



Dave Yost • Auditor of State

CLINTON COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Clinton County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Clinton County, Ohio (the County), as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about the 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 considered internal control relevant to the County's preparation and fair presentation of the financial statements in order to design appropriate audit procedures, 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 opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Qualified
General Fund	Unmodified
County Board of DD Fund	Unmodified
Motor Vehicle & Gas Tax Fund	Unmodified
Martinsville-Midland Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on the Discretely Presented Component Unit

We were engaged to audit the financial statements of the Clinton County Port Authority as part of our audit of the County's basic financial statements. The Port Authority's financial activities are included in the County's basic financial statements as a discretely presented component unit. The Port Authority capital asset listing was not maintained at a level to identify specific buildings and land improvements. We were unable to verify the existence of Port Authority capital assets. The Port Authority capital assets represent 95% of the Discretely Presented Component Unit's assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on the Discretely Presented Component Unit* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Clinton County, Ohio, as of and for the year ended December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton County Ohio, as of December 31, 2014, and the respective changes in financial position and where applicable cash flows thereof and the respective budgetary comparisons for the General Fund, County Board of Developmental Disabilities Fund, Motor Vehicle and Gas Tax Fund, and Martinsville-Midland Sewer 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*, 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 inquiring to management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries and to the basic financial statements, and for consistency with other knowledge we obtained during our audit of the basic financial statements.

We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The aforementioned 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves 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 June 15, 2016, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

June 15, 2016

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 UNAUDITED

The management's discussion and analysis of Clinton County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- General revenues accounted for \$16,555,715 or 46.56% of total governmental activities revenue. Program specific revenues accounted for \$19,005,073 or 53.44% of total governmental activities revenue.
- The County had \$35,793,598 in expenses related to governmental activities; \$19,005,073 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$16,555,715 were not adequate to provide for these programs.
- The County has five major governmental funds. The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$17,216,377 in 2014. The general fund had expenditures of \$13,432,201 in 2014. The general fund transferred out \$4,462,858 to other funds.
- The County Board of Developmental Disabilities (DD) fund, a County major fund, had revenues and other financing sources of \$3,348,275 and expenditures and other financing uses of \$4,074,532 in 2014. The County Board of DD fund balance decreased \$726,257 from 2013 to 2014.
- The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,883,743 in 2014. Expenditures totaled \$4,915,977 in 2014 and the fund balance decreased \$32,234 from 2013 to 2014.
- The Martinsville-Midland sewer fund, a County major fund, had revenues of \$286,532 and expenditures of \$102,496, resulting in an increase in fund balance of \$184,036.
- The emergency communications systems fund, a County major fund, had revenues and other financing sources of \$4,452,584 and expenditures of \$4,746,832 in 2014. The emergency communications systems fund balance decreased \$294,248 from 2013 to 2014.
- The Former County Hospital fund, which comprises the County's business-type activities, experienced nonoperating revenues of \$66,338, loss on investments and other nonoperating expenses of \$1,787 and a special item to transfer \$2,903,659 in excess funds held in the name of the Former County Hospital to the governmental activities (see Note 2.S to the basic financial statements for detail on the special item). Net position of business type activities decreased \$2,839,108 from 2013.

Using the Basic Financial Statements (BFS)

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

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 UNAUDITED

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

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities answer the question, "How did we do financially during 2014?" These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, County board of DD, motor vehicle and gas tax, Martinsville-Midland sewer fund and emergency communications systems fund. The analysis of the County's major governmental funds begins on page 12.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 UNAUDITED

Governmental Funds

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 20-30 of this report.

Proprietary Fund

The County maintained one type of proprietary fund during 2015. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County used an enterprise fund to account for wind-down expenses of the Former County Hospital. The basic proprietary fund financial statements can be found on pages 31-32 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 33-34 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 35-74 of this report.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

Government-Wide Financial Analysis

The net position of the County was restated at December 31, 2013 for fund reclassifications, as described in Note 2.B to the basic financial statements. The statement of net position provides the perspective of the County as a whole. The table below provides a summary of the County's net position for 2014 and 2013.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2014	Restated 2013	2014	2013	2014	Restated 2013
<u>Assets</u>						
Current and other assets	\$ 71,810,723	\$ 70,298,379	\$ -	\$ 3,225,196	\$ 71,810,723	\$ 73,523,575
Capital assets, net	49,995,561	46,357,325	-	-	49,995,561	46,357,325
Total assets	<u>121,806,284</u>	<u>116,655,704</u>	<u>-</u>	<u>3,225,196</u>	<u>121,806,284</u>	<u>119,880,900</u>
<u>Deferred outflows of resources</u>						
Unamortized deferred charges on refunding	52,192	62,630	-	-	52,192	62,630
<u>Liabilities</u>						
Long-term liabilities	5,539,373	6,144,296	-	-	5,539,373	6,144,296
Other liabilities	3,797,190	1,272,475	-	386,088	3,797,190	1,658,563
Total liabilities	<u>9,336,563</u>	<u>7,416,771</u>	<u>-</u>	<u>386,088</u>	<u>9,336,563</u>	<u>7,802,859</u>
<u>Deferred inflows of resources</u>						
Property taxes levied for the next fiscal year	5,898,975	5,349,474	-	-	5,898,975	5,349,474
<u>Net position</u>						
Net investment in capital assets	45,649,827	41,571,264	-	-	45,649,827	41,571,264
Restricted	17,652,903	19,112,835	-	-	17,652,903	19,112,835
Unrestricted	43,320,208	43,267,990	-	2,839,108	43,320,208	46,107,098
Total net position - restated	<u>\$ 106,622,938</u>	<u>\$ 103,952,089</u>	<u>\$ -</u>	<u>\$ 2,839,108</u>	<u>\$ 106,622,938</u>	<u>\$ 106,791,197</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the County's assets and deferred outflows exceeded liabilities and deferred inflows by \$106,622,938.

Capital assets reported on the government-wide statements represent the largest portion of the County's net position. At December 31, 2014, capital assets represented 41.05% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, software, vehicles and infrastructure. The net investment in capital assets at December 31, 2014, was \$45,649,827. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the County's net position, \$17,652,903 or 16.56% represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net position for the County as a whole is \$43,320,208. During 2014 unrestricted net position decreased \$2,786,890 from 2013's unrestricted net position.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

During 2014, the County made various reclassifications between expense line items to better classify certain departmental expenses. These expense reclassifications resulted in variances in the areas of general government, public safety, economic development and assistance, and other expenses between 2014 and 2013. The table below shows the changes in net position for 2014 and 2013.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 5,736,576	\$ 5,723,011	\$ -	\$ -	\$ 5,736,576	\$ 5,723,011
Operating grants and contributions	12,109,034	11,860,038	-	-	12,109,034	11,860,038
Capital grants and contributions	1,159,463	2,249,237	-	-	1,159,463	2,249,237
General revenues:						
Property taxes	5,796,200	7,082,286	-	-	5,796,200	7,082,286
Sales tax	8,117,184	7,372,126	-	-	8,117,184	7,372,126
Unrestricted grants	1,534,345	1,875,878	-	-	1,534,345	1,875,878
Investment earnings	844,043	78,116	-	6,607	844,043	84,723
Other	263,943	212,627	66,338	49,303	330,281	261,930
Total revenues	<u>35,560,788</u>	<u>36,453,319</u>	<u>66,338</u>	<u>55,910</u>	<u>35,627,126</u>	<u>36,509,229</u>
<u>Expenses</u>						
Program expenses:						
General government	9,518,711	7,796,513	-	-	9,518,711	7,796,513
Public safety	7,985,191	5,850,984	-	-	7,985,191	5,850,984
Public works	5,504,824	5,971,138	-	-	5,504,824	5,971,138
Health	4,092,320	5,124,513	-	-	4,092,320	5,124,513
Human services	8,300,971	8,895,252	-	-	8,300,971	8,895,252
Conservation and recreation	202,928	50,099	-	-	202,928	50,099
Economic development and assistance	-	513,990	-	-	-	513,990
Other	5,789	60,246	-	-	5,789	60,246
Interest and fiscal charges	182,864	197,728	-	-	182,864	197,728
Former County Hospital	-	-	1,787	93,780	1,787	93,780
Total expenses	<u>35,793,598</u>	<u>34,460,463</u>	<u>1,787</u>	<u>93,780</u>	<u>35,795,385</u>	<u>34,554,243</u>
Change in net position before special item	(232,810)	1,992,856	64,551	(37,870)	(168,259)	1,954,986
<u>Special items</u>						
Transfer of proceeds from sale of hospital	<u>2,903,659</u>	<u>-</u>	<u>(2,903,659)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	2,670,849	1,992,856	(2,839,108)	(37,870)	(168,259)	1,954,986
Net position at beginning of year - restated	<u>103,952,089</u>	<u>101,959,233</u>	<u>2,839,108</u>	<u>2,876,978</u>	<u>106,791,197</u>	<u>104,836,211</u>
Net position at end of year	<u>\$106,622,938</u>	<u>\$103,952,089</u>	<u>\$ -</u>	<u>\$ 2,839,108</u>	<u>\$106,622,938</u>	<u>\$106,791,197</u>

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 UNAUDITED

Governmental Activities

Net position of governmental activities increased \$2,670,849 during 2014. The increase in net position is attributable to the special item transfer of the Former County Hospital funds from the business-type activities during 2014 (see Note 2.S to the basic financial statements for detail). The funds transferred from the business-type activities to the governmental activities are restricted for health programs.

Operating grants and contributions consisted of State and federal government contributions to the County of \$12,109,034 and \$1,159,463 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the operating grants and contributions \$4,951,242, or 40.89% subsidized human services programs, compared to \$5,235,401 or 44.15% in 2013. This decrease is due to decreased activity in the County's public assistance fund. \$4,178,222 or 34.51% of the total operating grants and contributions subsidized public works programs, while another \$1,558,499 or 12.87% subsidized health programs. Capital grants and contributions decreased due to decreased funding from the Ohio Department of Transportation and the Ohio Public Works Commission for bridge and road improvements within the County.

General revenues totaled \$16,555,715, and amounted to 46.56% of total revenues. These revenues primarily consist of property and sales tax revenue of \$13,913,384 or 84.04% of total general revenues in 2014. Property tax revenue decreased \$1,286,086 or 18.16% from 2013, while sales tax revenue increased \$745,058 or 10.11%. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which makes up \$1,534,345 or 9.27% of total general revenues.

The County experienced various increases and decreases in several categories of expenses during 2014, due to reclassifications in certain departmental expenses. Overall, however, expenses were only \$1,333,135 or 3.87% higher than in 2014.

General government expenses include legislative and executive and judicial programs, and totaled \$9,518,711 or 26.60% of total governmental expenses. General government expenses were covered by \$3,371,915 of direct charges to users in 2014, which is comprised primarily of auditor's fees and rental income, and operating grants and contributions of \$824,353.

Public works expenses totaled \$5,504,824 in 2014, or 15.38% of total governmental expenses. These expenses were funded primarily by operating grants and contributions, capital grants and contributions, and charges to users of \$4,178,222, \$1,139,502 and \$1,174,275, respectively.

Human services expense supports the operations of public assistance, workforce development and the children services board, and accounts for \$8,300,971, or 23.20% of the total governmental expenses of the County. These expenses were primarily funded by operating grants and contributions in the amount of \$4,951,242. The remainder of these expenses is covered by charges for services and general revenues. The decrease in both the expenses and operating grants and contributions is due primarily to the activity of the County's workforce development program during 2014.

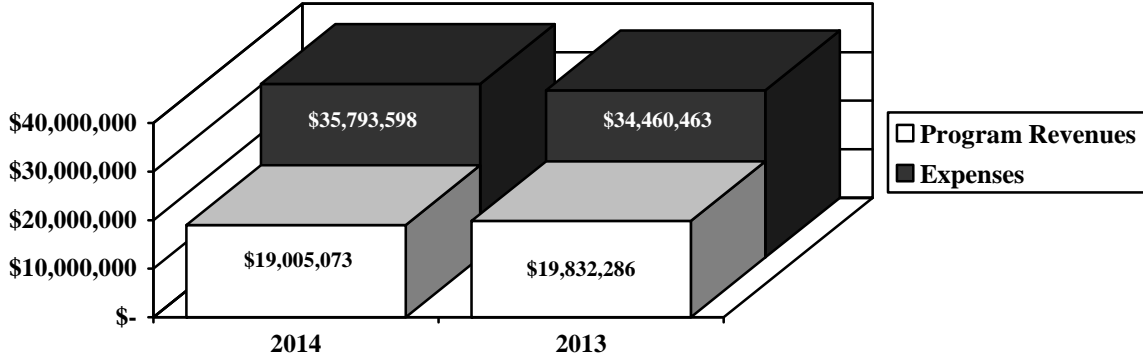
Expenses for health programs, which for the County is mainly the County Board of Developmental Disabilities program, were \$4,092,320 in 2014. The County's public safety programs, primarily the sheriff's department, had expenses of \$7,985,191 in 2014.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

Governmental Activities - Program Revenues vs. Total Expenses

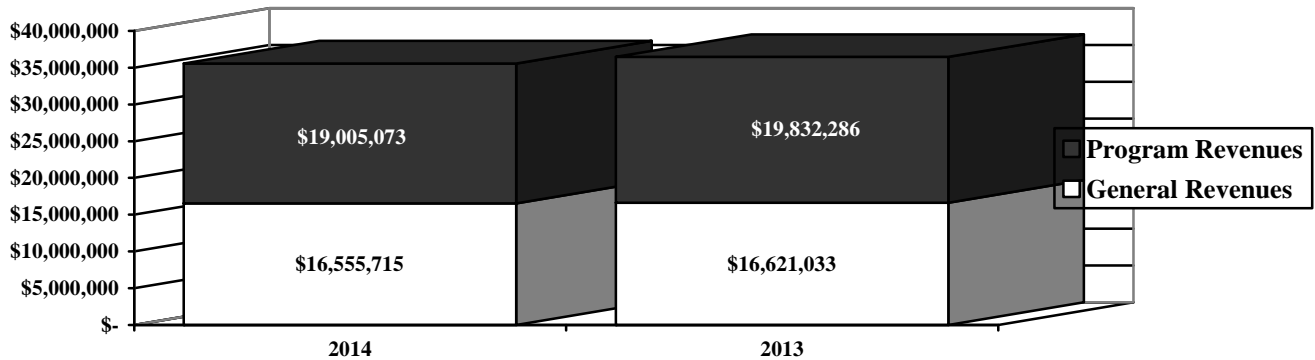


Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Expenses:				
General government	\$ 9,518,711	\$ 5,312,482	\$ 7,796,513	\$ 4,536,642
Public safety	7,985,191	6,888,156	5,850,984	4,797,889
Public works	5,504,824	(987,175)	5,971,138	(1,107,901)
Health	4,092,320	2,254,647	5,124,513	2,677,304
Human services	8,300,971	3,149,822	8,895,252	3,280,059
Conservation and recreation	202,928	6,172	50,099	50,099
Economic development and assistance	-	-	513,990	237,222
Other	5,789	5,789	60,246	(40,865)
Interest and fiscal charges	182,864	158,632	197,728	197,728
Total expenses	\$ 35,793,598	\$ 16,788,525	\$ 34,460,463	\$ 14,628,177

The dependence upon general revenues for governmental activities is apparent, with 46.91% and 42.45% of expenses supported through taxes and other general revenues during 2014 and 2013, respectively.

Governmental Activities - General and Program Revenues



CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

Business-Type Activities

The Former County Hospital fund is the County's nonmajor enterprise fund. For 2014, net position of the business-type activities decreased \$2,839,108 due to a \$2,903,659 special item transfer of funds to the governmental activities, nonoperating revenues of \$66,338 and expenses of \$1,787.

In 2010, the Hospital was sold to RegionalCare Hospital Partners. In accordance with the asset purchase agreement, a portion of the Hospital's assets, consisting primarily of cash and investments, were retained to be used for anticipated wind down costs. During 2014, the Board of Trustees of the Former County Hospital passed a resolution to transfer the excess funds held in the name of the Former County Hospital to oversee the wind down costs, to the County. During 2014, the County transferred the assets of \$2,903,659 to the governmental activities, thereby closing out the business-type activities.

Financial Analysis of the County's Funds

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 year-end.

The County's governmental funds (as presented on the balance sheet on pages 20-21) reported a combined fund balance of \$47,928,570 which is \$862,044 higher than last year's total of \$47,066,526 as restated. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2014 for all major and nonmajor governmental funds.

	Fund Balance (Deficit) <u>December 31, 2014</u>	Restated Fund Balance (Deficit) <u>December 31, 2013</u>	Increase (Decrease)
Major Funds:			
General	\$ 23,895,656	\$ 21,670,679	\$ 2,224,977
County Board of DD	7,619,048	8,345,305	(726,257)
Motor Vehicle and Gas Tax	2,029,287	2,061,521	(32,234)
Martinsville-Midland Sewer	(2,518,911)	(2,702,947)	184,036
Emergency Communications Systems	155,556	449,804	(294,248)
Other Nonmajor Governmental Funds	<u>16,747,934</u>	<u>17,242,164</u>	<u>(494,230)</u>
Total	<u>\$ 47,928,570</u>	<u>\$ 47,066,526</u>	<u>\$ 862,044</u>

The fund balance of the general fund increased \$2,224,977 primarily due to monies received during 2014 related to the sale of the former County Hospital in the amount of \$2,903,659. The fund balance of the County Board of DD fund decreased \$726,257 primarily due to lower State and federal grant revenues.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 UNAUDITED

General Fund

The general fund, the County's largest major governmental fund, had revenues and other financing sources of \$17,216,377 in 2014. The general fund had expenditures of \$13,432,201 in 2014. The general fund also received \$2,903,659 as a special item from the sale of the hospital during 2014. The general fund transferred out \$4,462,858 to other funds, as compared to transfers out of \$1,677 during 2013.

County Board of DD

The County Board of DD fund, a County major fund, had revenues and other financing sources of \$3,348,275 and expenditures and other financing uses of \$4,074,532 in 2014. The County Board of DD fund balance decreased \$726,257 from 2013 to 2014. Overall revenue and expenditures decreased from 2013 due to a decrease in the tax rate of the County Board of DD.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had revenues and other financing sources of \$4,883,783 in 2014. Expenditures totaled \$4,915,977 in 2014 and the fund balance decreased \$32,234 from 2013 to 2014.

Martinsville-Midland Sewer Fund

The Martinsville-Midland sewer project fund, a County major fund, had revenues of \$286,532 and expenditures of \$102,496 in 2014, resulting in an increase in fund balance of \$184,036.

Emergency Communications Systems Fund

The emergency communications systems fund, a County major fund, had revenues and other financing sources of \$4,452,584 and expenditures of \$4,746,832 in 2014. The emergency communications systems fund balance decreased \$294,248 from 2013 to 2014. The fund accounted for the construction of two emergency communication towers and the purchase of radio equipment.

General Fund Budgeting Highlights

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

In the general fund, there were changes between the original and final budget. Final budgeted revenues and other financing sources were \$3,576,527 higher than original budgeted revenues and other financing sources. Actual revenues and other financing sources of \$18,892,082 were \$72,949 higher than in the final budget. Original budgeted expenditures and other financing uses of \$13,738,391 were increased to \$18,444,498 in the final budget. Actual expenditures and other financing uses were \$597,610 less than the final budgeted expenditures.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of 2014, the County had \$49,995,561 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, software, equipment, vehicles and infrastructure.

The County's largest governmental capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 54.55% of the County's total governmental capital assets at December 31, 2014.

The following table shows 2014 balances compared to 2013:

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

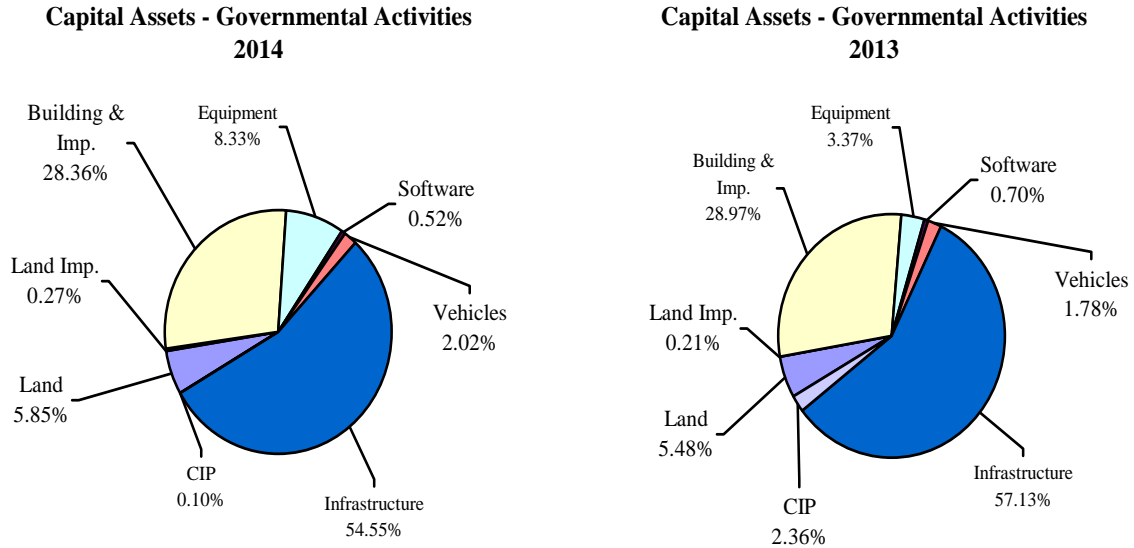
	Governmental Activities 2014	Governmental Activities Restated 2013
	2014	2013
Land	\$ 2,926,099	\$ 2,542,637
Land improvements	136,483	95,309
Building and improvements	14,178,890	13,431,160
Equipment	4,162,342	1,564,347
Software	262,025	323,954
Vehicles	1,010,290	823,623
Infrastructure	27,269,655	26,483,481
Construction in progress	49,777	1,092,814
Total	\$ 49,995,561	\$ 46,357,325

See Note 9 to the basic financial statements for further detail on capital assets.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

The following graphs show the breakdown of governmental capital assets by category for 2014 and 2013.



Debt Administration

At December 31, 2014, governmental activities had \$5,518,682 in general obligation bonds, special assessment bonds, special assessment notes, loans payable, land purchase agreement, compensated absences and capital leases outstanding. Of this total, \$1,021,656 is due within one year and \$4,497,026 is due in more than one year.

The following table summarizes the debt obligations outstanding.

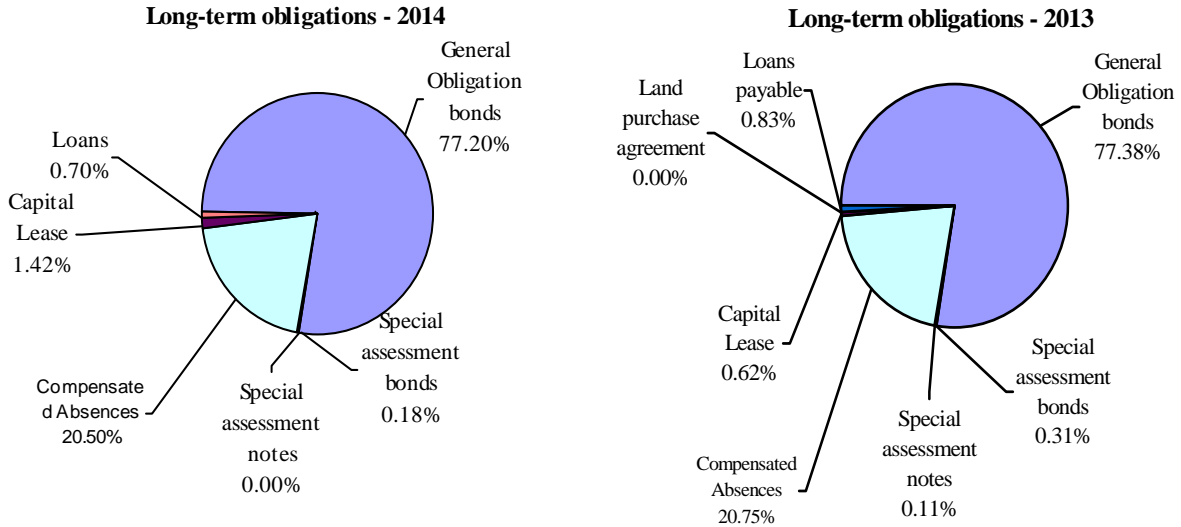
Long-Term Obligations	Outstanding Debt at Year End	
	Governmental Activities 2014	Governmental Activities 2013
General obligation bonds	\$ 4,260,000	\$ 4,735,000
Special assessment bonds	9,851	19,221
Special assessment notes	-	6,626
Loans payable	38,758	50,675
Compensated absences	1,131,596	1,269,758
Capital leases	78,477	38,115
Total	\$ 5,518,682	\$ 6,119,395

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

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

A comparison of the governmental long-term obligations by category is depicted in the charts that follow:



Economic Factors and Next Year's Budgets and Rates

The County's population is an estimated 41,917. At the close of 2014, the County's unemployment rate was 7.7%, compared to the 5.8% State average and the 6.2% national average.

These economic factors were considered in preparing the County's budget for 2015. Budgeted revenues and other financing sources in the general fund for the 2015 budget are approximately \$16,330,327. With the continuation of conservative budgeting practices, the County's financial position should remain stable in future years.

Contacting the County's Financial Management

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

CLINTON COUNTY, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government	Component Unit
	Governmental Activities	Port Authority
Assets:		
Equity in pooled cash and cash equivalents	\$ 42,054,597	\$ 3,794,904
Cash with escrow agent	3,000,404	-
Cash with fiscal agent	1,460,058	-
Investments	1,949,220	-
Receivables:		
Sales taxes	2,064,342	-
Real and other taxes	6,364,220	-
Accounts	114,886	95,773
Notes	10,200,000	-
Special assessments	96,761	-
Accrued interest	60,862	-
Due from other governments	4,219,144	199,727
Loans	40,638	-
Materials and supplies inventory	36,443	-
Prepayments	149,148	92,996
Capital assets:		
Land and construction in progress	2,975,876	15,586,699
Depreciable capital assets, net	47,019,685	52,029,381
Total capital assets, net	<u>49,995,561</u>	<u>67,616,080</u>
Total assets	<u>121,806,284</u>	<u>71,799,480</u>
Deferred outflows of resources:		
Unamortized deferred charges on refunding	52,192	-
Liabilities:		
Accounts payable	652,004	250,855
Contracts payable	2,791,542	-
Accrued wages and benefits payable	142,742	-
Due to other governments	130,169	4,356
Accrued interest payable	13,315	22,598
Amount to be repaid to claimants	67,418	-
Deposits held and due to others	-	82,067
Property taxes payable	-	137,336
Long-term liabilities:		
Due within one year	1,021,656	327,532
Due in more than one year	4,517,717	13,626,051
Total liabilities	<u>9,336,563</u>	<u>14,450,795</u>
Deferred inflows of resources:		
Property taxes levied for the next fiscal year	5,898,975	-
Net position:		
Net investment in capital assets	45,649,827	53,662,497
Restricted for:		
Capital projects	51,328	-
Public service programs	3,364,816	-
Transportation projects	3,875,654	-
Health programs	7,784,331	-
General government	1,989,719	-
Security programs	587,055	-
Unrestricted	<u>43,320,208</u>	<u>3,686,188</u>
Total net position	<u>\$ 106,622,938</u>	<u>\$ 57,348,685</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government:				
Legislative and executive.	\$ 6,604,311	\$ 2,769,543	\$ 558,262	\$ 9,961
Judicial.	2,914,400	602,372	266,091	-
Public safety	7,985,191	687,073	399,962	10,000
Public works	5,504,824	1,174,275	4,178,222	1,139,502
Health.	4,092,320	279,174	1,558,499	-
Human services	8,300,971	199,907	4,951,242	-
Conservation and recreation	202,928	-	196,756	-
Other	5,789	-	-	-
Interest and fiscal charges.	182,864	24,232	-	-
Total governmental activities	<u>35,793,598</u>	<u>5,736,576</u>	<u>12,109,034</u>	<u>1,159,463</u>
Business-type activities:				
Former County Hospital	1,787	-	-	-
Total business-type activities	<u>1,787</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 35,795,385</u>	<u>\$ 5,736,576</u>	<u>\$ 12,109,034</u>	<u>\$ 1,159,463</u>
Component unit:				
Port Authority	\$ 8,022,686	\$ 6,119,674	\$ 7,224	\$ 199,727
Total component units.	<u>\$ 8,022,686</u>	<u>\$ 6,119,674</u>	<u>\$ 7,224</u>	<u>\$ 199,727</u>

General revenues:

Property taxes levied for:

- General fund.
- Health - County Board of DD
- Human Services - Children Services.
- Human Services - Senior Services.
- Sales taxes and other taxes
- Grants and entitlements not restricted to specific programs
- Investment earnings.
- Gain on sale of assets
- Miscellaneous.

Total general revenues.

Special items:

- Transfer of proceeds from sale of hospital
- Forgiveness of debt

Total general revenues and special items

Change in net position.

Net position at beginning of year (restated).

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Port Authority
\$ (3,266,545)	\$ -	\$ (3,266,545)	\$ -
(2,045,937)	-	(2,045,937)	-
(6,888,156)	-	(6,888,156)	-
987,175	-	987,175	-
(2,254,647)	-	(2,254,647)	-
(3,149,822)	-	(3,149,822)	-
(6,172)	-	(6,172)	-
(5,789)	-	(5,789)	-
(158,632)	-	(158,632)	-
<u>(16,788,525)</u>	<u>-</u>	<u>(16,788,525)</u>	<u>-</u>
-	(1,787)	(1,787)	-
-	(1,787)	(1,787)	-
<u>(16,788,525)</u>	<u>(1,787)</u>	<u>(16,790,312)</u>	<u>-</u>
			<u>(1,696,061)</u>
			<u>(1,696,061)</u>
2,242,846	-	2,242,846	-
1,462,836	-	1,462,836	-
997,012	-	997,012	-
1,093,506	-	1,093,506	-
8,117,184	-	8,117,184	-
1,534,345	-	1,534,345	-
844,043	-	844,043	7,051
-	-	-	79,445
263,943	66,338	330,281	38,643
<u>16,555,715</u>	<u>66,338</u>	<u>16,622,053</u>	<u>125,139</u>
2,903,659	(2,903,659)	-	-
-	-	-	1,595,000
<u>19,459,374</u>	<u>(2,837,321)</u>	<u>16,622,053</u>	<u>1,720,139</u>
2,670,849	(2,839,108)	(168,259)	24,078
<u>103,952,089</u>	<u>2,839,108</u>	<u>106,791,197</u>	<u>57,324,607</u>
<u>\$ 106,622,938</u>	<u>\$ -</u>	<u>\$ 106,622,938</u>	<u>\$ 57,348,685</u>

CLINTON COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General</u>	<u>County Board of DD</u>	<u>Motor Vehicle & Gas Tax</u>	<u>Martinsville- Midland Sewer</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 15,945,696	\$ 5,938,804	\$ 1,526,907	\$ 571,136
Cash with escrow agent.	3,000,404	-	-	-
Cash with fiscal agent	-	1,460,058	-	-
Investments	1,949,220	-	-	-
Receivables:				
Sales taxes	2,059,204	-	5,138	-
Real and other taxes	2,205,498	1,655,080	-	-
Accounts	63,953	-	19,488	341
Special assessments	-	-	-	-
Accrued interest	60,862	-	-	-
Due from other funds	-	-	1,688	-
Due from other governments.	606,408	366,399	1,832,164	-
Notes receivable.	10,200,000	-	-	-
Loans to other funds	3,847,626	-	-	-
Prepayments	83,147	49,008	-	-
Materials and supplies inventory.	15,420	7,564	1,663	-
Total assets	<u>\$ 40,037,438</u>	<u>\$ 9,476,913</u>	<u>\$ 3,387,048</u>	<u>\$ 571,477</u>
Liabilities:				
Accounts payable.	\$ 252,708	\$ 53,097	\$ 31,425	\$ 8,700
Contracts payable.	2,000,000	-	-	-
Accrued wages and benefits payable	74,493	16,132	18,065	204
Compensated absences payable	53,000	10,765	36,622	-
Due to other funds	3,886	4,144	-	-
Due to other governments	66,315	13,860	19,418	148
Loans from other funds.	-	-	-	3,081,336
Amount to be repaid to claimants.	67,418	-	-	-
Total liabilities	<u>2,517,820</u>	<u>97,998</u>	<u>105,530</u>	<u>3,090,388</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year. . .	2,044,269	1,534,088	-	-
Delinquent property tax revenue not available. . .	150,496	112,937	-	-
Accrued interest not available	22,758	-	-	-
Special assessments revenue not available.	-	-	-	-
Sales tax revenue not available.	817,997	-	-	-
Nonexchange transactions.	388,442	87,243	1,252,231	-
Unavailable grant revenue.	-	25,599	-	-
Hospital sale.	10,200,000	-	-	-
Total deferred inflows of resources	<u>13,623,962</u>	<u>1,759,867</u>	<u>1,252,231</u>	<u>-</u>
Fund balances:				
Nonspendable	6,905,959	56,572	1,663	-
Restricted.	-	7,562,476	2,027,624	-
Committed	248,318	-	-	-
Assigned	3,676,299	-	-	-
Unassigned (deficit)	13,065,080	-	-	(2,518,911)
Total fund balances (deficit).	<u>23,895,656</u>	<u>7,619,048</u>	<u>2,029,287</u>	<u>(2,518,911)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 40,037,438</u>	<u>\$ 9,476,913</u>	<u>\$ 3,387,048</u>	<u>\$ 571,477</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Emergency Communications Systems	Other Governmental Funds	Total Governmental Funds
\$ 947,098	\$ 17,124,956	\$ 42,054,597
-	-	3,000,404
-	-	1,460,058
-	-	1,949,220
-	-	2,064,342
-	2,503,642	6,364,220
-	31,104	114,886
-	96,761	96,761
-	-	60,862
-	85,767	87,455
-	1,414,173	4,219,144
-	-	10,200,000
-	-	3,847,626
-	16,993	149,148
-	11,796	36,443
<u>\$ 947,098</u>	<u>\$ 21,285,192</u>	<u>\$ 75,705,166</u>
\$ -	\$ 306,074	\$ 652,004
791,542	-	2,791,542
-	33,848	142,742
-	-	100,387
-	79,425	87,455
-	30,428	130,169
-	725,652	3,806,988
-	-	67,418
<u>791,542</u>	<u>1,175,427</u>	<u>7,778,705</u>
-	2,320,618	5,898,975
-	170,840	434,273
-	-	22,758
-	96,761	96,761
-	-	817,997
-	121,150	1,849,066
-	652,462	678,061
-	-	10,200,000
-	<u>3,361,831</u>	<u>19,997,891</u>
-	28,789	6,992,983
-	5,979,021	15,569,121
155,556	6,119,781	6,523,655
-	4,777,879	8,454,178
-	(157,536)	10,388,633
<u>155,556</u>	<u>16,747,934</u>	<u>47,928,570</u>
<u>\$ 947,098</u>	<u>\$ 21,285,192</u>	<u>\$ 75,705,166</u>

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CLINTON COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

Total governmental fund balances		\$	47,928,570
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			49,995,561
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Sales taxes receivable	\$	817,997	
Real and other taxes receivable		434,273	
Intergovernmental receivable		2,527,127	
Special assessments receivable		96,761	
Accrued interest receivable		22,758	
Note receivable - sale of hospital		10,200,000	
Total		14,098,916	14,098,916
On the statement of net position interest is accrued on outstanding bonds and loans payable, whereas in the governmental funds, interest is accrued when due.			(13,315)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			52,192
Unamortized premiums on bond issuances are not recognized in the governmental funds.			(20,692)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(1,031,208)	
Special assessments		(9,851)	
Capital lease payable		(78,477)	
General obligation bonds payable		(4,260,000)	
Loan payable		(38,758)	
Total		(5,418,294)	(5,418,294)
Net position of governmental activities		\$	106,622,938

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	County Board of DD	Motor Vehicle & Gas Tax	Martinsville- Midland Sewer
Revenues:				
Real and other taxes	\$ 2,251,384	\$ 1,469,243	\$ -	\$ -
Sales taxes	7,834,179	-	70,614	-
Charges for services	2,534,099	147,469	357,441	283,540
Licenses and permits	2,376	-	-	-
Fines and forfeitures	72,343	-	257,141	2,950
Intergovernmental	1,311,855	1,689,807	4,067,794	-
Special assessments	-	-	-	-
Investment income	833,601	389	-	-
Rental income	304,363	-	-	-
Other	263,943	35,545	75,251	42
Total revenues	15,408,143	3,342,453	4,828,241	286,532
Expenditures:				
Current:				
General government:				
Legislative and executive	5,252,427	-	-	-
Judicial	2,590,304	-	-	-
Public safety	5,176,010	-	-	-
Public works	-	-	4,912,518	102,496
Health	-	3,937,532	-	-
Human services	313,069	-	-	-
Conservation and recreation	-	-	-	-
Other	-	-	-	-
Capital outlay	67,808	-	-	-
Debt service:				
Principal retirement	29,540	-	2,844	-
Interest and fiscal charges	3,043	-	615	-
Total expenditures	13,432,201	3,937,532	4,915,977	102,496
Excess (deficiency) of revenues over (under) expenditures	1,975,942	(595,079)	(87,736)	184,036
Other financing sources (uses):				
Sale of capital assets	40,426	5,822	54,501	-
Capital lease transaction	67,808	-	-	-
Transfers in	-	-	1,001	-
Transfers (out)	(4,462,858)	(137,000)	-	-
Proceeds from sale of hospital	1,700,000	-	-	-
Other financing sources	-	-	-	-
Other financing (uses)	-	-	-	-
Total other financing sources (uses)	(2,654,624)	(131,178)	55,502	-
Special item - transfer of proceeds from sale of hospital	2,903,659	-	-	-
Net change in fund balances	2,224,977	(726,257)	(32,234)	184,036
Fund balances (deficit) at beginning of year (restated)	21,670,679	8,345,305	2,061,521	(2,702,947)
Fund balances (deficit) at end of year	\$ 23,895,656	\$ 7,619,048	\$ 2,029,287	\$ (2,518,911)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Emergency Communications Systems	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,099,659	\$ 5,820,286
-	-	7,904,793
-	1,445,247	4,767,796
-	133,963	136,339
-	98,022	430,456
-	7,879,819	14,949,275
-	113,097	113,097
-	36	834,026
-	-	304,363
10,000	202,159	586,940
<u>10,000</u>	<u>11,972,002</u>	<u>35,847,371</u>
-	1,061,808	6,314,235
-	306,639	2,896,943
1,772,552	824,723	7,773,285
-	270,748	5,285,762
-	95,908	4,033,440
-	7,944,062	8,257,131
-	202,928	202,928
-	5,789	5,789
2,974,280	1,237,796	4,279,884
-	503,095	535,479
-	174,129	177,787
<u>4,746,832</u>	<u>12,627,625</u>	<u>39,762,663</u>
<u>(4,736,832)</u>	<u>(655,623)</u>	<u>(3,915,292)</u>
-	-	100,749
-	5,120	72,928
4,442,584	156,273	4,599,858
-	-	(4,599,858)
-	-	1,700,000
-	1,941,370	1,941,370
-	(1,941,370)	(1,941,370)
<u>4,442,584</u>	<u>161,393</u>	<u>1,873,677</u>
-	-	2,903,659
(294,248)	(494,230)	862,044
<u>449,804</u>	<u>17,242,164</u>	<u>47,066,526</u>
<u>\$ 155,556</u>	<u>\$ 16,747,934</u>	<u>\$ 47,928,570</u>

CLINTON COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total governmental funds	\$	862,044
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 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 outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 6,353,658	
Current year depreciation	<u>(2,484,918)</u>	
Total		3,868,740
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(230,504)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes	116,425	
Real and other taxes	(24,086)	
Intergovernmental revenues	(749,169)	
Special assessments	(15,475)	
Investment income	10,442	
Sale of hospital	<u>(1,700,000)</u>	
Total		(2,361,863)
 Proceeds of capital leases are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(72,928)
 Repayment of bond, loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		535,479
 In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in accrued interest payable	1,152	
Amortization of deferred amounts on refunding	(10,438)	
Amortization of bond premiums	<u>4,209</u>	
Total		(5,077)
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>74,958</u>
Change in net position of governmental activities	\$	<u><u>2,670,849</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real and other taxes	\$2,274,696	\$2,181,653	\$2,251,977	\$ 70,324
Sales taxes	8,083,204	7,752,575	7,752,575	-
Charges for services.	2,065,428	1,980,945	1,980,945	-
Licenses and permits	2,477	2,376	2,376	-
Fines and forfeitures	75,536	72,446	72,446	-
Intergovernmental.	1,372,105	1,315,981	1,315,981	-
Investment income.	622,005	596,563	596,563	-
Rental income	325,963	312,630	312,630	-
Other	266,410	255,513	258,138	2,625
Total revenues	15,087,824	14,470,682	14,543,631	72,949
Expenditures:				
Current:				
General government:				
Legislative and executive	5,275,365	5,450,726	5,244,058	206,668
Judicial.	2,839,252	2,862,092	2,666,011	196,081
Public safety	5,103,143	5,143,242	4,965,569	177,673
Human services.	341,449	341,398	324,210	17,188
Total expenditures	13,559,209	13,797,458	13,199,848	597,610
Excess of revenues over expenditures	1,528,615	673,224	1,343,783	670,559
Other financing sources (uses):				
Sale of capital assets.	45,304	43,451	43,451	-
Advances in and not repaid	109,478	105,000	105,000	-
Advances (out) and not repaid	-	(5,000)	(5,000)	-
Transfers (out).	(179,182)	(4,642,040)	(4,642,040)	-
Proceeds from sale of hospital.	-	4,200,000	4,200,000	-
Total other financing sources (uses)	(24,400)	(298,589)	(298,589)	-
Net change in fund balances	1,504,215	374,635	1,045,194	670,559
Fund balance at beginning of year.	8,448,573	8,448,573	8,448,573	-
Prior year encumbrances appropriated . . .	195,425	195,425	195,425	-
Fund balance at end of year	\$ 10,148,213	\$ 9,018,633	\$ 9,689,192	\$ 670,559

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF DEVELOPMENTAL DISABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Real and other taxes.	\$2,843,931	\$1,452,553	\$1,469,688	\$ 17,135
Charges for services.	145,471	178,090	180,191	2,101
Intergovernmental.	1,304,195	1,596,639	1,615,474	18,835
Investment income.	314	384	389	5
Other	28,696	35,131	35,545	414
Total revenues	<u>4,322,607</u>	<u>3,262,797</u>	<u>3,301,287</u>	<u>38,490</u>
Expenditures:				
Current:				
Health	4,885,250	6,256,259	5,328,248	928,011
Total expenditures	<u>4,885,250</u>	<u>6,256,259</u>	<u>5,328,248</u>	<u>928,011</u>
Excess of expenditures over revenues	<u>(562,643)</u>	<u>(2,993,462)</u>	<u>(2,026,961)</u>	<u>966,501</u>
Other financing sources (uses):				
Sale of capital assets.	7,623	5,754	5,822	68
Transfers in	654,685	494,171	500,000	5,829
Transfers (out).	-	(637,000)	(637,000)	-
Total other financing sources (uses)	<u>662,308</u>	<u>(137,075)</u>	<u>(131,178)</u>	<u>5,897</u>
Net change in fund balances	99,665	(3,130,537)	(2,158,139)	972,398
Fund balance at beginning of year.	7,682,347	7,682,347	7,682,347	-
Prior year encumbrances appropriated . . .	95,012	95,012	95,012	-
Fund balance at end of year	<u>\$ 7,877,024</u>	<u>\$ 4,646,822</u>	<u>\$ 5,619,220</u>	<u>\$ 972,398</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE AND GAS TAX
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales taxes	\$75,712	\$68,126	\$70,351	\$ 2,225
Charges for services.	374,324	336,815	347,818	11,003
Fines and forfeitures	264,326	237,839	245,609	7,770
Intergovernmental.	4,059,603	3,652,816	4,055,946	403,130
Other	93,891	84,483	87,243	2,760
Total revenues	<u>4,867,856</u>	<u>4,380,079</u>	<u>4,806,967</u>	<u>426,888</u>
Expenditures:				
Current:				
Public works	5,467,102	5,577,500	5,127,310	450,190
Total expenditures	<u>5,467,102</u>	<u>5,577,500</u>	<u>5,127,310</u>	<u>450,190</u>
Excess of expenditures over revenues	(599,246)	(1,197,421)	(320,343)	877,078
Other financing sources:				
Sale of capital assets.	58,654	52,777	54,501	1,724
Transfers in	1,077	969	1,001	32
Total other financing sources	<u>59,731</u>	<u>53,746</u>	<u>55,502</u>	<u>1,756</u>
Net change in fund balances	(539,515)	(1,143,675)	(264,841)	878,834
Fund balance at beginning of year.	1,530,676	1,530,676	1,530,676	-
Prior year encumbrances appropriated . . .	84,151	84,151	84,151	-
Fund balance at end of year	<u>\$ 1,075,312</u>	<u>\$ 471,152</u>	<u>\$ 1,349,986</u>	<u>\$ 878,834</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MARTINSVILLE-MIDLAND SANITARY SEWER
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 252,667	\$ 283,199	\$ 283,199	\$ -
Fines and forfeitures	2,632	2,950	2,950	-
Other	37	42	42	-
Total revenues	<u>255,336</u>	<u>286,191</u>	<u>286,191</u>	<u>-</u>
Expenditures:				
Current:				
Public works	<u>156,277</u>	<u>162,381</u>	<u>110,119</u>	<u>52,262</u>
Total expenditures	<u>156,277</u>	<u>162,381</u>	<u>110,119</u>	<u>52,262</u>
Excess of revenues over expenditures	<u>99,059</u>	<u>123,810</u>	<u>176,072</u>	<u>52,262</u>
Other financing (uses):				
Advances (out)	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total other financing (uses).	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balances	99,059	23,810	76,072	52,262
Fund balance at beginning of year.	475,211	475,211	475,211	-
Prior year encumbrances appropriated . . .	<u>2,981</u>	<u>2,981</u>	<u>2,981</u>	<u>-</u>
Fund balance at end of year	<u>\$ 577,251</u>	<u>\$ 502,002</u>	<u>\$ 554,264</u>	<u>\$ 52,262</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activity
	Nonmajor Enterprise Fund
Nonoperating revenues (expenses):	
Loss on investments	\$ (1,471)
Other nonoperating revenues.	66,338
Other nonoperating expenses	(316)
Total nonoperating revenues (expenses)	64,551
Income before special item	64,551
Special item - transfer of hospital proceeds from sale of hospital.	(2,903,659)
Change in net position	(2,839,108)
Net position at beginning of year	2,839,108
Net position at end of year	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activity
	Nonmajor Enterprise Fund
Cash flows from noncapital financing activities:	
Cash used in transfers out	\$ (1,034,832)
Nonoperating revenues	878
Nonoperating (expenses)	(212,355)
Net cash used in noncapital financing activities.	(1,246,309)
Cash flows from investing activities:	
Change in investments, net	(12,179)
Loss on investments	(1,471)
Net cash used in investing activities	(13,650)
Net decrease in cash and cash equivalents.	(1,259,959)
Cash and cash equivalents at beginning of year	1,259,959
Cash and cash equivalents at end of year	\$ -

Non-cash transaction:
Investments of \$1,977,416 were transferred to the County in 2015.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 13,900	\$ 3,834,098
Cash in segregated accounts.	-	591,336
Receivables:		
Real and other taxes.	-	31,492,380
Accounts	-	23,126
Special assessments	-	317,886
Due from other governments.	-	1,943,137
	<hr/>	<hr/>
Total assets.	13,900	\$ 38,201,963
	<hr/>	<hr/>
Liabilities:		
Due to other governments	-	\$ 2,193,631
Deposits held and due to others	-	35,967,694
Loans from other funds.	-	40,638
	<hr/>	<hr/>
Total liabilities	-	\$ 38,201,963
	<hr/>	<hr/>
Net position:		
Held in trust for scholarships.	13,900	
	<hr/>	
Total net position	\$ 13,900	
	<hr/>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Private-Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Contributions and donations.	\$ 23,000
Total additions	<u>23,000</u>
Deductions:	
Benefits	<u>22,687</u>
Total deductions.	<u>22,687</u>
Change in net position.	313
Net position at beginning of year.	<u>13,587</u>
Net position at end of year	<u>\$ 13,900</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's Board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County. GASB Statement No. 39 amends GASB Statement No. 14 to include PCU's that raise and hold economic resources for the direct benefit of the County as a component unit. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the financial statements incomplete or misleading.

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

BLENDED COMPONENT UNITS

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

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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

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

DISCRETELY PRESENTED COMPONENT UNIT

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

RELATED ORGANIZATIONS

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

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

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

JOINTLY GOVERNED ORGANIZATION

The County is a member of the Southern Ohio Council of Governments (the SOCOG), which is a jointly governed organization under Ohio Revised Code Section 167.01. The governing body consists of a fifteen member Board with each participating County represented by its Director of its Board of Developmental Disabilities (DD). Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto and Vinton Counties. The SOCOG acts as fiscal agent for the Clinton County Board of DD's supportive living program monies. During 2014, the SOCOG received no supportive living monies from Clinton County and as of December 31, 2014, the County had a \$1,460,058 balance on hand with the SOCOG. Financial statements can be obtained from the SOCOG at 126 E. Second St., Suite C, Chillicothe, Ohio, 45601.

JOINT VENTURE WITHOUT EQUITY INTEREST

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

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

RISK POOL

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

B. Basis of Presentation

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

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

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

C. Fund Accounting

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

Governmental 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, deferred outflows, liabilities and deferred inflows is reported as fund balance.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

The following are the County's major governmental funds:

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

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

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

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

Emergency Communications System - This fund accounts for the construction of the Emergency Communication System towers and purchase of related capital equipment.

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

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

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

Former County Hospital - This fund accounts for the wind-down costs of the former Clinton Memorial Hospital.

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

D. Measurement Focus

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and 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 funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

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

E. Basis of Accounting

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the County that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the County that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows on the governmental fund financial statements.

For current refunding and advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources.

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

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

F. Budgetary Data

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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

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

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

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the final amended certificate issued during 2012.

Appropriations - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2014 are included in the final budget amounts in the budget-to-actual comparisons.

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

G. Cash and Investments

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

During 2014, investments were limited to federal agency securities, U.S. Government treasury notes, U.S. Government money markets and repurchase agreements.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during 2014 amounted to \$833,601 which includes \$679,218 assigned from other County funds.

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

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

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

H. Inventories of Materials and Supplies

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

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

Inventory consists of expendable supplies held for consumption.

I. Capital Assets

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2014, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

L. Accrued Liabilities and Long-term Obligations

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

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

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

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

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

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from refunding are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 12.

N. Interfund Transactions

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the General fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General fund, assigned amounts represent intended uses established by policies of the Board of Commissioners.

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

P. Budget Stabilization Arrangement

Pursuant to Ohio Revised Code Section 5705.13, on August 20, 2012, the County established a reserve balance account, in the General fund, in the amount of \$2,103,795, to be used in emergencies for operational expenditures. The balance of the reserve balance account at December 31, 2014 is \$2,000,000. This amount is reported as a component of unassigned fund balance in the General fund and unrestricted net position in the governmental activities.

Q. Net Position

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

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

R. Estimates

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. On December 26, 2014, the Board of Trustees of the Former County Hospital passed a resolution to transfer the excess funds held in the name of the Former County Hospital to oversee the wind-down operations of the former Clinton Memorial Hospital. The funds of the Former County Hospital were accounted for in an enterprise fund of the County. During 2014, a special item has been reported to transfer \$2,903,659 from the enterprise fund to the general fund. During 2014, a special item has been reported for the Port Authority for forgiveness of debt (see Note 12.C for detail).

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2014, the County has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the County.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the County.

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

- i. Net position of the governmental activities at December 31, 2013, has been restated for the following reasons: (a) to reclassify the Marriage License Fees and Bid Trust funds from special revenue funds to agency funds to properly reflect the funds' intended purpose; (b) to reclassify the Emergency Management Agency fund from an agency fund to a nonmajor special revenue fund to properly reflect the fund's intended purpose; and (c) to restate capital assets for land omitted in prior years.

The fund reclassifications had the following effect on net position of governmental activities as previously reported:

	Govenmental Activities
Net position, previously reported at December 31, 2013	\$ 102,527,191
Adjustment for fund reclassifications:	
Marriage License Fees	(7,816)
Bid Trust	(108,657)
Emergency Management Agency	60,614
Total adjustment for fund reclassifications	(55,859)
Adjustment for capital assets	1,480,757
Net position, restated at December 31, 2013	\$ 103,952,089

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

In addition to the nonmajor fund reclassifications discussed above, the Health Insurance Depository fund, which was reported as an internal service fund in 2013, was reclassified to be reported as a component of the General fund at January 1, 2014. The fund reclassifications had the following effect on fund balances of the governmental funds and internal service fund as previously reported:

	<u>General</u>	<u>Other Governmental</u>	<u>Internal Service</u>
Fund balance, previously reported at December 31, 2013	\$ 21,572,089	\$ 17,298,023	\$ 98,590
Adjustment for fund reclassifications:			
Health Insurance Depository	98,590	-	(98,590)
Marriage License Fees	-	(7,816)	-
Bid Trust	-	(108,657)	-
Emergency Management Agency	-	60,614	-
Fund balance, restated at December 31, 2013	<u>\$ 21,670,679</u>	<u>\$ 17,242,164</u>	<u>\$ -</u>

- ii. Net position and the capital asset balances of the Port Authority at December 31, 2013, have been restated to reduce land for a duplicate parcel reported in prior years and to reduce accumulated depreciation for fuel farm tanks that are idle and have not been used since being donated to the Port Authority in 2010 and are no longer being depreciated (see Note 9.B for detail on the adjustments to capital assets). The restatement for capital assets had the following effect on net position as previously reported:

	<u>Clinton County Port Authority</u>
Net position, previously reported at December 31, 2013	\$ 60,131,990
Adjustment for capital assets:	
Duplicate land parcel	(3,501,801)
Accumulated depreciation on idle assets	<u>694,418</u>
Net position, restated at December 31, 2013	<u>\$ 57,324,607</u>

C. Deficit Fund Balances

<u>Major fund</u>	<u>Deficit</u>
Martinsville-Midland Sewer	\$ 2,518,911
<u>Nonmajor governmental funds</u>	
Park District	5,151
Law Enforcement Trust	1,747
U.S. 68 Corridor Study Grant	24,750
Special Assessment Bond Retirement	3,501
Martinsville-Midland Sewer Bond Retirement	49,516
Martinsville-Midland Sanitary Project	72,871

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

D. Compliance

The County had negative cash balances in the following funds at December 31, 2014, indicating that revenues from other sources were used to pay obligations of the funds contrary to Ohio Revised Code Section 5705.10.

<u>Agency funds</u>	<u>Deficit</u>
Township Gas Tax	\$ 4,813
Local Government	21,829
Estate Tax Second Half	13,996

For GAAP purposes, the negative amounts have been reported as a fund liability in the General fund (See Note 5.B).

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's Asset Reserve of Ohio Investment Pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in 1 or 2 above or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

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

A. Cash on Hand

At year end, the County had \$103,041 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

B. Cash and Cash Equivalents in Segregated Accounts

At year end, the County had \$591,336 in cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the carrying amount of the County's deposits.

C. Cash with Escrow Agent

At year end, the County had \$3,000,404 in cash and cash equivalents on deposit in escrow accounts with Bank of America and National Bank and Trust. This amount has been excluded from the total amount of deposits below as it is not part of the County's internal investment pool.

D. Cash with Fiscal Agent

At year end, the County had \$1,460,058 in monies held by SOCOG as fiscal agent. This amount has been excluded from the total amount of deposits below as it is not part of the County's internal investment pool.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all County deposits was \$11,213,793. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2014, \$10,510,494 of the County’s bank balance of \$11,602,937 was exposed to custodial risk as discussed below, while \$1,092,443 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

F. Investments

As of December 31, 2014, the County had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLB	\$ 13,072,533	\$ 356,391	\$ 398,042	\$ 49,992	\$ -	\$ 12,268,108
FFCB	239,885	-	239,885	-	-	-
FHLMC	6,947,476	50,056	175,223	50,016	-	6,672,181
FHLMC discount note	149,978	149,978	-	-	-	-
FNMA	15,323,903	55,035	269,572	79,996	-	14,919,300
FNMA discount note	29,999	29,999	-	-	-	-
U.S. treasury note	45,035	45,035	-	-	-	-
U.S. government money market	28,196	28,196	-	-	-	-
Repurchase agreement	1,289,312	1,289,312	-	-	-	-
Total	\$ 37,126,317	\$ 2,004,002	\$ 1,082,722	\$ 180,004	\$ -	\$ 33,859,589

The weighted average length to maturity is 3.28 years.

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 13,072,533	35.21%
FFCB	239,885	0.65%
FHLMC	6,947,476	18.71%
FHLMC discount note	149,978	0.40%
FNMA	15,323,903	41.28%
FNMA discount note	29,999	0.08%
U.S. treasury note	45,035	0.12%
U.S. government money market	28,196	0.08%
Repurchase agreement	1,289,312	3.47%
Total	<u>\$ 37,126,317</u>	<u>100%</u>

G. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,213,793
Investments	37,126,317
Cash on hand	103,041
Cash with fiscal agent	1,460,058
Cash with escrow agent	<u>3,000,404</u>
Total	<u>\$ 52,903,613</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 48,464,279
Fiduciary funds	<u>4,439,334</u>
Total	<u>\$ 52,903,613</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

H. Component Unit

At December 31, 2014, the carrying amount of the Port Authority's demand deposits was \$3,794,904 and the bank balance was \$3,887,425. \$250,000 of the Port Authority's bank balance was covered by the FDIC, while \$3,637,425 was exposed to custodial credit risk.

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2014, consisted of the following, as reported on the fund financial statements:

<u>Transfers from General fund to:</u>	
Motor Vehicle and Gas Tax	\$ 1,001
Emergency Communications System	4,442,584
Nonmajor governmental funds	19,273
 <u>Transfer from County Board of DD to:</u>	
Nonmajor governmental fund	<u>137,000</u>
 Total	 <u>\$ 4,599,858</u>

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

- B.** Short-term loans to other funds consisted of the following at December 31, 2014, as reported on the fund financial statements:

<u>Loans to other funds</u>	<u>Loans from other funds</u>	<u>Amount</u>
General	Agency	\$ 40,638

The primary purpose of the interfund loans is to cover negative cash in various governmental funds and to cover costs in funds where revenues were not received by December 31, 2014. The interfund loans are expected to be repaid within the next year.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Long-term loans to and from other funds at December 31, 2014, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Martinsville-Midland Sewer	\$ 3,081,336
General	Nonmajor governmental	<u>725,652</u>
Total		<u>\$ 3,806,988</u>

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

Long-term loans to and from other funds from the General fund to the Martinsville-Midland Sewer fund amount to \$3,081,336 at December 31, 2014. The purpose of the loan was to provide funds to retire the balance of the OPWC loan and USDA bonds issued to finance the construction of Midland sewer. The Martinsville-Midland Sewer fund is scheduled to repay the General fund no less than \$100,000 per year until the General fund is fully reimbursed the cost of retiring the debt or upon further resolution by the County Commissioners. The loan is interest-free. The Martinsville-Midland Sewer fund repaid the General fund \$100,000 as scheduled during 2014.

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

- D. Due from/to other funds consisted of the following at December 31, 2014, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
Motor Vehicle and Gas Tax	General	\$ 1,014
	Nonmajor governmental funds	<u>674</u>
		<u>1,688</u>
Nonmajor governmental fund - Public assistance	General	2,872
	Board of DD	4,144
	Nonmajor governmental funds	<u>78,751</u>
		<u>85,767</u>
Total		<u>\$ 87,455</u>

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2014 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2014 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow.

The full tax rate for all County operations for the year ended December 31, 2014 was \$9.15 per \$1,000 of assessed value. The assessed value upon which 2014 property taxes were collected was \$964,047,780.

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited entirely to the General fund and special revenue funds. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue on the fund financial statements to the extent that they are intended to finance 2014 operations. On the government-wide financial statements, the entire receivable amount is recorded as revenue. Sales and use tax revenue for 2014 amounted to \$7,904,793 in the governmental funds.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 8 - RECEIVABLES

Receivables at December 31, 2014, consisted of taxes, accounts (billings for user charged services), notes, accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the balance sheet. Receivables have been recorded to the extent that they are measurable at December 31, 2014, as well as intended to finance 2014 operations.

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

Governmental activities:

Sales taxes	\$	2,064,342
Real estate and other taxes		6,364,220
Accounts		114,886
Notes		10,200,000
Special assessments		96,761
Accrued interest		60,862
Due from other governments		4,219,144

Receivables have been disaggregated on the face of the balance sheet. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment and the \$10,200,000 in notes receivable for the deferred purchase of the sale of the hospital. The County will receive \$1,700,000 annually over the next six years.

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CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS

A. Primary Government

Capital assets have been restated at December 31, 2013 to include \$1,480,757 in land that was omitted in prior years. Capital asset activity for the year ended December 31, 2014, was as follows:

	(Restated)			
	Balance			Balance
<u>Governmental activities:</u>	<u>12/31/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/14</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,542,637	\$ 385,030	\$ (1,568)	\$ 2,926,099
Construction in progress	<u>1,092,814</u>	<u>3,178,544</u>	<u>(4,221,581)</u>	<u>49,777</u>
Total capital assets, not being depreciated	<u>3,635,451</u>	<u>3,563,574</u>	<u>(4,223,149)</u>	<u>2,975,876</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	210,001	48,267	-	258,268
Buildings and improvements	20,792,273	1,159,735	-	21,952,008
Equipment	4,308,630	3,175,409	(318,214)	7,165,825
Software	661,105	-	(6,450)	654,655
Vehicles	3,001,705	408,826	(670,668)	2,739,863
Infrastructure	<u>44,894,328</u>	<u>2,219,428</u>	<u>-</u>	<u>47,113,756</u>
Total capital assets, being depreciated	<u>73,868,042</u>	<u>7,011,665</u>	<u>(995,332)</u>	<u>79,884,375</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(114,692)	(7,093)	-	(121,785)
Buildings and improvements	(7,361,113)	(412,005)	-	(7,773,118)
Equipment	(2,744,283)	(382,116)	122,916	(3,003,483)
Software	(337,151)	(61,929)	6,450	(392,630)
Vehicles	(2,178,082)	(188,521)	637,030	(1,729,573)
Infrastructure	<u>(18,410,847)</u>	<u>(1,433,254)</u>	<u>-</u>	<u>(19,844,101)</u>
Total accumulated depreciation	<u>(31,146,168)</u>	<u>(2,484,918)</u>	<u>766,396</u>	<u>(32,864,690)</u>
Total capital assets, being depreciated net	<u>42,721,874</u>	<u>4,526,747</u>	<u>(228,936)</u>	<u>47,019,685</u>
Governmental activities capital assets, net	<u>\$ 46,357,325</u>	<u>\$ 8,090,321</u>	<u>\$ (4,452,085)</u>	<u>\$ 49,995,561</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS - (Continued)

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

Governmental activities:	
Legislative and executive	\$ 316,525
Judicial	16,775
Public safety	360,118
Public works	1,663,662
Health	75,976
Human services	<u>51,862</u>
Total depreciation expense - governmental activities	<u>\$ 2,484,918</u>

B. Component Unit Capital Assets

The capital asset balances of the Port Authority were restated at January 1, 2014, to properly state land an accumulated depreciation balances, as follows:

	Balance		Restated
	<u>12/31/13</u>	<u>Adjustment</u>	<u>Balance</u>
<u>Port Authority:</u>			<u>1/01/14</u>
<i>Capital assets not being depreciated:</i>			
Land	\$ 19,088,500	\$ (3,501,801)	\$ 15,586,699
Construction in progress	<u>7,525,668</u>	<u>-</u>	<u>7,525,668</u>
Total capital assets not being depreciated	<u>26,614,168</u>	<u>(3,501,801)</u>	<u>23,112,367</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	28,350,100	-	28,350,100
Buildings and improvements	8,150,800	-	8,150,800
Vehicles and equipment	<u>6,112,000</u>	<u>-</u>	<u>6,112,000</u>
Total capital assets, being depreciated	<u>42,612,900</u>	<u>-</u>	<u>42,612,900</u>
<i>Less: accumulated depreciation:</i>			
Land improvements	(3,658,270)	-	(3,658,270)
Buildings and improvements	(570,556)	-	(570,556)
Vehicles and equipment	<u>(1,208,500)</u>	<u>694,418</u>	<u>(514,082)</u>
Total accumulated depreciation	<u>(5,437,326)</u>	<u>694,418</u>	<u>(4,742,908)</u>
Total capital assets, being depreciated, net	<u>37,175,574</u>	<u>694,418</u>	<u>37,869,992</u>
Total capital assets, net	<u>\$ 63,789,742</u>	<u>\$ (2,807,383)</u>	<u>\$ 60,982,359</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS - (Continued)

A summary of the changes in the Port Authority's capital assets during 2014 follows:

<u>Port Authority:</u>	Restated Balance <u>1/01/14</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/14</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,586,699	\$ -	\$ -	\$ 15,586,699
Construction in progress	<u>7,525,668</u>	<u>7,987,517</u>	<u>(15,513,185)</u>	<u>-</u>
Total capital assets not being depreciated	<u>23,112,367</u>	<u>7,987,517</u>	<u>(15,513,185)</u>	<u>15,586,699</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	28,350,100	31,445	-	28,381,545
Buildings and improvements	8,150,800	15,513,185	-	23,663,985
Vehicles and equipment	<u>6,112,000</u>	<u>143,476</u>	<u>-</u>	<u>6,255,476</u>
Total capital assets, being depreciated	<u>42,612,900</u>	<u>15,688,106</u>	<u>-</u>	<u>58,301,006</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(3,658,270)	(1,046,006)	-	(4,704,276)
Buildings and improvements	(570,556)	(318,148)	-	(888,704)
Vehicles and equipment	<u>(514,082)</u>	<u>(164,563)</u>	<u>-</u>	<u>(678,645)</u>
Total accumulated depreciation	<u>(4,742,908)</u>	<u>(1,528,717)</u>	<u>-</u>	<u>(6,271,625)</u>
Total capital assets, being depreciated, net	<u>37,869,992</u>	<u>14,159,389</u>	<u>-</u>	<u>52,029,381</u>
Total capital assets, net	<u>\$ 60,982,359</u>	<u>\$ 22,146,906</u>	<u>\$ (15,513,185)</u>	<u>\$ 67,616,080</u>

At December 31, 2014, the Port Authority had idle equipment with a carrying value of \$3,968,100.

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE

During 2014, the County entered into capital leases for the acquisition of copier equipment. In prior years, the County entered into capitalized leases for the acquisition of copiers and a ballot printing system. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Governmental activities capital assets consisting of equipment have been capitalized in the amount of \$93,713. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the amount of \$32,566 and \$3,726, respectively, were made during 2014.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2014:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	\$ 23,683
2016	21,992
2017	18,540
2018	16,805
2019	<u>12,000</u>
Total	93,020
Less: amount representing interest	<u>(14,543)</u>
Present value of net minimum lease payments	<u>\$ 78,477</u>

NOTE 11 - COMPENSATED ABSENCES

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

Upon termination of County service, employees are entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 30 days and all accumulated vacation. At December 31, 2014, vested benefits for vacation leave for governmental activities employees totaled \$749,144 and vested benefits for sick leave totaled \$382,452.

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CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2014, the following changes occurred in the County's governmental long-term obligations:

Governmental activities:	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 12/31/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/14</u>	<u>Amount Due in One Year</u>
<u>General Obligation Bonds:</u>							
Various Purpose Refunding Bonds 2.23 - 3.75%	6/1/2009	12/1/2019	\$ 2,015,000	\$ -	\$ (310,000)	\$ 1,705,000	\$ 320,000
Haines Ditch Project Bonds 5.25-6.00%	12/1/2006	12/1/2014	15,000	-	(15,000)	-	-
Fairground/Public Service Agency Building Bond - 3.73-4.125%	3/27/2008	12/1/2027	<u>2,705,000</u>	-	<u>(150,000)</u>	<u>2,555,000</u>	<u>155,000</u>
Total general obligation bonds			<u>4,735,000</u>	-	<u>(475,000)</u>	<u>4,260,000</u>	<u>475,000</u>
<u>Special Assessment Bond:</u>							
Ditch Construction - 5.00%	10/25/2010	9/1/2015	<u>19,221</u>	-	<u>(9,370)</u>	<u>9,851</u>	<u>9,851</u>
Total special assessment bond			<u>19,221</u>	-	<u>(9,370)</u>	<u>9,851</u>	<u>9,851</u>
<u>Special Assessment Notes:</u>							
Nance Road Ditches - 5.075%	8/31/2009	9/1/2014	5,301	-	(5,301)	-	-
Port William Road Ditches - 5.075%	8/31/2009	9/1/2014	<u>1,325</u>	-	<u>(1,325)</u>	-	-
Total special assessment notes			<u>6,626</u>	-	<u>(6,626)</u>	-	-
<u>Other Long-Term Obligations:</u>							
Loan payable			50,675	-	(11,917)	38,758	12,405
Compensated absences			1,269,758	400,880	(539,042)	1,131,596	506,259
Capital leases			<u>38,115</u>	<u>72,928</u>	<u>(32,566)</u>	<u>78,477</u>	<u>18,141</u>
Total other long-term obligations			<u>1,358,548</u>	<u>473,808</u>	<u>(583,525)</u>	<u>1,248,831</u>	<u>536,805</u>
Total general long-term obligations			<u>\$ 6,119,395</u>	<u>\$ 473,808</u>	<u>\$ (1,074,521)</u>	5,518,682	<u>\$ 1,021,656</u>
Add: unamortized premium on bond issue						<u>20,691</u>	
Total reported on the statement of net position						<u>\$ 5,539,373</u>	

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

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

The assets held in trust as a result of the advance refunding described above are not included in the accompanying BFS. At December 31, 2014, \$1,610,000 of the refunded bonds being held by escrow agent are still outstanding.

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

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

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

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

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

Year Ending December 31,	General Obligation Bonds			Special Assessment Bond		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 475,000	\$ 157,175	\$ 632,175	\$ 9,851	\$ 375	\$ 10,226
2016	490,000	142,950	632,950	-	-	-
2017	505,000	127,050	632,050	-	-	-
2018	530,000	109,813	639,813	-	-	-
2019	540,000	90,386	630,386	-	-	-
2020 - 2024	1,010,000	270,640	1,280,640	-	-	-
2025 - 2027	710,000	59,194	769,194	-	-	-
Total	<u>\$ 4,260,000</u>	<u>\$ 957,208</u>	<u>\$ 5,217,208</u>	<u>\$ 9,851</u>	<u>\$ 375</u>	<u>\$ 10,226</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

Year Ending December 31,	Loan Payable		
	Principal	Interest	Total
2015	\$ 12,405	\$ 1,445	\$ 13,850
2016	12,912	838	13,750
2017	13,441	409	13,850
Total	<u>\$ 38,758</u>	<u>\$ 2,692</u>	<u>\$ 41,450</u>

B. Legal Debt Margin

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to 3% of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000 plus 2-1/2% of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$24,075,376 as of December 31, 2014.

C. Component Unit Long-Term Obligations

During 2014, the following changes occurred in the Port Authority's long-term obligations:

Port Authority:	Balance	Additions	Reductions	Balance	Amount Due
	12/31/13			12/31/14	In One Year
Mortgage loan - Ag land	\$ 1,234,133	\$ -	\$ (25,601)	\$ 1,208,532	\$ 27,532
OEBF loan	5,869,851	3,185,149	(285,000)	8,770,000	300,000
LDI loan	879,586	715,414	(1,595,000)	-	-
166 loan	-	4,000,000	-	4,000,000	-
Total loans payable	<u>\$ 7,983,570</u>	<u>\$ 7,900,563</u>	<u>\$ (1,905,601)</u>	<u>13,978,532</u>	<u>\$ 327,532</u>
Less: Unamortized discount on loans				<u>(24,949)</u>	
Total long-term obligations				<u>\$ 13,953,583</u>	

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

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

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

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

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

Year Ending December 31,	Mortgage Loan			OEBF Loan		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 27,532	\$ 57,706	\$ 85,238	\$ 300,000	\$ 301,765	\$ 601,765
2016	28,723	56,515	85,238	300,833	305,164	605,997
2017	30,290	54,948	85,238	310,000	298,506	608,506
2018	31,776	53,462	85,238	315,834	291,692	607,526
2019	33,334	51,904	85,238	320,833	284,714	605,547
2020 - 2024	192,559	233,631	426,190	1,733,333	1,294,319	3,027,652
2025 - 2029	244,825	181,365	426,190	2,000,000	1,001,305	3,001,305
2030 - 2034	311,063	115,127	426,190	2,405,000	567,992	2,972,992
2035 - 2038	308,430	32,521	340,951	1,084,167	53,167	1,137,334
Total	<u>\$ 1,208,532</u>	<u>\$ 837,179</u>	<u>\$ 2,045,711</u>	<u>\$ 8,770,000</u>	<u>\$ 4,398,624</u>	<u>\$ 13,168,624</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

Year Ending December 31,	166 Loan		
	Principal	Interest	Total
2015	\$ -		\$ -
2016	176,731	49,449	226,180
2017	178,503	47,234	225,737
2018	180,292	44,998	225,290
2019	182,100	42,738	224,838
2020 - 2024	938,252	179,000	1,117,252
2025 - 2029	986,233	119,023	1,105,256
2030 - 2034	1,036,670	55,979	1,092,649
2035 - 2036	321,219	4,021	325,240
Total	<u>\$ 4,000,000</u>	<u>\$ 542,442</u>	<u>\$ 4,542,442</u>

NOTE 13 - RISK MANAGEMENT

A. General Insurance

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

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

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

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

B. Health Care, Vision, Dental and Life Insurance

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014 member and employer contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2014 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 12.00% and 13.00%, respectively. The County's contribution rate for 2014 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. For those plan members in law enforcement and public safety pension contributions were 16.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$1,571,655, \$1,726,180, and \$1,419,845, respectively; 95.93% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the Member-Directed Plan for 2014 were \$52,472 made by the County and \$37,479 made by the plan members.

B. State Teachers Retirement System of Ohio

Plan Description - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 9.50% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service credit; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For January 1, 2014 through June 30, 2014, plan members were required to contribute 11.00% of their annual covered salaries. For July 1, 2014 through December 31, 2014, plan members were required to contribute 12.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations for January 1, 2014 through June 30, 2014 and 14.00% was the portion used to fund pension obligations for July 1, 2014 through December 31, 2014. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14.00% for members and 14.00% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2014, 2013 and 2012 were \$10,805, \$9,731 and \$9,446, respectively; 100% has been contributed for 2014, 2013 and 2012.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2014 was 2.00%.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$253,924, \$128,794, and \$547,990, respectively; 95.93% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. State Teachers Retirement System of Ohio

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. From January 1, 2014 through June 30, 2014, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. From July 1, 2014 through December 31, 2014, STRS Ohio did not allocate any percentage of employer contributions to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2014, 2013 and 2012 were \$400, \$749 and \$727, respectively; 100% has been contributed for 2014, 2013 and 2012.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the General fund, County Board of Developmental Disabilities, Motor Vehicle and Gas Tax fund and Martinsville-Midland Sewer fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the General fund (GAAP basis), but have separate legally adopted budgets (budget basis).

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>County Board of DD</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Martinsville-Midland Sewer</u>
Budget basis	\$ 1,045,194	\$ (2,158,139)	\$ (264,841)	\$ 76,072
Net adjustment for revenue accruals	326,888	41,166	21,274	341
Net adjustment for expenditure accruals	27,216	1,131,995	34,412	(9,249)
Net adjustment for other financing sources (uses) accruals	85,169	-	-	100,000
Funds budgeted elsewhere	510,614	-	-	-
Encumbrances (budget basis)	<u>229,896</u>	<u>258,721</u>	<u>176,921</u>	<u>16,872</u>
GAAP basis	<u>\$ 2,224,977</u>	<u>\$ (726,257)</u>	<u>\$ (32,234)</u>	<u>\$ 184,036</u>

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

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 18 - CONDUIT DEBT OBLIGATION

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

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 113,981
County Board of DD	201,481
Motor Vehicle and Gas Tax	142,978
Emergency Communication System	61
Other Governmental Funds	<u>531,745</u>
Total	<u>\$ 990,246</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 20 - FUND BALANCE

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

Fund Balance	General	County Board of DD	Motor Vehicle & Gas Tax	Martinsville- Midland Sewer
Nonspendable:				
Long-term interfund loans	\$ 3,806,988	\$ -	\$ -	\$ -
Amount held in escrow	3,000,404	-	-	-
Materials and supplies inventory	15,420	7,564	1,663	-
Prepayments	<u>83,147</u>	<u>49,008</u>	<u>-</u>	<u>-</u>
Total nonspendable	<u>6,905,959</u>	<u>56,572</u>	<u>1,663</u>	<u>-</u>
Restricted:				
General government	-	-	-	-
Public safety	-	-	-	-
Capital projects	-	-	-	-
Human services programs	-	-	-	-
Public works	-	-	2,027,624	-
Health programs	<u>-</u>	<u>7,562,476</u>	<u>-</u>	<u>-</u>
Total restricted	<u>-</u>	<u>7,562,476</u>	<u>2,027,624</u>	<u>-</u>
Committed:				
General government	223,145	-	-	-
Public safety	25,173	-	-	-
Capital projects	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total committed	<u>248,318</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned:				
General government	124,368	-	-	-
Public safety	643,665	-	-	-
Capital projects	-	-	-	-
Human services programs	1,406	-	-	-
Health programs	<u>2,906,860</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assigned	<u>3,676,299</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned (deficit)	<u>13,065,080</u>	<u>-</u>	<u>-</u>	<u>(2,518,911)</u>
Total fund balances	<u>\$ 23,895,656</u>	<u>\$ 7,619,048</u>	<u>\$ 2,029,287</u>	<u>\$ (2,518,911)</u>

- (Continued)

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 20 - FUND BALANCE - (Continued)

Fund Balance	Emergency Communications System	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Long-term interfund loans	\$ -	\$ -	\$ 3,806,988
Amount held in escrow	-	-	3,000,404
Materials and supplies inventory	-	11,796	36,443
Prepayments	-	16,993	149,148
Total nonspendable	-	28,789	6,992,983
Restricted:			
General government	-	1,982,207	1,982,207
Public safety	-	543,183	543,183
Capital projects	-	51,328	51,328
Human services programs	-	2,625,837	2,625,837
Public works	-	728,145	2,755,769
Health programs	-	48,321	7,610,797
Total restricted	-	5,979,021	15,569,121
Committed:			
General government	-	-	223,145
Public safety	-	-	25,173
Capital projects	155,556	332,583	488,139
Debt service	-	5,787,198	5,787,198
Total committed	155,556	6,119,781	6,523,655
Assigned:			
General government	-	-	124,368
Public safety	-	-	643,665
Capital projects	-	4,777,879	4,777,879
Human services programs	-	-	1,406
Health programs	-	-	2,906,860
Total assigned	-	4,777,879	8,454,178
Unassigned (deficit)	-	(157,536)	10,388,633
Total fund balances	\$ 155,556	\$ 16,747,934	\$ 47,928,570

NOTE 21 - SIGNIFICANT SUBSEQUENT EVENT

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

CLINTON COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Supplemental Nutrition Assistance Program - Administrative Costs	G-1213-11-0022/G-1415-11-5342	10.561	\$ 182,054
Total U.S. Department of Agriculture			<u>182,054</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Health</i>			
Help Me Grow - Part C	N/A	84.181	128,219
Total U.S. Department of Education			<u>128,219</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Child Care Services - TANF			
TANF, Independent Living	N/A	93.558	6,971
TANF - Admin	N/A	93.558	417,644
TANF - Regular	N/A	93.558	387,363
TANF - Youth	N/A	93.558	202,570
Total TANF			<u>1,014,548</u>
Child Care Admin	N/A	93.575	17,862
Child Care Non-Admin	N/A	93.575	29,552
Total Child Care			<u>47,414</u>
Title XX - Base	N/A	93.667	46,152
Title XX - Transfer	N/A	93.667	142,695
Total Title XX - Social Services Block Grants			<u>188,847</u>
Medicaid	G-1213-11-0022/G-1415-11-5342	93.778	335,094
Medicaid NET	G-1213-11-0022/G-1415-11-5342	93.778	116,961
Total Medicaid			<u>452,055</u>
Federal Child Support	N/A	93.563	465,039
Child Abuse Prevention Month	G-1213-11-0022/G-1415-11-5342	93.590	1,300
Promoting Safe and Stable Families	G-1213-11-0022/G-1415-11-5342	93.556	58,378
Title IV-B	G-1213-11-0022/G-1415-11-5342	93.645	38,844

(Continued)

CLINTON COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> (Continued)			
<i>Passed Through the Ohio Department of Job and Family Services (Continued)</i>			
Foster Care (Title IV-E)	G-1213-11-0022/G-1415-11-5342	93.658	\$ 904,745
Adoption Assistance (Title IV-E)	G-1213-11-0022/G-1415-11-5342	93.659	410,771
Chafee Foster Care Independence Program	G-1213-11-0022/G-1415-11-5342	93.674	22,870
State Children's Health Incentive Program	G-1213-11-0022/G-1415-11-5342	93.767	525
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Title XX - Social Services Block Grant	N/A	93.667	27,235
<i>Passed Through Ohio Department of Mental Health:</i>			
Medicaid Administrative Claiming	G-1213-11-0022/G-1415-11-5342	93.778	116,888
Family-Centered Services and Supports	N/A	93.556	<u>17,647</u>
Total U.S. Department of Health and Human Services			<u>3,767,106</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through the Ohio Department of Transportation</i>			
Highway Planning and Construction:			
Guardrail, Phase 4	PID #92273	20.205	25,359
Port William Bridge Rehab	PID #92274	20.205	189,875
Stop Ahead/Stop Sign Upgrade	PID #97048	20.205	27,406
Clarksville/Center/Lebanon Reconstruction	PID #92271	20.205	877,050
Gurneyville/North Curry	PID #95399	20.205	10,489
Total			<u>1,130,179</u>
<i>Passed Through the Federal Aviation Administration</i>			
Airport Improvement Program	3-39-0091-0710	20.106	<u>9,961</u>
Total U.S. Department of Transportation			<u>1,140,140</u>

(Continued)

CLINTON COUNTY, OHIO

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through the Ohio Development Services Agency</i>			
Community Development Block Grants:			
Small Cities CDBG Program	B-C-11-1AN-1	14.228	\$ 3,350
Small Cities CDBG Program	B-C-13-1AN-1	14.228	24,971
Total			<u>28,321</u>
Small Cities Program Grant (Formula)	B-F-11-1AN-1	14.228	3,653
Small Cities Program Grant (Formula)	B-F-12-1AN-1	14.228	81,400
Small Cities Program Grant (Formula)	B-F-13-1AN-1	14.228	103,000
Total			<u>188,053</u>
Home Investment Partnerships Program	B-C-11-1AN-2	14.239	22,256
Total U.S. Department of Housing and Urban Development			<u>238,630</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through the Ohio Department of Public Safety</i>			
Emergency Management Performance Grant	N/A	97.042	61,620
Total U.S. Department of Homeland Security			<u>61,620</u>
<u>U.S. DEPARTMENT OF NATIONAL ARCHIVES AND RECORDS ADMINISTRATION</u>			
<i>Passed Through the Ohio Historical Records Advisory Board</i>			
National Historical Publications and Records Grant	N/A	89.003	1,500
Total U.S. Department of National Archives and Records Administration			<u>1,500</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through the Ohio Attorney General's Office - Crime Victim Section</i>			
Crime Victim Assistance	2014SAGENE410	16.575	26,507
Crime Victim Assistance - TDIM	2012VAGENE800	16.575	500
Crime Victim Assistance	2015-SVAA-10202413	16.575	5,431
Total U.S. Department of Justice			<u>32,438</u>

(Continued)

CLINTON COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF LABOR</u>			
<i>Passed Through the Ohio Department of Jobs and Family Services via Ohio Area 7 Workforce Investment Board</i>			
Workforce Investment Act Cluster:			
WIA - Adult	N/A	17.258	86,884
WIA - Adult Administration		17.258	169
WIA - Adult Total			<u>87,053</u>
WIA - Youth	N/A	17.259	126,319
WIA - Youth Administration		17.259	966
WIA - Youth Total			<u>127,285</u>
WIA - Dislocated Workers	N/A	17.278	215,457
WIA - Dislocated Workers Administration		17.278	280
WIA - Dislocated Workers Total			<u>215,737</u>
WIA - OMJ Branding	N/A	17.258	1,798
WIA - Rapid Response	N/A	17.278	191,755
Total Workforce Investment Act Cluster			623,628
One-Stop Resource Sharing	N/A	17.207	3,695
Ohio Works Incentive Program - Initial Payment/Start-Up	N/A	93.558	6,456
WIA - Wilmington Air Park National Emergency Grant	N/A	17.277	20,687
Total U.S. Department of Labor			<u>654,466</u>
<u>U.S. ELECTION ASSISTANCE COMMISSION</u>			
<i>Passed through the Ohio Secretary of State</i>			
HAVA Title II - Pollworker Training	SOS 2010-56	90.401	978
Total U.S. Election Assistance Commission			<u>978</u>
Total Federal Expenditures			<u>\$ 6,207,151</u>

See accompanying notes to the Schedule of Federal Awards Expenditures

CLINTON COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE FISCAL YEAR ENDED DECEMBER 31, 2014

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

NOTE C – SUB-RECIPIENTS

The County passes-through certain federal assistance received from the Ohio Department of Job and Family Services to other governments. The County records expenditures of Federal awards to sub-recipients when requested.

The sub-recipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring sub-recipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

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Dave Yost • Auditor of State

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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Clinton County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Clinton County, (the County) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 15, 2016, wherein we modified our opinion for the discretely presented component unit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider findings 2014-003 through 2014-005 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 and 2014-002 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001, 2014-003 and 2014-005.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

June 15, 2016



Dave Yost • Auditor of State

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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Clinton County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Clinton County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Clinton County's major federal programs for the year ended December 31, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Clinton County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2014-006. This finding did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program'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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-006 to be a material weakness.

The County's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

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

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

Dave Yost
Auditor of State

Columbus, Ohio

June 15, 2016

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CLINTON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31. 2014

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified – Discretely Presented Component Unit Unmodified – All Other Opinion Units
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	93.659 Adoption Assistance 93.563 Federal Child Support 93.558 TANF 20.205 Highway Planning & Construction 93.658 Foster Care 17.258/17.259/17.278 WIA Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

MATERIAL NONCOMPLIANCE/SIGNIFICANT DEFICIENCY

Ohio Revised Code, § 319.14, requires the county auditor to keep an accurate account current with the county treasurer, showing all moneys paid into the treasury, the amount of such moneys, the time when, by whom, from what source, and to what fund paid, and showing all moneys paid out, the amount of such moneys, the time when, to whom, for what purpose, and from what fund paid.

Ohio Revised Code § 319.15 requires that on the first business day of each month, the county auditor shall prepare in duplicate a statement of the finances of the county for the preceding month, showing the amount of money received to the credit of each fund and account, the amount disbursed from each, the balance remaining to the credit of each, and the balance of money in the treasury and depository. After careful comparison with the county treasurer's balances, the county auditor is required to submit such statement to the board of county commissioners, which shall place it on file and post one copy in the auditor's office, such copy to remain posted for at least thirty days for the inspection of the public.

The County contracted with an accounting firm to prepare the December 31, 2014 year-end reconciliation with the County Treasurer's balances. However, the reconciliation was not completed until July 2015, and the County Auditor did not keep an accurate account current with the County Treasurer by reconciling with the County Treasurer's balances each month in 2014. Failure to complete timely reconciliations can result in inaccurate financial statements and limits the County's ability to timely detect and correct misstatements.

The following conditions remained undetected in 2014 due to the lack of timely reconciliations:

- Payments by the County to Paycor in January 2014 for payroll and withholdings totaling \$439,609 remained unrecorded in the County's accounting system at December 31, 2014.
- Child Support withholdings electronically remitted by the County in May and June 2014 totaling \$3,445 remained unrecorded in the County's accounting system at December 31, 2014.
- The County issued check number 935 for \$2,279 on May 8, 2014; the check cleared the bank May 21, 2014. The year-end reconciliation prepared by the accounting firm listed a reconciling item as an uncleared outgoing wire transfer for \$2,279 and an unrecorded transfer in for the same amount. These items should not have been reconciling items.
- The total of the fund cash balances used by the County Auditor for financial reporting was \$159,610 less than the total fund cash balances used in the year-end reconciliation with the County Treasurer's balances. The difference was caused because the County incorrectly recorded prior period adjustments and incorrectly recorded payables in a cash basis accounting system.

**FINDING NUMBER 2014-001
(Continued)**

- The reconciliation with the County Treasurer incorrectly included three items totaling \$9,015 as payments outstanding that had actually cleared the bank. Rather than remove the incorrect items from the list of payments outstanding, the County overstated the amount of expenditures recorded in the system by the same amount.
- The year-end reconciliation with the Treasurer's balances listed amounts for unrecorded deposits; however, the Treasurer's office had no record of any unrecorded deposits as of December 31, 2014.
- The County understated deposits at December 31, 2014 by \$2,000,000. The County reduced the deposit amount because they recorded a \$2,000,000 investment; however, the deposits remained in the County accounts at December 31, 2014.
- The reconciliation with the County Treasurer included on the outstanding check list of court warrants dating back to October 2012.
- The balance of the payroll clearing fund in the County's accounting system at December 31, 2014 was \$717,075, which should reconcile to payroll withholdings held by the County and not yet remitted. The County did not prepare a reconciliation that identified amounts not remitted to the related entity.
- The County utilized fund 2005 during 2014 to track insurance expenditures. The County did not reconcile fund 2005 to the amounts calculated by Paycor, and the fund had a negative balance of (\$22,027) at December 31, 2014.

The County's failure to prepare timely reconciliations resulted in a \$159,610 understatement of the County's cash balance reported on the financial statements at December 31, 2014.

The County Auditor should perform daily reconciliations to the total County Treasurer's balance and monthly reconciliations to the County Treasurer's fund balances. This reconciled balance should be the basis for financial reporting.

The County should also reconcile the Paycor reports to the County's accounting system to ensure that the proper amounts are withheld from employees and remitted to the appropriate entity.

Officials' Response:

The Auditor's office is very aware of the need to balance with the Treasurer's office and has been working with them to prepare monthly bank reconciliations. All of the payments from the County to Paycor have been entered into the system in 2015. This includes the \$439,609 payroll charges and the remaining small payroll expenditures. The fund cash balances of the county were not reflected properly due to the misclassification of liability accounts on the financial statements. The majority of these accounts have been changed to expenditure accounts, except for the Developmental Disability fund, in 2015 which should alleviate this issue. The use of those liability accounts will be reported properly in the financial statements.

FINDING NUMBER 2014-002

SIGNIFICANT DEFICIENCY

Public officials are required to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The County lacked controls to ensure that transactions were posted accurately. We identified the following posting errors

<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
Board of DD	Intergovernmental	\$165,291	Board of DD	Charges for Services	\$165,291
Not recorded			MV & G Tax	Intergovernmental Rec.	283,802
Not recorded			MV & G Tax	Public Works Exp.	283,802

These errors were caused by lack of timely monitoring of the posting of transactions. The County posted audit adjustments to the financial statements to correct these errors.

In addition, The County presented two expenditure transaction reports for audit: the "#1_Expenditure Rpt_2014" expenditure report (Exp) and the "#0_AOS_CHECK DATE REQUEST_2014 ISSUED" checks issued report (Checks Issued). The expenditures on the initial Exp report submitted by the County totaled \$88,436,042, while the expenditures on the initial Checks Issued report submitted by the County totaled \$71,829,737, for a variance of \$16,606,305 between the two reports. Neither of the initial GL report nor Checks Issued report presented by the County for audit were complete, and auditors could not use these reports to obtain samples for audit testing. The Auditor of State Information System Auditors were able to merge the two reports to enable auditors to use these reports to obtain samples for audit testing.

These deficiencies resulted in inaccurate accounting records and financial statements.

Failure to accurately post and report receipt transactions could result in material errors in the County's financial statements and reduces the ability of the County, and individual departments within the County, to monitor financial activity and to make sound decisions which affect the overall, available cash position of the County.

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

Officials' Response:

Revenue transactions are being closely monitored. The Department of Developmental Disabilities have reclassified the items which were identified as Intergovernmental Receipts as Charges for Services. The Auditor's office and the Engineer's office met to discuss the OPWC direct vendor payments and the best way to track them. We believe that a process has been put in place to verify all payments made.

FINDING NUMBER 2014-003

MATERIAL NONCOMPLIANCE/MATERIAL WEAKNESS

We were engaged to audit the financial statements of the Clinton County Port Authority as part of our audit of the County's basic financial statements. The Port Authority's financial activities are included in the County's basic financial statements as a discretely presented component unit.

Ohio Administrative Code 117-2-02 (A) requires the Port Authority to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Port Authority also is responsible for the design and implementation of an internal control process that provides reasonable assurance as to the integrity of its financial reporting and the efficiency and effectiveness operations.

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

- The Port Authority maintains an asset listing of land, land improvements, buildings and improvements, and equipment. Location information was only provided for land assets. Certain assets had no description. The land improvements described as paving (concrete and blacktop) were not identified as parking lots or runways. Two overpasses were not separately identified in the listing. Building and improvements descriptions did not include sufficient detail to identify specific buildings and related additions. We were unable to verify the existence of a material amount of Port Authority capital assets. The Port Authority capital assets represent 95% of the Discretely Presented Component Unit's assets.
- The Port Authority purchased four parcels of farm land from DHL for \$1,500,000 in 2010 and recorded them on the asset listing as Ag Lands. The Port Authority also received land associated with the air park as a donation. The acquisition of these four purchased parcels was duplicated because they were also included on the capital asset listing as parcels that were donated. Upon discovery of the duplicated assets, The Port Authority calculated an incorrect restatement amount because these assets were removed at the purchase price rather than the appraised value at the time of the donation. The correction to the land amount should have reduced capital assets by the donated amount. The error resulted in a \$1,923,800 overstatement in the capital asset value. Additionally, after the land was purchased, approximately 21 acres were sold and these acres were not removed from the capital asset listing at that time, resulting in an additional \$78,001 overstatement of the capital asset value.
- The Port Authority reviewed the 2014 capital asset listing to determine if assets were in service and identified the south runway land improvements (pavement) as inactive. The Port removed all accumulated depreciation at January 1, 2014 as a prior period restatement and stopped recording related depreciation expense in 2014. However, the south runway was used for events after January 1, 2014, and generated related rental revenue. As a result of the incorrect depreciation restatement and failure to record current depreciation, the Airport overstated capital assets by \$3,073,613.
- The Port Authority had an appraisal completed in 2012. However, the appraisal did not include values for the vehicles, tractors, or other equipment that were part of the original donation. Also, the Port Authority depreciated certain assets over different periods than estimated by the professional appraiser.

**FINDING NUMBER 2014-003
(Continued)**

The Port Authority corrected known errors on the financial statements; and capital asset records, however, the issues described above still resulted in a qualified opinion on the discretely presented component unit.

Failure to maintain a detailed, accurate and complete listing of capital assets could result in difficulties locating assets, monitoring useful lives, and ensuring adequate reporting of asset activity. This could also result in financial statement errors, and increases the risk of undetected loss or misappropriation of Port Authority capital assets.

We recommend the following related to Port Authority capital assets:

- As the Port Authority makes changes to buildings or land improvements, they should maintain in the capital asset listing information sufficient to identify the specific assets.
- The Port Authority should review the capital assets and related accounting procedures to determine proper depreciation, to determine if the Port Authority has a material inventory of assets held for resale, or if there are assets that should be impaired.
- The Port Authority should review their capital asset policy. The policy should be designed to document their initial receipt of donated assets, accurately value purchased assets, record accurate depreciation, record asset disposals, and help ensure accuracy and completeness of their capital asset records continuously throughout the year.

Officials' Response:

The Port Authority recognizes the need to record, maintain, and monitor the capital assets of the entity. Items purchased since taking ownership of the Wilmington Air Park have been recorded and maintained as necessary. However, the donation of assets by DHL Express to the Port Authority continues to be the challenge. Improvements continue to be made to the valuation and financial reporting of our capital assets regarding the donated assets, and will continue. With the delay of the 2014 audit completion, improvements in the capital assets reporting may not be sufficient to avoid this same finding for 2015. Therefore, we are evaluating- and anticipate pursuing- an overall appraisal of all qualifying assets in 2016 to rectify this situation

FINDING NUMBER 2014-004

MATERIAL WEAKNESS

The County is responsible for the design and implementation of an internal control process that provides reasonable assurance as to the integrity of its financial report. This includes a process for the proper accounting for capital assets and related depreciation that requires the maintenance of an accurate detailed listing of all capital asset acquisitions that meet County's criteria for capitalization threshold. On November 2, 2009, the Commissioners approved resolution #09-1226 setting forth a capital asset policy and procedures for Clinton County in accordance with GASB Statement No. 34. The policy established specific responsibilities and procedures to facilitate the safeguarding and reporting of the County's capital assets that included, but was not limited to, the following:

- County Administrator's Office is responsible for the design, implementation and perpetuation of an asset management system; the specific identification of all the County's capital assets; directing and monitoring of an annual physical inventory at each location; and previous calendar year annually and providing a copy to the Auditor's Office by the last Monday in February for GASB reporting purposes.

**FINDING NUMBER 2014-004
(Continued)**

- New assets acquired by the County must be reported to the County Administrator's office by each department, using the prescribed capital assets form. The County Auditor's office will review purchase orders and ensure that all capital assets are being reported by the various departments to the County Administrator's Office.
- All disposals of assets by any means must be reported to the County Auditor's Office using the prescribed capital asset form.
- If the newly acquired asset involves an exchange or trade-in of another capital asset, the County Administrator's Office must perform a valuation of the old capital asset, recognizing gains and losses on the exchange or trade-in of the capital asset.

We identified the following conditions related to the County's implementation of the capital assets policy and procedures:

- The County Administrator did not prepare a master capital asset listing and provide a copy to the County Auditor. Newly acquired assets and leased assets were not reported to the County Administrator by the various departments using the prescribed capital asset form.
- Retired capital assets were not reported to the County Auditor's Office using the prescribed forms. Exchanged or traded-in assets were not properly reported and valued, resulting in no gains or losses being recognized. Fully depreciated assets were not removed from the capital assets listing and the useful life of fully depreciated assets were not re-evaluated.
- The capital asset equipment listing did not have adequate asset descriptions details of assets enabling them to be traced to departmental inventories. Five equipment assets were not recorded at the proper cost. They excluded costs to make them "road ready" as required by the County's policy. Capital asset listings contained audit adjustments from prior years. These adjustments contained no details of the assets being added. Without these details, it was not possible to determine if the additions were duplicated.
- The County maintained an inventory of vehicles; however, this vehicle inventory did not agree to the capital asset vehicle list prepared by the County's GAAP conversion consultant. We noted the issues below related to the County's vehicles: 14 vehicles were shown on the County's inventory list, but not on the County's GAAP conversion consultant's capital asset vehicle list; 15 vehicles were shown on the County's GAAP conversion consultant's capital asset vehicle list, but not on the County's inventory list; 4 vehicles documented as disposals on the County's GAAP conversion consultant's capital asset vehicle list were still in service and included on the County's inventory list

The results of the errors noted above overstated the County's vehicle capital assets in the amount of \$240,914 on the County's financial statements.

- We compared Land and Buildings listed on the County's GAAP Conversion consultant's capital asset listing to the property and parcel listing maintained by the Clinton County Auditor and noted the following: 17 parcels of land were not owned by the County, but were listed on the County's capital asset listing; 66 parcels of land owned by the County were not listed on the County's capital asset listing; 12 buildings that were not owned by the County were included on the County's capital asset listing; the David Drive Sheriff's building was not included on the County's capital asset listing.

The results of the land and building errors above understated the County's land and building capital assets in the amount of \$1,593,492 on the County's financial statements.

**FINDING NUMBER 2014-004
(Continued)**

Failure to maintain a complete and accurate listing of capital assets could result in difficulties locating assets or determining the asset's existence. This could result in financial statement errors, duplicated asset amounts, insufficient insurance coverage, and the undetected loss or misappropriation of County capital assets. The County corrected the financial statements and their capital asset records for these errors.

We recommend the County follow the policy and procedures established in Resolution #09-1226 to ensure the accuracy and completeness of their capital asset inventory records throughout the year. In addition to following the current capital asset policies and procedures, we recommend the following:

- The County should ensure that all updates and capital asset listings are reflected in the financial statements. The County should monitor projects to determine if they need to be included in construction in progress.
- The County should have an updated appraisal performed by an independent appraisal company to ensure that the capital asset listing is complete and accurate.
- County departments should review the useful life for each of their assets.
- The County should require a disposition form that includes supervisory approval for any capital asset disposals. Also, any transfers made between departments, within the County, should require a transfer form including a supervisor signature. Recording all disposals and transfers helps assure the County that their capital asset records are current and accurate, and that all disposals were of supervisory specific items.
- All capital assets should be tagged to avoid duplication of assets on the asset listing.

Officials' Response:

In 2015, the County has implemented a Capital Asset tracking system as a part of its total Munis ERP system. All assets have been reconciled to prior year balances and then adjusted for new purchases and deletions of assets. During the process, the County identified property owned by the County which was not reflected on the prior GAAP reports. Those have been added. The list of assets were also reviewed with the various departments to confirm accuracy and ownership. A new Capital Asset policy is currently being reviewed by the Auditor's office and will be submitted to the Commissioners for approval. The County does not believe that it has any assets that need to be valued by an outside appraisal firm.

FINDING NUMBER 2014-005

MATERIAL NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Revised Code, Section 5705.10 (F), provides that proceeds from the sale of property other than a permanent improvement are to be paid into the fund from which such property was acquired or is maintained, or if there is no such fund, into the general fund.

The Former Clinton County Hospital Fund (Hospital Fund) was the County's only enterprise fund. The fund was used to account for the "wind down" associated with the sale of the hospital. Once the activity was complete, the residual funds were to be provided to the County as part of the finalization of the sale. The former Clinton County Hospital Board passed a resolution in December of 2014 indicating that the activity had been completed with the exception of two workers compensation claims.

We noted the following conditions:

- The presentation of the Hospital Fund netted all revenues and expenditures other than the transfer of the residual funds to the County. Expenses of the fund were not presented on the financial statements, resulting in audit adjustments to increase non-operating expenditures in the amount of \$148,413 and non- operating income in the amount of \$64,927.
- The residual funds transferred to the County were reported in a special revenue fund. Since the source of the money was not restricted, the fund receiving the money should have been reported with the General Fund as required by Ohio Revised Code, Section 5705.10 (F).
- The amount of the liability for the BWC claims at December 31, 2014 was \$110,000 as estimated by the former Clinton County Hospital. This amount was not recorded on the statements.

Failure to properly record transactions resulted in misstated financial statements. The County posted audit adjustments to properly reflect the Hospital Fund on the financial statements. The County should implement procedures to ensure that the activity is recorded in compliance with the Ohio Revised Code and reported in accordance with Generally Accepted Accounting Principles (GAAP).

Officials' Response:

The transactions referenced in this finding were due to the final sale of the former Clinton County Hospital to the county. The final payments were transferred into Fund 2007 in the County system and any transactions in that fund will be accounted for as a part of normal operations. This will be a non-issue in 2015.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2014-006
CFDA Title and Number	93,558 Temporary Assistance for Needy Families (TANF) 93.563 Child Support Enforcement (Title IV-D) 93.659 Adoption Assistance (Title IV-E) 93.658 Foster Care
Federal Award Number / Year	2013, 2014
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Admin Code Section 5101:9-7-29 requires county family services agencies (CFSA) to report actual expenditures and revenues through a submission of financial data from the county agency into the county finance information system (CFIS). The CFSA shall use financial codes established by the Ohio Department of Job and Family Services (ODJFS) Bureau of County Finance and Technical Assistance to report these expenditures and revenues.

Ohio Admin. Code Section 5101:9-7-29 (C)(2)(a), requires the CFSA director to certify the accuracy of the receipt and disbursements amounts, then submit the quarterly financial statement to the county auditor for signature.

Ohio Admin. Code Section 5101:9-7-29 (C)(2)(b), requires the county auditor to certify the accuracy of the reported transactions and cash balances for each month within the quarter agree with the records of their office.

The Ohio Department of Job and Family Services require a quarterly certification to ensure accurate reporting of revenues and expenditures to the State for administration of federal awards. The public assistance fund is certified on form 2827, the child support enforcement agency fund is certified on form 2750, and the public children services agency fund is certified on form 2820. The forms are required to be signed by the CFSA Director and County Auditor to certify the accuracy of the amounts reported to the state. The County implemented a new accounting system in 2013. As a result, the County Auditor's Office did not have revenue information or fund balance information to be able to certify the accuracy of the reports. The CFSA completed the reports, and the reports were signed by the CFSA Director and County Auditor. However, the reports prepared the first half of the year had a disclaimer indicating that the County Job and Family Services was not able to reconcile with the County Auditor's Office. Failure to have adequate information available to reconcile the variance could lead to inaccurate amounts reported to the state.

The County should develop and implement controls to ensure that the CFSA and County Auditor records agree prior to signing certifications that the amounts are reconciled. This will help to ensure that the County accurately reports revenues and expenditures to the State JFS.

Officials' Response:

The County implemented a new accounting system in 2013. The unforeseen functionality issues and extensive manpower delayed County Auditor's Office posting of expenditures and revenue information used to determine fund balances.

FINDING NUMBER 2014-006
(Continued)

Through August 2014, Clinton JFS department utilized their state financial reporting program known as PET (Public Expenditures Tracking) program to monitor JFS fund balances and report financial information to the State.

As of September 2014 report date, County Auditor and JFS department achieved reconcile of CY 2013 through August 2014 with the county MUNIS program. Effective September 2014 financials forward, County Auditor's Office financial information in MUNIS program is reconciled with Clinton JFS department financial data following the close of each month.

The following monthly reconcile process was established utilizing countywide MUNIS program End of Period report showing fund balance, revenues and expenditures. The MUNIS End of Period report is provided to County Auditor by the JFS department along with PET program report showing fund balance, revenues and expenditures. The County Auditor (or designee) and JFS Director (or designee) review monthly reports and sign the monthly JFS financial report cover page as certification of monthly reconciliation.

The JFS quarterly financial certification reports, known as Public Assistance quarterly ODJFS 2827 report, Child Support quarterly ODJFS 2750 report and Public Children Services quarterly ODJFS 2820 report, are matched to each monthly MUNIS End of Period report for the report quarter by JFS department. The ODJFS quarterly financial cover page is provided to County Auditor (or designee) and JFS Director (or designee) for review and signature certifying reconcile of fund balances, expenditures and revenues for the quarterly reporting period.

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CLINTON COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Accounting System Deficiencies	No	Partially corrected. One issue included in Finding 2014-002
2013-002	Timely reconciliations were not performed	No	Reissued as finding 2014-001
2013-003	Accounting system budgetary activity did not agree to budgetary statements	Partially Corrected	Addressed in 2014 Management Letter
2013-004	County did not properly classify funds	Yes	
2013-005	Port Authority financial statement errors	Partially Corrected	Addressed in 2014 Management Letter
2013-006	County did not properly maintain capital asset listing	No	Reissued as finding 2014-004
2013-007	County financial statement posting errors	No	Reissued as finding 2014-002
2013-008	Port Authority did not properly maintain capital asset listing	No	Reissued as finding 2014-003
2013-009	Federal expenditures were not properly reported.	Partially Corrected	Addressed in 2014 Management Letter
2013-010	Certification of JFS amounts	No	Reissued as finding 2014-006
2013-011	Monitoring of Grant Funds	Yes	

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CLINTON COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-006	<p>The County implemented a new accounting system in 2013. The unforeseen functionality issues and extensive manpower delayed County Auditor's Office posting of expenditures and revenue information used to determine fund balances.</p> <p>Through August 2014, Clinton JFS department utilized their state financial reporting program known as PET (Public Expenditures Tracking) program to monitor JFS fund balances and report financial information to the State.</p> <p>As of September 2014 report date, County Auditor and JFS department achieved reconcile of CY 2013 through August 2014 with the county MUNIS program. Effective September 2014 financials forward, County Auditor's Office financial information in MUNIS program is reconciled with Clinton JFS department financial data following the close of each month.</p> <p>The following monthly reconcile process was established utilizing countywide MUNIS program End of Period report showing fund balance, revenues and expenditures. The MUNIS End of Period report is provided to County Auditor by the JFS department along with PET program report showing fund balance, revenues and expenditures. The County Auditor (or designee) and JFS Director (or designee) review monthly reports and sign the monthly JFS financial report cover page as certification of monthly reconciliation.</p> <p>The JFS quarterly financial certification reports, known as Public Assistance quarterly ODJFS 2827 report, Child Support quarterly ODJFS 2750 report and Public Children Services quarterly ODJFS 2820 report, are matched to each monthly MUNIS End of Period report for the report quarter by JFS department. The ODJFS quarterly financial cover page is provided to County Auditor (or designee) and JFS Director (or designee) for review and signature certifying reconcile of fund balances, expenditures and revenues for the quarterly reporting period.</p>	05/23/2016	Cheryl Babb, Fiscal Administrator, Clinton County Job and Family Services

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Dave Yost • Auditor of State

CLINTON COUNTY FINANCIAL CONDITION

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 30, 2016