



Dave Yost • Auditor of State

CLINTON COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government – Wide Financial Statements	
Statement of Net Position	
December 31, 2013	17
Statement of Activities	
For the Year Ended December 31, 2013	18
Fund Financial Statements	
Balance Sheet - Governmental Funds	
December 31, 2013	20
Reconciliation of Total Governmental Fund Balances	
To Net Position of Governmental Activities	
December 31, 2013	23
Statement of Revenues, Expenditures and Changes	
In Fund Balance Governmental Funds	
For the Year Ended December 31, 2013	24
Reconciliation of the Statement of Revenues, Expenditures,	
And Changes in Fund Balances of Governmental Funds to	
The Statement of Activities	
For the Year Ended December 31, 2013	26
Statement of Revenues, Expenditures, and Changes In	
Fund Balance – Budget and Actual (Non-GAAP Budgetary	
Basis) General Fund	
For the Year Ended December 31, 2013	27
Statement of Revenues, Expenditures, and Changes	
In Fund Balance – Budget and Actual (Non-GAAP Budgetary	
Basis) Children Services Board Fund	
For the Year Ended December 31, 2013	28
Statement of Revenues, Expenditures, and Changes	
In Fund Balance – Budget and Actual (Non-GAAP Budgetary	
Basis) County Board of DD Fund	
For the Year Ended December 31, 2013	29
Statement of Revenues, Expenditures, and Changes	
In Fund Balance – Budget and Actual (Non-GAAP Budgetary	
Basis) Motor Vehicle and Gas Tax Fund	
For the Year Ended December 31, 2013	30

CLINTON COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Statement of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Public Assistance Fund For the Year Ended December 31, 2013	31
Statement of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Workforce Development Fund For the Year Ended December 31, 2013	32
Statement of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Martinsville-Midland Sewer Fund For the Year Ended December 31, 2013	33
Statement of Net Position Proprietary Funds December 31, 2013	34
Statement of Revenues, Expenses and Changes In Net Position Proprietary Funds For the Year Ended December 31, 2013	35
Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2013	36
Statement of Fiduciary Net Position Fiduciary Funds December 31, 2013	37
Statement of Changes In Fiduciary Net Position Fiduciary Funds For the Year Ended December 31, 2013	38
Notes to the Financial Statements	39
Schedule of Federal Awards Expenditures	79
Notes to the Federal Awards Expenditures	82
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards	83
Independent Auditor’s Report on Compliance With Requirements Applicable To Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133	85
Schedule of Findings.....	89
Schedule of Prior Audit Findings.....	109
Corrective Action Plan.....	111



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Clinton County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Clinton 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 us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Clinton County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable cash flows thereof and the respective budgetary comparisons for the General Fund, Children's Services Board Fund, County Board of Developmental Disabilities Fund, Motor Vehicle and Gas Tax Fund, Public Assistance Fund, Workforce Development Fund, and Martinsville-Midland Sewer Fund, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2015, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

August 12, 2015

This page intentionally left blank.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

The management's discussion and analysis of Clinton County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- General revenues accounted for \$16,621,033 or 45.60% of total governmental activities revenue. Program specific revenues accounted for \$19,832,286 or 54.40% of total governmental activities revenue. Net position at year-end increased 1.98% over net position, as restated at December 31, 2012, in Note 3.B of the notes to the basic financial statements.
- The County had \$34,460,463 in expenses related to governmental activities; \$19,832,286 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$16,621,033 were adequate to provide for these programs.
- The County has seven major governmental funds. The General fund, the County's largest major governmental fund, had revenues and other financing sources of \$15,790,178 in 2013. The General fund had expenditures of \$13,017,093 in 2013. The General fund transferred out \$1,677 to other funds.
- The Children Services Board, a County major fund, had revenues of \$2,912,781 and expenditures of \$2,574,524 in 2013. The Children Services Board fund balance increased \$338,257 from 2012 to 2013.
- The County Board of Developmental Disabilities (DD) fund, a County major fund, had revenues of \$5,565,506 and expenditures and other financing uses of \$5,181,477 in 2013. The County Board of DD fund balance increased \$384,029 over 2012, as restated in Note 3.B to the notes to the basic financial statements.
- The Motor Vehicle and Gas Tax fund, a County major fund, had revenues and other financing sources of \$4,100,621 in 2013. Expenditures totaled \$4,437,777 in 2013 and fund balance decreased \$337,156 from 2012 to 2013.
- The Public Assistance fund, a County major fund, had revenues and other financing sources of \$3,505,822 and expenditures and other financing uses of \$3,905,319 in 2013. The Public Assistance fund balance decreased \$399,497 from 2012 to 2013.
- The Workforce Development fund, a County major fund, had revenues of \$987,115 and expenditures of \$807,934 in 2013, resulting in an increase in fund balance of \$179,181.
- The Martinsville-Midland Sewer fund, a County major fund, had revenues of \$255,204 and expenditures of \$77,531, resulting in an increase in fund balance of \$177,673.
- The Former County Hospital fund, which comprises the County's business-type activities, experienced nonoperating revenues of \$49,303, nonoperating expenses of \$93,780 and earned investment income of \$6,607. Net position of business type activities decreased \$37,870 from 2012.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

Using the Basic Financial Statements (BFS)

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

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

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities answer the question, "How did we do financially during 2013?" These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General fund, Children Services Board, County Board of DD, Motor Vehicle and Gas Tax, Public Assistance, Workforce Development and Martinsville-Midland Sewer fund. The County's major enterprise fund is the Former County Hospital. The analysis of the County's major governmental and proprietary funds begins on page 10.

Governmental Funds

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 18-31 of this report.

Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for wind-down expenses of the Former County Hospital. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a health insurance program for employees of the County and several governmental units within the County. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 32-34 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 35-36 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37-76 of this report.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

Government-Wide Financial Analysis

The statement of net position provides the perspective of the County as a whole. Net position of the governmental activities has been restated at December 31, 2012, as described in Note 3.B of the notes to the basic financial statements. The table below provides a summary of the County's net position for 2013 and 2012.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	(Restated) <u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	(Restated) <u>2012</u>
<u>Assets</u>						
Current and other assets	\$ 70,354,238	\$ 72,628,226	\$ 3,225,196	\$ 3,656,371	\$ 73,579,434	\$ 76,284,597
Capital assets, net	<u>44,876,568</u>	<u>43,224,526</u>	<u>-</u>	<u>-</u>	<u>44,876,568</u>	<u>43,224,526</u>
Total assets	<u>115,230,806</u>	<u>115,852,752</u>	<u>3,225,196</u>	<u>3,656,371</u>	<u>118,456,002</u>	<u>119,509,123</u>
<u>Deferred outflows of resources</u>						
Unamortized deferred charges on refunding	<u>62,630</u>	<u>73,069</u>	<u>-</u>	<u>-</u>	<u>62,630</u>	<u>73,069</u>
<u>Liabilities</u>						
Long-term liabilities	6,144,296	6,619,933	-	-	6,144,296	6,619,933
Other liabilities	<u>1,272,475</u>	<u>1,943,755</u>	<u>386,088</u>	<u>779,393</u>	<u>1,658,563</u>	<u>2,723,148</u>
Total liabilities	<u>7,416,771</u>	<u>8,563,688</u>	<u>386,088</u>	<u>779,393</u>	<u>7,802,859</u>	<u>9,343,081</u>
<u>Deferred inflows of resources</u>						
Property taxes levied for the next fiscal year	<u>5,349,474</u>	<u>6,827,798</u>	<u>-</u>	<u>-</u>	<u>5,349,474</u>	<u>6,827,798</u>
<u>Net position</u>						
Net investment in capital assets	40,090,507	37,950,304	-	-	40,090,507	37,950,304
Restricted	19,112,835	23,195,886	-	-	19,112,835	23,195,886
Unrestricted	<u>43,323,849</u>	<u>39,388,145</u>	<u>2,839,108</u>	<u>2,876,978</u>	<u>46,162,957</u>	<u>42,265,123</u>
Total net position	<u>\$ 102,527,191</u>	<u>\$ 100,534,335</u>	<u>\$ 2,839,108</u>	<u>\$ 2,876,978</u>	<u>\$ 105,366,299</u>	<u>\$ 103,411,313</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2013, the County's assets exceeded liabilities by \$105,366,299.

Capital assets reported on the government-wide statements represent the largest portion of the County's net position. At December 31, 2013, capital assets represented 37.88% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, software, vehicles and infrastructure. The net investment in capital assets at December 31, 2013, was \$40,090,507. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the County's net position, \$19,112,835 or 18.14% represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net position for the County as a whole is \$46,162,957, \$43,323,849 of which is related to the County's governmental activities. During 2013 unrestricted net position increased \$3,935,704 for the County's governmental activities and \$3,897,834 for the County as a whole from 2012's restated unrestricted net position.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

Certain revenues and expenses for 2012 in the table below have been restated for governmental activities to conform with the restatement of net position at December 31, 2012, as described in Note 3.B of the notes to the basic financial statements. The table below shows the changes in net position for 2013 and 2012.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
		(Restated)				(Restated)
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 5,723,011	\$ 4,125,199	\$ -	\$ -	\$ 5,723,011	\$ 4,125,199
Operating grants and contributions	11,860,038	13,154,352	-	-	11,860,038	13,154,352
Capital grants and contributions	2,249,237	342,238	-	-	2,249,237	342,238
General revenues:						
Property taxes	7,082,286	7,074,921	-	-	7,082,286	7,074,921
Sales tax	7,372,126	6,763,400	-	-	7,372,126	6,763,400
Unrestricted grants	1,875,878	1,640,899	-	-	1,875,878	1,640,899
Investment earnings	78,116	551,147	6,607	1,570	84,723	552,717
Other	212,627	693,243	49,303	1,058,922	261,930	1,752,165
Total revenues	<u>36,453,319</u>	<u>34,345,399</u>	<u>55,910</u>	<u>1,060,492</u>	<u>36,509,229</u>	<u>35,405,891</u>
<u>Expenses</u>						
Program expenses:						
General government	7,796,513	8,408,004	-	-	7,796,513	8,408,004
Public safety	5,850,984	5,217,855	-	-	5,850,984	5,217,855
Public works	5,971,138	6,314,067	-	-	5,971,138	6,314,067
Health	5,124,513	4,377,488	-	-	5,124,513	4,377,488
Human services	8,895,252	7,682,478	-	-	8,895,252	7,682,478
Conservation and recreation	50,099	111,866	-	-	50,099	111,866
Economic development and assistance	513,990	871,277	-	-	513,990	871,277
Other	60,246	563,680	-	-	60,246	563,680
Interest and fiscal charges	197,728	336,187	-	-	197,728	336,187
Former County Hospital	-	-	93,780	147,925	93,780	147,925
Total expenses	<u>34,460,463</u>	<u>33,882,902</u>	<u>93,780</u>	<u>147,925</u>	<u>34,554,243</u>	<u>34,030,827</u>
Change in net position	1,992,856	462,497	(37,870)	912,567	1,954,986	1,375,064
Net position at beginning of year (restated)	<u>100,534,335</u>	<u>100,071,838</u>	<u>2,876,978</u>	<u>1,964,411</u>	<u>103,411,313</u>	<u>102,036,249</u>
Net position at end of year	<u>\$102,527,191</u>	<u>\$100,534,335</u>	<u>\$ 2,839,108</u>	<u>\$ 2,876,978</u>	<u>\$105,366,299</u>	<u>\$103,411,313</u>

Governmental Activities

Net position of governmental activities increased \$1,992,856 during 2013. The increase in net position is attributable to control of slightly higher overall expenses combined with increased sales tax revenue and capital grants and contributions revenue, and an increase of \$1,652,042 to capital assets, net of depreciation, during 2013.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

Operating grants and contributions consisted of State and federal government contributions to the County of \$11,860,038 and \$2,249,237 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the operating grants and contributions of \$11,860,038, \$5,235,401, or 44.14% subsidized human services programs, compared to \$4,877,552 or 37.08% in 2012. This increase is due to increased activity in the County's public assistance fund. \$3,701,690 or 31.21% of the total operating grants and contributions subsidized public works programs, while another \$2,139,788 or 18.04% subsidized health programs. Capital grants and contributions increased as a result of funding from the Ohio Department of Transportation and the Ohio Public Works Commission for bridge and road improvements within the County and from funding from the Federal Aviation Administration for capital improvements at the Clinton County Regional Airport Authority.

General revenues totaled \$16,621,033, and amounted to 45.60% of total revenues. These revenues primarily consist of property and sales tax revenue of \$14,454,412 or 86.96% of total general revenues in 2013. Property tax revenue increased slightly from 2012 while sales tax revenue increased \$608,726 or 9.00%. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which makes up \$1,875,878 or 11.29% of total general revenues.

The County experienced an increase in overall expenses of \$557,561, or 1.70% higher than in 2012.

General government expenses include legislative and executive and judicial programs, and totaled \$7,796,513 or 22.62% of total governmental expenses. General government expenses were covered by \$3,107,768 of direct charges to users in 2013, which is comprised primarily of auditor's fees and rental income, and operating grants and contributions of \$152,103.

Public works expenses totaled \$5,971,138 in 2013, or 17.33% of total governmental expenses. These expenses were funded primarily by operating grants and contributions, capital grants and contributions, and charges to users of \$3,701,690, \$2,249,237 and \$1,128,112, respectively.

Human services expense supports the operations of public assistance, workforce development, the children services board and the senior services levy, and accounts for \$8,895,252, or 25.81% of the total governmental expenses of the County. These expenses were primarily funded by operating grants and contributions in the amount of \$5,235,401. The remainder of these expenses is covered by charges for services in the amount of \$379,792 and general revenues. The \$1,212,774 increase in human services expenses due to increased expenditures related to the Senior Services program during 2013.

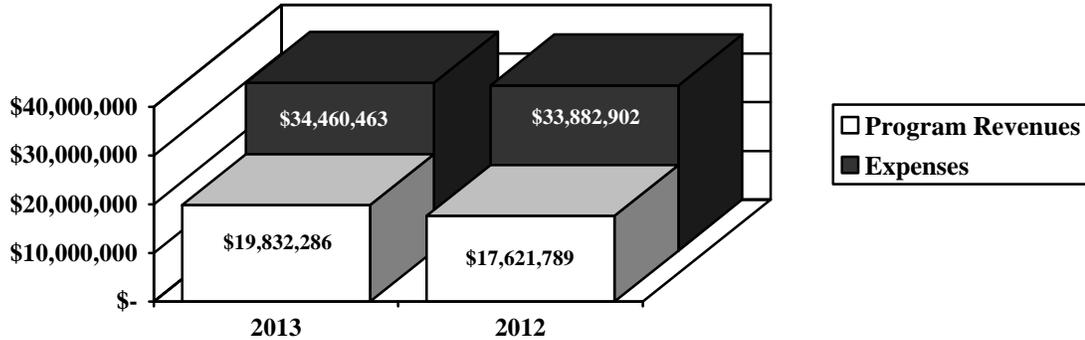
Expenses for health programs, which for the County is mainly the County Board of developmental disabilities program, were \$5,124,513 in 2013. The County's public safety programs, primarily the sheriff's department, had expenses of \$5,850,984 in 2013.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The table on the following page shows, for governmental activities, the total cost of services and the net cost of services for 2013 and 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

CLINTON COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

Governmental Activities - Program Revenues vs. Total Expenses

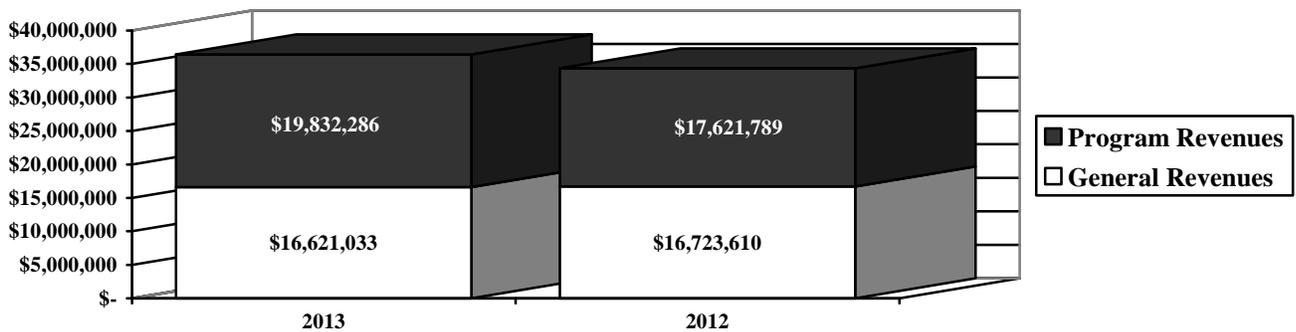


Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	(Restated) Total Cost of Services 2012	(Restated) Net Cost of Services 2012
Expenses:				
General government	\$ 7,796,513	\$ 4,536,642	\$ 8,408,004	\$ 6,094,375
Public safety	5,850,984	4,797,889	5,217,855	3,924,254
Public works	5,971,138	(1,107,901)	6,314,067	(140,179)
Health	5,124,513	2,677,304	4,377,488	2,622,055
Human services	8,895,252	3,280,059	7,682,478	2,640,593
Conservation and recreation	50,099	50,099	111,866	5,045
Economic development and assistance	513,990	237,222	871,277	241,583
Other	60,246	(40,865)	563,680	537,200
Interest and fiscal charges	197,728	197,728	336,187	336,187
Total expenses	\$ 34,460,463	\$ 14,628,177	\$ 33,882,902	\$ 16,261,113

The dependence upon general revenues for governmental activities is apparent, with 42.45% and 47.99% of expenses supported through taxes and other general revenues during 2013 and 2012, respectively.

Governmental Activities - General and Program Revenues



CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

Business-Type Activities

The Former County Hospital fund is the County's major enterprise fund. For 2013, net position of the Former County Hospital (the "Hospital") decreased \$37,870 due to nonoperating revenues of \$49,303, nonoperating expenses of \$93,780, and investment income of \$6,607.

In 2010, the Hospital was sold to RegionalCare Hospital Partners. In accordance with the asset purchase agreement, a portion of the Hospital's assets, consisting primarily of cash and investments, are retained to be used for anticipated wind down costs. At December 31, 2013, assets of \$3,225,196 and liabilities of \$386,088 were reported, leaving net position of \$2,839,108 in the enterprise fund.

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

The County's governmental funds (as presented on the balance sheet on pages 18-19) reported a combined fund balance of \$47,023,795 which is \$1,014,529 higher than last year's restated total of \$46,009,266 (see Note 3.B to the basic financial statements for detail on the fund reclassification and restatement of fund balance at December 31, 2012). The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2013 for all major and nonmajor governmental funds.

	Fund Balance (Deficit) <u>December 31, 2013</u>	(Restated) Fund Balance (Deficit) <u>December 31, 2012</u>	Increase (Decrease)
Major Funds:			
General	\$ 21,572,089	\$ 18,800,681	\$ 2,771,408
Children Services Board	1,797,808	1,459,551	338,257
County Board of DD	8,345,305	7,961,276	384,029
Motor Vehicle and Gas Tax	2,061,521	2,398,677	(337,156)
Public Assistance	96,851	496,348	(399,497)
Workforce Development	387,086	207,905	179,181
Martinsville-Midland Sewer	(2,702,947)	(2,880,620)	177,673
Other Nonmajor Governmental Funds	<u>15,466,082</u>	<u>17,565,448</u>	<u>(2,099,366)</u>
Total	<u>\$ 47,023,795</u>	<u>\$ 46,009,266</u>	<u>\$ 1,014,529</u>

The fund balance of the General fund increased \$2,771,408 primarily from monies received during 2013 related to the sale of the former County Hospital. The fund balance of the County Board of DD fund increased \$384,029 primarily due to higher State and federal grant revenues and lower program expenses. The Martinsville-Midland Sewer fund repaid the General fund \$100,000 in monies loaned from the General fund (see Note 5.B for detail), contributing to an increase in fund balance of \$177,673 for 2013.

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

General Fund

The General fund, the County's largest major governmental fund, had revenues and other financing sources of \$15,790,178 in 2013. The General fund had expenditures and other financing uses of \$13,018,770 in 2013. The General fund also received \$1,700,000 in deferred proceeds from the sale of the hospital during 2013. The General fund transferred out \$1,677 to other funds, as compared to transfers out of \$6,361,580 during 2012.

Children Services Board Fund

The Children Services Board, a County major fund, had revenues of \$2,912,781 and expenditures of \$2,574,524 in 2013. The Children Services Board fund balance increased \$338,257 from 2012 to 2013.

County Board of DD

The County Board of Developmental Disabilities (DD) fund, a County major fund, had revenues of \$5,565,506 and expenditures and other financing uses of \$5,181,477 in 2013. The County Board of DD fund balance increased \$384,029 over 2012, as restated in Note 3.B to the notes to the basic financial statements.

Motor Vehicle and Gas Tax Fund

The Motor Vehicle and Gas tax fund, a County major fund, had revenues and other financing sources of \$4,100,621 in 2013. Expenditures totaled \$4,437,777 in 2013 and the fund balance decreased \$337,156 from 2012 to 2013.

Public Assistance Fund

The Public Assistance fund, a County major fund, had revenues and other financing sources of \$3,505,822 and expenditures and other financing uses of \$3,905,319 in 2013. The Public Assistance fund balance decreased \$399,497 from 2012 to 2013.

Workforce Development Fund

The Workforce Development fund, a County major fund, had revenues of \$987,115 and expenditures of \$807,934 in 2013, resulting in an increase in fund balance of \$179,181.

Martinsville-Midland Sewer Fund

The Martinsville-Midland Sewer fund, a County major fund, had revenues of \$255,204 and expenditures of \$77,531 in 2013, resulting in an increase in fund balance of \$177,673.

General Fund Budgeting Highlights

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

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

In the General fund, there were changes between the original and final budget. Final budgeted revenues and other financing sources were \$7,728,148 higher than original budgeted revenues and other financing sources primarily because the proceeds of hospital sale were not budgeted for in the original budget. Actual revenues and other financing sources of \$22,383,619 were \$224,388 higher than in the final budget. Original budgeted appropriations of \$13,153,453 were increased to \$16,243,144 in the final budget. Actual expenditures and other financing uses were \$941,813 less than the final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of 2013, the County had \$44,876,568 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, software, equipment, vehicles and infrastructure.

The County's largest governmental capital asset category is infrastructure which includes roads, bridges and culverts. These items are immovable and of value only to the County, however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 59.01% of the County's total governmental capital assets.

The following table shows 2013 balances compared to 2012:

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

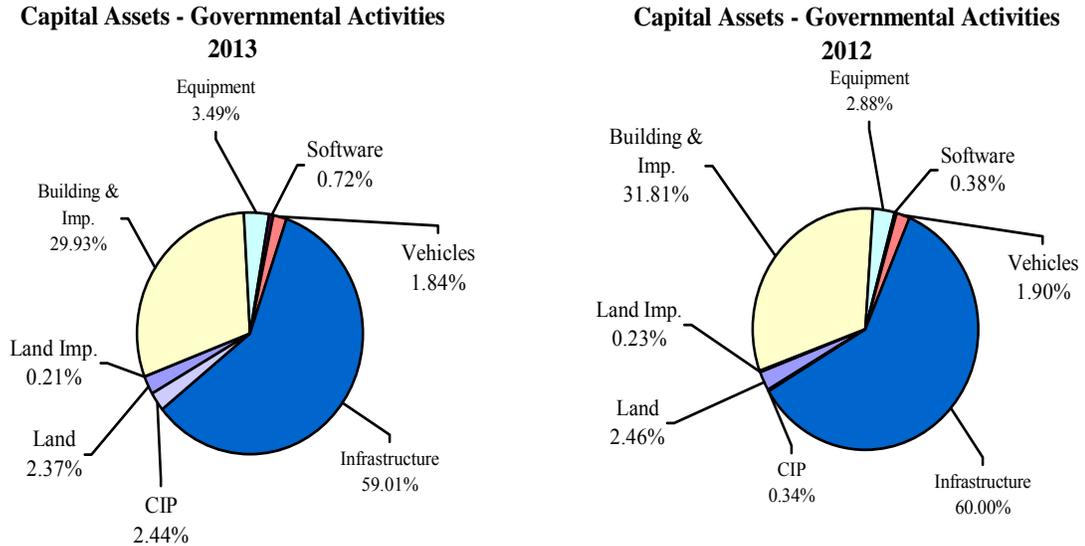
	Governmental Activities 2013	Governmental Activities 2012
Land	\$ 1,061,880	\$ 1,061,880
Land improvements	95,309	100,947
Building and improvements	13,431,160	13,749,149
Equipment	1,564,347	1,244,049
Software	323,954	165,942
Vehicles	823,623	824,727
Infrastructure	26,483,481	25,932,880
Construction in progress	1,092,814	144,952
Total	\$ 44,876,568	\$ 43,224,526

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

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

The following graphs show the breakdown of governmental capital assets by category for 2013 and 2012.



Debt Administration

At December 31, 2013, governmental activities had \$6,119,395 in general obligation bonds, special assessment bonds, special assessment notes, loans payable, land purchase agreement, compensated absences and capital leases outstanding. Of this total, \$1,205,701 is due within one year and \$4,913,694 is due in more than one year.

The following table summarizes the debt obligations outstanding.

Outstanding Debt at Year End

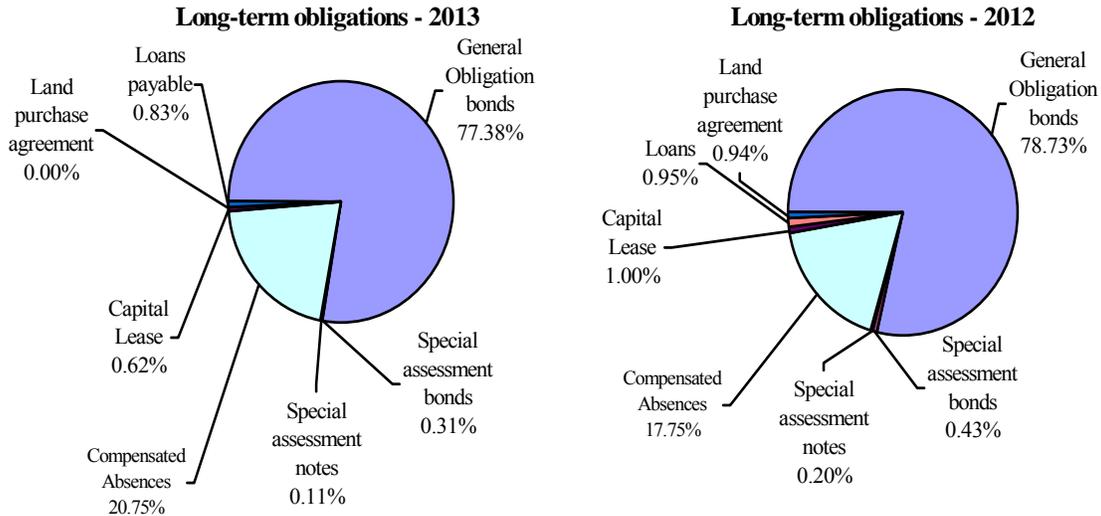
Long-Term Obligations	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
	General obligation bonds	\$ 4,735,000
Special assessment bonds	19,221	28,134
Special assessment notes	6,626	12,924
Loans payable	50,675	61,801
Land purchase agreement	-	62,536
Compensated absences	1,269,758	1,169,783
Capital leases	38,115	65,645
Total	\$ 6,119,395	\$ 6,590,823

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

CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

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



Economic Factors and Next Year's Budgets and Rates

The County's population is an estimated 42,040. At the close of 2013, the County's unemployment rate was 8.9%, compared to the 7.2% State average and the 6.7% national average.

These economic factors were considered in preparing the County's budget for 2014. Budgeted revenues and other financing sources in the General fund for the 2014 budget are approximately \$15,242,606. With the continuation of conservative budgeting practices, the County's financial position should remain stable in future years.

Contacting the County's Financial Management

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

CLINTON COUNTY, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
Assets:					
Equity in pooled cash and cash equivalents	\$ 39,558,527	\$ -	\$ 39,558,527	\$ 276,966	\$ 4,859,364
Cash and cash equivalents in segregated accounts	-	1,259,959	1,259,959	-	-
Cash with escrow agent	5,500,524	-	5,500,524	-	-
Cash with fiscal agent	460,058	-	460,058	-	-
Investments in segregated accounts	-	1,965,237	1,965,237	-	-
Receivables:					
Sales taxes	1,866,050	-	1,866,050	-	-
Real and other taxes	5,844,073	-	5,844,073	-	-
Accounts	72,127	-	72,127	15,025	294,018
Notes	11,900,000	-	11,900,000	-	-
Special assessments	112,236	-	112,236	-	-
Accrued interest	130,943	-	130,943	-	-
Due from other governments	4,432,263	-	4,432,263	-	8,776
Loans	184,240	-	184,240	-	-
Materials and supplies inventory	24,623	-	24,623	-	-
Prepayments	268,574	-	268,574	3,706	80,284
Capital assets:					
Land and construction in progress	2,154,694	-	2,154,694	-	26,614,168
Depreciable capital assets, net	42,721,874	-	42,721,874	18,393	37,175,574
Total capital assets, net	44,876,568	-	44,876,568	18,393	63,789,742
Total assets	115,230,806	3,225,196	118,456,002	314,090	69,032,184
Deferred outflows of resources:					
Unamortized deferred charges on refunding	62,630	-	62,630	-	-
Total deferred outflows of resources	62,630	-	62,630	-	-
Liabilities:					
Accounts payable	434,459	386,088	820,547	5,310	377,351
Contracts payable	16,486	-	16,486	-	-
Accrued wages and benefits payable	465,545	-	465,545	16,961	-
Due to other governments	281,451	-	281,451	-	7,618
Accrued interest payable	14,467	-	14,467	-	23,684
Amount to be repaid to claimants	60,067	-	60,067	-	-
Deposits held and due to others	-	-	-	-	73,551
Property taxes payable	-	-	-	-	131,230
Unearned revenue	-	-	-	-	303,190
Long-term liabilities:					
Due within one year	1,205,701	-	1,205,701	-	1,190,187
Due in more than one year	4,938,595	-	4,938,595	-	6,793,383
Total liabilities	7,416,771	386,088	7,802,859	22,271	8,900,194
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	5,349,474	-	5,349,474	-	-
Delinquent property tax revenue not available	-	-	-	-	-
Accrued interest not available	-	-	-	-	-
Nonexchange transactions	-	-	-	-	-
Total deferred inflows of resources	5,349,474	-	5,349,474	-	-
Net position:					
Net investment in capital assets	40,090,507	-	40,090,507	18,393	55,806,172
Restricted for:					
Capital projects	297,848	-	297,848	-	-
Debt service	10,564	-	10,564	-	-
Public service programs	4,145,155	-	4,145,155	-	-
Transportation projects	3,915,515	-	3,915,515	-	-
Health programs	8,633,333	-	8,633,333	-	-
Economic development	344,095	-	344,095	-	-
Security programs	629,249	-	629,249	-	-
Other purposes	1,137,076	-	1,137,076	-	-
Unrestricted	43,323,849	2,839,108	46,162,957	273,426	4,325,818
Total net position	\$ 102,527,191	\$ 2,839,108	\$ 105,366,299	\$ 291,819	\$ 60,131,990

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government:				
Legislative and executive.	\$ 5,624,327	\$ 2,949,451	\$ 35	\$ -
Judicial.	2,172,186	158,317	152,068	-
Public safety	5,850,984	698,299	354,796	-
Public works	5,971,138	1,128,112	3,701,690	2,249,237
Health.	5,124,513	307,421	2,139,788	-
Human services	8,895,252	379,792	5,235,401	-
Conservation and recreation	50,099	-	-	-
Economic development and assistance	513,990	508	276,260	-
Other	60,246	101,111	-	-
Interest and fiscal charges.	197,728	-	-	-
Total governmental activities	<u>34,460,463</u>	<u>5,723,011</u>	<u>11,860,038</u>	<u>2,249,237</u>
Business-type activities:				
Former County Hospital	93,780	-	-	-
Total business-type activities	<u>93,780</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 34,554,243</u>	<u>\$ 5,723,011</u>	<u>\$ 11,860,038</u>	<u>\$ 2,249,237</u>
Component units:				
ORION Rehabilitation Center	\$ 472,936	\$ 137,292	\$ 300,504	\$ -
Port Authority	7,250,225	6,787,415	-	-
Total component units.	<u>7,723,161</u>	<u>6,924,707</u>	<u>300,504</u>	<u>-</u>

General revenues:

Property taxes levied for:

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

Change in net position

Net position at beginning of year (restated)

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Orion Rehab Center	Port Authority
\$ (2,674,841)	\$ -	\$ (2,674,841)	\$ -	\$ -
(1,861,801)	-	(1,861,801)	-	-
(4,797,889)	-	(4,797,889)	-	-
1,107,901	-	1,107,901	-	-
(2,677,304)	-	(2,677,304)	-	-
(3,280,059)	-	(3,280,059)	-	-
(50,099)	-	(50,099)	-	-
(237,222)	-	(237,222)	-	-
40,865	-	40,865	-	-
(197,728)	-	(197,728)	-	-
<u>(14,628,177)</u>	<u>-</u>	<u>(14,628,177)</u>	<u>-</u>	<u>-</u>
-	(93,780)	(93,780)	-	-
-	(93,780)	(93,780)	-	-
<u>(14,628,177)</u>	<u>(93,780)</u>	<u>(14,721,957)</u>	<u>-</u>	<u>-</u>
			(35,140)	-
			<u>-</u>	<u>(462,810)</u>
			<u>(35,140)</u>	<u>(462,810)</u>
2,246,279	-	2,246,279	-	-
2,743,928	-	2,743,928	-	-
999,992	-	999,992	-	-
1,092,087	-	1,092,087	-	-
7,372,126	-	7,372,126	-	-
1,875,878	-	1,875,878	-	-
78,116	6,607	84,723	595	1,162
-	-	-	-	276,451
<u>212,627</u>	<u>49,303</u>	<u>261,930</u>	<u>1,741</u>	<u>438,144</u>
<u>16,621,033</u>	<u>55,910</u>	<u>16,676,943</u>	<u>2,336</u>	<u>715,757</u>
1,992,856	(37,870)	1,954,986	(32,804)	252,947
<u>100,534,335</u>	<u>2,876,978</u>	<u>103,411,313</u>	<u>324,623</u>	<u>59,879,043</u>
<u>\$ 102,527,191</u>	<u>\$ 2,839,108</u>	<u>\$ 105,366,299</u>	<u>\$ 291,819</u>	<u>\$ 60,131,990</u>

CLINTON COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of DD</u>	<u>Motor Vehicle & Gas Tax</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 10,923,871	\$ 1,702,471	\$ 7,837,286	\$ 1,614,827
Cash with escrow agent	5,500,524	-	-	-
Cash with fiscal agent	-	-	460,058	-
Receivables:				
Sales taxes	1,861,175	-	-	4,875
Real and other taxes	2,027,679	1,282,674	1,521,638	-
Accounts	46,594	-	-	26
Notes	11,900,000	-	-	-
Special assessments	-	-	-	-
Interfund loans	337,288	-	-	-
Accrued interest	130,943	-	-	-
Due from other funds	-	-	-	11,987
Due from other governments	620,083	535,032	408,791	1,794,778
Loans to other funds	3,771,228	-	-	-
Prepayments	112,954	-	3,165	911
Materials and supplies inventory	17,786	-	-	-
Total assets	<u>\$ 37,250,125</u>	<u>\$ 3,520,177</u>	<u>\$ 10,230,938</u>	<u>\$ 3,427,404</u>
Liabilities:				
Accounts payable	\$ 97,532	\$ -	\$ 22,166	\$ 39,196
Contracts payable	-	-	-	-
Accrued wages and benefits payable	246,614	-	58,536	58,232
Compensated absences payable	84,916	-	56,730	9,508
Interfund loans payable	-	-	-	-
Due to other funds	11,091	-	-	-
Due to other governments	150,831	-	39,154	32,254
Loans from other funds	-	-	-	-
Amount to be repaid to claimants	60,067	-	-	-
Total liabilities	<u>651,051</u>	<u>-</u>	<u>176,586</u>	<u>139,190</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year . . .	1,856,071	1,174,118	1,392,858	-
Delinquent property tax revenue not available . . .	159,034	100,602	119,344	-
Accrued interest not available	12,316	-	-	-
Special assessments revenue not available	-	-	-	-
Sales tax revenue not available	701,572	-	-	-
Nonexchange transactions	391,727	51,358	171,246	1,226,693
Unavailable grant revenue	6,265	396,291	25,599	-
Hospital sale	11,900,000	-	-	-
Total deferred inflows of resources	<u>15,026,985</u>	<u>1,722,369</u>	<u>1,709,047</u>	<u>1,226,693</u>
Fund balances:				
Nonspendable	9,218,252	-	3,165	911
Restricted	-	1,797,808	8,342,140	2,060,610
Committed	115,565	-	-	-
Assigned	617,143	-	-	-
Unassigned (deficit)	11,621,129	-	-	-
Total fund balances (deficit)	<u>21,572,089</u>	<u>1,797,808</u>	<u>8,345,305</u>	<u>2,061,521</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 37,250,125</u>	<u>\$ 3,520,177</u>	<u>\$ 10,230,938</u>	<u>\$ 3,427,404</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	Workforce Development	Martinsville-Midland Sewer	Other Governmental Funds	Total Governmental Funds
\$ 196,145	\$ 387,086	\$ 478,192	\$ 16,319,026	\$ 39,458,904
-	-	-	-	5,500,524
-	-	-	-	460,058
-	-	-	-	1,866,050
-	-	-	1,012,082	5,844,073
-	-	-	25,507	72,127
-	-	-	-	11,900,000
-	-	-	112,236	112,236
-	-	-	-	337,288
-	-	-	-	130,943
-	-	-	-	11,987
20,083	502,079	-	551,417	4,432,263
-	-	-	-	3,771,228
3,228	-	305	146,605	267,168
4,760	-	-	2,077	24,623
<u>\$ 224,216</u>	<u>\$ 889,165</u>	<u>\$ 478,497</u>	<u>\$ 18,168,950</u>	<u>\$ 74,189,472</u>
\$ 1,300	\$ -	\$ 36	\$ 274,193	\$ 434,423
-	-	-	16,486	16,486
73,554	-	-	27,450	464,386
11,983	-	-	455	163,592
-	-	-	337,288	337,288
-	-	-	896	11,987
40,528	-	72	17,368	280,207
-	-	3,181,336	405,652	3,586,988
-	-	-	-	60,067
<u>127,365</u>	<u>-</u>	<u>3,181,444</u>	<u>1,079,788</u>	<u>5,355,424</u>
-	-	-	926,427	5,349,474
-	-	-	79,379	458,359
-	-	-	-	12,316
-	-	-	112,236	112,236
-	-	-	-	701,572
-	-	-	66,879	1,907,903
-	502,079	-	438,159	1,368,393
-	-	-	-	11,900,000
<u>-</u>	<u>502,079</u>	<u>-</u>	<u>1,623,080</u>	<u>21,810,253</u>
7,988	-	305	148,682	9,379,303
88,863	387,086	-	3,626,966	16,303,473
-	-	-	7,154,033	7,269,598
-	-	-	4,898,579	5,515,722
-	-	(2,703,252)	(362,178)	8,555,699
<u>96,851</u>	<u>387,086</u>	<u>(2,702,947)</u>	<u>15,466,082</u>	<u>47,023,795</u>
<u>\$ 224,216</u>	<u>\$ 889,165</u>	<u>\$ 478,497</u>	<u>\$ 18,168,950</u>	<u>\$ 74,189,472</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK

CLINTON COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013

Total governmental fund balances		\$	47,023,795
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			44,876,568
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Sales taxes receivable	\$	701,572	
Real and other taxes receivable		458,359	
Intergovernmental receivable		3,276,296	
Special assessments receivable		112,236	
Accrued interest receivable		12,316	
Note receivable - sale of hospital		11,900,000	
Total		11,900,000	16,460,779
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			98,590
On the statement of net position interest is accrued on outstanding bonds and loans payable, whereas in the governmental funds, interest is accrued when due.			(14,467)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			62,630
Unamortized premiums on bond issuances are not recognized in the governmental funds.			(24,901)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(1,106,166)	
Special assessments		(25,847)	
Capital lease payable		(38,115)	
General obligation bonds payable		(4,735,000)	
Loan payable		(50,675)	
Total		(5,955,803)	(5,955,803)
Net position of governmental activities		\$	102,527,191

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>General</u>	<u>Children Services Board</u>	<u>County Board of DD</u>	<u>Motor Vehicle & Gas Tax</u>
Revenues:				
Real and other taxes	\$ 2,278,143	\$ 1,020,336	\$ 2,910,930	\$ -
Sales taxes	7,260,060	-	-	74,846
Charges for services	2,567,679	58,948	150,891	265,733
Licenses and permits	3,286	-	-	-
Fines and forfeitures	82,802	-	-	185,438
Intergovernmental	1,332,386	1,814,403	2,489,901	3,462,868
Special assessments	-	-	-	-
Investment income	71,984	-	346	-
Rental income	272,279	-	-	-
Other	212,627	19,094	13,438	110,762
Total revenues	<u>14,081,246</u>	<u>2,912,781</u>	<u>5,565,506</u>	<u>4,099,647</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	4,880,105	-	-	-
Judicial	2,018,786	-	-	-
Public safety	5,530,800	-	-	-
Public works	193,359	-	-	4,422,757
Health	-	-	5,041,477	-
Human services	302,011	2,574,524	-	-
Conservation and recreation	-	-	-	-
Economic development and assistance	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	11,561
Debt service:				
Principal retirement	87,440	-	-	2,626
Interest and fiscal charges	4,592	-	-	833
Total expenditures	<u>13,017,093</u>	<u>2,574,524</u>	<u>5,041,477</u>	<u>4,437,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,064,153</u>	<u>338,257</u>	<u>524,029</u>	<u>(338,130)</u>
Other financing sources (uses):				
Sale of capital assets	8,932	-	-	-
Transfers in	-	-	-	974
Transfers (out)	(1,677)	-	(140,000)	-
Proceeds from sale of hospital	1,700,000	-	-	-
Other financing sources	-	-	-	-
Other financing (uses)	-	-	-	-
Total other financing sources (uses)	<u>1,707,255</u>	<u>-</u>	<u>(140,000)</u>	<u>974</u>
Net change in fund balances	2,771,408	338,257	384,029	(337,156)
Fund balances (deficit) at beginning of year (restated)	<u>18,800,681</u>	<u>1,459,551</u>	<u>7,961,276</u>	<u>2,398,677</u>
Fund balances (deficit) at end of year	<u>\$ 21,572,089</u>	<u>\$ 1,797,808</u>	<u>\$ 8,345,305</u>	<u>\$ 2,061,521</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Public Assistance	Workforce Development	Martinsville-Midland Sewer	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,104,982	\$ 7,314,391
-	-	-	-	7,334,906
36,181	-	210,568	1,122,297	4,412,297
-	-	-	106,513	109,799
-	-	-	127,806	396,046
1,948,321	987,115	-	3,251,816	15,286,810
-	-	42,197	113,041	155,238
-	-	-	45	72,375
-	-	2,436	-	274,715
25,378	-	3	264,883	646,185
<u>2,009,880</u>	<u>987,115</u>	<u>255,204</u>	<u>6,091,383</u>	<u>36,002,762</u>
-	-	-	475,310	5,355,415
-	-	-	120,942	2,139,728
-	-	-	206,779	5,737,579
-	-	77,531	338,242	5,031,889
-	-	-	148,692	5,190,169
2,409,377	807,934	-	2,760,541	8,854,387
-	-	-	50,099	50,099
-	-	-	512,631	512,631
-	-	-	35,837	35,837
-	-	-	3,013,356	3,024,917
-	-	-	481,337	571,403
-	-	-	187,686	193,111
<u>2,409,377</u>	<u>807,934</u>	<u>77,531</u>	<u>8,331,452</u>	<u>36,697,165</u>
<u>(399,497)</u>	<u>179,181</u>	<u>177,673</u>	<u>(2,240,069)</u>	<u>(694,403)</u>
-	-	-	-	8,932
-	-	-	140,703	141,677
-	-	-	-	(141,677)
-	-	-	-	1,700,000
1,495,942	-	-	-	1,495,942
<u>(1,495,942)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,495,942)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>140,703</u>	<u>1,708,932</u>
(399,497)	179,181	177,673	(2,099,366)	1,014,529
496,348	207,905	(2,880,620)	17,565,448	46,009,266
<u>\$ 96,851</u>	<u>\$ 387,086</u>	<u>\$ (2,702,947)</u>	<u>\$ 15,466,082</u>	<u>\$ 47,023,795</u>

CLINTON COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balances - total governmental funds	\$	1,014,529
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 4,246,872	
Current year depreciation	<u>(2,293,958)</u>	
Total		1,952,914
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(300,872)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes	37,220	
Real and other taxes	(232,105)	
Intergovernmental revenues	638,308	
Special assessments	1,002	
Investment income	6,132	
Sale of hospital	<u>(1,700,000)</u>	
Total		(1,249,443)
 Repayment of bond, loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		571,403
 In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in accrued interest payable	1,613	
Amortization of deferred amounts on refunding	(10,439)	
Amortization of bond premiums	<u>4,209</u>	
Total		(4,617)
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		24,982
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>(16,040)</u>
Change in net position of governmental activities	\$	<u><u>1,992,856</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real and other taxes	\$2,145,216	\$2,220,711	\$2,290,748	\$ 70,037
Sales taxes	6,708,400	7,170,628	7,170,628	-
Charges for services.	1,581,725	2,065,301	2,086,819	21,518
Licenses and permits	2,000	3,161	3,286	125
Fines and forfeitures	103,200	80,205	80,205	-
Intergovernmental.	1,186,675	1,309,566	1,310,741	1,175
Investment income.	375,100	507,349	531,830	24,481
Rental income	1,983,268	271,355	272,405	1,050
Other	341,499	221,578	227,580	6,002
Total revenues	14,427,083	13,849,854	13,974,242	124,388
Expenditures:				
Current:				
General government:				
Legislative and executive	6,160,143	5,333,857	4,911,735	422,122
Judicial.	1,954,074	2,228,442	2,030,041	198,401
Public safety	4,468,021	5,648,251	5,370,086	278,165
Public works	110,410	225,448	251,942	(26,494)
Health	444	444	4,818	(4,374)
Human services.	350,361	376,702	301,032	75,670
Total expenditures	13,043,453	13,813,144	12,869,654	943,490
Excess of revenues over expenditures	1,383,630	36,710	1,104,588	1,067,878
Other financing sources (uses):				
Sale of capital assets.	4,000	5,907	5,907	-
Advances in and not repaid	-	-	100,000	100,000
Advances (out) and not repaid	-	(320,000)	(320,000)	-
Transfers (out).	(110,000)	(2,110,000)	(2,111,677)	(1,677)
Proceeds from sale of hospital.	-	8,303,470	8,303,470	-
Total other financing sources (uses)	(106,000)	5,879,377	5,977,700	98,323
Net change in fund balances	1,277,630	5,916,087	7,082,288	1,166,201
Fund balance at beginning of year.	1,009,997	1,009,997	1,009,997	-
Prior year encumbrances appropriated	356,288	356,288	356,288	-
Fund balance at end of year	\$ 2,643,915	\$ 7,282,372	\$ 8,448,573	\$ 1,166,201

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 CHILDREN SERVICES BOARD
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real and other taxes.	\$1,388,154	\$1,388,154	\$1,028,413	\$ (359,741)
Charges for services.	228,934	228,934	58,948	(169,986)
Intergovernmental.	2,294,409	2,294,409	1,810,468	(483,941)
Other	25,773	25,773	19,094	(6,679)
Total revenues	3,937,270	3,937,270	2,916,923	(1,020,347)
Expenditures:				
Current:				
Human services.	2,651,300	2,901,300	2,650,114	251,186
Total expenditures	2,651,300	2,901,300	2,650,114	251,186
Net change in fund balances	1,285,970	1,035,970	266,809	(769,161)
Fund balance at beginning of year.	1,385,146	1,385,146	1,385,146	-
Fund balance at end of year	\$ 2,671,116	\$ 2,421,116	\$ 1,651,955	\$ (769,161)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 COUNTY BOARD OF DEVELOPMENTAL DISABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real and other taxes.	\$2,688,981	\$2,709,338	\$2,999,118	\$ 289,780
Charges for services.	166,016	167,273	179,114	11,841
Intergovernmental.	2,262,773	2,279,903	2,432,966	153,063
Investment income.	241	243	260	17
Other	12,456	12,550	13,438	888
Total revenues	5,130,467	5,169,307	5,624,896	455,589
Expenditures:				
Current:				
Health	4,436,203	5,968,833	5,187,859	780,974
Total expenditures	4,436,203	5,968,833	5,187,859	780,974
Excess (deficiency) of revenues over (under) expenditures.	694,264	(799,526)	437,037	1,236,563
Other financing sources (uses):				
Transfers in	555,792	560,000	560,000	-
Transfers (out).	(650,000)	-	(700,000)	(700,000)
Total other financing sources (uses)	(94,208)	560,000	(140,000)	(700,000)
Net change in fund balances	600,056	(239,526)	297,037	536,563
Fund balance at beginning of year (restated).	7,289,396	7,289,396	7,289,396	-
Prior year encumbrances appropriated. . . .	95,914	95,914	95,914	-
Fund balance at end of year	\$ 7,985,366	\$ 7,145,784	\$ 7,682,347	\$ 536,563

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MOTOR VEHICLE AND GAS TAX
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales taxes	\$70,274	\$69,874	\$69,971	\$ 97
Charges for services.	267,886	265,364	265,733	369
Fines and forfeitures	186,219	185,160	185,417	257
Intergovernmental.	3,610,596	3,590,073	3,664,206	74,133
Other	116,026	116,366	116,526	160
Total revenues	<u>4,251,001</u>	<u>4,226,837</u>	<u>4,301,853</u>	<u>75,016</u>
Expenditures:				
Current:				
Public works	4,210,913	5,534,911	4,461,319	1,073,592
Total expenditures	<u>4,210,913</u>	<u>5,534,911</u>	<u>4,461,319</u>	<u>1,073,592</u>
Excess (deficiency) of revenues over (under) expenditures.	40,088	(1,308,074)	(159,466)	1,148,608
Other financing sources:				
Transfers in	-	-	974	974
Total other financing sources	<u>-</u>	<u>-</u>	<u>974</u>	<u>974</u>
Net change in fund balances	40,088	(1,308,074)	(158,492)	1,149,582
Fund balance at beginning of year.	1,484,084	1,484,084	1,484,084	-
Prior year encumbrances appropriated . . .	205,084	205,084	205,084	-
Fund balance at end of year	<u>\$ 1,729,256</u>	<u>\$ 381,094</u>	<u>\$ 1,530,676</u>	<u>\$ 1,149,582</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 PUBLIC ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Charges for services.	\$ 36,527	\$ 37,046	\$ 36,181	\$ (865)
Intergovernmental.	2,229,485	2,330,029	2,162,444	(167,585)
Other	26,156	27,322	25,378	(1,944)
Total revenues	<u>2,292,168</u>	<u>2,394,397</u>	<u>2,224,003</u>	<u>(170,394)</u>
Expenditures:				
Current:				
Human services.	843,334	2,573,644	2,417,104	156,540
Total expenditures	<u>843,334</u>	<u>2,573,644</u>	<u>2,417,104</u>	<u>156,540</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,448,834</u>	<u>(179,247)</u>	<u>(193,101)</u>	<u>(13,854)</u>
Other financing sources (uses):				
Other financing sources	1,541,792	1,610,555	1,495,942	(114,613)
Other financing (uses).	<u>(1,541,792)</u>	<u>(1,610,555)</u>	<u>(1,495,942)</u>	<u>114,613</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,448,834	(179,247)	(193,101)	(13,854)
Fund balance at beginning of year.	<u>387,946</u>	<u>387,946</u>	<u>387,946</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,836,780</u>	<u>\$ 208,699</u>	<u>\$ 194,845</u>	<u>\$ (13,854)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 WORKFORCE DEVELOPMENT
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$534,600	\$1,495,999	\$1,237,412	\$ (258,587)
Total revenues	<u>534,600</u>	<u>1,495,999</u>	<u>1,237,412</u>	<u>(258,587)</u>
Expenditures:				
Current:				
Human services	509,500	1,510,000	1,020,659	489,341
Total expenditures	<u>509,500</u>	<u>1,510,000</u>	<u>1,020,659</u>	<u>489,341</u>
Net change in fund balances	25,100	(14,001)	216,753	230,754
Fund balance at beginning of year	<u>170,333</u>	<u>170,333</u>	<u>170,333</u>	<u>-</u>
Fund balance at end of year	<u>\$ 195,433</u>	<u>\$ 156,332</u>	<u>\$ 387,086</u>	<u>\$ 230,754</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MARTINSVILLE-MIDLAND SANITARY SEWER
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ -	\$ 212,805	\$ 213,434	\$ 629
Special assessments	-	42,073	42,197	124
Rental income	-	2,429	2,436	7
Other	-	3	3	-
Total revenues	<u>-</u>	<u>257,310</u>	<u>258,070</u>	<u>760</u>
Expenditures:				
Current:				
Public works	87,560	161,116	96,122	64,994
Total expenditures	<u>87,560</u>	<u>161,116</u>	<u>96,122</u>	<u>64,994</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(87,560)</u>	<u>96,194</u>	<u>161,948</u>	<u>65,754</u>
Other financing (uses):				
Advances (out)	-	-	(100,000)	(100,000)
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net change in fund balances	(87,560)	96,194	61,948	(34,246)
Fund balance at beginning of year	382,419	382,419	382,419	-
Prior year encumbrances appropriated . . .	30,844	30,844	30,844	-
Fund balance at end of year	<u>\$ 325,703</u>	<u>\$ 509,457</u>	<u>\$ 475,211</u>	<u>\$ (34,246)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2013

	Business-Type Activity - Former County Hospital Enterprise Fund	Governmental Activities - Health Insurance Depository Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents . . .	\$ -	\$ 99,623
Cash and cash equivalents in segregated accounts	1,259,959	
Investments in segregated accounts	1,965,237	-
Prepayments	-	1,406
Total assets	<u>3,225,196</u>	<u>101,029</u>
Liabilities:		
Current liabilities:		
Accounts payable	386,088	36
Accrued wages and benefits payable	-	1,159
Due to other governments	-	1,244
Total liabilities	<u>386,088</u>	<u>2,439</u>
Net position:		
Unrestricted	<u>2,839,108</u>	<u>98,590</u>
Total net position.	<u>\$ 2,839,108</u>	<u>\$ 98,590</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-Type Activity - Former County Hospital Enterprise Fund	Governmental Activities - Health Insurance Depository Internal Service Fund
Operating revenues:		
Charges for services	\$ -	\$ 4,112,491
Other operating revenues	-	7,386
Total operating revenues.	-	4,119,877
Operating expenses:		
Personal services.	-	59,232
Contract services.	-	1,999
Materials and supplies	-	9,720
Administrative costs	-	12,465
Insurance.	-	4,052,501
Total operating expenses	-	4,135,917
Operating (loss)	-	(16,040)
Nonoperating revenues (expenses):		
Interest income.	6,607	-
Other nonoperating revenues.	49,303	-
Other nonoperating (expenses)	(93,780)	-
Total nonoperating revenues (expenses).	(37,870)	-
Change in net position	(37,870)	(16,040)
Net position at beginning of year	2,876,978	114,630
Net position at end of year	\$ 2,839,108	\$ 98,590

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-Type Activity - Former County Hospital Enterprise Fund	Governmental Activities - Health Insurance Depository Internal Service Fund
Cash flows from operating activities:		
Cash received from service charges.	\$ -	\$ 4,112,491
Cash received from other receipts, net	-	7,386
Cash payments for personal services.	-	(67,925)
Cash payments for contractual services	-	(3,405)
Cash payments for materials and supplies	-	(9,720)
Cash payments for insurance.	-	(4,052,501)
Cash payments for administrative costs	-	(12,829)
Net cash used in operating activities.	<u>-</u>	<u>(26,503)</u>
Cash flows from noncapital financing activities:		
Nonoperating revenue.	49,303	-
Nonoperating (expenses)	<u>(487,085)</u>	<u>-</u>
Net cash used in noncapital financing activities.	<u>(437,782)</u>	<u>-</u>
Cash flows from investing activities:		
Change in investments, net	(40,026)	-
Interest received	<u>6,607</u>	<u>-</u>
Net cash used in investing activities	<u>(33,419)</u>	<u>-</u>
Net decrease in cash and cash equivalents.	(471,201)	(26,503)
Cash and cash equivalents at beginning of year	1,731,160	126,126
Cash and cash equivalents at end of year	<u><u>\$ 1,259,959</u></u>	<u><u>\$ 99,623</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	\$ -	\$ (16,040)
Changes in assets and liabilities:		
(Increase) in accounts receivable	-	(1,406)
(Decrease) in accounts payable	-	(364)
(Decrease) in accrued wages and benefits	-	(1,492)
Increase in due to other governments	-	164
(Decrease) in compensated absences payable	-	(7,365)
Net cash used in operating activities.	<u><u>\$ -</u></u>	<u><u>\$ (26,503)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2013

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 13,587	\$ 3,341,457
Cash in segregated accounts.	-	595,031
Receivables:		
Real and other taxes.	-	28,956,804
Accounts	-	170,787
Special assessments	-	263,167
Due from other governments.	-	843,951
	<hr/>	<hr/>
Total assets.	13,587	\$ 34,171,197
	<hr/>	<hr/>
Liabilities:		
Due to other governments	-	\$ 2,571,678
Deposits held and due to others	-	31,415,279
Loans from other funds.	-	184,240
	<hr/>	<hr/>
Total liabilities	-	\$ 34,171,197
	<hr/>	<hr/>
Net position:		
Held in trust for scholarships.	13,587	
	<hr/>	
Total net position	\$ 13,587	
	<hr/>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Private-Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Interest	\$ 5
Contributions and donations	20,000
Total additions	<u>20,005</u>
Deductions:	
Benefits	17,294
Total deductions	<u>17,294</u>
Change in net position	2,711
Net position at beginning of year	<u>10,876</u>
Net position at end of year	<u>\$ 13,587</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 - DESCRIPTION OF THE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Former County Hospital (the "Hospital") enterprise fund's financial information is presented in conformity with generally accepted accounting principles as recommended by the Audit Guide (Health Care Organizations) published by the American Institute of Certified Public Accountants. The Hospital applies the provisions of all relevant pronouncements, including those issued after November 30, 1989.

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

A. Reporting Entity

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

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

BLENDED COMPONENT UNITS

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

ORION Rehabilitation Center, Inc. - The ORION Rehabilitation Center, Inc. (the "Workshop") is a legally separate, nonprofit corporation, served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Clinton County Board of Developmental Disabilities (DD), provides sheltered employment for adults with developmental disabilities in Clinton County. The Clinton County Board of DD provides the Workshop staff, salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of 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 developmentally disabled adults of Clinton County, the Workshop is reflected as a component unit of the County. It is reported separately to emphasize that it is legally separate from the County.

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

RELATED ORGANIZATIONS

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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

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

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

JOINTLY GOVERNED ORGANIZATION

The County is a member of the Southern Ohio Council of Governments (the SOCOG), which is a jointly governed organization under Ohio Revised Code Section 167.01. The governing body consists of a fifteen member Board with each participating County represented by its Director of its Board of Developmental Disabilities (DD). Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto and Vinton Counties. The SOCOG acts as fiscal agent for the Clinton County Board of DD's supportive living program monies. During 2013, the SOCOG received no supportive living monies from Clinton County and as of December 31, 2013, the County had a \$460,058 balance on hand with the SOCOG. Financial statements can be obtained from the SOCOG at 126 E. Second St., Suite C, Chillicothe, Ohio, 45601.

JOINT VENTURE WITHOUT EQUITY INTEREST

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

RISK POOL

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

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

B. Basis of Presentation

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

C. Fund Accounting

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

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

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

Children Services Board - This fund accounts for revenue received from a countywide tax levy, grants and charges for services to provide for the care of children of the County.

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

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

Public Assistance - This fund accounts for various federal and State grants used to provide public assistance to general relief recipients, pay their providers for medical assistance, and for certain public social services.

Workforce Development - This fund accounts for various federal grants under the Workforce Investment Act, used to finance programs designed to improve the quality of the workforce and enhance productivity.

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

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

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

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund accounts for a health insurance program for employees of the County and several governmental units within the County.

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

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

D. Measurement Focus

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

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

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

E. Basis of Accounting

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

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance year 2014 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

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

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

F. Budgetary Data

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

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

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

Appropriations - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The original budget and all budgetary amendments and supplemental appropriations necessary during 2013 are included in the final budget amounts in the budget-to-actual comparisons.

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

G. Cash and Investments

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

During 2013, investments were limited to federal agency securities and repurchase agreements.

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

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during 2013 amounted to \$71,984 which includes \$54,600 assigned from other County funds.

The County has segregated depository and investment accounts for monies held separately from the County's central bank account. These interest-bearing depository accounts are presented on the financial statements as "cash in segregated accounts" since they are not required to be deposited into the County treasury. The investments related to the wind-down operations of the former County Hospital are presented as "investments in segregated accounts" on the financial statements since the funds are held separate from the County.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

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

H. Inventories of Materials and Supplies

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

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

Inventory consists of expendable supplies held for consumption.

I. Capital Assets

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	-	15 years
Buildings and Improvements	70 years	40 years
Machinery and Equipment	4 - 20 years	7-10 years
Software	5 - 8 years	-
Infrastructure	7 - 50 years	-
Vehicles	8 years	-

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2013, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the "vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2013, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

L. Accrued Liabilities and Long-term Obligations

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

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

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

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

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

N. Interfund Transactions

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

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

O. Fund Balance

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

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

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

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

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

P. Budget Stabilization Arrangement

Pursuant to Ohio Revised Code Section 5705.13, on August 20, 2012, the County established a reserve balance account, in the General fund, in the amount of \$2,103,795, to be used in emergencies for operational expenditures. The balance of the reserve balance account at December 31, 2013 is \$2,000,000. This amount is reported as a component of unassigned fund balance in the General fund and unrestricted net position in the governmental activities.

Q. Net Position

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

R. Estimates

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items that occurred during 2013.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the County has implemented GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*" and GASB Statement No. 66, "*Technical Corrections-2012*".

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the County.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the County.

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

- i. Net position of the governmental activities at December 31, 2012, has been restated for the following reasons: (a) to reclassify the Senior Services Levy fund from an agency fund to a special revenue fund to properly reflect the fund's intended purpose; and (b) to reclassify the 169 Board Medicaid Reserve fund from an agency fund to a component of the County Board of DD major special revenue fund to properly reflect the fund's intended purpose.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

	Govenmental Activities
Net position, previously reported at December 31, 2012	\$ 99,169,493
Adjustment for fund reclassifications:	
Senior Services Levy	1,221,925
County Board of DD	142,917
Net position, restated at December 31, 2012	\$ 100,534,335

The fund reclassifications had the following effect on fund balance of the governmental funds as previously reported:

	County Board of DD	Other Governmental
Fund balance, previously reported at December 31, 2012	\$ 7,818,359	\$ 16,501,791
Adjustment for fund reclassifications:		
Senior Services Levy	-	1,063,657
County Board of DD	142,917	-
Fund balance, restated at December 31, 2012	\$ 7,961,276	\$ 17,565,448

The reclassification of the 169 Board Medicaid Reserve fund from an agency fund to a component of the County Board of DD major special revenue fund increased the budgetary fund balance reported at December 31, 2012, from \$7,146,479 to \$7,289,396, as restated at December 31, 2012.

- ii. Net position and the capital asset balances of the Port Authority at December 31, 2012, have been restated to report land improvements and buildings and improvements at the appraised value (see Note 9.B for detail on the adjustments to capital assets). The restatement for capital assets had the following effect on net position as previously reported:

	Clinton County Port Authority
Net position, previously reported at December 31, 2012	\$ 79,059,210
Adjustment for capital assets	(19,180,167)
Net position, restated at December 31, 2012	\$ 59,879,043

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

<u>Major fund</u>	<u>Deficit</u>
Martinsville-Midland Sewer	\$ 2,702,947
<u>Nonmajor governmental funds</u>	
Dog and Kennel	34,979
Park District	3,979
Law Enforcement Trust	1,747
U.S. 68 Corridor Study Grant	24,750
Help America Vote Act of 2002	40
Local Community Corrections	18,480
Martinsville-Midland Sewer Bond Retirement	49,516
Federal Road and Bridge	155,816
Martinsville-Midland Sanitary Project	72,871

All funds listed above, except for the Help America Vote Act of 2002 and the Local Community Corrections nonmajor special revenue funds, complied with Ohio State law, which does not permit a cash basis deficit at year end. The General fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

D. Compliance

The County had a negative cash balances in the following funds at December 31, 2013, indicating that revenues from other sources were used to pay obligations of the funds contrary to Ohio Revised Code Section 5705.10.

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Help America Vote Act of 2002	\$ 40
Local Community Corrections	17,248
<u>Agency funds</u>	
Payroll Clearing	147,088
Manufactured Home Tax - Second Half	2,630
Estate Tax - Second Half	13,453
Local Government	21,069

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's Asset Reserve of Ohio Investment Pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in 1 or 2 above or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At year end, the County had \$429,058 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents".

B. Cash and Cash Equivalents and Investments in Segregated Accounts

At year end, the County had \$595,031 in cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the carrying amount of the County's deposits.

At year end, the County had \$1,259,959 in cash and cash equivalents and \$1,965,237 in investments separate from the County's internal investment pool. These depository and investment accounts are for the wind-down operations of the former County Hospital and are not included in the carrying amount of the County's deposits or internal investments.

C. Cash with Escrow Agent

At year end, the County had \$5,500,524 in cash and cash equivalents on deposit in escrow accounts with Bank of America and National Bank and Trust. This amount has been excluded from the total amount of deposits below as it is not part of the County's internal investment pool.

D. Cash with Fiscal Agent

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

E. Deposits with Financial Institutions

At December 31, 2013, the carrying amount of all County deposits was \$10,682,575. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2013, \$10,539,835 of the County's bank balance of \$11,545,929 was exposed to custodial risk as discussed below, while \$1,006,094 was covered by the Federal Deposit Insurance Corporation (FDIC).

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

F. Investments

As of December 31, 2013, the County had the following investments and maturities:

Investment type	Fair Value	Investment Maturities	
		6 months or less	Greater than 24 months
Repurchase agreement	\$ 1,653,041	\$ 1,653,041	\$ -
FHLB	7,388,400	-	7,388,400
FHLMC	5,612,318	-	5,612,318
FNMA	17,743,210	-	17,743,210
Total	\$ 32,396,969	\$ 1,653,041	\$ 30,743,928

The weighted average length to maturity is 3.75 years.

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

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

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2013:

Investment type	Fair Value	% of Total
Repurchase agreement	\$ 1,653,041	5.10%
FHLB	7,388,400	22.81%
FHLMC	5,612,318	17.32%
FNMA	17,743,210	54.77%
Total	\$ 32,396,969	100%

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 10,682,575
Investments	32,396,969
Investments in segregated accounts	1,965,237
Cash on hand	429,058
Cash in segregated accounts	1,259,959
Cash with fiscal agent	460,058
Cash with escrow agent	<u>5,500,524</u>
 Total	 <u>\$ 52,694,380</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 45,519,109
Business type activities	3,225,196
Fiduciary funds	<u>3,950,075</u>
 Total	 <u>\$ 52,694,380</u>

H. Component Units

At December 31, 2013, the carrying amount of the Workshop's demand deposits, including nonnegotiable certificates of deposit, was \$276,577 and the bank balance, including nonnegotiable certificates of deposit, was \$280,211, all of which was insured by the FDIC. The Workshop had \$389 of cash on hand at December 31, 2013, which is included in "equity in pooled cash and cash equivalents

At December 31, 2013, the carrying amount of the Port Authority's demand deposits was \$4,859,364 and the bank balance was \$4,910,664. \$250,000 of the Port Authority's bank balance was covered by the FDIC, while \$4,660,664 was exposed to custodial credit risk.

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended December 31, 2013, consisted of the following, as reported on the fund financial statements:

<u>Transfers from General fund to:</u>	
Motor Vehicle and Gas Tax	\$ 974
Nonmajor governmental fund	703
 <u>Transfer from County Board of DD to:</u>	
Nonmajor governmental fund	<u>140,000</u>
 Total	 <u>\$ 141,677</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

- B.** Short-term interfund loans consisted of the following at December 31, 2013, as reported on the fund financial statements:

<u>Interfund loan receivable fund</u>	<u>Interfund loan payable funds</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 337,288
<u>Loans to other funds</u>	<u>Loans from other funds</u>	<u>Amount</u>
General	Agency	\$ 184,240

The primary purpose of the interfund loans is to cover negative cash in various governmental funds and to cover costs in funds where revenues were not received by December 31, 2013. The interfund loans are expected to be repaid within the next year.

- C.** Long-term loans to and from other funds at December 31, 2013, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Martinsville-Midland Sewer	\$ 3,181,336
General	Nonmajor governmental	405,652
Total		<u>\$ 3,586,988</u>

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

Long-term loans to and from other funds from the General fund to the Martinsville-Midland Sewer fund in the amount of \$3,181,336 are for manuscript debt issued by the County during 2012 in accordance with Ohio Revised Code Section 133.29. The purpose of the manuscript debt issue was to provide funds to retire the balance of the OPWC loan and USDA bonds issued to finance the construction of Midland sewer. The Martinsville-Midland Sewer fund is scheduled to repay the General fund no less than \$100,000 per year until the General fund is fully reimbursed the cost of retiring the debt or upon further resolution by the County Commissioners. The loan is interest-free. The Martinsville-Midland Sewer fund repaid the General fund \$100,000 as scheduled during 2013.

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

D. Due from/to other funds consisted of the following at December 31, 2013, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
Motor Vehicle and Gas Tax	General	\$ 11,091
Motor Vehicle and Gas Tax	Nonmajor governmental funds	<u>896</u>
Total		<u>\$ 11,987</u>

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

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2013 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2013 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow.

The full tax rate for all County operations for the year ended December 31, 2013 was \$9.15 per \$1,000 of assessed value. The assessed value upon which 2013 property taxes were collected was \$831,041,060.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited entirely to the General fund and special revenue funds. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue on the fund financial statements to the extent that they are intended to finance 2013 operations. On the government-wide financial statements, the entire receivable amount is recorded as revenue. Sales and use tax revenue for 2013 amounted to \$7,334,906 in the governmental funds.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2013, consisted of taxes, accounts (billings for user charged services), notes, accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the balance sheet. Receivables have been recorded to the extent that they are measurable at December 31, 2013, as well as intended to finance 2013 operations.

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

Governmental activities:

Sales taxes	\$	1,866,050
Real estate and other taxes		5,844,073
Accounts		72,127
Notes		11,900,000
Special assessments		112,236
Accrued interest		130,943
Due from other governments		4,432,263

Receivables have been disaggregated on the face of the balance sheet. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment and the \$11,900,000 in notes receivable for the deferred purchase of the sale of the hospital. The County will receive \$1,700,000 annually over the next eight years.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9 - CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance			Balance
<u>Governmental activities:</u>	<u>12/31/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/13</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,061,880	\$ -	\$ -	\$ 1,061,880
Construction in progress	<u>144,952</u>	<u>1,126,758</u>	<u>(178,896)</u>	<u>1,092,814</u>
Total capital assets, not being depreciated	<u>1,206,832</u>	<u>1,126,758</u>	<u>(178,896)</u>	<u>2,154,694</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	210,001	-	-	210,001
Buildings and improvements	20,686,773	105,500	-	20,792,273
Equipment	3,897,411	819,496	(408,277)	4,308,630
Software	449,314	211,791	-	661,105
Vehicles	3,008,184	214,548	(221,027)	3,001,705
Infrastructure	<u>42,946,653</u>	<u>1,947,675</u>	<u>-</u>	<u>44,894,328</u>
Total capital assets, being depreciated	<u>71,198,336</u>	<u>3,299,010</u>	<u>(629,304)</u>	<u>73,868,042</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(109,054)	(5,638)	-	(114,692)
Buildings and improvements	(6,937,624)	(423,489)	-	(7,361,113)
Equipment	(2,653,362)	(198,326)	107,405	(2,744,283)
Software	(283,372)	(53,779)	-	(337,151)
Vehicles	(2,183,457)	(215,652)	221,027	(2,178,082)
Infrastructure	<u>(17,013,773)</u>	<u>(1,397,074)</u>	<u>-</u>	<u>(18,410,847)</u>
Total accumulated depreciation	<u>(29,180,642)</u>	<u>(2,293,958)</u>	<u>328,432</u>	<u>(31,146,168)</u>
Total capital assets, being depreciated net	<u>42,017,694</u>	<u>1,005,052</u>	<u>(300,872)</u>	<u>42,721,874</u>
Governmental activities capital assets, net	<u>\$ 43,224,526</u>	<u>\$ 2,131,810</u>	<u>\$ (479,768)</u>	<u>\$ 44,876,568</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

Legislative and executive	\$ 299,022
Judicial	15,571
Public safety	160,729
Public works	1,600,956
Health	138,380
Human services	54,891
Other	<u>24,409</u>
Total depreciation expense - governmental activities	<u>\$ 2,293,958</u>

B. Component Unit Capital Assets

A summary of the changes in the Orion Rehab Center's capital assets during 2013 follows:

	Balance			Balance
<u>Orion Rehab Center:</u>	<u>12/31/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/13</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	\$ 12,761	\$ -	\$ -	\$ 12,761
Buildings and improvements	41,838	5,489	-	47,327
Furniture and equipment	28,966	2,997	-	31,963
Vehicles	<u>23,990</u>	<u>-</u>	<u>-</u>	<u>23,990</u>
Total capital assets being depreciated	<u>107,555</u>	<u>8,486</u>	<u>-</u>	<u>116,041</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(10,812)	(649)	-	(11,461)
Buildings and improvements	(38,253)	(961)	-	(39,214)
Furniture and equipment	(22,905)	(1,078)	-	(23,983)
Vehicles	<u>(22,990)</u>	<u>-</u>	<u>-</u>	<u>(22,990)</u>
Total accumulated depreciation	<u>(94,960)</u>	<u>(2,688)</u>	<u>-</u>	<u>(97,648)</u>
Total capital assets, being depreciated, net	<u>\$ 12,595</u>	<u>\$ 5,798</u>	<u>\$ -</u>	<u>\$ 18,393</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9 - CAPITAL ASSETS - (Continued)

The capital asset balances of the Port Authority were restated at January 1, 2013, to report land improvements and buildings and improvements at the appraised value, as follows:

	Balance		Restated
<u>Port Authority:</u>	<u>12/31/12</u>	<u>Adjustment</u>	<u>Balance</u>
			<u>1/01/13</u>
<i>Capital assets not being depreciated:</i>			
Land	\$ 19,088,500	\$ -	\$ 19,088,500
Total capital assets not being depreciated	<u>19,088,500</u>	<u>-</u>	<u>19,088,500</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	44,591,277	(16,241,177)	28,350,100
Buildings and improvements	12,820,223	(4,669,423)	8,150,800
Vehicles and equipment	<u>6,040,000</u>	<u>-</u>	<u>6,040,000</u>
Total capital assets, being depreciated	<u>63,451,500</u>	<u>(20,910,600)</u>	<u>42,540,900</u>
<i>Less: accumulated depreciation:</i>			
Land improvements	(4,110,012)	1,496,962	(2,613,050)
Buildings and improvements	(641,011)	233,471	(407,540)
Vehicles and equipment	<u>(860,000)</u>	<u>-</u>	<u>(860,000)</u>
Total accumulated depreciation	<u>(5,611,023)</u>	<u>1,730,433</u>	<u>(3,880,590)</u>
Total capital assets, being depreciated, net	<u>57,840,477</u>	<u>(19,180,167)</u>	<u>38,660,310</u>
Total capital assets, net	<u>\$ 76,928,977</u>	<u>\$ (19,180,167)</u>	<u>\$ 57,748,810</u>

THIS SPACE IS INTENTIONALLY LEFT BLANK

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9 - CAPITAL ASSETS - (Continued)

A summary of the changes in the Port Authority's capital assets during 2013 follows:

<u>Port Authority:</u>	Restated Balance			Balance
	<u>1/01/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/13</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 19,088,500	\$ -	\$ -	\$ 19,088,500
Construction in progress	-	<u>7,525,668</u>	-	<u>7,525,668</u>
Total capital assets not being depreciated	<u>19,088,500</u>	<u>7,525,668</u>	-	<u>26,614,168</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	28,350,100	-	-	28,350,100
Buildings and improvements	8,150,800	-	-	8,150,800
Vehicles and equipment	<u>6,040,000</u>	<u>72,000</u>	-	<u>6,112,000</u>
Total capital assets, being depreciated	<u>42,540,900</u>	<u>72,000</u>	-	<u>42,612,900</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,613,050)	(1,045,220)	-	(3,658,270)
Buildings and improvements	(407,540)	(163,016)	-	(570,556)
Vehicles and equipment	<u>(860,000)</u>	<u>(348,500)</u>	-	<u>(1,208,500)</u>
Total accumulated depreciation	<u>(3,880,590)</u>	<u>(1,556,736)</u>	-	<u>(5,437,326)</u>
Total capital assets, being depreciated, net	<u>38,660,310</u>	<u>(1,484,736)</u>	-	<u>37,175,574</u>
Total capital assets, net	<u>\$ 57,748,810</u>	<u>\$ 6,040,932</u>	<u>\$ -</u>	<u>\$ 63,789,742</u>

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE

During 2013, the County entered into a capital lease for the acquisition of copier equipment. In prior years, the County entered into capitalized leases for the acquisition of copiers, software and a ballot printing system. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Governmental activities capital assets consisting of equipment and software have been capitalized in the amount of \$59,520 and \$126,690, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in the amount of \$27,530 were made during 2013.

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2013:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 32,157
2015	5,143
2016	<u>3,452</u>
Total	40,752
Less: amount representing interest	<u>(2,637)</u>
Present value of net minimum lease payments	<u>\$ 38,115</u>

NOTE 11 - COMPENSATED ABSENCES

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

Upon termination of County service, employees are entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 30 days and all accumulated vacation. At December 31, 2013, vested benefits for vacation leave for governmental activities employees totaled \$793,889 and vested benefits for sick leave totaled \$475,869.

THIS SPACE INTENTIONALLY LEFT BLANK

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2013, the following changes occurred in the County's governmental long-term obligations:

Governmental activities:	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>12/31/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/13</u>	<u>Amount Due</u> <u>in One Year</u>
<u>General Obligation Bonds:</u>							
Various Purpose Refunding Bonds 2.23 - 3.75%	6/1/2009	12/1/2019	\$ 2,315,000	\$ -	\$ (300,000)	\$ 2,015,000	\$ 310,000
Haines Ditch Project Bonds - 5.25-6.00% Fairground/Public Service Agency Building Bond - 3.73-4.125%	12/1/2006	12/1/2014	25,000	-	(10,000)	15,000	15,000
	3/27/2008	12/1/2027	<u>2,850,000</u>	<u>-</u>	<u>(145,000)</u>	<u>2,705,000</u>	<u>150,000</u>
Total general obligation bonds			<u>5,190,000</u>	<u>-</u>	<u>(455,000)</u>	<u>4,735,000</u>	<u>475,000</u>
<u>Special Assessment Bond:</u>							
Ditch Construction - 5.00%	10/25/2010	9/1/2015	<u>28,134</u>	<u>-</u>	<u>(8,913)</u>	<u>19,221</u>	<u>9,370</u>
Total special assessment bond			<u>28,134</u>	<u>-</u>	<u>(8,913)</u>	<u>19,221</u>	<u>9,370</u>
<u>Special Assessment Notes:</u>							
Nance Road Ditches - 5.075%	8/31/2009	9/1/2014	10,339	-	(5,038)	5,301	5,301
Port William Road Ditches - 5.075%	8/31/2009	9/1/2014	<u>2,585</u>	<u>-</u>	<u>(1,260)</u>	<u>1,325</u>	<u>1,325</u>
Total special assessment notes			<u>12,924</u>	<u>-</u>	<u>(6,298)</u>	<u>6,626</u>	<u>6,626</u>
<u>Other Long-Term Obligations:</u>							
Land purchase agreement			62,536	-	(62,536)	-	-
Loan payable			61,801	-	(11,126)	50,675	11,917
Compensated absences			1,169,783	544,518	(444,543)	1,269,758	672,750
Capital leases			<u>65,645</u>	<u>-</u>	<u>(27,530)</u>	<u>38,115</u>	<u>30,038</u>
Total other long-term obligations			<u>1,359,765</u>	<u>544,518</u>	<u>(545,735)</u>	<u>1,358,548</u>	<u>714,705</u>
Total general long-term obligations			<u>\$ 6,590,823</u>	<u>\$ 544,518</u>	<u>\$ (1,015,946)</u>	6,119,395	<u>\$ 1,205,701</u>
Add: unamortized premium on bond issue						<u>24,901</u>	
Total reported on the statement of net position						<u>\$ 6,144,296</u>	

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

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

The assets held in trust as a result of the advance refunding described above are not included in the accompanying BFS. At December 31, 2013, \$1,880,000 of the refunded bonds being held by escrow agent are still outstanding.

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

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

Land Purchase Agreement: During 2011, the County purchased land for the Clinton County Fairgrounds for \$190,000 with deferred annual payments payable through 2013. Principal retired during 2013 amounted to \$62,536 and was paid from the General fund.

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

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

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

Year Ending December 31,	General Obligation Bonds			Special Assessment Bond		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 475,000	\$ 171,075	\$ 646,075	\$ 9,370	\$ 856	\$ 10,226
2015	475,000	157,175	632,175	9,851	375	10,226
2016	490,000	142,950	632,950	-	-	-
2017	505,000	127,050	632,050	-	-	-
2018	530,000	109,813	639,813	-	-	-
2019 - 2023	1,335,000	323,138	1,658,138	-	-	-
2024 - 2027	925,000	97,082	1,022,082	-	-	-
Total	<u>\$ 4,735,000</u>	<u>\$ 1,128,283</u>	<u>\$ 5,863,283</u>	<u>\$ 19,221</u>	<u>\$ 1,231</u>	<u>\$ 20,452</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

Year Ending December 31,	Special Assessment Notes			Loan Payable		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 6,626	\$ 256	\$ 6,882	\$ 11,917	\$ 1,933	\$ 13,850
2015	-	-	-	12,405	1,445	13,850
2016	-	-	-	12,912	938	13,850
2017	-	-	-	13,441	409	13,850
Total	<u>\$ 6,626</u>	<u>\$ 256</u>	<u>\$ 6,882</u>	<u>\$ 50,675</u>	<u>\$ 4,725</u>	<u>\$ 55,400</u>

B. Legal Debt Margin

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

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to 3% of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000 plus 2-1/2% of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$20,919,889 as of December 31, 2013.

C. Component Unit Long-Term Obligations

During 2013, the following changes occurred in the Port Authority's long-term obligations:

Port Authority:	Balance 12/31/12	Additions	Reductions	Balance 12/31/13	Amount Due In One Year
Mortgage loan - Ag land	\$ 1,234,391	\$ 1,234,133	\$(1,234,391)	\$ 1,234,133	\$ 25,601
OEBF loan	-	5,869,851	-	5,869,851	285,000
LDI loan	-	879,586	-	879,586	879,586
Total long-term obligations	<u>\$ 1,234,391</u>	<u>\$ 7,983,570</u>	<u>\$(1,234,391)</u>	<u>\$ 7,983,570</u>	<u>\$ 1,190,187</u>

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

During 2013, the Port Authority began drawing down on a \$9,055,000 loan obtained from the Ohio Enterprise Bond Fund program (the OEBF loan) for the purpose of constructing a new hangar building. The loan agreement functions similar to a line-of-credit agreement, and any undisbursed proceeds are held in escrow by a trustee. At December 31, 2013, the Port Authority had outstanding borrowings of \$5,869,851 and the remaining amount held by the trustee was \$3,185,149. The loan requires monthly payments beginning in 2014, including interest at annual rates ranging from 2.0% - 5.0%. The final payment is due November 15, 2036. The Port Authority receives rental payments under a lease agreement with Air Transport International LLC (ATI LLC) and Airborne Maintenance and Engineering Services, Inc. (AMES) in an amount sufficient to cover the monthly debt service payments on the loan. The loan and lease payments are guaranteed by Air Transport Services Group, Inc.

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

In 2013 the Port Authority began drawing down on a \$1,595,000 Ohio Logistics and Distribution Infrastructure loan (LDI loan), which was also issued in order to finance the new hangar building construction. The loan agreement functions similar to a line-of-credit agreement, and any undisbursed proceeds are held in escrow by a trustee. At December 31, 2013, the Port Authority had outstanding borrowings of \$879,586 and the remaining amount held by the trustee was \$715,414. The loan agreement includes features that make it forgivable, provided certain requirements are met by ATI LLC and AMES regarding construction hours, jobs created and construction timeframe. The loan is due on or forgivable by November 1, 2014 and is guaranteed by Air Transport Services Group, Inc.

In conjunction with the OEBF loan and LDI loan, the Port Authority was awarded a \$4,000,000 Ohio Revised Code Chapter 166 loan. At December 31, 2013, the Port Authority has not received any proceeds from this loan and the amount held in escrow by the trustee was \$4,000,000. The Port Authority expects to draw down the full amount of the loan in 2014. Semi-annual payments, including interest at an annual rate of 1%, are scheduled to begin in May of 2016. The loan is secured with funds derived from a tax increment financing agreement created by the City of Wilmington, Ohio.

The following table shows the future principal and interest payments due on the mortgage loan and OEBF loan. The future principal and interest payments for the LDI loan are not available.

Year Ending December 31,	Mortgage Loan			OEBF Loan		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 25,601	\$ 59,637	\$ 85,238	\$ 285,000	\$ 306,642	\$ 591,642
2015	27,532	57,706	85,238	300,000	301,765	601,765
2016	28,723	56,515	85,238	300,833	305,164	605,997
2017	30,290	54,948	85,238	310,000	298,506	608,506
2018	31,776	53,462	85,238	315,834	291,692	607,526
2019 - 2023	183,674	242,516	426,190	1,688,333	1,341,036	3,029,369
2024 - 2028	233,265	192,925	426,190	1,940,000	1,066,207	3,006,207
2029 - 2033	296,523	129,667	426,190	2,303,333	677,520	2,980,853
2034 - 2038	376,749	49,440	426,189	1,611,667	116,734	1,728,401
Total	<u>\$ 1,234,133</u>	<u>\$ 896,816</u>	<u>\$ 2,130,949</u>	<u>\$ 9,055,000</u>	<u>\$ 4,705,266</u>	<u>\$ 13,760,266</u>

NOTE 13 - RISK MANAGEMENT

A. General Insurance

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 13 - RISK MANAGEMENT - (Continued)

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

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

B. Health Care, Vision, Dental and Life Insurance

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

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 14 - PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013 member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2013 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 12.00% and 12.60%, respectively. The County's contribution rate for 2013 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan for 2013 was 13.00%. The County's contribution rate for pension benefits for members in the Combined Plan was 13.00%. For those plan members in law enforcement and public safety pension contributions were 17.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$1,726,180, \$1,419,845, and \$1,363,994, respectively; 96.09% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the member-directed plan for 2013 were \$49,460 made by the County and \$35,328 made by the plan members.

B. State Teachers Retirement System of Ohio

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

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

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 14 - PENSION PLANS - (Continued)

Funding Policy - For 2013, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2013, 2012 and 2011 were \$9,731, \$9,446 and \$22,295, respectively; 100 percent has been contributed for 2013, 2012 and 2011. There were no contributions to the DC and Combined Plans for 2013.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2013 was 1.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2013 was 1.00%.

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

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 15 - POSTEMPLOYMENT BENEFIT PLANS - (Continued)

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$128,794, \$547,990, and \$526,948, respectively; 96.09% has been contributed for 2013 and 100% has been contributed for 2012 and 2011. The remaining 2013 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2013, 2012 and 2011 were \$749, \$727 and \$1,715, respectively; 100 percent has been contributed for 2013, 2012 and 2011.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

	Net Change in Fund Balance						
	<u>Governmental Fund Types</u>						
	<u>General</u>	<u>Children Services Board</u>	<u>County Board of DD</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Public Assistance</u>	<u>Workforce Development</u>	<u>Martinsville- Midland Sewer</u>
Budget basis	\$ 7,082,288	\$ 266,809	\$ 297,037	\$ (158,492)	\$ (193,101)	\$ 216,753	\$ 61,948
Net adjustment for revenue accruals	(378,611)	(4,142)	(59,390)	(202,206)	(214,123)	(250,297)	(2,866)
Net adjustment for expenditure accruals	(2,002,833)	75,590	51,370	(60,609)	6,427	212,725	15,610
Net adjustment for other financing sources (uses) accruals	2,333,025	-	-	-	-	-	100,000
Funds budgeted elsewhere	(4,457,886)	-	-	-	-	-	-
Encumbrances (budget basis)	<u>195,425</u>	<u>-</u>	<u>95,012</u>	<u>84,151</u>	<u>1,300</u>	<u>-</u>	<u>2,981</u>
GAAP basis	<u>\$ 2,771,408</u>	<u>\$ 338,257</u>	<u>\$ 384,029</u>	<u>\$ (337,156)</u>	<u>\$ (399,497)</u>	<u>\$ 179,181</u>	<u>\$ 177,673</u>

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

CLINTON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

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

NOTE 18 - CONDUIT DEBT OBLIGATION

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

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 165,998
County Board of DD	89,419
Motor Vehicle and Gas Tax Fund	83,022
Other Governmental Funds	<u>327,617</u>
Total	<u>\$ 666,056</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 20 - FUND BALANCE

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

Fund Balance	General	Children Services Board	County Board of DD	Motor Vehicle & Gas Tax
Nonspendable:				
Long-term interfund loans	\$ 3,586,988	\$ -	\$ -	\$ -
Amount held in escrow	5,500,524	-	-	-
Materials and supplies inventory	17,786	-	-	-
Prepayments	<u>112,954</u>	-	<u>3,165</u>	<u>911</u>
Total nonspendable	<u>9,218,252</u>	-	<u>3,165</u>	<u>911</u>
Restricted:				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Human services programs	-	1,797,808	-	-
Public works	-	-	-	2,060,610
Health programs	-	-	8,342,140	-
Other purposes	-	-	-	-
Total restricted	<u>-</u>	<u>1,797,808</u>	<u>8,342,140</u>	<u>2,060,610</u>
Committed:				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Other purposes	<u>115,565</u>	-	-	-
Total committed	<u>115,565</u>	-	-	-
Assigned:				
General government	50,086	-	-	-
Public safety	54,474	-	-	-
Capital projects	-	-	-	-
Health programs	4,818	-	-	-
Human services programs	-	-	-	-
Public works	56,535	-	-	-
Other purposes	<u>451,230</u>	-	-	-
Total assigned	<u>617,143</u>	-	-	-
Unassigned (deficit)	<u>11,621,129</u>	-	-	-
Total fund balances	<u>\$ 21,572,089</u>	<u>\$ 1,797,808</u>	<u>\$ 8,345,305</u>	<u>\$ 2,061,521</u>

CLINTON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 20 - FUND BALANCE - (Continued)

Fund Balance	Public Assistance	Workforce Development	Martinsville-Midland Sewer	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Long-term interfund loans	\$ -	\$ -	\$ -	\$ -	\$ 3,586,988
Amount held in escrow	-	-	-	-	5,500,524
Materials and supplies inventory	4,760	-	-	2,077	24,623
Prepayments	3,228	-	305	146,605	267,168
Total nonspendable	7,988	-	305	148,682	9,379,303
Restricted:					
Capital projects	-	-	-	15,505	15,505
Debt service	-	-	-	11,005	11,005
Human services programs	88,863	387,086	-	765,730	3,039,487
Public works	-	-	-	683,818	2,744,428
Health programs	-	-	-	93,907	8,436,047
Other purposes	-	-	-	2,057,001	2,057,001
Total restricted	88,863	387,086	-	3,626,966	16,303,473
Committed:					
Capital projects	-	-	-	736,660	736,660
Debt service	-	-	-	6,417,373	6,417,373
Other purposes	-	-	-	-	115,565
Total committed	-	-	-	7,154,033	7,269,598
Assigned:					
General government	-	-	-	-	50,086
Public safety	-	-	-	-	54,474
Capital projects	-	-	-	4,898,579	4,898,579
Human services programs	-	-	-	-	4,818
Public works	-	-	-	-	56,535
Other purposes	-	-	-	-	451,230
Total assigned	-	-	-	4,898,579	5,515,722
Unassigned (deficit)	-	-	(2,703,252)	(362,178)	8,555,699
Total fund balances	\$ 96,851	\$ 387,086	\$ (2,702,947)	\$ 15,466,082	\$ 47,023,795

CLINTON COUNTY, OHIO

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Supplemental Nutrition Assistance Program - Administrative Costs	G-1011-11-5022/G-1213-11-0022	10.561	\$ 162,341
Total U.S. Department of Agriculture			<u>162,341</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Health</i>			
Help Me Grow - Part C	N/A	84.181	72,531
Total U.S. Department of Education			<u>72,531</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Child Care Services - TANF			
TANF, Independent Living		93.558	12,957
TANF - Admin		93.558	478,355
TANF - Regular		93.558	288,110
TANF - Youth		93.558	220,476
TANF - Supplemental		93.558	14,395
Total TANF			<u>1,014,293</u>
Child Care Admin		93.575	20,671
Child Care Non-Admin		93.575	39,897
Total Child Care			<u>60,568</u>
Title XX - Base	N/A	93.667	83,645
Title XX - Transfer	N/A	93.667	107,177
Total Title XX - Social Services Block Grants			<u>190,822</u>
Medicaid	G-1011-11-5022/G-1213-11-0022	93.778	147,271
Medicaid NET	G-1011-11-5022/G-1213-11-0022	93.778	117,356
Total Medicaid			<u>264,627</u>
Federal Child Support	N/A	93.563	457,263
Child Abuse Prevention Month	G-1011-11-5022/G-1213-11-0022	93.590	661
Promoting Safe and Stable Families	G-1011-11-5022/G-1213-11-0022	93.556	14,869
Title IV-B	G-1011-11-5022/G-1213-11-0022	93.645	50,454

(Continued)

CLINTON COUNTY, OHIO

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> (Continued)			
<i>Passed Through the Ohio Department of Job and Family Services (Continued)</i>			
Foster Care (Title IV-E)	G-1011-11-5022/G-1213-11-0022	93.658	\$ 993,611
Adoption Assistance (Title IV-E)	G-1011-11-5022/G-1213-11-0022	93.659	416,097
Chafee Foster Care Independence Program	G-1011-11-5022/G-1213-11-0022	93.674	9,949
State Children's Health Incentive Program	G-1011-11-5022/G-1213-11-0022	93.767	2,703
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Title XX - Social Services Block Grant	N/A	93.667	33,552
<i>Passed Through Ohio Department of Mental Health:</i>			
Medicaid Administrative Claiming	G-1011-11-5022/G-89-20-1042/1043	93.778	116,725
Family-Centered Services and Supports	N/A	93.556	<u>17,028</u>
Total U.S. Department of Health and Human Services			<u>3,643,222</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through the Ohio Department of Transportation</i>			
Highway Planning and Construction:			
Guardrail, Phase 3	PID #89384	20.205	115,692
Guardrail, Phase 4	PID #92273	20.205	279,352
Pavement Marking, Phase 6	PID #92272	20.205	150,272
Port William Bridge Rehab	PID #92274	20.205	262,269
High Hazard/Crash Data Update - 2011	PID #89455	20.205	5,546
Total			<u>813,131</u>
<i>Passed Through the Federal Aviation Administration</i>			
Airport Improvement Program	3-39-0091-0710	20.106	<u>372,153</u>
Total U.S. Department of Transportation			<u>1,185,284</u>

(Continued)

CLINTON COUNTY, OHIO

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through the Ohio Development Services Agency</i>			
Community Development Block Grants:			
Small Cities CDBG Program	B-C-11-1AN-1	14.228	\$ 123,541
Small Cities Program Grant (Formula)	B-F-11-1AN-1	14.228	276,147
Small Cities Program Grant (Formula)	B-F-12-1AN-1	14.228	10,600
Total			<u>410,288</u>
Home Investment Partnerships Program	B-C-11-1AN-2	14.239	<u>297,039</u>
Total U.S. Department of Housing and Urban Development			<u>707,327</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
<i>Passed Through the Ohio Department of Jobs and Family Services via Ohio Area 7 Workforce Investment Board</i>			
Workforce Investment Act Cluster:			
WIA - Adult	N/A	17.258	125,027
WIA - Youth	N/A	17.259	136,684
WIA - Dislocated Workers	N/A	17.278	211,558
WIA - OMJ Branding	N/A	17.258	1,328
WIA - Rapid Response	N/A	17.278	199,000
Total Workforce Investment Act Cluster			<u>673,597</u>
WIA - Wilmington Air Park National Emergency Grant	N/A	17.277	<u>347,062</u>
Total U.S. Department of Labor			<u>1,020,659</u>
Total Federal Expenditures			<u>\$ 6,791,364</u>

See accompanying notes to the Schedule of Federal Awards Expenditures

CLINTON COUNTY

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports Clinton 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 – SUB-RECIPIENTS

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

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



Dave Yost • Auditor of State

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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Clinton County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Clinton 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 August 12, 2015.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. We consider findings 2013-001 through 2013-005 and 2013-008 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-006 and 2013-007 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-002 and 2013-003.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

August 12, 2015



Dave Yost • Auditor of State

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

Clinton County
46 S. South Street
Wilmington, Ohio 45177

To the Clinton County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Clinton County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Clinton County's major federal programs for the year ended December 31, 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, Clinton County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as items 2013-009 through 2013-011. These findings did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2013-009 through 2013-011 to be material weaknesses.

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

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

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

Dave Yost
Auditor of State

Columbus, Ohio

August 12, 2015

This page intentionally left blank.

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	93.659 Adoption Assistance 14.228 Community Development Block Grant 20.106 Airport Improvement Program 93.563 Federal Child Support 93.558 TANF 20.205 Highway Planning & Construction
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Material Weakness

Ohio Admin. Code § 117-2-01 states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

"Internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (1) Reliability of financial reporting
- (2) Effectiveness and efficiency of operations;
- (3) Compliance with applicable laws and regulations; and
- (4) Safeguarding of assets.

Ohio Admin. Code § 117-2-02 requires that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The County implemented a new accounting software package during the audit period. The following conditions indicate that the controls related to the new accounting system did not provide reasonable assurance regarding the achievement of the internal control objectives of reliability of financial reporting, effectiveness and efficiency of operations; compliance with applicable laws and regulations; and safeguarding of assets:

- The County did not post 2013 revenue transactions until March 2013.
- Departmental users input receipt and expenditures transactions in the accounting system and were not provided appropriate access to review the accounting activity in the accounting system, which resulted in accounting errors that were not detected in a timely manner.
- The County presented two expenditure transaction reports: the FINAL_Audit09_All GL Expenses" expenditure report (GL) and the "FINAL_Audit01_APData" expenditure report (AP). The County indicated that these two reports should have the same totals. The GL expenditures on the initial report submitted by the County totaled \$90,296,920, while the AP expenditures on the initial report submitted by the County totaled \$72,141,072. The variance of \$18,155,848 between the two reports indicated that the County posted journal entries in excess of payments remitted through the AP system, and those journal entries could not be identified by the County. Also, neither of the initial GL and AP reports presented by the County for audit were complete, and auditors could not use these reports to obtain samples for audit testing. The Auditor of State Information System Auditors were able to merge the two reports to enable auditors to use these reports to obtain samples for audit testing.

**FINDING NUMBER 2013-001
(Continued)**

- The function code identified for General Fund Building and Grounds (Facilities) was miscoded during the transition to the new accounting system. This resulted in General Fund Legislative and Executive expenditures to be misclassified as Public Works expenditures in the amount of \$482,588. The County posted audit adjustments to the financial statements and accounting system to correct these classification errors.
- The County did not complete the reconciliations for 2013 on the new accounting system between the County Auditor, County Treasurer and cash and investment accounts until July 2014. (see finding #2013-002).

These conditions appear to be the result of deficiencies in the implementation of the new accounting system. These deficiencies include:

- The County closed out the former accounting system prior to implementing and testing a complete set of transaction accounts in the new accounting system.
- The County did not complete a thorough evaluation of departmental user needs prior to implementing the new accounting system. Department users had difficulty properly posting transactions and producing reports needed to monitor financial information and reconcile departmental totals and asset balances.

These deficiencies resulted in inaccurate accounting records and financial statements, lack of timely reconciliations, and the inability of departments to monitor financial activity.

We recommend the County continue to develop and implement the account structure to be used for the new accounting system. The account structure should facilitate financial statement preparation and reconciliations; and allow departments to monitor the accuracy of their financial records and their financial activity in relation to budgeted amounts.

We recommend that the County continually assess department user needs and provide training to help departments better understand the new accounting system capabilities, how to enter transactions with accurate descriptions and account codes; and enable them to monitor departmental transactions and budgets. We recommend the County review the account structure for appropriate coding to facilitate financial reporting. We recommend that the County maintain documentation to support any adjustments made to the accounting system; adjustments should be reviewed and approved prior to input in the system. The County should continue to reconcile on a timely basis and investigate any reconciling items.

Officials' Response

The County went through a tough implementation which resulted in a delay in posting the revenue transactions. Temporary help was brought in to rectify the situation. The County is current with all revenue transactions at this time and will remain so going forward.

All department users have total access to inquiry reports under their control. User Roles have been created in the system to allow custom designed access to each user. All users should have access to their individual needs. Communication with the departments was a critical component of the creation of the User Roles.

A re-evaluation of the entire County financial system has taken place and many misclassifications have been identified and corrected. The County is also in the process of reducing the number of organizational codes and object codes to make the financial reporting easier for the various departments to use and understand and to ensure that all transactions are properly coded to meet GAAP financial standards.

**FINDING NUMBER 2013-001
(Continued)**

Training has been offered throughout the County on the use of the financial system and continues to be offered. User deficiencies are identified and addressed on a daily basis.

Issues related to the County Treasurer's reconciliation are addressed in Finding 2013-002.

FINDING NUMBER 2013-002

Material Weakness/Noncompliance

Ohio Administrative Code 117-2-01 requires the County to develop and operate a system of internal controls adequate to provide reasonable assurance regarding the achievement of objectives in the following categories:

- 1) Reliability of financial reporting;
- 2) Effectiveness and efficiency of operations;
- 3) Compliance with applicable laws and regulations; and
- 4) Safeguarding of assets.

Ohio Revised Code, Section 321.09, requires that the County Treasurer make a statement to the County Auditor that includes the daily activity, balance in the Treasury and Balance in the depository

Ohio Revised Code, Section 319.14 requires the County Auditor to keep an accurate account with the County Treasurer.

On January 2, 2013, the County implemented a new accounting system. We identified the following conditions related to the new accounting system and its effect on the County Treasurer's ability to issue the required daily statement of activities and balances, and the County Auditor's ability to keep an accurate account with the County Treasurer:

- The December 31, 2013 outstanding check list contained checks that had been outstanding for over one year totaling \$59,694. The County did not have procedures in place during 2013 to follow up on outstanding checks.
- The County reported a negative balance in the payroll clearing account of (\$147,088) at December 31, 2013. Auditors identified \$10,809 in outstanding checks that should have been voided, which reduced the reported negative fund balance.
- The County Treasurer did not provide to the County Auditor the required daily statement of activities and balances during January and most of February 2013 because the Treasurer did not obtain the required information from the new accounting system.
- The County Treasurer did not utilize the Treasurer's function in the new accounting system during 2013, so the Treasurer's office developed an external report in February 2013 in an attempt to issue the required daily statement of activities and balances.
- The County Auditor did not keep an accurate account with the County Treasurer for the entire fiscal year; therefore, Clinton County did not reconcile their accounting system to the bank in a timely manner. The County contracted with a CPA firm in July 2014 to reconcile the system balance as of December 31, 2013.

**FINDING NUMBER 2013-002
(Continued)**

- The County posted adjusting entries to the accounting system as many as 288 days after the error occurred. Also, the County did not require adequate supporting documentation, review, or approval prior to the posting of journal entries. As a result the County made duplicate entries that had to be subsequently corrected, which made reconciling difficult for the County.

Without timely and accurate reporting of financial activity and balances, the County's ability to monitor the completeness and accuracy of financial records and related reporting is compromised. Also, failure to perform timely reconciliations resulted in increasing the risk that posting errors and negative fund balances could occur and not be detected.

We recommend the County develop and implement controls to ensure accurate and timely reconciliations in compliance with the Ohio Revised Code. We also recommend that any errors identified during this process be addressed in a timely manner. The County posted audit adjustments to the accounting system and the financial statements to correct the errors above.

Officials' Response

Official Response from the County Treasurer (Reconciliation)

When I took office the day after Labor Day during 2013, the new accounting system was in place but not functioning as designed. Deputy Treasurer Ana Whitten designed an in-house Form 6 during February of 2013 to satisfy the daily requirement of reporting financial activity and the treasury and depository balances as required by Ohio Revised Code, Section 321.09. This system stayed in place until

November of 2013, when Ana and I developed a more thorough Form 6, which reconciled the treasury and depository balances daily with the bank and clearly displayed the daily activity. This new and improved system began November 27, 2013 and was used until my office was comfortable and properly trained to perform the daily reconciliation within the new Munis accounting system. That specific training provided by Munis occurred in October of 2014 and the daily function of reconciling within Munis began on October 20, 2014. Other than very early in 2013, which was prior to me taking office, the Clinton County Treasurer's office has and still continues to perform its daily requirement as instructed by Ohio Revised Code, Section 321.09.

Official Response from the County Auditor (Payroll Clearing Fund deficit)

This is a very unusual occurrence where payroll was submitted to our third party provider, Pay Cor, on December 30, 2013. Pay Cor then pulls the monies required for payroll on the 31st of December. The pay date is actually January 2, 2014 and was budgeted for in the 2014 budget appropriations. As a result of the 3rd party withdrawal, the Payroll Clearing fund had a temporary negative balance on December 31, 2013. We will remedy this type of issue by having the Board of County Commissioners authorize short-term advances on the last day of the year to correct negative cash balances of this nature.

FINDING NUMBER 2013-003

Material Weakness/Noncompliance

Ohio Admin. Code, § 117-2-02 (C)(1), states all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**FINDING NUMBER 2013-003
 (Continued)**

The County did not have a system to properly monitor budgetary activity and ensure the approved budgetary information was presented in the budgetary financial statement presentation. The County did not timely enter transactions into the accounting system. Without procedures to ensure timely and accurate posting, the County was not able to use the accounting system to monitor budgetary information.

Budgetary activity recorded in the accounting system varied from official budgetary documents and reported Budgetary Statements as follows:

Estimated receipts reported on the County's Amended Certificates did not agree to amounts recorded in the budgetary statements.

Fund	Estimated Receipts Certified	Budgetary Statement Estimated Receipts	Variance
Work Force Development	\$1,345,999	\$1,495,999	\$150,000
County Board of DD	5,569,306	5,729,307	160,001

Estimated receipts reported on the County's Amended Certificates did not agree to amounts recorded in the County's accounting system.

Fund	Estimated Receipts Certified	Estimated Receipts Recorded in Accounting System	Variance
Work Force Development	\$1,345,999	\$1,495,999	\$150,000

The budgetary statements did not agree to the accounting system in the County Board of Developmental Disabilities. We noted that the actual cash basis expenditures plus the outstanding encumbrances should represent the budgetary basis expenditures on the Budgetary Statements.

Fund	Cash Expenditures plus outstanding Encumbrances Recorded in Accounting System	Budgetary Statement Budgetary Basis Expenditures - Actual	Variance
County Board of DD	\$5,867,382	\$5,741,374	(\$126,008)

Appropriations recorded in the accounting system plus prior year outstanding encumbrances did not agree to the Budgetary Budgeted amount of expenditures.

Fund	System Appropriations plus prior year outstanding Encumbrances Recorded in Accounting System	Budgetary Statement Budgeted Expenditures -Final	Variance
Martinsville-Midland Sanitary Sewer	\$191,960	\$161,116	(\$30,844)
County Board of DD	\$5,867,382	\$5,968,833	\$101,451

**FINDING NUMBER 2013-003
 (Continued)**

Appropriations recorded in the Budget Statements did not agree to official appropriations plus prior year encumbrances.

Fund	Official Appropriations plus prior year outstanding Encumbrances Recorded	Budgetary Statement Budgeted Expenditures - Original	Variance
Martinsville-Midland Sanitary Sewer	\$118,404	\$87,560	(\$30,844)

Ohio Rev. Code, § 5705.41(B), requires no subdivision or taxing unit to expend money unless it has been appropriated. Expenditures exceed appropriations in the Martinsville-Midland Sanitary Sewer Fund. The total budgetary expenditures were \$196,122 but only \$161,116 was appropriated. There were sufficient resources to increase the appropriations

Failure to properly account for budgetary activity certified by the budget commission into the accounting system resulted in officials relying on inaccurate information for budget making decisions. The County Officials should review system reports to ensure that estimated receipts from the most current amended certificate and amended appropriations are entered into the accounting system. Officials should also compare budgetary information recorded in the system to ensure that amounts reported in the budgetary statements are accurate.

Officials' Response

The County has identified the cause of the misstatements and has taken steps to balance all budgetary documents going forward to ensure that these misstatements will not occur in the future.

FINDING NUMBER 2013-004

Material Weakness

Governmental Accounting Standards Board Statement 54 (GASB 54) clarifies fund balance type definitions. Special revenue funds should be used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establish one or more specific restricted or committed revenues should be the foundation for a special revenue fund. (GASB 54 ¶30)

Clinton County Commissioners levied a tax for senior services. The collection of this tax and related expenditures should be reported as a special revenue fund under the definitions provided by GASB 54. The County Auditor's office initially classified the Senior Services Levy Fund as a special revenue fund, however during the GAAP conversion process, this fund was reclassified and reported as an agency fund on the County's GAAP financial statements presented for audit. As a result the other governmental remaining funds were understated for the Senior Services Levy activity by \$1,248,096 in revenue and \$1,929,108 in expenditures.

**FINDING NUMBER 2013-004
(Continued)**

The County Board of Developmental Disabilities (DD) Fund accounts for the operation of a school and the costs of administering a workshop for the developmentally disabled. Revenue sources include a county wide property tax levy and federal and state grants. The County presents the County Board of DD Fund as a major fund on the financial statements. The County established a DD Reserve Fund for retiree payouts and a DD Insurance Fund to accumulate resources to pay for employee health insurance. The funding for the reserve and insurance funds comes from the County Board of DD Fund. As a result the County should be reporting the reserve and insurance funds as part of the County Board of DD Major Fund on the statements. The reserve fund was presented as an agency fund instead of being presented with the County Board of DD major fund. The fund was established to reserve amounts obligated by the County Board of DD fund and should have been presented with that fund. As a result, the beginning fund balance of the County Board of DD major fund was understated \$142,917; the expenditures were overstated by \$103,174; and the ending fund balance was understated by \$246,091. The County Board of DD major fund reported on the County's financial statements included the activity of the DD Insurance fund, however, the County did not eliminate the inter-fund transaction between the County Board of DD major fund and DD Insurance fund for the amount withheld from employee payroll and remitted to the DD Insurance fund. As a result charges for services revenue and expenditures were overstated by \$60,945 in the County Board of DD major fund.

Failure to properly classify funds could result in misstated financial statements. We recommend the County establish internal controls to ensure that funds are reported in accordance with standards established by the Governmental Accounting Standards Board. The County should review GASB Statement no. 54 and Auditor of State Bulletin 2011-004 for fund type definitions. County officials should also review the GAAP financial statements prepared by the conversion consultant to ensure funds are properly classified. The County has posted audit adjustments to the financial statements to properly classify these funds.

Officials' Response

Both the Senior Services Levy Fund and all of the Developmental Disability funds were correctly reported on the financial statements. The revenues and expenditures were correctly identified in the accounting system, but were erroneously recorded during the GAAP conversion. Once the errors were identified, the corrections were posted to the statements. These corrections have been communicated to the conversion team and will be properly classified going forward.

FINDING NUMBER 2013-005

Material Weakness

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

The Port Authority issued debt for a hanger project that consisted of three debt issues: Ohio Enterprise Bond Fund Series 2012 for \$9,055,000, Chapter 166 Loan Series 2012 for \$4,000,000, and Logistics and Distribution Infrastructure Loan Program Series 2012 for \$1,595,000.

The Port Authority did not have controls in place to ensure the completeness and accuracy of the financial statements and disclosures. We noted the following deficiencies in the financial statements presented for audit:

FINDING NUMBER 2013-005
(Continued)

- The note disclosures for the debt related to the hangar project did not include all required disclosures. The debt note did not disclose the amount of funds held in escrow for each of the three debt issuances for the hangar project. The Chapter 166 debt issue was secured with funds derived from a Tax Increment Financing District (TIF) created by the City of Wilmington, but the note did not disclose that the debt was secured by funds derived from the TIF.
- Interest paid by the escrow agent was not recorded by the Port Authority. Also, cash activity for debt proceeds and expenditures were understated by \$311,758 because the payments were not recorded on the Port Authority records.
- The LDI loan agreement stated that the principal amount at December 31, 2013 would be forgiven or due by November 1, 2014. Therefore, the debt that had been drawn on the loan should have been recorded as due within one year. However, the Port Authority classified the principal amount as long term due in more than one year; this caused long term liabilities due in more than one year to be overstated by \$879,586 and long term liabilities due in one year to be understated by the same amount.
- The amortization table for the Chapter 166 and LDI debt issues was not included in the table showing amortization of future principal and interest payments.
- The Port Authority receives payments for utilities from tenants at the airport. During the financial statement preparation process these receipts were classified as Operating Grants and Contributions in the Statement of Activities. The payment for utility services provided should have been recorded as Charges for Services and Sales. This caused the Charges for Services and Sales to be understated by \$3,111,239 and Operating Grants and Contributions to be overstated by the same amount.

Failure to establish controls over the financial reporting and disclosure can lead to misstated financial statements. The County posted audit adjustments to the financial statements to correct the errors described above.

The Port Authority should develop controls that provide for accurate financial reporting and disclosure of debt activity and revenue activity. Port Authority officials should also review the GAAP financial statements prepared by the conversion consultant to ensure funds are properly classified.

Officials' Response

The financing structure for the construction of a hangar was very complex and all information was provided to the conversion consultant that the Port Authority was aware needed to be provided. The amount of dollars in escrow by the trustee, Huntington Bank, was not available to the Port. This was a pass-thru project, and Huntington Bank only communicated with ATSG, per the legal documents. The Port Authority provided balances and amortization schedules to the conversion consultant, but was not provided the GAAP financials to review prior to its release. We agree that the schedules should have been part of Note 12 Long Term Obligations.

The classification of utility service payments by tenants in Operating Grants instead of Charges for Services would have been identified and corrected prior to publication if the report had been made available to Port staff for review. The conversion consultant has been informed that Port staff must have the GAAP report prior to its release in the future for review and confirmation of accuracy, allowing sufficient time for the review.

FINDING NUMBER 2013-006

Significant Deficiency

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

- County Administrator's office is responsible for the design, implementation and perpetuation of an asset management system; the specific identification of all the County's capital assets; directing and monitoring of an annual physical inventory at each location; and previous calendar year annually and providing a copy to the Auditor's Office by the last Monday in February for GASB reporting purposes.
- New assets acquired by the County must be reported to the County Administrator's office by each department, using the prescribed capital assets form. The County Auditor's office will review purchase orders and ensure that all capital assets are being reported by the various departments to the County Administrator's Office.
- All disposals of assets by any means must be reported to the County Auditor's office using the prescribed capital asset form.
- If the newly acquired asset involves an exchange or trade-in of another capital asset, the County Administrator's office must perform a valuation of the old capital asset, recognizing gains and losses on the exchange or trade-in of the capital asset.

We identified the following conditions related to the County's capital assets:

- The County Administrator did not prepare a master capital asset listing and provide a copy to the County Auditor. Newly acquired assets were not reported to the County Administrator by the various departments using the prescribed capital asset form. The County's Auditor's office did not review purchase orders to departmental capital asset listings to ensure completeness.
- Retired capital assets were not reported to the County Auditor's office using the prescribed forms. Exchanged or traded-in assets were not properly reported and valued, resulting in no recognized gains or losses being recognized. Fully depreciated assets were not removed from the capital assets listing nor and the useful life of fully depreciated assets were not re-evaluated.
- The capital asset equipment listing did not have adequate asset descriptions details of assets enabling them to be traced to departmental inventories. Capital asset listings contained audit adjustments from prior years. These adjustments contained no details of the assets being added. Without these details, it was not possible to determine if the additions were duplicated.
- The County maintained an inventory of vehicles; however, this vehicle list is not compared to the capital asset vehicle lists prepared by the County's GAAP conversion consultant. One vehicle purchase was not included, eight vehicles that were disposed of during 2013, were not initially on either list and one vehicle was duplicated on the GAAP conversion consultant's capital asset list.

**FINDING NUMBER 2013-006
(Continued)**

- The County's 911 system upgrade totaling \$289,789 was completed and placed into service during fiscal year 2013; however, the expenditure was not recorded as a capital asset, which overstated expenditures by \$289,789, and understated equipment, by \$289,789.
- The County expended \$550,125 for a county wide emergency radio system project during fiscal year 2013. The project was estimated to be completed by June of 2015. The County did not include the expenditure for this project in construction in progress, as a result, capital assets construction in progress was understated by \$550,125.
- During 2013, the County spent \$391,154 for the construction of an airport terminal building; however, the terminal was not complete as of the end of fiscal year 2013, so it should have been considered construction in progress. The terminal was not included in County's construction in progress.
- In November 2013, the County completed the Port William bridge project totaling \$569,024, and also started the Macedonia Road bridge project with expenditures totaling \$112,247 in 2013, but these two bridges were not included on the County's capital asset listing as construction in progress.
- The County implemented the following software programs; MUNIS, CAUV Calculator and a Soil and Water programs totaling \$211,791. The depreciation expense totaled \$32,136. The software capital assets were not presented on the capital asset listing.

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

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

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

**FINDING NUMBER 2013-006
 (Continued)**

Officials' Response:

The County's Capital Asset Policy is to be administered by the County Administrator. However, it is believed that the Auditor's office can play a critical role in the administering of that policy. The Auditor's office will be implementing the Capital Asset module in the financial accounting system. All assets will be reviewed with the departments to ensure that only current and relevant assets are entered. Any obsolete or duplicate assets will be identified and removed from the listing and the proper transactions recorded. The Auditor's office will also take a greater role in tracking and recording Construction in Progress. All of these transactions will be reviewed with the departments, with the outside component units and with the County Administrator. All departments will be reminded of their respective role in tracking the assets of the County and the need to immediately report items which are sold, obsolete or destroyed. The County will also match all vehicles in the system to the list maintained by the insurance department. Estimated asset life and depreciation methods will be done in accordance with GAAP standards.

All identified asset corrections were posted in the final GAAP statements and will be recorded correctly in the future statements. That includes the County's 911 system upgrade, the EMA radio system, the County Airport terminal system, the Port William bridge project and the various software programs.

FINDING NUMBER 2013-007

Significant Deficiency

Ohio Administrative Code Section 117-2-02 requires all public officials to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

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

<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
Public Assistance	Intergovernmental	\$24,894	Public Assistance	Charges for Services	\$24,894
Children Services	Intergovernmental	47,153	Children Services	Charges for Services	47,153
MV&G Tax	Intergovernmental	63,433	Township Excise Tax	Intergovernmental	63,433
Township Excise Tax	Intergovernmental	132,587	MV&G Tax	Intergovernmental	132,587
Library Local Government	Intergovernmental	73,059	Local Government	Intergovernmental	73,059
Local Government	Intergovernmental	94,888	Library Local Government	Intergovernmental	94,888
CDBG	Intergovernmental	106,905	HOME Grant	Intergovernmental	106,905
Home Grant	Intergovernmental	142,988	CDBG	Intergovernmental	142,988

Also, we identified the following errors in the County Hospital Business-Type financial statements:

- Other Non-Operating Revenues were understated by \$30,133.
- Other Non-Operating Expenditures were understated by \$26,003.

**FINDING NUMBER 2013-007
(Continued)**

- Cash and Cash Equivalents were overstated by \$15,000.
- Accounts payable were overstated by \$19,130.

These errors were caused by lack of timely monitoring of the posting of transactions. Audit adjustments were posted to the financial statements and accounting system, where appropriate, to correct these errors.

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

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

Officials' Response:

A review of the financial accounting system is being completed to ensure that all revenue and expenditure accounts are properly classified to meet GAAP financial reporting standards. Please see the response to Finding 2013-001. All identified errors in Finding 2013-007 were corrected in the 2013 GAAP statements and were corrected in the accounting systems for 2014 and forward.

FINDING NUMBER 2013-008

Material Weakness

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

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

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

- The asset listing provided listed land, land improvements, buildings and improvements, and equipment. Location information was not provided for any assets, and certain assets had no description. The land improvements did not include detail sufficient to identify the location of the tracts of land. The building and improvements descriptions did not provide sufficient detail to identify the building and additions.

**FINDING NUMBER 2013-008
(Continued)**

- The fair value of the land, land improvements, and buildings was obtained from the county auditor's fair value appraisal of the property that was completed for real estate tax purposes. The total fair market value was \$54,089,400. An allocation of \$20,910,600 was made to the land improvements and buildings to increase the total to \$75,000,000, which was the amount of title insurance purchased. Because these assets were donated, and because donated assets should be recorded at the fair market value at the time of donation, the allocation to increase the value of the assets to equal the value of the title insurance overstated the value of the land improvements and buildings. The depreciation related to the overstatement totaled \$2,422,606.
- In 2012, the Port Authority had an appraisal completed. The absence of review over the appraisal led to the following issues with the Port Authority's capital assets. The appraisal included equipment in buildings that was not considered a capital asset, but had values that could result in material revenue at the time of sale. This appraisal did not include values for the vehicles, tractors, or other equipment that were part of the original donation. There was not an assessment of the values relating to the vehicles, tractors, or other equipment not included in the appraisal. The appraisal also indicated assets that have not been placed in service. The assets that have not been placed in service are being depreciated even though they have not been used since being donated. The appraisal also included estimated useful lives for some assets. The assets are being depreciated over a different period than estimated by the professional appraiser. The Port Authority should review the assets and related accounting procedures to determine proper depreciation.
- The Port Authority sold assets totaling \$2,150,542 in 2013. The cash basis activity recorded the revenue as a sale of assets in the Port Authority's accounting system; however, the revenue was reported as miscellaneous revenue on the Port Authority's financial statements. The sale of assets resulted in a net gain to the Port Authority, so a gain on the sale of assets should have been reported. Audit adjustments were posted to the Port Authority's financial statements to properly record the sale and the gain on the sale of the asset.
- Construction in Progress did not include the capitalized interest totaling \$311,758 for the hanger project.

The County corrected these errors on the financial statements.

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

The Port Authority should review their capital asset policy. The policy should be designed to document their initial receipt of donated assets, and help ensure accuracy and completeness of their capital asset inventory records continuously throughout the year. The Port Authority should maintain a record of all capital assets purchased or disposed of during the year.

**FINDING NUMBER 2013-008
 (Continued)**

Officials' Response

Capital Assets have been a continuing challenge for the Port Authority to identify, value, and depreciate, when applicable. This is due, in part, to the vague information provided by the donor, DHL Express, in June of 2010, and the continuation of operations of the airport during the transition. Significant strides are being made by the Port Authority in this area, especially in the land, buildings, and improvements portion. Some of the land on the report did have locations provided by stating the property tax parcel number; but most did not. In 2014, all land, land improvements, and building/improvements have been identified and provide locations. However, more work is necessary for our primary parcel that includes multiple buildings and land improvements that need to be allocated by unit. This will assist with the depreciation of assets that are being used, and not those that are out of service. Adjustments have been made to reverse the allocation to increase the value of the assets to equal the title insurance values.

The metal salvage project that is ongoing over multiple fiscal years is a net gain/loss proposition and should be reflected so in the financials. Meaning, we have expenses to remove the metal that offset most of the revenue received in the sale. This will be reported each year as a net gain/loss only.

The \$311,758 for capitalized interest for the hangar has been identified and posted as pass thru transactions on the Port accounting system. Again, some of this could have been identified and corrected if the Port had been provided the GAAP financial report prior to its release. The conversion consultant has been informed that Port staff must have the GAAP report prior to its release in the future for review and confirmation of accuracy, allowing sufficient time for the review.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2013-009
CFDA Title and Number	Airport Improvement Program, #20.106 Community Development Block Grant #14.228 Home Investment Partnership Program #14.239
Federal Award Number / Year	3-39-0091-0812 / 2012 B-C-11-1AN-1 / 2011 B-F-11-1AN-1 / 2011 B-F-12-1AN-1 / 2012 B-C-11-1AN-2 / 2011
Federal Agency	U.S. Department of Transportation U.S. Department of Housing and Urban Development
Pass-Through Agency	Federal Aviation Administration Ohio Development Service Agency

**FINDING NUMBER 2013-009
(Continued)**

Noncompliance and Material Weakness

Office of Management and Budget (OMB) Circular A 1-33 Subpart C Section .300 states, in pertinent part, that the auditee shall:

- a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Ohio Revised Code, 5705.09, requires an entity to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

Ohio Administrative Code 117-2-02 requires the County to maintain an accounting system and accounting records sufficient to enable them to identify, assemble, analyze, classify, record and report all transactions.

Federal Aviation Administration Grant

The County did not record grant activity in its accounting system for the airport grant funds received and expended. The County relied on the Reynolds, Smith & Hills Ohio, Inc (RS&H) to maintain supporting documentation for the program and to review and monitor all federal airport grant funds expended. Additionally the Clinton County Airport Authority Fiscal Officer forwarded grant related invoices to RS&H. RS&H prepared documentation to submit to the FAA for grant funds to be drawn down. The grant funds were received by the Clinton County Airport Authority and deposited into the Airport Authority's bank account so invoices could be paid.

The County did not create or maintain a special revenue fund to account for the activities of the FAA grant program. Grant program funds received or expenditures made were not properly recorded by the County and were not included in their financial activity for the year. The following activity was not recorded in the County's accounting system:

FAA Grant Program:

Program Receipts:	Program Expenditures:
\$372,150	\$372,150

Additionally, the County recorded a \$19,000 expenditure to Jindal Builders from the Other County Property Projects (fund #3020) that should have been recorded under the FAA Grant Program. This is already on the County's record of expenditures and included in their financials; however, the amount needs to be moved to the FAA Grant Program fund so that all grant activity is properly recorded for the audit period and on the County's Schedule of Federal Awards Expenditures.

**FINDING NUMBER 2013-009
(Continued)**

Home Investment Partnership Program (HOME)

The County entered into grant agreements with the Ohio Department of Development for a Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME). The agreements outline the use and accounting of the grant funds and state that the "Grant funds shall be used solely for the stated purposes set forth in this agreement", if the "Grant Funds are not expended in accordance with the terms, conditions and time period set forth in this agreement. The amounts improperly expended or not expended shall be returned to Grantor within thirty (30) days after the expiration or termination of this Agreement." "Grant Funds shall be deposited and maintained in a separate fund account upon the books and records of the Grantee." "Failure to comply with this requirement may allow the grantor to withhold payment allocation requests until such compliance is demonstrated."

Clinton County is maintaining the CDBG and HOME grants for the CHIP program in the same fund (fund 2604). The County co-mingled funds for the CDBG and HOME programs. During seven months of the year, expenditures for the HOME program exceeded the amount of HOME grant receipts deposited into the fund thus causing grant funds from the CDBG program to be expended, which is in violation of the grant agreements.

Failure to properly account for grant monies in a separate grant fund resulted in comingling of funds, and further result in grant funds expended for purposes not allowed in the grant agreement, and could possibly lead to the forfeiture of grant funds.

We recommend that the County establish separate funds for each federal program in order to be able to segregate the funds received and to ensure that the program funds are expended from the proper grants.

Officials' Response

The staff of the Clinton County Airport have been educated on the reporting requirements for their entity and the need to report certain transactions to the County. It was also reiterated that any FAA grants made on behalf of the County Airport are in fact County grants. The Commissioners would have to approve those grants and the program revenues and expenditures would be recorded on the County's financial systems and in its federal schedule. The Commissioners office will also provide the Auditor's office a copy of all grant paperwork to ensure proper accounting. The Auditor's office will assist in identifying these federal grants to ensure proper accounting. The FAA grant specifically identified in the system will be created in the system. It is also important that better communication occurs between the County Commissioners, the County Auditor's office and the County Airport. The grant funds were properly recorded in the financial statements of the County.

The County will establish two separate funds: one to record the CDBG grants and a second one to record the HOME Chip Grants. The separation of these two funds will allow the County to more tightly control the expenditures to ensure that no expenditures exceed program revenue, and that program expenditures are in accordance with the terms and conditions of the grants. The County has also improved its review of grant expenditures to make sure that all program expenditures occur within thirty (30) days after the termination of the grant agreement. Any monies not expended will be returned to the grantor after thirty days.

Finding Number	2013-010
CFDA Title and Number	Temporary Assistance for Needy Families (TANF) # 93.558 Child Support Enforcement (Title IV-D) # 93.563 Adoption Assistance (Title IV-E) #93.659
Federal Award Number / Year	2012, 2013
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance and Material Weakness

Ohio Admin Code Section 5101:9-7-29 requires county family services agencies to report actual expenditures and revenues through a submission of financial data from the county agency into the county finance information system (CFIS). The CFSA shall use financial codes established by the Ohio department of job and family services (ODJFS) bureau of county finance and technical assistance to report these expenditures and revenues.

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

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

The Ohio Department of Jobs and Family Services require a quarterly certification to ensure accurate reporting of revenues and expenditures to the State for administration of federal awards. The public assistance fund is certified on form 2827, the child support enforcement agency fund is certified on form 2750, and the public children services agency fund is certified on form 2820. The forms are required to be signed by the County JFS director and County Auditor to certify the accuracy of the amounts reported to the state. The County implemented a new accounting system in 2013. The accounting system was not completely functional at implementation. As a result the County Auditor's office did not have revenue information or fund balance information to be able to certify the accuracy of the reports. The County JFS completed the reports, and the reports were signed by the JFS director and County Auditor. However, the reports had a disclaimer indicating that the County Job and Family Services was not able to reconcile with the County Auditor's office. Fund balance discrepancies at year end between the County accounting system and the certifications in the PA and PCSA funds in the amount of \$2,039 and \$5,036 were identified during testing at year end. Failure to have adequate information available to reconcile the variance could lead to inaccurate amounts reported to the state.

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

Officials' Response:

The County implemented a new accounting system in 2013. The unforeseen functionality issues and extensive manpower delayed posting of expenditures and revenue information used to determine fund balances. During 2013, Clinton JFS department utilized their state financial reporting program known as PET (Public Expenditures Tracking) program to monitor JFS fund balances and report financial information to the State.

**FINDING NUMBER 2013-010
 (Continued)**

As of this report date, County Auditor and JFS department are reconciling financial information following the close of each month. A monthly reconcile process has been established utilizing countywide MUNIS program end of period report showing fund balance, revenues and expenditures. The MUNIS report is provided to County Auditor by the JFS department along with PET program report showing fund balance, revenues and expenditures. The County Auditor (or designee) and JFS Director (or designee) review monthly reports and sign the monthly JFS financial report cover page as certification of monthly reconciliation. The JFS quarterly financial certification reports, known as Public Assistance quarterly ODJFS 2827 report, Child Support quarterly ODJFS 2750 report and Public Children Services quarterly ODJFS 2820 report, are matched to each monthly financial reconcile for the report quarter by JFS department. The ODJFS quarterly financial cover page is provided to County Auditor (or designee) and JFS Director (or designee) for review and signature certifying quarterly fund balances, expenditures and revenues.

Finding Number	2013-011
CFDA Title and Number	Airport Improvement Program, #20.106
Federal Award Number / Year	3-39-0091-0812 / 2012
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	Federal Aviation Administration

Noncompliance and Material Weakness

MONITORING OF GRANT ACTIVITIES – Activities Allowed, Allowable Costs, Cash Management, Davis Bacon, Matching, and Reporting

Ohio Administrative Code 117-2-01 requires the County to be responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective offices in certain categories. It also requires that when designing the system of internal controls and the specific control activities, the County should monitor activities performed by service organizations.

A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The County contracted with Reynolds, Smith & Hills Ohio, Inc. (RS&H) to provide professional consulting services for their FAA Grant Program. As part of their services, RS&H had oversight on the administration and implementation of the FAA Terminal Building grant for the County which, by definition, qualified them as a service organization/provider for the County. The County has delegated its administration responsibilities for the Airport Improvement Program Grant to the third-party administrator, RS&H.

**FINDING NUMBER 2013-011
(Continued)**

The County has not established procedures to reasonable determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that grant administration activities have been completely and accurately processed. We were able to perform alternative procedures to meet audit objectives related to the grant transactions. We recommend the County implement procedures to reasonable assure the completeness of grant requirements administered by RS&H. Statement of Standards for Attestation Engagements No. 16 *Reporting on Controls at a Service Organization* (SSAE No. 16) prescribes standards for reporting on the processing (i.e.control design and operation) of transactions by service organizations. A Type Two Report on Management's Description of a Service Organization's System and the Suitability of Design and Operating Effectiveness of Controls in accordance with SSAE No. 16 should provide the County with reasonable assurance that grant transactions conform to the contract.

The County did not maintain complete records for the airport grant, and did not properly document any monitoring activities completed at the County level for the federal funds expended. The County relied on the RS&H to maintain supporting documentation for the program, and to review and monitor all federal airport grant funds expended.

Additionally, no evidence was found to indicate that the County performed any type of monitoring over the activities or services provided by RS&H at during the audit period. The Clinton County Airport Authority Fiscal Officer forwarded grant related invoices to RS&H. RS&H prepared documentation to submit to the FAA for grant funds to be drawn down. The grant funds were received by the Clinton County Airport Authority and deposited into the Airport Authority's bank account so invoices could be paid. RS&H also performed administration duties related to Reporting, Davis-Bacon, and Matching requirements, however no evidence was found to indicate that the County performed any type of monitoring over the grant administration duties.

Cash Management requirements were not included in the contract with RS&H, this activity was completed by the Clinton County Airport Authority (CCAA). The County did not have any formal contract with the CCAA to perform Cash Management requirements for the grant. Additionally there were no monitoring controls for Cash Management requirements at the County level.

We recommend that the County become familiar with the type of control requirements necessary when utilizing a service organization in order to develop and implement a proper system of internal controls. Proper internal controls and monitoring of the service organization will help assure the County that all the requirements of the federal grant award are being met.

Officials' Response:

The staff of the Clinton County Airport has been educated on the reporting requirements for their entity and the need to report certain transactions to the County. It was also reiterated that any FAA grants made on behalf of the County Airport are in fact County grants. The Commissioners would have to approve those grants and the program revenues and expenditures would be recorded on the County's financial systems and in its federal schedule. The County will establish procedures to review all revenue and expenditure reports provided by the third party contractor to ensure that all grant activity is properly recorded and that all expenditures meet the terms of the grant contract. The Auditor's office will assist in identifying these federal grants to ensure proper accounting. A new fund will be created to account for the FAA grant specifically.

CLINTON COUNTY

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

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Daily reconciliations were not performed/County did not properly bid accounting software	No	Reconciliation recommendation reissued as finding 2013-002
2012-002	Hospital escrow account was not classified as non-spendable	Yes	
2012-003	County did not monitor budgetary reserve balances in the General Fund	Yes	
2012-004	County did not properly maintain capital asset listing	No	Reissued as finding 2013-006
2012-005	County did not timely submit accurate 04282 to the Ohio Department of JFS	Yes	
2012-006	County did not accurately complete their federal schedule	Yes	
2012-007	County did not include fourth quarter Adoption Assistance expenditures on federal reports	Yes	

This page intentionally left blank.

CLINTON COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-009	<p>The staff of the Clinton County Airport have been educated on the reporting requirements for their entity and the need to report certain transactions to the County. It was also reiterated that any FAA grants made on behalf of the County Airport are in fact County grants. The Commissioners would have to approve those grants and the program revenues and expenditures would be recorded on the County's financial systems and in its federal schedule. The Commissioners office will also provide the Auditor's office a copy of all grant paperwork to ensure proper accounting. The Auditor's office will assist in identifying these federal grants to ensure proper accounting. The FAA grant specifically identified in the system will be created in the system. It is also important that better communication occurs between the County Commissioners, the County Auditor's office and the County Airport. The grant funds were properly recorded in the financial statements of the County.</p> <p>The County will establish two separate funds: one to record the CDBG grants and a second one to record the HOME Chip Grants. The separation of these two funds will allow the County to more tightly control the expenditures to ensure that no expenditures exceed program revenue, and that program expenditures are in accordance with the terms and conditions of the grants. The County has also improved its review of grant expenditures to make sure that all program expenditures occur within thirty (30) days after the termination of the grant agreement. Any monies not expended will be returned to the grantor after thirty days.</p>	08/11/15	Mary Ann Foland, Clinton County Administrator

<p>2013-010</p>	<p>The County implemented a new accounting system in 2013. The unforeseen functionality issues and extensive manpower delayed posting of expenditures and revenue information used to determine fund balances. During 2013, Clinton JFS department utilized their state financial reporting program known as PET (Public Expenditures Tracking) program to monitor JFS fund balances and report financial information to the State.</p> <p>As of this report date, County Auditor and JFS department are reconciling financial information following the close of each month. A monthly reconcile process has been established utilizing countywide MUNIS program end of period report showing fund balance, revenues and expenditures. The MUNIS report is provided to County Auditor by the JFS department along with PET program report showing fund balance, revenues and expenditures. The County Auditor (or designee) and JFS Director (or designee) review monthly reports and sign the monthly JFS financial report cover page as certification of monthly reconciliation. The JFS quarterly financial certification reports, known as Public Assistance quarterly ODJFS 2827 report, Child Support quarterly ODJFS 2750 report and Public Children Services quarterly ODJFS 2820 report, are matched to each monthly financial reconcile for the report quarter by JFS department. The ODJFS quarterly financial cover page is provided to County Auditor (or designee) and JFS Director (or designee) for review and signature certifying quarterly fund balances, expenditures and revenues.</p>	<p>8/6/15</p>	<p>Cheryl Babb, Fiscal Administrator, Clinton County Job and Family Services</p>
<p>2013-011</p>	<p>The staff of the Clinton County Airport has been educated on the reporting requirements for their entity and the need to report certain transactions to the County. It was also reiterated that any FAA grants made on behalf of the County Airport are in fact County grants. The Commissioners would have to approve those grants and the program revenues and expenditures would be recorded on the County's financial systems and in its federal schedule. The County will establish procedures to review all revenue and expenditure reports provided by the third party contractor to ensure that all grant activity is properly recorded and that all expenditures meet the terms of the grant contract. The Auditor's office will assist in identifying these federal grants to ensure proper accounting. A new fund will be created to account for the FAA grant specifically.</p>	<p>8/11/15</p>	<p>Mary Ann Foland, Clinton County Administrator</p>



Dave Yost • Auditor of State

CLINTON COUNTY FINANCIAL CONDITION

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 27, 2015