the Authority. The Rural Industrial Park Loan was issued for the completion of the Ingenuity Center located at 300 Commerce Drive in Marietta, Ohio. The Center was built to bring job opportunities to the area by offering manufacturing, distribution, and office space for lease. Under the agreement, principal and interest payments are not required until September 1, 2019, unless the Center is leased. In the event that the Authority cannot lease the Center in order to make the loan payments, the County will be responsible for one year of payments. The County entered into an agreement with the Authority to receive reimbursements for any payments that may be made. The Loan is secured by the Center's mortgage. If the Authority cannot make the loan payments and a sale of the property takes place, the County will be reimbursed for the payments made with proceeds received in excess of the balance owed by the Authority. It was determined that it was not likely the County would be required to pay the loan payments and, therefore, no liability was recognized in the statements. On April 12, 2016, the Center was leased and the Authority began receiving rent.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Developmental District serves as the Area Agency on Aging for Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and implementing plans and programs. The District is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens Council, one member from the City of Marietta Council, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The District administers County Community Development Block Grant and Issue II monies. During 2016, the District received $35,450 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

B. Joint Solid Waste District

The County is a member of the Joint Solid Waste District which consists of Washington, Guernsey, Monroe, Morgan, Muskingum, and Noble Counties. The purpose of the District is to make disposal of waste in the six-county area more comprehensive in terms of recycling, incinerating, and land filling. The District provides for management strategies and local government funding on behalf of the participating counties regarding contractual arrangements with private solid waste disposal facilities, which would assure continued access to adequate disposal capacity for the District. The District was created in 1989 as required by the Ohio Revised Code.

The Joint Solid Waste District is governed and operated through three groups. An eighteen-member board of directors, composed of the three Commissioners from each County, is responsible for the District's financial matters. Financial records were maintained by Muskingum County until May 1993 at which time Noble County assumed the responsibility. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no contributions were received from the County in 2016. No future contributions by the County are anticipated. A thirty-one member policy committee composed of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory

Council whose members are appointed by the Policy Committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

C. Washington-Morgan Community Action Corporation

The Community Action Corporation of Washington-Morgan Counties is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Childrens' Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program, and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. The continued existence of the Corporation is not dependent on the County's continued participation and no equity interest exists.

D. Washington County Family and Children First Council

The Washington County Family and Children First Council provide services to multi-need youth in Washington County. Members of the Council include the Washington County Health Department, the Regional Office of Youth Services, the Washington County Juvenile Court, the Washington County Mental Health Board, Washington County Children Services, the General Health District, a representative from the City of Marietta Health Department, and a representative of the Washington County School Districts. The operation of the Council is controlled by an advisory committee which consists of a representative from each agency. In 2016, the County contributed $187,011.

E. Wood, Washington, and Wirt Planning Commission

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is composed of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives and one Washington County Commissioner serves on the Commission. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. In 2016, the County contributed $5,940 to the Commission. The continued existence of the Commission is not dependent on the County's continued participation and no equity interest exists.

F. Buckeye Hills Resource Conservation and Development Council (RC&D)

RC&D is a 501 (c) (3) non-profit entity, serving a nine county region in southeastern Ohio including Athens, Belmont, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties. The Council was created to identify and solve problems in rural communities including human, economic, natural resources and environmental issues. The RC&D is sponsored by the Boards of County Commissioners and the Soil and Water Conservation Districts in the nine counties, along with the Muskingum Watershed Conservancy District and the Rush Creek Conservancy District. The governing body of RC&D is the Executive Council, made up of 29 members that include three representatives from each county and one representative from each conservancy district. The Executive Council exercises total control over the operations of RC&D including budgetary, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Executive Council. During 2016, the Council received $400 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

G. Mid Eastern Ohio Regional Council of Governments (MEORC)

The Mid Eastern Ohio Regional Council of Governments is a regional council of governments created pursuant to Ohio Revised Code Chapter 167. Participating counties include Belmont, Carroll, Coshocton, Fairfield, Guernsey, Harrison, Hocking, Holmes, Jefferson, Knox, Licking, Monroe, Morgan, Muskingum, Noble, Perry, Tuscarawas, and Washington Counties. MEORC was created to provide the best possible services to persons with developmental disabilities in their respective counties. Each county has representation on the MEORC board. Member counties have a contract between its county BDD board and the MEORC for MEORC to provide supported living services or housing to eligible persons in the member counties. To obtain financial information, write to the Mid East Ohio Regional Council, Cathy Henthorn, who serves as Director of Financial Operations, 1 Avalon Road, Mt. Vernon, Ohio 43050.

H. Ohio Valley Employment Resource (OVER)

The Ohio Valley Employment Resource (OVER) is a jointly governed organization whereby the three county commissioners from Monroe, Morgan, Noble, and Washington Counties serve on the governing board. OVER was formed for the purpose of creating and providing employment and training programs in response to local need, a part of which is implementation of the Workforce Investment Act, P.L. 105-220. The continued existence of OVER is not dependent upon the County's continued participation and no equity interest or debt exists.

NOTE 20 - RELATED ORGANIZATION

The Washington County Public Library is statutorily created as a separate and distinct political subdivision of the State governed by a board of trustees consisting of seven members. The Washington County Commissioners appoint three members and the Court of Common Pleas appoints the remaining members. The County made no contributions to the Public Library. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the County for operational subsidies. Although the County does serve as the taxing authority of the Library, this is strictly a ministerial function. Once the board of trustees has determined that a levy is necessary, its amount, and its duration, the County must place the levy before the voters. The Library may issue debt or the County may provide facilities for the Library through the issuance of debt if the voters agree.

NOTE 21 - INSURANCE PURCHASING POOLS

A. County Risk Sharing Authority, Inc. (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a public entity shared risk pool among fifty-five counties in Ohio. CORSA was formed as an Ohio non-profit 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 county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation 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. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment for insurance to CORSA in 2016 was $256,185.

B. County Employee Benefits Consortium of Ohio, Inc. (CEBCO)

The County participates in the County Employee Benefits Consortium of Ohio, Inc. (CEBCO), an Ohio not-for-profit corporation, and insurance purchasing pool with membership open to Ohio political subdivisions, to collectively pool resources to purchase employee benefits. The County pays, on a monthly basis the annual actuarially determined funding rate. Components of the funding rate include the claims fund contribution, incurred but not reported claims, a claims contingency reserve fund, as well as the fixed cost of the consortium.

The business and affairs of the consortium are governed by a board composed of representatives of counties that participate in the program. Two thirds of the directors are County Commissioners of the member Counties and one third are employees of member Counties. Each member of the consortium is entitled to one vote. At all times one director is required to be a member of the board of directors of the County Commissioners Association of Ohio and another is required to be a board member of the County Risk Sharing Authority, Inc.

Upon withdrawal from the Consortium, the County will be responsible for paying the funding rates and assessments, if any, that were applicable during the term of the agreement and shall remain responsible for any assessments made by the board for one or more years of the County's participation in CEBCO.

NOTE 22 - RELATED PARTY TRANSACTIONS

Wasco, Inc., a discretely presented component unit of Washington County, received contributions from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its program. These contributions are reflected as operating revenues and operating expenses at cost or fair market value, as applicable, in the Basic Financial Statements in the amount of $712,948. (See the Subsequent Event Note 25)

NOTE 23 - FOOD STAMPS

The County's Department of Job and Family Services distributes, through contracting issuance centers, federal food stamps to entitled recipients within Washington County. The receipt and issuance of the stamps have the characteristics of a federal grant. However, the Department of Job and Family Services merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements, as the only economic interest related to these stamps rests with the ultimate recipient.

NOTE 24 - CONTINGENT LIABILITIES

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 terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

At year end, the County is not party to any legal proceedings that could have a material effect on the County's financial condition.

NOTE 25 - SUBSEQUENT EVENT

During 2016, bylaw changes were adopted by the governing board of WASCO, Inc. In accordance with the conditions of the bylaws, and updated agreements with the Washington County Board of Developmental Disabilities, effective July 5, 2016, WASCO, Inc. will no longer be required to be presented as a component unit of Washington County. The County's financial statements for the year ended December 31, 2017, will not include WASCO, Inc. as a component unit.

NOTE 26 - WASCO, INC.

A. Reporting Entity

WASCO, Inc. (the "Organization") is a component unit of Washington County, Ohio. While the organization is technically a governmental unit, it operates as a not-for-profit entity due to its inconsequential size relative to the Primary Government (see Basis of Accounting). The primary purpose of the organization is to provide services to mentally/physically handicapped individuals by providing jobs for these individuals that are commensurate to their varying levels of ability. To provide these jobs, the organization operates various quasi-businesses within Washington County. These include cleaning and maintenance services, production and assembly services, food services, and mailing services. The revenues from these operations are the primary funding for the organization.

WASCO, Inc. will become a private, not-for-profit entity separate from Washington County, Ohio, effective in 2016. As a result, WASCO, Inc. will no longer receive in-kind contributions from the Washington County Board of Developmental Disabilities as described below. After the transition is complete, WASCO, Inc. will pay all administrative costs, utilities, and rent for the building and assume responsibility for the transportation of individuals to WASCO, Inc.

B. Summary of Significant Accounting Policies

Basis of Accounting

Governmental Accounting Standards Board (GASB) Statement No. 14 established standards for determining which organizations should be included in the financial reporting entity and for reporting the financial information of those organizations. The statement defines the Governmental Financial Reporting Entity as being made up of two parts, units for which the Primary Government is financially accountable and units that must be included to keep the financial statements from being misleading or incomplete because of the nature or significance of their relationship to the Primary Government.

Based on the above criteria, it has been determined that the Organization is a component unit of Washington County, Ohio. However, due to the inconsequential size of the Organization, relative to the Primary Government, the statements are presented with accounting principles generally accepted in the United States of America.

Therefore, the Organization maintains its records on the accrual basis of accounting. Revenues are recognized when earned without regard to when the revenues are received. Income from grants is recognized in the period in which the funds are expended. Expenses are recognized when the obligation is incurred without regard to when the expenses are paid.

Cash and Cash Equivalents

The Organization maintains its cash in financial institutions. For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying amount approximates fair value because of the short maturity of those instruments. The balances are insured by the Federal Deposit Insurance Corporation up to a coverage limit. Deposits in interest-bearing accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"), up to a coverage limit of $250,000 through December 31, 2016. As of the end of the year, and from time to time throughout the year, the Organization may have cash in a financial institution in excess of FDIC limits.

Accounts Receivable

Accounts receivable are shown at their net realizable value. Fair value approximates carrying value. Uncollectible accounts are charged to operations during the period they are determined to be uncollectible. Bad debt expense for the years ended August 31, 2016, and 2015 amounted to $3,817 and $47, respectively.

Inventory

Inventory consists of gasoline, food-service items and miscellaneous snack food items for resale, and is carried at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Capital Assets

All capital assets are recorded at cost or at fair value (if donated) and are depreciated over their estimated useful lives using the straight-line method. Buildings have an estimated useful life of forty years. No tangible assets, other than buildings, have an estimated useful life of longer than ten years. The Organization's policy is to capitalize assets with a cost or fair value greater than $1,000. Repairs and maintenance are charged to operations when incurred. All additions and improvements to existing assets are capitalized. When capital assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities.

Depreciation for the years ended August 31, 2016, and 2015 was $47,475 and $42,628, respectively. Depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Federal Income Tax

The Internal Revenue Service has ruled that the Organization is a tax-exempt organization as defined under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income taxes has been made in the financial statements.

Generally accepted accounting principles require the Organization to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying statement of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statement of activities. The Organization believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded.

In general, the Organization is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years before 2010.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. Total advertising costs for the periods ending August 31, 2016, and 2015 were $3,770 and $3,268, respectively.

Temporarily and Permanently Restricted Funds

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Restricted donations whose restrictions are satisfied in the same year are recorded as unrestricted funds.

C. Contract Income/Major Customer

A large portion of WASCO, Inc.'s revenue is generated through a series of contracts with the Ohio Department of Transportation (ODOT). The contracts call for the custodial upkeep of local rest areas and the local Ohio Department of Transportation building. For 2016 and 2015, sales to ODOT totaled 24% and 21%, respectively, of total revenue. For the years ended August 31, 2016, and 2015, 28% and 24%, respectively, of the total accounts receivable were due from ODOT.

D. Related Party Transactions

The Washington County Board of Developmental Disabilities (WCBDD) provides facilities, utilities, IT support, and salaries for supervision of programs to WASCO, Inc. Based on calculations prepared by the WCBDD, the value of in-kind contributions provided to WASCO, Inc. was $712,948 and $680,833 for the years ended August 31, 2016 and 2015, respectively.

A significant portion of WASCO, Inc.'s revenue is generated through a series of contracts with WCBDD. For the years ended August 31, 2016 and 2015, sales to WCBDD totaled 27% and 36%, respectively, of total revenue. At year-end, WCBDD had a trade receivable to WASCO, Inc. in the amount of $22,576 at August 31, 2016, and $174,616 at August 31, 2015.

E. Restrictions on Assets

The Organization has three vehicles in its possession that are restricted in terms of disposition. They were acquired by WASCO, Inc. using grants from the Ohio Department of Transportation (ODOT). The assets have been recorded at cost. Disposition restrictions exist until the assets' age and/or mileage meet requirements as specified by ODOT. WASCO, Inc. is restricted from selling these assets until the grant has expired. The net book value of assets restricted at year end is as follows:

	2016	2015
Capital Assets	$53,161	$65,394

F. Lease Commitments

WASCO, Inc. has an agreement with the City of Marietta to lease harbor space. Beginning in 2010, WASCO, Inc. agreed to clean various restroom facilities for the City of Marietta in lieu of rent. This agreement was renewed through 2019 during the prior fiscal year.

G. Long-Term Debt

The Organization's long-term debt, and collateral pledged thereon, consisted of a contract with Briggs & Stratton, payable in monthly installments of $334 through May 2016. At August 31, 2016, and 2015 the total long-term debt was $0 and $2,780 respectively.

NOTE 27 - SOUTHEASTERN OHIO PORT AUTHORITY

A. Reporting Entity

The Southeastern Ohio Port Authority, Washington County (the Port Authority), was created during 2003 by the Washington County Commissioners pursuant to Sections 4582.202 through 4582.58, inclusive of the Ohio Revised Code, for the purpose of promoting the manufacturing, commerce, distribution, research, and development interests of Southeastern Ohio, including rendering financial and other assistance to such enterprises situated in the region. Other purposes include inducing the location in Southeastern Ohio of other manufacturing, commerce, distribution, and research entities to purchase, subdivide, sell, and lease real property in Southeastern Ohio. The Port Authority also strives to erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio.

The Port Authority Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Washington County Commissioners. As such, it is considered a discretely presented component unit of Washington County. Currently, seventeen Directors serve on the Board.

The Port Authority's management believes these financial statements present all activities for which the Southeastern Ohio Port Authority is financially accountable.

B. Summary of Significant Accounting Policies

The financial statements of the Port Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental 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 Port Authority's accounting policies are described below.

Basis of Presentation

The Port Authority's financial statements consist of government-wide statements, including a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Measurement Focus

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Port Authority are included on the Statement of Net Position.

The Statement of Revenues, Expenses and Changes in 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 Port Authority finances and meets the cash flow needs.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Port Authority receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the 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 Port Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Port Authority on a reimbursement basis.

Expenses On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgetary Process

The Ohio Revised Code requires that the Port Authority Board of Directors prepare an annual budget.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function level, and appropriations may not exceed estimated resources. The Board of Directors must annually approve appropriation measures and subsequent amendments.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

Encumbrances The Ohio Revised Code requires the Port Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

Cash

Cash assets are maintained in non-interest bearing and interest bearing checking and money market accounts.

The Port Authority had no investments during the year or at year end.

Receivables and Payables

Receivables and payables are recorded on the Port Authority's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and, in the case of receivables, collectability.

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. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. All capital assets are depreciated, except for land and construction in progress. Depreciation is computed using the straight-line method over five years of the useful lives for Machinery and Equipment and over 50 years for Buildings.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "accrued leave benefits payable". The balances are to be used by employees in the year following the year in which the benefit was earned.

Pension

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

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and liabilities used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Port Authority does not have restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Port Authority. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority. Revenues and expenses not meeting these definitions are reported as non-operating.

Estimates

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

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 management and that are either unusual in nature or infrequent in occurrence. The Port Authority did not have any extraordinary or special items in 2016.

C. Deposits and Investments

State statutes classify monies held by the Port Authority into three categories.

1. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Port Authority Treasury, in commercial accounts payable or that can be withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

2. Inactive deposits are public deposits that the Port Authority has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

3. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

Interim monies may be deposited or invested in the following securities:

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

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

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

4. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio.

6. The State Treasurer's investment pool (STAROhio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

Investment may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, all of the Port Authority's bank balances of $182,313 were covered by the FDIC. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Port Authority to a successful claim by the FDIC.

The Port Authority has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

D. <u>Receivables</u>

Receivables at December 31, 2016, consisted of accounts and intergovernmental receivables. All receivables are considered collectible in full.

The Port Authority is presenting an intergovernmental receivable in the amount of $19 arising from a Bureau of Worker's Compensation (BWC) refund for 2016 BWC premiums.

E. Capital Assets

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

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016
Non-Depreciable Capital Assets:				
Land	$124,950	$0	$0	$124,950
Depreciable Capital Assets:				
Buildings	2,155,962	0	0	2,155,962
Machinery and Equipment	14,256	1,870	0	16,126
Total Depreciable Capital Assets	2,170,218	1,870	0	2,172,088
Accumulated Depreciation:				
Buildings	(73,662)	(43,119)	0	(116,781)
Machinery and Equipment	(9,441)	(1,563)	0	(11,004)
Total Accumulated Depreciation	(83,103)	(44,682)	0	(127,785)
Total Depreciable Capital Assets, Net	2,087,115	(42,812)	0	2,044,303
Capital Assets, Net	$2,212,065	($42,812)	$0	$2,169,253

F. Risk Management

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port Authority contracts with Peoples Insurance Agency who, on behalf of the Port Authority, negotiates property and casualty insurance coverage with Cincinnati Insurance Company and CNA Insurance Company for management and professional insurance coverage. The following lists the coverage limits and deductibles:

Property ($500 deductible):	
Building	$2,250,000
Contents	50,000
Crime ($250 Deductible):	
Employee Dishonesty / Forgery or Alteration	50,000
General Liability:	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Products-Completed Operations Aggregate Limit	2,000,000
Personal & Advertising Injury Limit	1,000,000
Hired and Non-owned Auto Liability	1,000,000
Fire Damage Limit	100,000
Medical Expense Limit	5,000
Directors & Officers Liability:	
Each Occurrence	1,000,000
Scheduled Retention	2,500/5,000

Bond Coverage for the Secretary/Treasurer is included in Non-Profit Organization and Management Liability Insurance Policy.

There were no significant reductions in coverage from prior years. Settlements have not exceeded coverage in any of the last three years.

The Port Authority pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

G. Defined Benefit Pension Plan

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 Port Authority'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.

Ohio Revised Code limits the Port Authority's obligation for this liability to annually required payments. The Port Authority cannot control benefit terms or the manner in which pensions are financed; however, the Port Authority 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 – Port Authority 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. Port Authority employees) may elect any plan, one member is in the traditional plan and one is in the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. The member-directed plan does not provide for disability, survivor, or death benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that 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.

Benefit Terms – Traditional Plan 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, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 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

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.

Benefit Terms – Member-Directed Plan Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-Directed Plan members who have met the retirement eligibility requirements may apply for retirement benefits. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits *	2.0
Total Employer	14.0 %
Employee	10.0 %

*A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan employer contributions allocated to health care was 2.0 percent for 2016. Beginning in October 2014, the Board approved the funding of a Voluntary Employee's Beneficiary Association (VEBA) Trust participant Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Port Authority's contractually required contribution to the Traditional Plan for 2016 was $3,783. Pension expense for the Member-Directed Plan for 2016 was $3,729.

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. The Port Authority's proportion of the net pension liability was based on the Port Authority'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
Proportion of the Net Pension Liability:	
Current Measurement Date	0.000253%
Prior Measurement Date	0.000257%
Change in Proportionate Share	-0.000004%
Proportionate Share of the Net Pension Liability	$43,822
Pension Expense	$3,405

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

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$12,881
Port Authority contributions subsequent to the measurement date	3,783
Total Deferred Outflows of Resources	$16,664
Deferred Inflows of Resources	
Differences between expected and actual experience	$1,165
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	7,790
Total Deferred Inflows of Resources	$8,955

$3,783 reported as deferred outflows of resources related to pension resulting from Port Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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:

	OPERS
Year Ending December 31:	
2017	$74
2018	280
2019	657
2020	2,915
Total	$3,926

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations for the Traditional Plan are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 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 0.4 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:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
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	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. 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 Port Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Port Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Port Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Port Authority's proportionate share of the net pension liability	$69,820	$43,822	$21,895

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation 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 Port Authority's net pension liability is expected to be significant.

H. <u>Postemployment Benefits</u>

Plan Description - The 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 maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded 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 postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS 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 postemployment 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. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust), and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

The Port Authority's contribution allocated to fund postemployment health care benefits related to the cost-sharing, multiple employer trusts for the years ended December 31, 2016, 2015, and 2014 was $631, $631, and $1,196, respectively. The full amount has been contributed for all three years. The Port Authority's contribution allocated to fund postemployment health care benefits related to the member-directed plan for the years ended December 31, 2016, 2015, and 2014 was $3,729, $3,543, and $3,543, respectively.

I. Long-Term Obligations and Other Obligations

Changes in the Port Authority's long-term obligations during the year consisted of the following:

	Principal Outstanding 12/31/15	Additions	Deductions	Principal Outstanding 12/31/16	Amounts Due within One Year
Rural Industrial					
Development Loan - 3%	$458,719	$0	$16,596	$442,123	$29,133
Net Pension Liability - OPERS	30,996	12,826	0	43,822	0
Total Long-Term Oblligations	$489,715	$12,826	$16,596	$485,945	$29,133

On April 1, 2014, the Port Authority received a $484,970 Rural Industrial Park Loan from the Ohio Department of Development for completion of the Ingenuity Center located at 300 Commerce Drive in Marietta, Ohio. Only $458,719 was needed and received. Under the agreement, principal and interest payments were not required until September 1, 2019, unless the Center was rented before that date. During 2016, the Center started collecting rent and a new amortization schedule was created. Principal and interest payments required to retire the debt are as follows:

Year	Principal	Interest
2017	$29,133	$13,937
2018	30,019	12,977
2019	30,932	11,988
2020	31,873	10,969
2021	32,842	9,919
2022-2026	179,820	32,689
2027-2029	107,504	4,865
	$442,123	$97,344

Conduit Debt

Pursuant to State statue, the Port Authority has issued revenue bonds, hospital revenue bonds, and obtained an Ohio Water Development Authority (OWDA) loan to provide financial assistance to private sector entities for new construction or improvements. Neither the Port Authority, the State, nor any political subdivision, thereof, is obligated in any manner for repayment of the debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

As of December 31, 2016, there are $136,846,021 of 2012 Hospital Facilities Revenue Refunding and Improvement Bonds outstanding. These Bonds mature in various annual amounts through 2042, interest is due semiannually at rates ranging from 3% to 6%.

The Southeastern Ohio Port Authority entered into a private/public partnership with Eramet Marietta, LLC, Americas Styrenics, Solvay Advanced Polymers, and Energizer for the construction and rent of Good River Distribution, LLC. Good River Distribution, LLC, is a water production facility located across from the aforementioned industries on the banks of the Ohio River. The Good River Distribution, LLC, water production facility provides process water and fire water to the partner industries. Good River Distribution, LLC, is owned by the Southeastern Ohio Port Authority until such time as the rent is complete.

During 2012, Southeastern Ohio Port Authority obtained a state assistance Revenue Bond, Series 2012 in the amount of $4,175,000 to acquire, install, and construct a water screening, service water supply, and pumping system. The interest rate is 4.375% and the maturity date is June, 2027. As of December 31, 2016, $3,290,000 of the revenue bond is outstanding.

During 2012, Southeastern Ohio Port Authority obtained a loan in the amount of $6,000,000 from the OWDA for construction, maintenance, and operation of Good River Distribution, LLC. The loan will be repaid solely by rent received from members of Good River Distribution, LLC. The maturity date is January, 2028. As of December 31, 2016, $4,492,539 remains on the loan.

During 2015, the Southeastern Ohio Port Authority and Marietta Area Health Care issued $60,000,000 in Hospital Facilities Improvement Bonds. The bonds were issued for the purpose of acquisition, construction, renovation, equipping, and installation of electronic medical records system as well as various improvements to the health care facilities. As of December 31, 2016, $60,000,000 of the revenue bond is outstanding.

This page intentionally left blank.

The County reports its roads and bridges infrastructure assets using the modified approach. The following disclosures pertain to the condition assessments and budgeted versus actual expenditures for the preservation of these assets.

County Roads

The Washington County Engineer uses a pavement management system to evaluate the condition of the County's nearly 341 miles of roads considering pavement surface type, condition, traffic factors, maintenance history and professional judgment. All County Roads are rated once every two years, the system rates the condition as follows:

Conditon Category	Condition Index Range	Description of Condition
Failed	<30	Impassable, unsafe, needs major reconstruction
Poor	31-49	Passable, marginally safe, needs major repair
Fair	50-67	Average, functions as designed, needs routine maintenance and repair
Good	68-81	Safe and very suitable for its purpose, needs preventative maintenance
Very Good	82-91	Like new, no repair needed
Excellent	>92	New, no repair needed

It is the goal of the Washington County Engineer that 90% of the County roads are rated at fair or better condition.

Bridges

Bridges are evaluated annually as required by law and following the Ohio Department of Transportation inspection and inventory guidelines. Bridges are rated by a general appraisal as follows:

Bridge General Appraisal Rating	Description of Condition
9	Excellent, new or like new
8	Very good, no problems
7	Good, minor deterioration of structural elements
6	Satisfactory, minor deterioration of structural elements
5	Fair, still functioning as designed, minor section loss to structural elements, non-structural deterioration
4	Poor, needs major repair or manitenance, to continue to function, load reduction may be needed.
3	Serious, needs major rehabilitation to continue to function, may need load reduction
2	Critical, not functioning as designed, load reduction, replacement needed
1	Closed

It is the goal to maintain the Washington County bridges such that 90% have general appraisals of 5 or higher.

The following summarized the road and bridge conditions as of December 31, 2016, 2015, and 2014:

Road Condition as of December 31,

	2016		2015		2014	
Condition Category	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation
Excellent	28%	28%	46%	46%	43%	43%
Very Good	21%	49%	0%	46%	0%	43%
Good	37%	86%	47%	93%	55%	98%
Fair	13%	99%	7%	100%	2%	100%
Poor	1%	100%	0%	100%	0%	100%
Failed	0%	100%	0%	100%	0%	100%

99.4% of the roads were rated in 2016 as fair or better condition, exceeding the goal of 90% rated as fair or better.

Bridge Condition as of December 31,

Bridge	2016		2015		2014	
General Appraisal	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation
9	4%	4%	3%	3%	4%	4%
8	15%	19%	15%	18%	17%	21%
7	37%	56%	40%	58%	40%	61%
6	31%	87%	27%	85%	30%	91%
5	10%	97%	12%	97%	7%	98%
4	2%	99%	2%	99%	2%	100%
3	0%	100%	0%	100%	0%	100%
2	0%	100%	0%	100%	0%	100%
1	0%	100%	0%	100%	0%	100%

97.1% of the bridges were rated in 2016 as having a general appraisal of 5 or greater, exceeding the stated goal of 90%

Budget versus actual expenditures for roads and bridges maintenance for the last five years is as follows:

Total Road and Bridge Maintenance Expense	Budgeted	Actual	Difference
2016	$4,801,489	$3,851,899	$949,590
2015	5,903,408	3,804,716	2,098,692
2014	5,374,935	3,905,964	1,468,971
2013	4,607,435	3,556,188	1,051,247
2012	4,418,737	3,568,781	849,956

Washington County, Ohio

Required Supplementary Information

Schedule of the County's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System - Traditional Plan

Last Three Years (1)

	2016	2015	2014
County's Proportion of the Net Pension Liability	0.1512996%	0.1535443%	0.1535443%
County's Proportionate Share of the Net Pension Liability	$26,206,999	$18,519,161	$18,100,875
County's Covered Payroll	$15,763,276	$18,087,866	$17,734,513
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	166.25%	102.38%	102.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the County's measurement date which is the prior year end.

Washington County, Ohio
Required Supplementary Information
Schedule of the County's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013
County's Proportion of the Net Pension Liability	0.00693104%	0.00749110%	0.00656247%	0.00656247%
County's Proportionate Share of the Net Pension Liability	$2,320,028	$2,070,321	$1,596,220	$1,901,407
County's Covered Payroll	$729,279	$781,571	$722,077	$669,146
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	318.13%	264.89%	221.06%	284.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2013 is not available. An additional column will be added each fiscal year.

Amounts presented for each year were determined as of the County's measurement date which is the prior year end.

Washington County, Ohio

Required Supplementary Information

Schedule of County Contributions

Ohio Public Employees Retirement System - Traditional Plan

Last Four Years (1)

	2016	2015	2014	2013
County Contributions:				
Contractually Required Contribution	$2,357,601	$1,974,734	$2,264,070	$2,392,487
Contributions in Relation to the Contractually Required Contribution	(2,357,601)	(1,974,734)	(2,264,070)	(2,392,487)
Contribution Deficiency (Excess)	$0	$0	$0	$0
County Covered Payroll	$18,830,510	$15,763,276	$18,087,866	$17,734,513
Contributions as a Percentage of Covered Payroll	12.52%	12.53%	12.52%	13.49%
Special Funding Situation:				
Contractually Required Contribution	$12,736			
Contributions in Relation to the Contractually Required Contribution	(12,736)			
Contribution Deficiency (Excess)	$0			

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

Washington County, Ohio

Required Supplementary Information

Schedule of County Contributions

State Teachers Retirement System of Ohio

Last Ten Years

	2016	2015	2014	2013
Contractually Required Contribution	$100,079	$105,231	$91,999	$73,975
Contributions in Relation to the Contractually Required Contribution	(100,079)	(105,231)	(91,999)	(73,975)
Contribution Deficiency (Excess)	$0	$0	$0	$0
County Covered Payroll	$714,850	$751,650	$675,759	$569,038
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.61%	13.00%

2012	2011	2010	2009	2008	2007
$76,225	$76,575	$72,436	$73,270	$67,069	$38,646
(76,225)	(76,575)	(72,436)	(73,270)	(67,069)	(38,646)
$0	$0	$0	$0	$0	$0
$586,346	$589,038	$557,200	$563,615	$515,915	$297,277
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

This page intentionally left blank.

WASHINGTON COUNTY

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

FEDERAL GRANTOR *Pass Through Grantor* Program / Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Job and Family Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5593	$0	$390,386
			0	390,386
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
Cash Assistance:				
School Breakfast Program	10.553	066274-O5PU-2005	0	25,118
National School Lunch Program	10.555	066274-LLP4-2006	0	43,674
Summer Food Service Program for Children	10.559	2015/2016	0	33,411
Total Child Nutrition Cluster			0	102,203
Total U.S. Department of Agriculture			0	492,589
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through Ohio Department of Development				
Community Development Block Grants - State's Program	14.228	B-F-1-14/15-1CY-1	0	108,886
HOME Investment Partnerships Program	14.239	B-C-1-14-1CY-2	0	269,187
Total U.S. Department of Housing and Urban Development			0	378,073
UNITED STATES DEPARTMENT OF INTERIOR				
Passed through the Ohio Department of Natural Resources				
Payments in Lieu of Taxes	15.226	2015	0	53,031
Total United States Department of Interior			0	53,031
U.S. DEPARTMENT OF JUSTICE				
Passed Through Ohio Attorney General's Office				
Crime Victim Assistance	16.575	2016-VOCA-19815820	0	27,923
		2016-VOCA-19815814	0	67,326
		2017-VOCA-43561010	0	2,456
Total Crime Victim Assistance			0	97,705
Bulletproof Vest Partnership Program	16.607	2016	0	4,587
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-JG-LLE-5147	0	10,328
Total U.S. Department of Justice			-	112,620
U.S. DEPARTMENT OF LABOR				
Passed Through Ohio Department of Job and Family Services				
Workforce Investment Act (WIA/WIOA) Cluster:				
WIA/WIOA Youth Activities	17.259	G-1617-11-593	0	2,477
Total Workforce Investment Act (WIA/WIOA) Cluster:			0	2,477
Total U.S. Department of Labor			0	2,477
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through Ohio Department of Transportation				
Highway Planning and Construction	20.205	PID #92975	0	803,127
	`	PID #98619	0	92,232
		PID #96772	0	725,845
		PID #99928	0	1,622
Total Highway Planning and Construction			0	1,622,826

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

FEDERAL GRANTOR / ***Pass Through Grantor*** / **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Passed Through to Subrecipients**	**Total Federal Expenditures**
U.S. DEPARTMENT OF TRANSPORTATION (Continued)				
Passed Through Ohio Department of Transportation (Continued)				
Formula Grants for Rural Access	20.509	RPTF-4088-031-151/RPTM-0088-035-152	$0	$196,406
New Freedom Program	20.521	NF-4084-066-151	0	1,225
Passed Through Ohio Department of Public Safety				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	2016	0	154
Total Highway Safety Cluster			0	154
Total U.S. Department of Transportation			0	1,820,611
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Special Education Cluster:				
Special Education - Grants to States	84.027	66274-6BSF	0	43,700
Special Education - Preschool Grants	84.173	66274-PGS1	0	11,454
Total Special Education Cluster			0	55,154
Passed Through Ohio Department of Health				
Special Education - Grants for Infants and Families	84.181	08410021HG0716/17	4,250	72,031
Total U.S. Department of Education			4,250	127,185
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Social Services Block Grant				
Passed Through Ohio Department of Developmental Disabilities				
Social Services Block Grant	93.667	2016	0	39,581
Passed Through Ohio Department of Job and Family Services				
Social Services Block Grant		G-1617-11-5593	0	418,938
Passed Through Ohio Department of Mental Health and Addiction Services				
Social Services Block Grant		2016/2017	38,135	38,135
Total Social Services Block Grant			38,135	496,654
Medicaid Cluster				
Passed Through Ohio Department of Developmental Disabilities				
Medical Assistance Program	93.778	2016	0	179,836
Passed Through Ohio Department of Job and Family Services				
Medical Assistance Program		G-1617-11-5593	0	539,973
		G-1617-11-5595	0	36,890
Total Medicaid Cluster			0	756,699
Passed Through Ohio Department of Mental Health and Addiction Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016/2017	86,736	140,356
Block Grants for Prevention and Treatment of Substance Abuse	93.959	84-253-WOMEN-P-14-9011	16,848	16,848
Total Block Grants for Prevention and Treatment of Substance Abuse			103,584	157,204
Passed Through Ohio Department of Mental Health and Addiction Services				
Substance Abuse and Mental Health Services Grant - Projects of Regional and National Significance	93.243	2016	0	10,500
Block Grants for Community Mental Health Services	93.958	2016/2017	36,303	38,503
Passed Through Ohio Department of Job and Family Services				
Promoting Safe and Stable Families	93.556	G-1617-11-5595	0	111,076
Temporary Assistance for Needy Families	93.558	G-1617-11-5593	0	1,944,844
Child Support Enforcement	93.563	G-1617-11-5594	0	614,906
Child Care and Development Block Grant	93.575	G-1617-11-5593	0	45,195
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1617-11-5595	0	53,315

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Passed Through to Subrecipients**	**Total Federal Expenditures**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Passed Through Ohio Department of Job and Family Services				
Foster Care - Title IV-E	93.658	G-1617-11-5595	$0	$708,646
Adoption Assistance	93.659	G-1617-11-5595	0	274,602
Chafee Foster Care Independence Program	93.674	G-1617-11-5595	0	11,245
Total U.S. Department of Health and Human Services			178,022	5,223,389
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct from the Federal Government				
Retired and Senior Volunteer Program	94.002	N/A	0	46,665
Total Corporation for National and Community Service			0	46,665
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through Ohio Emergency Management Agency				
Emergency Management Performance Grants	97.042	EMC-2016-EP-00003-SO1	0	18,604
Total U.S. Department of Homeland Security			0	18,604
Total Expenditures of Federal Awards			**$182,272**	**$8,275,244**

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR PART 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 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 Government

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 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 Ohio Department of Jobs and Family 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 those subrecipients achieve the award's performance goals.

NOTE D – CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

NOTE E – 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 F – MEDICAID ADMINISTRATIVE PAYMENTS

During the calendar year, the County Board of Development Disabilities received notice of a liability owed to the Ohio Department of Development Disabilities 2010 and 2011 for the Medicaid Program (CFDA #93.778) in the amount of $3,787 and $2,720, respectively. The Cost Report Settlement liability was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. The liability is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in the prior reporting periods and the liability was invoiced by the Ohio Department of Developmental Disabilities.

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

Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component units**,** each major fund, and the aggregate remaining fund information of Washington 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 and have issued our report thereon dated August 28, 2017. Our report refers to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits from the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of WASCO, Inc., as described in our report on the County's financial statements. The financial statements of WASCO, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards.*

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

August 28, 2017

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

Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Washington County's, Ohio (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 the 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.

The County's basic financial statements include the operations of WASCO, Inc., a discretely presented component unit. Our audit of Federal awards, described below, did not include the operations of WASCO, Inc., because the component unit is legally separate from the primary government which this report addresses, and because it expended less than $750,000 of Federal awards for the year ended December 31, 2016, it was not subject to Title 2 U.S. *Code of Federal Regulations* Part 200 audit requirements.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110
www.ohioauditor.gov

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 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 compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with 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 would not necessarily 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 internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

August 28, 2017

WASHINGTON COUNTY

SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(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 Part 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):** • Highway Planning and Construction, CFDA #20.205 • Child Support Enforcement, CFDA #93.563	
(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 Part 200.520?**	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

WASHINGTON COUNTY

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

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding for Recovery Repaid Under Audit pertaining to Ohio Rev. Code § 325.19(F): The Prosecutor was paid out for unused leave in excess of the maximum amounts allowed by policy.	Corrective Action Taken and Finding is Fully Corrected	N/A

WASHINGTON 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
SEPTEMBER 12, 2017

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