



Dave Yost • Auditor of State

FAYETTE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Governmental-wide Financial Statements:	
Statement of Net Position – Cash Basis as of December 31, 2013	15
Statement of Activities – Cash Basis For the Year Ended December 31, 2013.....	16
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	18
Statement of Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance - Governmental Funds	19
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance Budget and Actual – Budget Basis -General Fund	20
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance Budget and Actual - Budget Basis - County Board of Developmental Disabilities Fund	21
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance Budget and Actual - Budget Basis - Job and Family Services Fund	22
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance Budget and Actual - Budget Basis - Motor Vehicle and Gas Tax Fund.	23
Statement of Fund Net Position - Cash Basis - Proprietary Funds.	24
Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Cash Disbursements, and Changes in Cash Basis - Enterprise Funds	25
Statement of Fiduciary Net Position - Cash Basis – Fiduciary Funds	26
Notes to Basic Financial Statements	27
Schedule of Federal Awards Expenditures.....	53
Notes to Schedule of Federal Awards Expenditures	57
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	61
Schedule of Findings	63
Schedule of Prior Audit Findings.....	67

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fayette County, Ohio (the County), as of and for the year ended December 31, 2013, 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	Adverse
Aggregate Discretely Presented Component Unit	Adverse
Governmental Fund – General Fund	Unmodified
Governmental Fund – Board of Developmental Disabilities	Unmodified
Governmental Fund – Job & Family Services	Unmodified
Governmental Fund – Motor Vehicle Gas & Tax	Unmodified
Enterprise Fund - Water	Unmodified
Enterprise Fund – Fayette County Memorial Hospital	Adverse
Aggregate Remaining Fund Information	Unmodified

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

Management has not included the Fayette County Memorial Hospital Fund in the County's financial statements. Accounting principles generally accepted in the United States of America require the Fayette County Memorial Hospital Fund to be presented as a major enterprise fund and financial information about Fayette County Memorial Hospital fund to be part of the business-type activities, thus increasing that business-type activity's assets, receipts and expenses, and changing its net position. The amount by which this departure would affect the assets, fund balances, net position, revenue, and expenses of the business-type activities and the omitted major fund has not been determined.

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

Adverse Opinion

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on Fayette County Memorial Hospital Fund and Business-Type Activities* paragraph, the financial statements referred to above do not present fairly the financial position of Fayette County Memorial Hospital fund of the Fayette County, Ohio, as of and for the year ended December 31, 2013, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

In our opinion, because of the omission of the discretely-presented component unit (the Workshop) as discussed above, the financial statements referred to above do not present fairly in conformity with the basis of accounting Note 2 describes, the cash financial position of the discretely-presented component unit of Fayette County, Ohio as of December 31, 2013, and the changes in its cash financial position for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, except the Fayette County Memorial Hospital, and the and the aggregate remaining fund information of the Fayette County, Ohio (the County), as of and for the year ended as of December 31, 2013, and the respective changes in financial position and, thereof and the respective budgetary comparisons for the General, Board of Developmental Disabilities, Job and Family Services, Motor Vehicle Gas Tax and Water funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 15, 2014

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (Unaudited)

As Management of Fayette County (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2013. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review notes to the financial statements to enhance their understanding of the County's performance.

- . In total, net position increased \$1,192,075.
- . Net position of governmental activities increased \$567,033 which represents a 3.62% increase from 2012. Net cash assets of business-type activities increased \$625,042 which represents a 19.02% increase from 2012.
- . At the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$16,241,825. Of this \$5,735,872 is available for spending at the government's discretion. Business-type Funds reported a combined ending fund balance of \$3,912,094.
- . There were no additions to the County's total long-term debt during the current fiscal year. Reductions in long-term debt during 2013 amounted to \$1,248,805.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (Unaudited)

Reporting the Government as a Whole

The statement of net position and the statement of activities reflect how the County did financially during 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the County's general receipts.

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

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

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

The government-wide financial statements can be found on pages 15-17 of the report.

Reporting the County's Most Significant Funds

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

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

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (Unaudited)

closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

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

The cash basis governmental fund financial statements can be found on pages 16-19 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements. The County's major Enterprise Fund is the Water District Revenue Fund, the other funds are presented as Other Proprietary funds.

The cash basis proprietary fund financial statements can be found on pages 24-25 of this report.

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

The cash basis fiduciary fund financial statements can be found on pages 26 of this report.

Budgetary Comparison Statements. The County's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the General fund and all annually budgeted major Special Revenue funds are presented to demonstrate the County's compliance with annually adopted budgets. The budgetary comparison statements can be found on pages 20-23 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-49 of this report.

Government-Wide Financial Analysis

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

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Unaudited)

The Government as a Whole

	Governmental Activities 2013	Governmental Activities 2012
Cash	\$16,241,825	\$15,674,792
Total Assets	16,241,825	15,674,792
Restricted for:		
Special Revenue	9,262,990	9,401,705
Capital Projects	355,068	497,886
Debt Service	877,428	965,481
Unrestricted	5,746,339	4,809,720
Total Net Position	<u>\$16,241,825</u>	<u>\$15,674,792</u>

	Business-type Activities 2013	Business-type Activities 2012
Cash	\$3,912,094	\$3,287,052
Total Assets	3,912,094	3,287,052
Unrestricted	3,912,094	3,287,052
Total Net Position	<u>\$3,912,094</u>	<u>\$3,287,052</u>

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

For governmental activities, total assets increased \$567,033 (3.62%). There was a minimal change from 2012 to 2013 in total assets. For business-type activities, total assets increased \$625,042 or 19.02%. The increase was due to activity in the Water Revenue Fund.

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Unaudited)

FAYETTE COUNTY'S CHANGES IN GOVERNMENTAL ACTIVITY NET ASSETS-

	Governmental Activities 2013	Governmental Activities 2012
Receipts:		
Program Receipts:		
Charges for Services	\$4,677,819	\$4,898,918
Operating grants and contributions	5,232,055	5,393,923
Capital grants and contributions	1,397,922	592,940
General receipts:		
Property Taxes	3,807,148	3,645,933
Sales and other taxes	7,562,632	7,512,345
MVGT Fuel Tax	3,415,493	3,425,477
State and Local Government	326,080	330,464
Unrestricted investment earnings	117,276	127,727
Grants and contributions not Restricted to specific programs	835,573	318,045
Other	1,701,479	1,560,942
Total receipts	29,073,477	27,806,714
Disbursements:		
General government	3,997,461	4,215,511
Judicial	2,130,872	2,136,494
Public Safety	2,874,908	2,665,911
Public Works	5,293,648	5,286,116
Health	4,646,050	4,445,501
Human Services	5,511,269	5,352,803
Conservation and Recreation	875,682	706,248
Economic Development & Assist.	51,127	2,737
Urban Redevelopment & Housing	1,020,403	853,214
Other Expenditures	4,128	567,529
Capital Outlay	1,125,895	646,674
Debt Service	1,268,690	2,138,565
Total Disbursements	28,800,133	29,017,303
Increase/Decrease in net assets	273,344	(1,210,589)
Transfers	14,078	15,221
Refunding Escrow Agent		
Advances	0	173,619
Proceeds of Loans	279,611	300,000
Proceeds of Refunding Bonds	0	1,240,000
Change in net assets	567,031	518,251
Net Position End of Prior Year	15,674,792	15,156,541
Net Position End of Current Year	<u>\$16,241,825</u>	<u>\$15,674,792</u>

The County's governmental receipts are mainly from property and sales tax and operating grants and contributions. These receipts comprise 57% of the County's receipts for governmental activities. These revenue sources remained fairly consistent with modest increases from 2012 in property tax and Sales Tax; however, there was a sizable increase in Capital Grants and Contributions due to the increase in capital projects, such as Airport Access Road, Clemens Road Bridge and Cook Yankeetown Bridge. Charges for services comprise 14% of total governmental revenue.

FAYETTE COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Unaudited)**

The majority of the County's disbursements for governmental activities increased from 2012 by 12%. Human Services comprise 17% of disbursements. Health increased by 4.5% and represents 14% of total government activities disbursements.

FAYETTE COUNTY'S CHANGES IN BUSINESS TYPE NET ASSETS-

	Business-Type Activities 2013	Business-Type Activities 2012
Receipts:		
Program Receipts:		
Charges for Services	\$2,451,823	\$2,063,753
Capital Grants and Contrib.	11,204	2,147,698
Total receipts	\$2,463,027	\$4,211,451
Disbursements:		
Sanitary Sewer Revenue	563,229	2,324,677
Sanitary Revenue Waste	975,534	860,396
Water District Revenue	411,958	481,082
Total Disbursements	1,950,720	3,666,155
Increase/Decrease in net assets	512,307	545,296
Transfers	(14,078)	(15,221)
Advances	0	(173,619)
Proceeds of Loans	119,225	0
Other	7,588	763
Refunding Escrow Agent		0
Change in net assets	625,042	357,219
Net Position End of Prior Year	3,287,052	2,929,833
Net Position End of Current Year	<u>\$3,912,094</u>	<u>\$3,287,052</u>

Business-type activities derive their receipts from charges for services. These revenue sources increased by 19% from 2012. Disbursements for business-type activities derive from three activities: sanitary sewer, sanitary waste, and water. Disbursements from sanitary revenue waste accounts for 50% of total enterprise fund disbursements. This fund increased disbursements by 13%. Sanitary sewer revenue decreased by \$1,761,448 or 76%, because in 2012 the County implemented the Good Hope Sewer Project.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund cash balances of \$16,241,825 an increase of \$567,033 in comparison with the prior year. Approximately \$5,735,872 constitutes unreserved fund balance, which is available for spending at the County's

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Unaudited)

discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

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

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$5,735,872 with receipts of \$13,200,506 and disbursements of \$11,000,952.

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

At the end of the current fiscal year, the County's proprietary funds reported combined ending fund cash balances of \$3,912,094, an increase of \$625,042 in comparison with the prior year. Approximately \$3,912,094 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

Ending fund cash balances increased modestly.

Governmental Activities

If you look at the Statement of Activities on pages 16 and 17, you will see that the first column lists the major services provided by the County. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and human services which account for 18.38% and 19.14% of all governmental disbursements, respectively. General government and public health also represent a significant cost, about 13.88% and 16.13% respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the County that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in the table below.

FAYETTE COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Unaudited)**

	Governmental Activities			
	Total Cost Of Services	Total Cost Of Services	Net Cost of Services	Net Cost of Services
	2013	2012	2013	2012
General Government	\$3,997,461	\$4,215,511	\$2,821,719	\$2,974,995
Judicial	2,130,872	2,136,494	1,493,735	1,498,146
Public Safety	2,874,908	2,665,911	2,110,239	1,975,292
Public Works	5,293,648	5,286,115	2,893,954	2,780,470
Health	4,646,050	4,445,504	2,560,767	2,396,739
Human Services	5,511,269	5,352,803	2,913,969	2,707,114
Conservation and Recreation	875,682	706,248	632,113	524,919
Economic Development and Assist	51,127	2,737	32,655	1,328
Urban Redevelopment and Housing	1,020,403	853,214	690,567	522,419
Other	4,128	567,529	4,128	567,529
Capital Outlay	1,125,895	646,675	97,049	71,304
Principal Retirement	1,139,838	1,921,292	1,112,592	1,893,994
Interest and Fiscal Charges	128,852	217,273	128,852	217,273
Total Expenses	\$28,800,133	\$29,017,303	\$17,492,338	\$18,131,522

The dependence upon property and sales tax receipts is apparent as over 39% of governmental activities are supported through these general receipts.

Business-type Activities

The sewer and waste district operation of the County is usually small and routinely reports receipts and cash disbursements that are relatively equal. The water revenue fund is experiencing higher receipts due to the water contract with the new ethanol plant.

The Government's Funds

Total governmental funds had receipts of \$29,367,166 and disbursements of \$28,800,133.

General Fund receipts were more than disbursements by \$2,199,554 indicating that the General Fund is in a positive spending situation. The General Fund also saw a moderate increase of \$936,618.

General Fund Budgetary Highlights

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

The difference between the original budget and final amended budget was an increase of \$2,867,559. This large difference is due to the inclusion of a new expenditure line within the Legislative and Executive program named Budget Stabilization. The Commissioners appropriated \$2,041,764 to that line in November of 2013. The program differences are as follows:

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (Unaudited)

- Legislative and Executive increased by \$2,044,381
- Judicial increased by \$32,070
- Public Safety increased by \$85,868
- Conservation and Recreation increased by \$104,079
- Public Works decreased by \$101,625
- Public Health increased by \$90,813
- Human Services increased by \$22,061
- Capital Projects increased by \$136,677

All programs spent less than budget.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2013 the County's outstanding debt included \$2,386,571 in general obligation bonds issued for improvements to buildings, structures and roads; \$6,428,920 in enterprise general obligation bonds for improvements in water and sewer facilities and landfill; \$72,000 in special assessment bonds for improvements in water systems and storm sewers. The Good Hope Sewer Project, which will be included in the enterprise debt, will be in the amount of \$444,436. This debt has not been included in debt totals due to the project not yet being completed. The completion will occur in 2014 and the debt should be on the books at that time. For further information regarding the Government's debt, refer to Notes 7 and 8 to the basic financial statements.

Economic Factors and Next Year's Budget and Rates

The Unemployment rate for the County at December 31, 2013 was 5.4%, compared to 6.7% a year earlier. This drop of 1.3% is attributed to the general improvement in the economy and some local companies rehiring.

The vacancy rate of the County's central business district is not tracked, however, much of the district is utilized by service entities such as government offices, banks, insurance offices, restaurants, etc. The City has joined the Main Street Program for 2014 in an effort to maximize the use of downtown buildings.

The County has two malls which have the potential to generate sales tax income for the county. The mall on State Route 41 continues to struggle but was sold in May 2010. It has experienced some growth, mostly of smaller businesses, due to the change. In July 2013 a 30,000 Sq. Ft. Woodbury Store for outdoorsmen opened and is showing signs of success. The other main draw is Lucky You, a skilled gaming establishment.

FAYETTE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 (Unaudited)

The Tanger mall on Old Route 35 is showing a 100% occupancy and continues to be strong. The change in sales tax revenue has had a positive impact on county receipts. The County Sales tax revenue increased by 5% in 2013, and has greatly improved cash flow for County Government Services. Continued growth in the New Route 35 area is expected including a new hotel which opened in October 2013 and employs approximately 30.

The Eastway Ranch of Opportunity, a facility for troubled girls, opened in 2013 and employs about 60 with the potential to employ 200. They are hoping to build a new facility for boys aged 5 through 12. Jobs range from food service through Mental Health Professionals and includes a horse therapy program.

A new nursing home facility began construction in the area of US Rt 35 and St Rt 62 and was scheduled to be completed in 2013. It is scheduled to open in 2014.

Sugar Creek Packing has purchased some manufacturing facilities in the area and has renamed one Wingate Packaging. They manufacture the packaging products for Sugar Creek and have created about 40 new jobs. Also TFO in Jeffersonville has expanded their line of operations creating 40 new jobs making their total number employees about 120.

Changes in the economy of Fayette County were mostly minor. YUSA Corporation has stayed consistent, currently employing approximately 600 and an additional 100 temps. Also, the Mars Pet Food Company has made a small expansion allowing them to hire approximately 20 more employees.

The steel roofing company halted construction and has not resumed. The Job Ready Site in northern Fayette County was ready for promotion in 2012 and has the potential to be a major work site. For 2013 the county contracted with a consulting firm to promote the site. The first company to occupy space at the site is MedFlight who currently employs 40.

Each of these factors was considered in preparing the County's budget for the 2014 year.

Request for information

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

Fayette County, Ohio
Statement of Net Position - Cash Basis
December 31, 2013

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash	\$16,130,983	\$3,912,094	\$20,043,077
Cash with Fiscal Agent	110,842		110,842
<i>Total Assets</i>	<u>\$16,241,825</u>	<u>\$3,912,094</u>	<u>\$20,153,919</u>
Net Position			
Restricted for:			
Special Revenue	\$9,262,987		\$9,262,987
Capital Projects	355,069		355,069
Debt Service	877,427		877,427
Unrestricted	<u>5,746,342</u>	<u>3,912,094</u>	<u>9,658,436</u>
<i>Total Net Position</i>	<u>\$16,241,825</u>	<u>\$3,912,094</u>	<u>\$20,153,919</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2013

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
General Government				
Legislative and Executive	\$3,997,461	\$892,672	\$259,871	\$23,199
Judicial	2,130,872	470,709	152,671	13,757
Public Safety	2,874,908	681,938	76,863	5,868
Public Works	5,293,648	766,071	1,490,243	143,380
Health	4,646,050	682,645	1,279,585	123,053
Human Services	5,511,269	748,709	1,686,088	162,503
Conservation and Recreation	875,682	202,453	37,904	3,212
Economic Development and Assistance	51,127	0	16,846	1,626
Urban Redevelopment and Housing	1,020,403	106,859	203,566	19,411
Other Expenses	4,128		0	
Capital Outlay	1,125,895	125,762	1,172	901,913
Debt Service				
Principal Retirement	1,139,838		27,246	
Interest and Fiscal Charges	128,852		0	
<i>Total Governmental Activities</i>	<u>28,800,133</u>	<u>4,677,818</u>	<u>5,232,055</u>	<u>1,397,922</u>
Business Type Activities				
Sewer	563,229	453,902		11,204
Sanitary Revenue Waste	975,534	998,073		
Water	411,958	999,849		-
<i>Total Business-Type Activities</i>	<u>1,950,720</u>	<u>2,451,823</u>	<u>0</u>	<u>11,204</u>
<i>Total Primary Government</i>	<u>\$30,750,853</u>	<u>\$7,129,641</u>	<u>\$5,232,055</u>	<u>\$1,409,126</u>

General Receipts
Property Taxes Levied for:
 General Purposes
 Debt Service
 Capital Outlay
 Capital Projects
Sales Tax
MVGT Fuel Tax
Payments in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Earnings on Investments
State and Local Government
Miscellaneous
Proceeds of Loans
Proceeds of Refunding Loans
Transfers

*Total General Receipts, Contributions to Permanent Fund,
Special Item, Extraordinary Item, Transfers and Advances*

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets		
Governmental Activities	Primary Government	
	Business-Type Activities	Total
(\$2,821,719)		(\$2,821,719)
(1,493,735)		(1,493,735)
(2,110,239)		(2,110,239)
(2,893,954)		(2,893,954)
(2,560,767)		(2,560,767)
(2,913,969)		(2,913,969)
(632,113)		(632,113)
(32,655)		(32,655)
(690,567)		(690,567)
(4,128)		(4,128)
(97,048)		(97,048)
(1,112,592)		(1,112,592)
(128,852)		(128,852)
<u>(17,492,338)</u>	<u>0</u>	<u>(17,492,338)</u>
0	(98,123)	(98,123)
	22,539	22,539
0	587,891	587,891
<u>0</u>	<u>512,307</u>	<u>512,307</u>
<u>(17,492,338)</u>	<u>512,307</u>	<u>(16,980,031)</u>
3,381,781		3,381,781
425,366		425,366
		-
		-
7,888,715		7,888,715
3,415,493		3,415,493
		-
557,773		557,773
117,276		117,276
277,800		277,800
1,701,478	7,588	1,709,066
279,611	119,225	398,836
0		-
14,078	(14,078)	-
<u>18,059,371</u>	<u>112,735</u>	<u>18,172,106</u>
567,033	625,042	1,192,075
<u>15,674,792</u>	<u>3,287,052</u>	<u>18,961,844</u>
<u>\$16,241,825</u>	<u>\$3,912,094</u>	<u>\$20,153,919</u>

Fayette County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2013

	General	CB/DD Fund	Job & Family Svs Fund	MVGT Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$5,735,873	\$2,459,444	\$196,705	\$2,112,456	\$5,626,505	\$16,130,983
Cash and Cash Equivalents with Fiscal/Escrow Agents	10,466	100,376				110,842
<i>Total Assets</i>	<u>\$5,746,339</u>	<u>\$2,559,820</u>	<u>\$196,705</u>	<u>\$2,112,456</u>	<u>\$5,626,504</u>	<u>\$16,241,825</u>
Fund Balances						
Nonspendable	\$10,466					\$10,466
Restricted		2,559,820	196,705	2,112,456	5,626,505	10,495,486
Unassigned (Deficit)	5,735,873					5,735,873
<i>Total Fund Balances</i>	<u>\$5,746,339</u>	<u>\$2,559,820</u>	<u>\$196,705</u>	<u>\$2,112,456</u>	<u>\$5,626,505</u>	<u>\$16,241,825</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
*Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds
As of and For the Year Ended December 31, 2013*

	General	CB/DD Fund	Job and Family Services Fund	MVGT Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$1,651,229	\$1,730,552			\$118,489	\$3,500,270
Sales Tax	\$7,562,632			\$326,080		7,888,715
Charges for Services	2,526,865	74,866	76,710	399,973	1,226,464	4,304,878
Licenses and Permits	2,148				166,394	168,542
Fines and Forfeitures	163,380			41,019		204,399
Intergovernmental	583,350	1,651,083	1,688,232	3,415,493	3,542,885	10,881,043
Special Assessments					306,877	306,877
Earnings of Investments	100,004			17,063	210	117,277
Donations					96,498	96,498
Other	610,899	19,977	877,570	13,281	83,252	1,604,979
<i>Total Receipts</i>	<u>13,200,507</u>	<u>3,476,478</u>	<u>2,642,512</u>	<u>4,212,909</u>	<u>5,541,069</u>	<u>29,073,478</u>
Disbursements						
Current:						
General Government:						
Legislative and Executive	3,267,979				729,482	3,997,461
Judicial	1,698,296				432,576	2,130,872
Public Safety	2,690,378				184,530	2,874,908
Public Works	785,114			4,368,617	139,916	5,293,647
Health	776,688	3,752,981			116,380	4,646,049
Human Services	401,407		2,663,917		2,445,945	5,511,269
Conservation and Recreation	774,679				101,003	875,682
Economic Development and Assistance					51,127	51,127
Urban Redevelopment and Housing	410,027				610,376	1,020,403
Capital Outlay	196,384				929,511	1,125,895
Debt Service:						
Principal Retirement					1,139,838	1,139,838
Interest and Fiscal Charges					128,852	128,852
<i>Total Disbursements</i>	<u>11,000,952</u>	<u>3,752,981</u>	<u>2,663,917</u>	<u>4,368,617</u>	<u>7,013,664</u>	<u>28,800,131</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,199,555</u>	<u>(276,503)</u>	<u>(21,405)</u>	<u>(155,708)</u>	<u>(1,472,595)</u>	<u>273,347</u>
Other Financing Sources (Uses)						
Proceeds of Loans					279,611	279,611
Transfers In	200,000			59,000	2,022,470	2,281,470
Transfers Out	(1,470,205)				(797,187)	(2,267,392)
Advances In	13,269				28,000	41,269
Advances Out	(6,000)				(35,269)	(41,269)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,262,936)</u>	<u>0</u>	<u>0</u>	<u>59,000</u>	<u>1,497,625</u>	<u>293,689</u>
<i>Net Change in Fund Balances</i>	936,619	(276,503)	(21,405)	(96,708)	25,030	567,033
<i>Fund Balances Beginning of Year</i>	<u>4,809,720</u>	<u>2,836,323</u>	<u>218,110</u>	<u>2,209,164</u>	<u>5,601,475</u>	<u>15,674,792</u>
<i>Fund Balances End of Year</i>	<u>\$5,746,339</u>	<u>\$2,559,820</u>	<u>\$196,705</u>	<u>\$2,112,456</u>	<u>\$5,626,505</u>	<u>\$16,241,825</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (under) Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$1,443,300	\$1,651,229	\$1,651,229	\$0
Sales Tax	6,700,000	7,562,632	7,562,632	0
Charges for Services	1,957,200	2,312,160	2,319,141	6,981
Licenses and Permits	2,650	2,123	2,148	25
Fines and Forfeitures	144,000	163,380	163,380	0
Intergovernmental	433,200	583,350	583,350	0
Earnings of Investments	100,000	100,000	100,004	4
Other	192,000	606,793	610,898	4,105
<i>Total Receipts</i>	<u>10,972,350</u>	<u>12,981,667</u>	<u>12,992,782</u>	<u>11,115</u>
Disbursements				
Current:				
General Government				
Legislative and Executive	3,471,926	5,516,308	3,313,163	2,203,145
Judicial	1,846,144	1,878,214	1,728,191	150,023
Public Safety	2,828,024	2,913,892	2,707,278	206,614
Public Works	777,935	879,560	821,319	58,241
Health	734,234	825,047	818,366	6,681
Human Services	394,732	416,793	409,319	7,474
Conservation and Recreation	714,682	818,760	779,610	39,150
Economic Development and Assistance	431,196	431,196	411,553	19,643
Capital Outlay	105,300	241,977	229,364	12,613
<i>Total Disbursements</i>	<u>11,304,173</u>	<u>13,921,747</u>	<u>11,218,163</u>	<u>2,703,584</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(331,823)</u>	<u>(940,080)</u>	<u>1,774,619</u>	<u>2,714,699</u>
Other Financing Sources (Uses)				
Transfers In	200,000	200,000	200,000	0
Transfers Out	(904,265)	(1,319,758)	(1,253,653)	66,105
Advances In	70,000	13,269	13,269	0
Advances Out			(6,000)	(6,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(634,265)</u>	<u>(1,106,489)</u>	<u>(1,046,384)</u>	<u>60,105</u>
<i>Net Change in Fund Balance</i>	(966,088)	(2,046,569)	728,236	2,774,805
<i>Unencumbered Fund Balance Beginning of Year</i>	2,669,496	4,461,313	4,461,313	0
Reserve for Prior Year Encumbrances		165,508	165,508	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$1,703,408</u>	<u>\$2,580,252</u>	<u>\$5,355,057</u>	<u>\$2,774,805</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
Fayette County Board of Developmental Disabilities
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (under) Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$1,761,267	\$1,730,552	\$1,730,552	\$0
Charges for Services	65,012	74,866.0	74,866	0
Intergovernmental	1,338,183	1,651,083.0	1,651,083	0
Other	19,234	19,977	19,977	0
<i>Total Receipts</i>	<u>3,183,696</u>	<u>3,476,478</u>	<u>3,476,478</u>	<u>0</u>
Disbursements				
Current:				
Health	3,845,485	4,146,071	3,752,663	393,408
<i>Total Disbursements</i>	<u>3,845,485</u>	<u>4,146,071</u>	<u>3,752,663</u>	<u>393,408</u>
<i>Net Change in Fund Balance</i>	(661,789)	(669,593)	(276,185)	393,408
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>2,735,629</u>	<u>2,735,629</u>	<u>2,735,629</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$2,073,840</u></u>	<u><u>\$2,066,036</u></u>	<u><u>\$2,459,444</u></u>	<u><u>\$393,408</u></u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
Fayette County Department of Job and Family Services
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (under) Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Charges for Services	\$ 87,933	\$ 76,710	\$ 76,710	\$ -
Intergovernmental	1,359,667	1,688,231	1,688,231	0
Other Income	<u>760,410</u>	<u>872,284</u>	<u>877,570</u>	<u>5,286</u>
<i>Total Receipts</i>	<u>2,208,010</u>	<u>2,637,225</u>	<u>2,642,511</u>	<u>5,286</u>
Disbursements				
Human Services	2,208,011	2,708,011	2,663,917	44,094
<i>Total Disbursements</i>	<u>2,208,011</u>	<u>2,708,011</u>	<u>2,663,917</u>	<u>44,094</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1)</u>	<u>(70,786)</u>	<u>(21,406)</u>	<u>49,380</u>
<i>Net Change in Fund Balance</i>	(1)	(70,786)	(21,406)	49,380
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>218,110</u>	<u>218,110</u>	<u>218,110</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$218,109</u>	<u>\$147,324</u>	<u>\$196,704</u>	<u>\$49,380</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
MVGT
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (under) Positive (Negative)
	Original	Final		
Receipts				
Sales Tax	\$ 305,000	\$ 326,080	\$ 326,080	0
Charges for Services	370,000	399,582	399,973	391
Fines and Forfeitures	40,000	41,019	41,019	0
Intergovernmental	3,300,000	3,415,492	3,415,492	0
Earnings of Investments	15,000	17,063	17,063	0
Other	_____	13,281	13,281	0
<i>Total Receipts</i>	_____	4,212,517	4,212,908	391
Disbursements				
Public Works	4,299,560	4,604,560	4,368,617	235,943
<i>Total Disbursements</i>	_____	4,604,560	4,368,617	235,943
<i>Excess of Receipts Over (Under) Disbursements</i>	_____	(392,043)	(155,709)	236,334
Other Financing Sources (Uses)				
Transfers In	_____	59,000	59,000	0
<i>Total Other Financing Sources (Uses)</i>	_____	59,000	59,000	0
<i>Net Change in Fund Balance</i>	(210,560)	(333,043)	(96,709)	236,334
<i>Unencumbered Fund Cash Balance - beginning of year</i>	2,209,164	1,882,914	1,882,914	0
Reserved for Prior Year Encumbrances	_____	326,250	326,250	_____
<i>Unencumbered Fund Balance End of Year</i>	_____	\$1,876,121	\$2,112,455	\$236,334

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2013

	Water District Revenue	Non Major Enterprise Funds	Total Enterprise Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	3,239,133	672,961	3,912,094
<i>Total Assets</i>	\$3,239,133	\$672,961	\$3,912,094
Net Position			
Unrestricted	3,239,133	672,961	3,912,094
<i>Total Net Position</i>	\$3,239,133	\$672,961	\$3,912,094

See accompanying notes to the basic financial statements

Fayette County, Ohio
*Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Enterprise Funds
As of and For the Year Ended December 31, 2013*

	<u>Water District Revenue</u>	<u>Total Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
RECEIPTS			
Charges for Services	\$999,849	\$1,451,974	\$2,451,823
Governmental	-	11,204	\$11,204
Other	4,816	2,772	\$7,588
<i>TOTAL RECEIPTS</i>	<u>1,004,665</u>	<u>1,465,950</u>	<u>2,470,615</u>
EXPENSES			
Personal Services	87,966	372,199	460,165
Contract Services	121,824	691,191	813,015
Materials and Supplies	35,385	123,973	159,358
Other Operating Exp	16,814	188,144	204,958
Capital Outlay			0
Principal Retirement	0	110,000	110,000
<i>Total Operating Disbursements</i>	<u>261,989</u>	<u>1,485,507</u>	<u>1,747,496</u>
<i>Operating Income (Loss)</i>	<u>742,676</u>	<u>(19,557)</u>	<u>723,119</u>
NON - OPERATING RECEIPTS AND EXPENSES			
Interest and Fiscal Charges	(149,968)	(53,255)	(203,223)
Transfers - In		163,255	163,255
Transfers - Out	(5,741)	(171,593)	(177,334)
Proceeds of Loans		119,225	119,225
<i>Total Non-Operating Receipts and Expenses</i>	<u>(155,709)</u>	<u>57,632</u>	<u>(98,077)</u>
<i>Income (Loss) before Contributions, Special Item, Extraordinary Item Transfers and Advances</i>	586,967	38,075	625,042
<i>Change in Net Assets</i>	586,967	38,075	625,042
<i>Net Assets Beginning of Year</i>	<u>2,652,166</u>	<u>634,886</u>	<u>3,287,052</u>
<i>Net Assets End of Year</i>	<u><u>\$3,239,133</u></u>	<u><u>\$672,961</u></u>	<u><u>\$3,912,094</u></u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Fiduciary Net Position- Cash Basis
Fiduciary Funds
December 31, 2013

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,591,386
Equity in Cash in Segregated Accounts	<u>978,744</u>
<i>Total Assets</i>	<u><u>\$5,570,130</u></u>
Net Position	
Held on Behalf of Others	<u>5,570,130</u>
<i>Total Net Position</i>	<u><u>\$5,570,130</u></u>

See accompanying notes to the basic financial statements

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

1. REPORTING ENTITY

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

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

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

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

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

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

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. REPORTING ENTITY (Continued)

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

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

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

Paint Valley ADAMHS – The Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS) of Pike, Fayette, Highland, Pickaway and Ross Counties is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board received revenue from the participating counties and received federal and state funding through grant monies which are applied for and received by the Board of Trustees. Fayette County contributed \$583,838 to Paint Valley ADAMHS in 2013.

Fayette County cannot significantly influence operations of the Board, who has sole budgetary authority and controls surpluses and deficits. Fayette County has no ongoing financial interest or responsibility. Complete financial statements can be obtained from the Paint Valley ADAMHS Board, Jim Nestor who serves as Finance Director, 394 Chestnut Street, Chillicothe, Ohio 45601.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

1. REPORTING ENTITY (Continued)

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

The Center's revenue is from per diem charges for inmates to the respective counties and a percent of the county tax base to the total base. Ross County is the fiscal officer of the Center. Fayette County does not have any financial interest or responsibility. During 2013, Fayette County contributed \$168,927 to the Center.

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

RPHF Joint Solid Waste District – The RPHF Joint Solid Waste District is a jointly governed organization among Pickaway, Ross, Highland and Fayette Counties. Each of these governments supports the District. The County made no contribution during 2013. The degree of control exercised by any participating County is limited to its representation on the Board. The Board of Directors consists of twelve members, the three County Commissioners of each of the four counties. The District does not have any outstanding debt. The District is self-sufficient, operating entirely on collected fees.

Fayette-Clinton-Fairfield-Ross-Pickaway Job Training Partnership Act (JTPA) – JTPA is a jointly governed organization among five counties in Ohio. The consortium conducts an employment and training administration program under the provisions of JTPA of 1982 and the Job Training Reform Amendments of 1992. The three County Commissioners from each of the four counties comprise the Consortium Board of Governors. The consortium has no outstanding debt. No contributions were made by the County in 2013.

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

West Central Ohio Port Authority – The West Central Ohio Port Authority is a jointly governed organization. It was established under Section 4582.21 of the Ohio Revised Code. Under the Revised Code, the Port Authority is a legally separate entity. The Board of the authority is comprised of seven members: two members from Champaign County, three from Clark County, and two from Fayette County. The members are appointed by the County Commissioners of each respective county. Fayette County does not approve its budget, nor is it responsible for the Authority's debt. During 2013, the County did not contribute any money to the Authority.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

1. REPORTING ENTITY (Continued)

County Risk Sharing Authority, Inc. – The County Risk Sharing Authority, Inc., is a shared risk pool among fifty-seven counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. The coverage includes comprehensive general liability, automobile liability, certain property insurance and public official's 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 CORSA are managed by an elected board of not more than nine trustees. Only County Commissioners of member counties are eligible to serve on the Board of Trustees. No county may have more than one representative on the Board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

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

The participating counties have no responsibility for the payment of the certificates. The Certificates were retired on May 1, 1997. The County has no equity interest in CORSA. The County's payment for insurance to CORSA in 2013 was \$197,484. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

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

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

Southern Ohio Council of Governments – The County is a member of the Southern Ohio Council of Governments (the "Council"), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a fifteen member board with each participating County represented by its Director of its Board of Development Disabilities (BDD). Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross Scioto and Vinton Counties. The Council acts as a fiscal agent for the Athens County BDD's supportive living program monies. The County had a \$100,376 balance on hand with the Council which included investments at cost. Financial statements can be obtained by writing to the Southern Ohio Council of Governments, 126 East 2nd Street, Suite C, Chillicothe, Ohio 45601.

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. REPORTING ENTITY (Continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

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

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

B. Basis of Presentation

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

Government-Wide Financial Statements

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Financial Statements

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

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

C. Fund Accounting

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

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

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Proprietary: Certain County funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The County classifies these as enterprise funds. The County had one major enterprise fund in 2013.

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

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

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

D. Budgetary Process

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

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. Equity in Pooled Cash

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

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

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

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

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

I. Inter-fund Receivables/Payables

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

J. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-term Obligations

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

L. Net Position

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

M. Fund Balance Designations and Reserves

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

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

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

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

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

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

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

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Inter-fund Activity

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements. Inter-fund transfers within governmental activities and within business type activities are eliminated from the government-wide statement of net position.

3. COMPLIANCE

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

4. EQUITY IN POOLED CASH

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

4. EQUITY IN POOLED CASH (Continued)

6. No-load money market mutual funds;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers' acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$23,963,412 of the County's bank balance of \$25,613,204 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited

either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the be at least one hundred five percent of the deposits being secured.

Investments

The County had no investments during 2013.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

5. BUDGETARY BASIS OF ACCOUNTING

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

General Fund	\$217,211
Major Special Revenue Funds:	
Motor Vehicle and Gasoline Tax	282,718
Job and Family Services	0
Board of Developmental Disabilities	0

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

6. LONG-TERM DEBT

The County's long-term debt activity for the year ended December 31, 2013, was as follows:

	Interest	Balance			Balance	
	Rate	December 31, 2,012	Additions	Reductions	December 31, 2,013	Due Within One Year
General Obligation Bonds:						
2012 Refunding Bonds-County Building Improvement	2.000%	1,125,000		115,000	1,010,000	120,000
Various Purpose Bonds, Series 2003:						
Commission On Aging	3.300%	148,000		11,000	137,000	10,000
W. Lancaster Road	3.300%	260,000		19,000	241,000	20,000
Various Refunding Bonds, Series 2008:						
County Buildings	5.350%	160,000		20,000	140,000	20,000
Courthouse Renovation	4.125%	1,324,800		466,229	858,571	69,200
Total General Obligation Bonds		3,017,800	0	631,229	2,386,571	239,200
Governmental Activities Special Assessment Bonds:						
Route 35/I71 Water	5.900%	20,000		20,000		
Clinton Avenue Phase I	5.900%	48,000		11,000	37,000	11,000
Various Refunding Bonds, Series 2008:						
Clinton Avenue Phase II	5.300%	40,000		5,000	35,000	5,000
Total Governmental Activities Special Assessment Bonds		108,000	0	36,000	72,000	16,000
Enterprise Bonds:						
Various Refunding Bonds, Series 2008:						
Rattlesnake Sewer WWTP	5.200%	1,540,000		110,000	1,430,000	110,000
Total Enterprise Bonds		1,540,000	0	110,000	1,430,000	110,000
OWDA Loans:						
Madison Mills Water	3.000%	4,998,920			4,998,920	216,182
Total OWDA Loans		4,998,920	0	0	4,998,920	216,182
Other Long-Term Obligations:						
West Lancaster Road OPWC Loan	0.000%	60,000		2,500	57,500	5,000
Johnson Station Ditch Loan	5.375%	4,822		4,822	0	
Rt. 22 Waterline Loan	6.250%	49,752		4,146	45,606	4,146
Job Ready Site Loan	2.990%	763,394		460,109	303,285	49,238
Total Other Long-Term Obligations		877,968	0	471,577	406,391	58,384
Total Long-Term Obligations		\$10,542,688	\$0	\$1,248,806	\$9,293,882	\$639,766

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

6. LONG-TERM DEBT (Continued)

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

Year	General Obligation Bonds		OPWC Loans	Long-Term Notes	
	Principal	Interest	Principal	Principal	Interest
2014	\$239,200	\$82,681	\$5,000	\$53,383	\$11,646
2015	248,100	75,697	5,000	54,886	9,879
2016	258,000	68,333	5,000	56,419	8,090
2017	258,200	60,571	5,000	58,033	6,207
2018	267,400	52,705	5,000	59,679	4,299
2019-2023	1,093,100	131,592	25,000	62,400	5,758
2024-2028	88,800	3,663	7,500	4,146	198
Total	<u>\$2,452,800</u>	<u>\$475,242</u>	<u>\$57,500</u>	<u>\$348,946</u>	<u>\$46,077</u>

Year	OWDA Loans		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2014	\$216,182	\$74,984	\$16,000	\$3,142
2015	442,141	140,191	18,000	2,401
2016	455,505	126,827	18,000	1,536
2017	469,272	113,059	5,000	658
2018	483,456	98,876	5,000	508
2019-2023	2,645,502	266,156	10,000	345
2024-2028	286,863	4,303		
Total	<u>\$4,998,921</u>	<u>\$824,396</u>	<u>\$72,000</u>	<u>\$8,590</u>

Enterprise Bonds		
Year	Principal	Interest
2014	\$110,000	\$50,505
2015	120,000	47,755
2016	120,000	44,455
2017	125,000	40,855
2018	120,000	37,105
2019-2023	680,000	117,485
2024-2028	155,000	6,510
Total	<u>\$1,430,000</u>	<u>\$344,670</u>

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

6. LONG-TERM DEBT (Continued)

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

1993 Route 35/Interstate 71 Water

On August 3, 1993 issued \$410,000 in Refunding Bond Anticipation Notes previously issued for the purpose of Water System Improvements and Cost of Issuance. Paid through Special Assessment with maturity date of December 31, 2013.

1996 Clinton Avenue Phase I

On December 1, 1996 issued \$150,000 in Bonds for the purpose of extending sewer lines beyond current limit on Clinton Avenue for economic development. Paid through Special Assessment with maturity date of December 1, 2016.

1999 Purchase of Office Building

On August 25, 1999 issued \$300,000 in Bonds for the purpose of purchasing building known as "Main Street Mall" for the purpose of providing office space for County Administration. General Obligation Debt with a maturity date of December 1, 2019. In 2009 debt was refunded in the amount of \$230,000, with same maturity date.

1999 Clinton Avenue Phase II

On August 25, 1999 issued \$70,000 for completion of sewer line extension on Clinton Avenue for economic development. Paid through Special Assessment with a maturity date of December 1, 2019. In 2009 debt was refunded in the amount of \$55,000 with same maturity date.

1999 Rattlesnake Waste Water Treatment Plant

On August 25, 1999 issued \$2,130,000 for construction of Rattlesnake Waste Water Treatment Plant. Paid from fees collected through Enterprise fund with a maturity date of December 1, 2024. In 2009 debt was refunded in the amount of \$1,860,000 with the same maturity date.

2000 Fayette County Administration Building Rehab

On July 17, 2000 Bonds were issued in the amount of \$1,945,000 for the purpose of remodeling, restoring and upgrading all systems of the building located at 133 S. Main Street, purchased in 1999. The building is to be used for office space for all County Offices not court-related. General Obligation debt to mature December 1, 2021. In 2012 debt was refunded in the amount of \$1,240,000 with the same maturity date.

2003 Commission on Aging Building Addition

On December 1, 2003 Bonds were issued to fund the building addition to the Fayette County Commission on Aging Building in the amount of \$225,000. Payments to be made through the Commission on Aging from the proceeds of a bequest left to the agency. Maturity date of December 1, 2023.

2003 Johnson Station Ditch

On December 22, 2003 debt was issued in the amount of \$48,215 for improvements to ditch at Johnson Station. Paid from Special Assessments, maturing December 1, 2013. Long-term obligation paid off in 2013.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

6. LONG-TERM DEBT (Continued)

2003 West Lancaster Road Relocation

On December 22, 2003 debt was issued in the amount of \$400,000 for the relocation and construction of West Lancaster Road in the Village of Octa. General Obligation debt with a maturity date of December 1, 2023.

2003 West Lancaster Road Relocation

On July 1, 2003 an interest-free Loan/Grant was obtained through OPCW in the amount of \$100,000 for part of the relocation and construction of West Lancaster Road in the Village of Octa. General Obligation debt with a maturity date of January 1, 2025.

2004 Route 22 Waterline

On August 23, 2004 a loan in the amount of \$82,920.14 was obtained through the Ohio Water and Sewer Rotary Commission to extend a water line to a housing development. Paid by Special Assessment from Sugar Creek Packing with a maturity date of December 1, 2024.

2006 Madison Mills Water

On September 18, 2006 a loan in the amount of \$4,998,920 was obtained through OWDA to construct, maintain and operate a water project for the benefit of an ethanol plant which was part of an economic development initiative. Paid from water revenue enterprise funds fees collected from the plant with a maturity date of January 1, 2024.

2009 Job Ready Site

On January 12, 2009 a loan was obtained for the purpose of improving infrastructure in an area near Jeffersonville, Ohio to attract one or more businesses to the area to create jobs and stimulate the local economy. The loan was in the amount of \$1,100,750 with a maturity date of December 31, 2019.

2013 Courthouse Renovation

On April 12, 2013 bonds were issued for the purpose of renovating and upgrading the systems in the Fayette County Courthouse. General Obligation debt was in the amount of \$1,850,000 with a maturity date of May 1, 2024.

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

7. SHORT-TERM DEBT

Note Transactions

A summary of the note transactions for the year ended December 31, 2013, follows:

	Balance			Balance		Due Within One Year
	December 31, 2012	Additions	Reductions	December 31, 2013		
<u>Short-Term Liabilities</u>						
Wildman Ditch	\$20,899	\$21,982	\$ 20,899	\$21,982	\$21,982	
Haigler-Long Ditch	15,242	16,032	15,242	16,032	16,032	
Morgan Group Drainage	30,678	30,395	30,678	30,395	30,395	
Marchant Ditch	7,754	7,005	7,754	7,005	7,005	
Anders Drainage Ditch	0	279,611	0	279,611	279,611	
Total Short-Term Liabilities	\$74,573	\$355,025	\$74,573	\$355,025	\$355,025	

All Short-term debt consists of Ditch Improvement loans. They are paid from Special Assessments collected through Real Estate assessments. Interest is paid and any remaining collections are applied to principal. Wildman Ditch and Haigler-Long Ditch notes increased due to insufficient monies being collected to pay the interest due. The interest was capitalized thus increasing the debt. Anders Drainage Ditch is a new project in 2013 for the purpose of improving agricultural drainage.

8. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 2012.

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

The full tax rate applied to real property for the fiscal year ended December 31, 2013 was \$10.25 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$7.09 per \$1,000 of assessed valuation of real property classified as residential/agricultural and \$7.43 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

8. PROPERTY TAX (Continued)

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

The tax rate applied to tangible personal property for the fiscal year ended December 31, 2013 was \$10.25 per \$1,000 of assessed valuation.

Real Property – 2013 Valuation

Residential/Agricultural	\$594,404,110
Commercial/Industrial	
Public Utilities	87,471,470
Tangible Personal Property – 2013 Valuation	
General	<u>0</u>
Total Valuation	\$681,875,580

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

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

9. RISK MANAGEMENT

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

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

Under the CORSA program for general liability, auto liability, error and omission for public officials, and law enforcement liability, the County has \$5,000,000 of total liability coverage. The limit applies to any

one occurrence of loss, with no annual aggregate except for the Error and Omissions for Public Officials and General Liability on Products and Completed Operations Limit, which both have the same per occurrence and annual aggregate limit. For the General Liability (coverage other than products and completed operations limit), Law Enforcement and Auto Liability, there is no annual aggregate. Property damage is on a replacement cost basis.

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

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

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

9. RISK MANAGEMENT (Continued)

Worker's Compensation benefits are provided through the Ohio Bureau of Workers' Compensation. In 2013, the County participated in the County Commissioner's Association of Ohio Workers' Compensation Group Rating Program (CCAO). A workers' compensation group purchasing pool (See Note 1). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate.

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

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

10. DEFINED BENEFIT RETIREMENT PLANS

Ohio Public Employees Retirement System

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

10. **DEFINED BENEFIT RETIREMENT PLANS (Continued)**

For the year ended December 31, 2013, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.00 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 12.10 percent of the annual covered salary. The County's contribution rate for pension benefits for 2013 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 18.10 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011 were \$1,464,753, \$1,417,757, and \$1,413,502, respectively. 100 percent has been contributed for 2013, 2012, and 2011.

State Teachers Retirement System

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

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DP), and Defined Contribution Plan (DC), and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DC Plan allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The Combined Plan offers features of both the CB Plan and DC Plan. In the Combined Plan, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the year ended December 31, 2013, plan members were required to contribute 10 percent of their annual covered salary and the County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

10. DEFINED BENEFIT RETIREMENT PLANS (Continued)

The County's required contributions for pension obligations for the DB Plan for the years ended December 31, 2013, 2012, and 2011 were \$36,997, \$30,447, and \$31,840, respectively. 100 percent has been contributed for 2013, 2012, and 2011.

11. POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, 2012, and 2011, local government employer units contributed at 14.0%, 14.0% and 14.0%, respectively, of covered payroll, and public safety and law enforcement employer units contributed at 18.10%, 18.10% and 17.87% respectively. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

11. POST EMPLOYMENT BENEFITS (Continued)

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during the calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits for the years ended December 31, 2013, 2012, and 2011 were \$407,525, \$395,303, and \$394,153, respectively. The full amount has been contributed for 2013, 2012, and 2011.
- D. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the transition period.

State Teachers Retirement System

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the fiscal years ended December 31, 2013, 2012, and 2011. For the County these amounts equaled \$2,642, \$2,175, and \$2,274, respectively, for fiscal years 2013, 2012, and 2011, respectively; 100 percent has been contributed for 2013, 2012, and 2011.

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

12. COUNTY SALES TAX

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

Proceeds of the tax are credited to the General Fund and the Motor Vehicle and Gas Tax Special Revenue Fund. Permissive Sales and Use tax revenue for 2013 amounted to \$7,888,718.

13. CONTINGENT LIABILITIES

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

14. ACCUMULATED UNPAID VACATION, PERSONAL, COMPENSATORY TIME AND SICK LEAVE

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

15. LANDFILL CLOSURE AND POST CLOSURE CARE

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

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013
 (Continued)

16. FUND BALANCES

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

Fund Balances	General Fund	Fayette Co. Bd of DD	Department of Job & Family Svs	MVGT	Other Governmental Funds	Total
Nonspendable	0					
EPA Fund	10,466					10,466
<i>Total Nonspendable</i>	<u>10,466</u>	<u>0</u>	<u>0</u>		<u>0</u>	<u>10,466</u>
Restricted for						0
Developmental Disabilities		2,559,820			105,881	2,665,701
Public Safety					651,848	651,848
Children's Services Programs					777,950	777,950
Job and Family Services			196,705		88,049	284,754
Public Works				2,112,456	202,653	2,315,109
Elderly Programs					123,302	123,302
Debt Service Payments					877,428	877,428
Capital Improvements					353,577	353,577
Other Purposes					2,444,327	2,444,327
<i>Total Restricted</i>	<u>0</u>	<u>2,559,820</u>	<u>196,705</u>	<u>2,112,456</u>	<u>5,625,015</u>	<u>10,493,996</u>
Committed to						0
General Drainage Improvements					1,491	1,491
Other purposes						0
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,491</u>	<u>1,491</u>
Assigned to						0
Capital Projects					0	0
<i>Total Assigned</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unassigned (deficits):	5,735,872					5,735,872
<i>Total Fund Balances</i>	<u>\$5,746,338</u>	<u>\$2,559,820</u>	<u>\$196,705</u>	<u>\$2,112,456</u>	<u>\$5,626,506</u>	<u>16,241,825</u>

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013
 (Continued)

17. INTERFUND TRANSACTIONS

Inter-fund cash transfers and advances for the year ended December 31, 2013 were as follows:

	Transfers In	Transfers Out	Advances In	Advances Out
Major Funds:				
General	\$ 200,000	\$1,470,205	\$ 13,269	\$ 6,000
MVGT	59,000	0	0	0
CB/DD	0	0	0	0
Water District	0	5,741	0	0
Non-Major Funds:				
Special Revenue	784,512	0	28,000	35,269
Debt Service	1,211,267	379,793	0	0
Capital Projects	26,693	417,395	0	0
Enterprise	<u>163,255</u>	<u>171,593</u>	<u>0</u>	<u>0</u>
Total	<u>\$2,444,727</u>	<u>\$2,444,727</u>	<u>\$ 41,269</u>	<u>\$ 41,269</u>

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

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

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FAYETTE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013

FEDERAL GRANTOR	Pass Through	Federal	
Pass Through Grantor	Entity	CFDA	
Program Title	Number	Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services			
Food Assistance	G-1011-11-5034	10.561	\$ 216,518
Total U.S. Department of Agriculture			216,518
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Board of Developmental Disabilities			
Social Services Block Grant - Title XX	N/A	93.667	25,276
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services			
Social Services Block Grant - Title XX	G-1011-11-5034	93.667	241,341
Total CFDA Number 93.667			266,617
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Board of Developmental Disabilities			
Medical Assistance Program - Title XIX MAC	N/A	93.778	136,837
<i>Passed Through Ohio Department of Aging:</i>			
Passport		93.778	74,853
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services			
Medical Assistance Program - NET	G-1011-11-5034	93.778	183,055
Medical Assistance Program - Transportation	G-1011-11-5034	93.778	81
Medical Assistance Program - Title XIX	G-1011-11-5034	93.778	56,882
Total CFDA Number 93.778			451,708
Children's Services Board			
TANF Independent Living		93.558	2,861
Job and Family Services			
Summer Youth	G-1011-11-5034	93.558	114,526
TANF - Admin	G-1011-11-5034	93.558	363,100
TANF	G-1011-11-5034	93.558	139,487
Total CFDA Number 93.558			619,974
Job and Family Services			
Child Care - Admin	G-1011-11-5034	93.575	23,117
Child Care	G-1011-11-5034	93.575	27,164
Total CFDA Number 93.575			50,281
Total Child Care Cluster			50,281
State Children's Health Insurance Program (SCHIP)	N/A	93.767	1,072

(Continued)

FAYETTE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Job and Family Services Child Support	G-1011-11-5034	93.563	\$ 447,332
Children's Services Board Child Welfare Services - IV-B	G-1011-11-5034	93.645	46,848
Child Abuse and Neglect	G-1011-11-5034	93.590	1,888
Foster Care	G-1011-11-5034	93.658	53,746
Non-Recurring Adoption	G-1011-11-5034	93.659	110,610
ESSA, Caseworker Visits	G-1011-11-5034	93.556	19,840
<i>Passed Through Ohio Department of Health:</i>			
Job and Family Services Special Programs for the Aging - Nutrition - Title III-B	EL009909	93.044	23,210
Special Programs for the Aging - Nutrition - Title III-C	EL009909	93.045	<u>72,776</u>
Total Aging Cluster			95,986
Low-Income Home Energy Assistance Program	ED039817	93.568	1,900
Total U.S. Department of Health and Human Services			<u>2,167,802</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through the Ohio Department of Development:</i>			
Community Development Block Grants - Water/Sewer	B-W-11-1AW-1	14.228	12,714
Ohio Water Development Authority - Water/Sewer	B-W-11-1AW-1	14.228	103,032
Community Development Block Grants	B-C-12-1AW-1	14.228	<u>79,503</u>
Total CFDA Number 14.228			195,249
Home Investment Partnership Program	B-C-12-1AW-2	14.239	162,256
Total U.S. Department of Housing and Urban Development			<u>357,505</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Grants to States: Special Education Cluster:			
Special Education - Preschool Grants	N/A	84.173	<u>9,518</u>
Total Special Education Cluster			9,518
Total U.S. Department of Education			<u>9,518</u>

(Continued)

FAYETTE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>			
Victim Witness - VOCA	2013VAGENE240	16.588	\$ 50,538
Victim Witness - VAWA	2012-WF-VA5-8411	16.588	33,328
Total CFDA Number 16.588			83,866
Edward Byrne Justice Assistance Grant Formula Program	2012-JG-D01-6300	16.738	19,990
Total U.S. Department of Justice			103,856
FEDERAL AGENCY DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	EMPG2011	97.042	25,454
Total Federal Agency Department of Homeland Security			25,454
U.S. DEPARTMENT OF LABOR			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
<i>Workforce Investment Act Cluster:</i>			
Workforce Investment Act - Adult	N/A	17.258	52,180
Workforce Investment Act - Youth	N/A	17.259	48,957
Workforce Investment Act - Dislocated Workers	N/A	17.278	60,149
Workforce Investment Act - Dislocated Workers Administration	N/A	17.278	3,499
Total CFDA Number 17.278			63,648
Total WIA Cluster			164,785
NEG OH-19 Ohio Auto	N/A	17.277	45,435
<i>Employment Service Cluster:</i>			
One Stop Resource Sharing	N/A	17.207	21,709
Total U.S. Department of Labor			231,929
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through the Federal Aviation Administration</i>			
<i>Direct from Federal Government</i>			
FAA Air 21 Funds, Airport Access Rd Reconstruction	N/A	20.106	225,098
<i>Passed through the Ohio Department of Transportation</i>			
<i>Highway Planning and Construction Cluster</i>			
FAYVaries 2013 Clemens Rd Bridge Project	PID 86054	20.205	326,304
FAYVaries 2013 Coor Yankeetown Rd Bridge	PID 94019	20.205	317,958
FAYVaries 2013 Sollars Rd Bridge	PID 94144	20.205	47,574
STW 2011 CEAO Load Ratings	PID 92742	20.205	1,368
Highway Planning and Construction Cluster		20.205	693,204
Hazardous Materials Emergency Preparedness Grant (HMEP)	HM-HMP-0302-12-01-00	20.703	12,000
<i>Passed Through the Ohio Traffic Safety Office:</i>			
OTSO HVEO Grant	HVEO-2013-24-00-00-00383-00	20.600	25,216
Total U.S. Department of Transportation			955,518
TOTAL FEDERAL ASSISTANCE			\$ 4,068,100

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FAYETTE COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

NOTE C – MEDICAID

During the calendar year, the County Board of Developmental Disabilities received a notice of a liability owed in the 2008 Cost Report from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount of \$(1,233.18). The Cost Report liability was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid Services. This liability is not listed on the County's Schedule of Expenditures of Federal Award since the underlying expenses occurred in prior reporting period and the liability was invoiced by the Ohio Department of Developmental Disabilities.

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Dave Yost • Auditor of State

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

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

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fayette County, (the County) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 15, 2014, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles and that the County's cash basis financial statements do not include amounts related to the Fayette County Memorial Hospital, which should be presented as a major enterprise fund and be part of the business-type activities. In addition, we also noted the County did not include their only legally separate discretely-presented component unit, Fayette Progressive Industries, Inc. (the Workshop). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
www.ohioauditor.gov

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item, 2013-001.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 15, 2014



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Fayette 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 the Fayette County's major federal programs for the year ended December 31, 2013. 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, the Fayette County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2013.

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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State

Columbus, Ohio

September 15, 2014

FAYETTE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2013-001

Noncompliance

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

Ohio Admin. Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles.

The County did not prepare its annual financial report in accordance with generally accepted accounting principles as follows:

- The County prepared its financial statements in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while presumably material, cannot be reasonably determined at this time.
- Governmental Accounting Standards Board Codification (GASB) Section 2100 requires the County to report its County-owned Hospital (Fayette County Memorial Hospital) in the annual financial report as a major enterprise fund and as business type activity in the entity-wide statements. Management has not included the Fayette County Memorial Hospital financial statements in the Fayette County annual financial report.
- GASB Codification Section 2100.111 requires that if the county determines through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading, that organization should be included as a component unit. The County has determined that the inclusion of Fayette Progressive Industries, Inc. (the Workshop) is necessary to prevent the County's financial statements from being misleading; however, the County has not included the Workshop as a component unit.

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

We recommend the County evaluate the Workshop relationship with the County as part of the implementation of GASB Statement No. 61. GASB Statement No. 61 clarified that the primary government may determine, through exercise of *management's professional judgment*, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. Statement No. 61 makes it clear that the determination of the "misleading to exclude" criterion is up to management and should be based on qualitative factors, more so than financial materiality. Management should use reasonable, well-documented rationale for its conclusion.

Officials' Response:

We did not receive a response from officials to the finding above.

3. FINDINGS FOR FEDERAL AWARDS

None

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FAYETTE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 § .315 (b)
 DECEMBER 31, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	OAC 117-2-02 Material Intergovernmental receipt not posted to financials.	No	Partially Corrected – Issued as a management letter comment
2012-002	ORC 117.38 & OAC 117-2-03(B) Failure to file annual financial report on required accounting basis.	No	Not Corrected – Repeat 2013-001
2012-003	Accuracy and Completeness of Federal Schedule	No	Partially Corrected – Issued as a management letter comment
2012-004	Cash management - failure to minimize time elapsing between drawdowns and expenditures.	Yes	
2012-005	ODOD rules and regulations (A)(3)(f) develop a cash management system to ensure compliance with 15-day rule.	No	Not Corrected – Issued as a management letter comment

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Dave Yost • Auditor of State

FAYETTE COUNTY FINANCIAL CONDITION

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 7, 2014