



Dave Yost • Auditor of State

FAYETTE COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Fayette County, Ohio (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Adverse
Discretely Presented Component Unit	Adverse
Governmental Fund – General Fund	Unmodified
Governmental Fund – Board of Developmental Disabilities	Unmodified
Governmental Fund – Job & Family Services	Unmodified
Governmental Fund – Motor Vehicle Gas & Tax	Unmodified
Enterprise Fund - Water	Unmodified
Enterprise Fund – Fayette County Memorial Hospital	Adverse
Remaining Fund Information	Unmodified

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

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

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

Adverse Opinions

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on Fayette County Memorial Hospital Fund and Business-Type Activities* paragraph, the financial statements referred to above do not present fairly the financial position of Fayette County Memorial Hospital enterprise fund or the business type activities of Fayette County, Ohio, as of and for the year ended December 31, 2016, or the changes in financial position or cash flows thereof for the year then ended in accordance with the basis of accounting note 2 describes.

Also, in our opinion, because of the omission of the discretely-presented component unit (the Workshop) as discussed above, the financial statements referred to above do not present fairly in conformity with the basis of accounting Note 2 describes, the cash financial position of the discretely-presented component unit of Fayette County, Ohio as of December 31, 2016, and the changes in its cash financial position for the year then ended.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, except the Fayette County Memorial Hospital, and the remaining fund information of the Fayette County, Ohio (the County), as of and for the year ended as of December 31, 2016, and the respective changes in cash financial position and, the respective budgetary comparisons for the General, Board of Developmental Disabilities, Job and Family Services, Real Estate Assessment, and Motor Vehicle Gas Tax funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

Our audit was conducted to opine the County's financial statements taken as a whole. The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2017, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2017

Fayette County, Ohio
Statement of Net Position - Cash Basis
December 31, 2016

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
Assets			
Equity in Pooled Cash and Cash Equivalents	\$17,367,420	\$3,564,111	\$20,931,531
Cash and Cash Equivalents with Fiscal Agents	110,846	0	110,846
<i>Total Assets</i>	<u>\$17,478,266</u>	<u>\$3,564,111</u>	<u>\$21,042,377</u>
Net Position			
Restricted for:			
Special Revenue	\$10,488,773	\$0	\$10,488,773
Capital Projects	9,057	0	9,057
Debt Service	1,248,955	0	1,248,955
Other Purposes	35,124		35,124
Unrestricted	<u>5,696,357</u>	<u>3,564,111</u>	<u>9,260,468</u>
<i>Total Net Position</i>	<u>\$17,478,266</u>	<u>\$3,564,111</u>	<u>\$21,042,377</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

	Program Cash Receipts			
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Current:				
General Government:				
Legislative and Executive	\$4,124,628	\$1,741,188	\$295,403	\$0
Judicial	2,301,251	488,391	363,828	0
Public Safety	3,499,915	502,256	278,011	0
Public Works	4,716,725	425,832	106,766	0
Health	5,342,727	210,892	1,361,513	0
Human Services	6,045,157	265,447	3,670,957	0
Conservation and Recreation	1,000,809	192,899	41,479	0
Economic Development and Assistance	3,331	0	0	0
Urban Redevelopment and Housing	765,755	49,755	483,587	0
Capital Outlay	1,922,605	0	1,081,362	455,699
Debt Service:				
Principal Retirement	774,167	0	0	0
Interest and Fiscal Charges	68,372	0	0	0
<i>Total Governmental Activities</i>	<u>30,565,442</u>	<u>3,876,660</u>	<u>7,682,906</u>	<u>455,699</u>
Business-Type Activities				
Water	960,526	813,042	0	0
Sewer	481,894	430,101	0	0
Sanitary Revenue Waste	852,166	1,000,838	0	0
<i>Total Business-Type Activities</i>	<u>2,294,586</u>	<u>2,243,981</u>	<u>0</u>	<u>0</u>
<i>Total Primary Government</i>	<u>\$32,860,028</u>	<u>\$6,120,641</u>	<u>\$7,682,906</u>	<u>\$455,699</u>

General Receipts
Property Taxes Levied for:
 General Purposes
 Debt Service
Sales Tax
Grants and Entitlements not Restricted to Specific Programs
Earnings on Investments
Miscellaneous
Contributions and Donations
Proceeds of Loans

Total General Receipts and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$2,088,037)	\$0	(\$2,088,037)
(1,449,032)	0	(1,449,032)
(2,719,648)	0	(2,719,648)
(4,184,127)	0	(4,184,127)
(3,770,322)	0	(3,770,322)
(2,108,753)	0	(2,108,753)
(766,431)	0	(766,431)
(3,331)	0	(3,331)
(232,413)	0	(232,413)
(385,544)	0	(385,544)
(774,167)	0	(774,167)
(68,372)	0	(68,372)
<u>(18,550,177)</u>	<u>0</u>	<u>(18,550,177)</u>
0	(147,484)	(147,484)
0	(51,793)	(51,793)
0	148,672	148,672
<u>0</u>	<u>(50,605)</u>	<u>(50,605)</u>
<u>(18,550,177)</u>	<u>(50,605)</u>	<u>(18,600,782)</u>
4,127,467	0	4,127,467
157,681	0	157,681
9,560,659	0	9,560,659
3,729,863	0	3,729,863
109,444	0	109,444
1,620,406	13,646	1,634,052
167	0	167
192,477	0	192,477
<u>19,498,164</u>	<u>13,646</u>	<u>19,511,810</u>
947,987	(36,959)	911,028
<u>16,530,279</u>	<u>3,601,070</u>	<u>20,131,349</u>
<u>\$17,478,266</u>	<u>\$3,564,111</u>	<u>\$21,042,377</u>

Fayette County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2016

	General Fund	County Board of Developmental Disabilities Fund	Job and Family Services Fund
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,684,396	\$2,525,688	\$365,186
Cash and Cash Equivalents with Fiscal Agents	10,470	100,376	0
<i>Total Assets</i>	<u>\$5,694,866</u>	<u>\$2,626,064</u>	<u>\$365,186</u>
Fund Balances			
Nonspendable	\$10,470	\$0	\$0
Restricted	0	2,626,064	365,186
Committed	0	0	0
Assigned	3,034,739	0	0
Unassigned	2,649,657	0	0
<i>Total Fund Balances</i>	<u>\$5,694,866</u>	<u>\$2,626,064</u>	<u>\$365,186</u>

See accompanying notes to the basic financial statements

Real Estate Assessment Fund	Motor Vehicle Gas Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$1,766,479	\$2,377,471	\$4,648,200	\$17,367,420
0	0	0	110,846
<u>\$1,766,479</u>	<u>\$2,377,471</u>	<u>\$4,648,200</u>	<u>\$17,478,266</u>
\$0	\$0	\$0	\$10,470
1,766,479	2,377,471	4,646,709	11,781,909
0	0	1,491	1,491
0	0	0	3,034,739
0	0	0	2,649,657
<u>\$1,766,479</u>	<u>\$2,377,471</u>	<u>\$4,648,200</u>	<u>\$17,478,266</u>

Fayette County, Ohio
Statement of Cash Receipts, Disbursements, and Changes
in Cash Basis Fund Balances - Governmental Funds
For the Year Ended December 31, 2016

	General Fund	County Board of Developmental Disabilities Fund	Job and Family Services Fund
Receipts			
Property Taxes	\$1,972,463	\$2,155,004	\$0
Sales Tax	9,208,962	0	0
Charges for Services	1,948,841	54,754	0
Licenses and Permits	1,600	0	0
Fines and Forfeitures	119,334	0	0
Intergovernmental	669,623	1,534,630	2,104,309
Special Assessments	0	0	0
Earnings on Investments	102,182	0	0
Contributions and Donations	167	0	0
Other	643,332	62,439	685,380
<i>Total Receipts</i>	<u>14,666,504</u>	<u>3,806,827</u>	<u>2,789,689</u>
Disbursements			
Current:			
General Government:			
Legislative and Executive	3,511,794	0	0
Judicial	1,808,372	0	0
Public Safety	3,354,906	0	0
Public Works	728,246	0	0
Health	711,942	4,510,040	0
Human Services	328,261	0	2,903,933
Conservation and Recreation	851,716	0	0
Economic Development and Assistance	0	0	0
Urban Redevelopment and Housing	394,414	0	0
Capital Outlay	743,588	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Disbursements</i>	<u>12,433,239</u>	<u>4,510,040</u>	<u>2,903,933</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,233,265</u>	<u>(703,213)</u>	<u>(114,244)</u>
Other Financing Sources (Uses)			
Proceeds of Loans	0	0	0
Transfers In	0	0	70,005
Transfers Out	(1,302,666)	0	0
Advances In	28,630	0	0
Advances Out	(24,606)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,298,642)</u>	<u>0</u>	<u>70,005</u>
<i>Net Change in Fund Balances</i>	934,623	(703,213)	(44,239)
<i>Fund Balances Beginning of Year</i>	<u>4,760,243</u>	<u>3,329,277</u>	<u>409,425</u>
<i>Fund Balances End of Year</i>	<u><u>\$5,694,866</u></u>	<u><u>\$2,626,064</u></u>	<u><u>\$365,186</u></u>

See accompanying notes to the basic financial statements

Real Estate Assessment Fund	Motor Vehicle Gas Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$0	\$0	\$157,681	\$4,285,148
0	351,697	0	9,560,659
744,543	306,895	472,935	3,527,968
0	0	9,900	11,500
0	23,418	194,440	337,192
0	4,003,968	3,123,873	11,436,403
0	0	350,818	350,818
0	7,182	80	109,444
0	0	81,247	81,414
2,990	9,560	216,705	1,620,406
<u>747,533</u>	<u>4,702,720</u>	<u>4,607,679</u>	<u>31,320,952</u>
535,602	0	77,232	4,124,628
0	0	492,879	2,301,251
0	0	145,009	3,499,915
0	3,821,262	167,217	4,716,725
0	0	120,745	5,342,727
0	0	2,812,963	6,045,157
0	0	149,093	1,000,809
0	0	3,331	3,331
0	0	371,341	765,755
0	486,359	692,658	1,922,605
0	0	774,167	774,167
0	0	68,372	68,372
<u>535,602</u>	<u>4,307,621</u>	<u>5,875,007</u>	<u>30,565,442</u>
<u>211,931</u>	<u>395,099</u>	<u>(1,267,328)</u>	<u>755,510</u>
0	0	192,477	192,477
0	59,000	1,264,279	1,393,284
0	0	(90,618)	(1,393,284)
0	0	43,606	72,236
0	0	(47,630)	(72,236)
<u>0</u>	<u>59,000</u>	<u>1,362,114</u>	<u>192,477</u>
211,931	454,099	94,786	947,987
<u>1,554,548</u>	<u>1,923,372</u>	<u>4,553,414</u>	<u>16,530,279</u>
<u>\$1,766,479</u>	<u>\$2,377,471</u>	<u>\$4,648,200</u>	<u>\$17,478,266</u>

Fayette County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under) Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$1,827,900	\$1,972,463	\$1,972,463	\$0
Sales Tax	8,000,000	9,208,962	9,208,962	0
Charges for Services	1,808,770	1,627,262	1,627,262	0
Licenses and Permits	1,850	1,600	1,600	0
Fines and Forfeitures	150,000	119,259	119,259	0
Intergovernmental	915,100	669,623	669,623	0
Earnings on Investments	90,000	102,182	102,182	0
Contributions and Donations	0	167	167	0
Other	289,589	643,099	643,099	0
<i>Total Receipts</i>	<u>13,083,209</u>	<u>14,344,617</u>	<u>14,344,617</u>	<u>0</u>
Disbursements				
Current:				
General Government				
Legislative and Executive	6,200,033	6,284,704	3,533,509	2,751,195
Judicial	2,036,015	2,098,227	1,883,045	215,182
Public Safety	3,332,112	3,531,861	3,411,663	120,198
Public Works	889,917	887,892	770,277	117,615
Health	754,672	761,449	750,107	11,342
Human Services	373,192	373,193	353,267	19,926
Conservation and Recreation	852,661	982,510	855,076	127,434
Urban Redevelopment and Housing	437,655	437,655	394,414	43,241
Capital Outlay	354,932	954,526	760,950	193,576
<i>Total Disbursements</i>	<u>15,231,189</u>	<u>16,312,017</u>	<u>12,712,308</u>	<u>3,599,709</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,147,980)</u>	<u>(1,967,400)</u>	<u>1,632,309</u>	<u>3,599,709</u>
Other Financing Sources (Uses)				
Transfers In	250,000	250,000	250,000	0
Transfers Out	(1,069,043)	(1,227,155)	(1,287,195)	(60,040)
Advances In	70,000	28,630	28,630	0
Advances Out	0	0	(24,606)	(24,606)
<i>Total Other Financing Sources (Uses)</i>	<u>(749,043)</u>	<u>(948,525)</u>	<u>(1,033,171)</u>	<u>(84,646)</u>
<i>Net Change in Fund Balance</i>	(2,897,023)	(2,915,925)	599,138	3,515,063
<i>Fund Balance Beginning of Year</i>	4,003,773	4,003,773	4,003,773	0
Prior Year Encumbrances Appropriated	359,610	359,610	359,610	0
<i>Fund Balance End of Year</i>	<u>\$1,466,360</u>	<u>\$1,447,458</u>	<u>\$4,962,521</u>	<u>\$3,515,063</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
County Board of Developmental Disabilities Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under) Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$2,416,859	\$2,155,004	\$2,155,004	\$0
Charges for Services	55,901	54,754.0	54,754	0
Intergovernmental	1,350,084	1,534,630.0	1,534,630	0
Other	63,747	62,439	62,439	0
<i>Total Receipts</i>	3,886,591	3,806,827	3,806,827	0
Disbursements				
Current:				
Health	3,886,592	4,535,038	4,510,040	24,998
<i>Net Change in Fund Balance</i>	(1)	(728,211)	(703,213)	24,998
<i>Fund Balance Beginning of Year</i>	3,228,901	3,228,901	3,228,901	0
<i>Fund Balance End of Year</i>	<u>\$3,228,900</u>	<u>\$2,500,690</u>	<u>\$2,525,688</u>	<u>\$24,998</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
Job and Family Services Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under) Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$2,624,334	\$2,104,309	\$2,104,309	\$0
Other Income	854,752	685,380	685,380	0
<i>Total Receipts</i>	3,479,086	2,789,689	2,789,689	0
Disbursements				
Human Services	3,557,076	3,269,119	2,903,933	365,186
<i>Excess of Receipts Under Disbursements</i>	(77,990)	(479,430)	(114,244)	365,186
Other Financing Sources				
Transfers In	77,990	70,005	70,005	0
<i>Net Change in Fund Balance</i>	0	(409,425)	(44,239)	365,186
<i>Fund Balance Beginning of Year</i>	409,425	409,425	409,425	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$409,425</u>	<u>\$0</u>	<u>\$365,186</u>	<u>\$365,186</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
Real Estate Assessment Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under) Positive (Negative)
	Original	Final		
Receipts				
Charges for Services	\$743,000	\$744,543	\$744,543	\$0
Other Income	3,000	2,990	2,990	0
<i>Total Receipts</i>	746,000	747,533	747,533	0
Disbursements				
Current:				
General Government				
Legislative and Executive	899,609	897,109	540,502	356,607
<i>Net Change in Fund Balance</i>	(153,609)	(149,576)	207,031	356,607
<i>Fund Balance Beginning of Year</i>	1,512,039	1,512,039	1,512,039	0
Prior Year Encumbrances Appropriated	42,509	42,509	42,509	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$1,400,939</u>	<u>\$1,404,972</u>	<u>\$1,761,579</u>	<u>\$356,607</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
Motor Vehicle Gas Tax Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under) Positive (Negative)
	Original	Final		
Receipts				
Sales Tax	\$356,046	\$351,697	\$351,697	\$0
Charges for Services	0	306,895	306,895	0
Fines and Forfeitures	23,708	23,418	23,418	0
Intergovernmental	3,871,798	4,003,968	4,003,968	0
Earnings on Investments	7,271	7,182	7,182	0
Other	9,678	9,560	9,560	0
<i>Total Receipts</i>	4,268,501	4,702,720	4,702,720	0
Disbursements				
Public Works	4,661,552	4,563,247	4,004,262	558,985
Capital Outlay	0	486,359	486,359	0
<i>Total Disbursements</i>	4,661,552	5,049,606	4,490,621	558,985
<i>Excess of Receipts Over (Under) Disbursements</i>	(393,051)	(346,886)	212,099	558,985
Other Financing Sources				
Transfers In	59,000	59,000	59,000	0
<i>Net Change in Fund Balance</i>	(334,051)	(287,886)	271,099	558,985
<i>Fund Balance Beginning of Year</i>	1,565,472	1,565,472	1,565,472	0
Prior Year Encumbrances Appropriated	357,900	357,900	357,900	0
<i>Fund Balance End of Year</i>	<u>\$1,589,321</u>	<u>\$1,635,486</u>	<u>\$2,194,471</u>	<u>\$558,985</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2016

	Water District Revenue Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,759,459	\$804,652	\$3,564,111
Net Position			
Unrestricted	\$2,759,459	\$804,652	\$3,564,111

See accompanying notes to the basic financial statements

Fayette County, Ohio
*Statement of Cash Receipts, Disbursements, and Changes
in Fund Net Position - Proprietary Funds
For the Year Ended December 31, 2016*

	Water District Revenue Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$813,042	\$1,430,939	\$2,243,981
Other	3,324	10,322	13,646
<i>Total Operating Receipts</i>	<u>816,366</u>	<u>1,441,261</u>	<u>2,257,627</u>
Operating Disbursements			
Personal Services	131,786	326,111	457,897
Contract Services	171,220	575,113	746,333
Materials and Supplies	36,256	56,272	92,528
Other Operating Exp	32,471	159,290	191,761
Capital Outlay	6,461	30,597	37,058
<i>Total Operating Disbursements</i>	<u>378,194</u>	<u>1,147,383</u>	<u>1,525,577</u>
<i>Operating Income</i>	<u>438,172</u>	<u>293,878</u>	<u>732,050</u>
Non-Operating Disbursements			
Principal Retirement	(462,337)	(142,222)	(604,559)
Interest and Fiscal Charges	(119,995)	(44,455)	(164,450)
<i>Total Non-Operating Disbursements</i>	<u>(582,332)</u>	<u>(186,677)</u>	<u>(769,009)</u>
<i>Change in Net Position</i>	(144,160)	107,201	(36,959)
<i>Net Position Beginning of Year</i>	<u>2,903,619</u>	<u>697,451</u>	<u>3,601,070</u>
<i>Net Position End of Year</i>	<u><u>\$2,759,459</u></u>	<u><u>\$804,652</u></u>	<u><u>\$3,564,111</u></u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2016

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,226,760
Equity in Cash in Segregated Accounts	<u>979,331</u>
<i>Total Assets</i>	<u><u>\$6,206,091</u></u>
Net Position	
Undistributed Monies	\$392,765
Held on Behalf of Others	<u>5,813,326</u>
<i>Total Liabilities</i>	<u><u>\$6,206,091</u></u>

See accompanying notes to the basic financial statements

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

NOTE 1 - REPORTING ENTITY

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

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

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

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

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

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

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

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

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

Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services
South Central Regional Juvenile Detention Center
Fayette County Emergency Management Agency
Ross, Pickaway, Highland, Fayette Counties Joint Solid Waste District
Travel and Tourism Bureau
West Central Ohio Port Authority
County Risk Sharing Authority, Inc.
Southern Ohio Council of Governments
County Commissioners' Association of Ohio Workers' Compensation Group Rating
Program

Paint Valley Board of Alcohol, Drug Addiction, and Mental Health Services – The Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS) of Pike, Fayette, Highland, Pickaway and Ross Counties is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board received revenue from the participating counties and received federal and state funding through grant monies which are applied for and received by the Board of Trustees. The Board exercises total control over the operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Board. Fayette County contributed \$630,944 to Paint Valley ADAMHS in 2016.

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

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

South Central Regional Juvenile Detention Center – The South Central Regional Juvenile Detention Center (the Center) is a jointly governed organization. It was created as a holding place for juvenile offenders waiting for disposition by the respective Juvenile Courts of the member counties. The current members include Fayette, Pike, Pickaway, Ross, Jackson, Hocking, Athens, Vinton and Highland Counties. The Center’s Board consists of one member from each participating county that is appointed by the Juvenile Court Judge or a County Commissioner from each county. The joint Board selects the superintendent as the Center’s administrator. The Board exercises total control over the operations including budgeting, appropriating, contracting and designing management. Each participant’s degree of control is limited to its representation on the Board.

The Center’s revenue is from per diem charges for inmates to the respective counties and a percent of the county tax base to the total base. Ross County is the fiscal agent of the Center. Fayette County does not have any financial interest or responsibility. During 2016, Fayette County contributed \$195,709 to the Center.

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

Ross, Pickaway, Highland, Fayette Counties Joint Solid Waste District – The Ross, Pickaway, Highland, Fayette Joint Solid Waste District (the District) is a jointly governed organization among Pickaway, Ross, Highland and Fayette Counties. Each of these governments supports the District. The County made no contribution during 2016. The Board of Directors consists of twelve members, the three County Commissioners of each of the four counties. The District does not have any outstanding debt. The District is self-sufficient, operating entirely on collected fees. The Board exercises total control over the operations including budgeting, appropriating, contracting and designing management. Each participant’s degree of control is limited to its representation on the Board.

Travel and Tourism Bureau – The Travel and Tourism Bureau (The Bureau) is a jointly governed organization among the County, two townships and two villages and one city. The Board is made up of six trustees, one from each of the following entities: Fayette County, Village of Jeffersonville, Jefferson Township, City of Washington Court House, Union Township and Octa Village. Trustees are elected on a self-nomination basis. Revenues to operate the Bureau are derived solely from the hotel/motel tax. There is currently no outstanding debt. The Board exercises total control over the operations including budgeting, appropriating, contracting and designing management. Each participant’s degree of control is limited to its representation on the Board.

West Central Ohio Port Authority – The West Central Ohio Port Authority is a jointly governed organization. It was established under Section 4582.21 of the Ohio Revised Code. Under the Revised Code, the Port Authority is a legally separate entity. The Board of the Authority is comprised of seven members: two members from Champaign County, three from Clark County, and two from Fayette County. The members are appointed by the County Commissioners of each respective county. Fayette County does not approve its budget, nor is it responsible for the Authority’s debt. During 2016, the County did not contribute any money to the Authority. The Board exercises total control over the operations including budgeting, appropriating, contracting and designing management. Each participant’s degree of control is limited to its representation on the Board.

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

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

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

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

The participating counties have no responsibility for the payment of the certificates. The Certificates were retired on May 1, 1997. The County has no equity interest in CORSA. The County’s payment for insurance to CORSA in 2016 was \$168,439. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

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

County Commissioners’ Association of Ohio Workers’ Compensation Group Rating Program – The County is a member of the Southern Ohio Council of Governments (the Council), which is a jointly governed organization created under Ohio Revised Code Section 167.01. The governing body consists of a 15 member board with each participating County represented by its Director of its Board of Developmental Disabilities. The Board exercises total control over the operations including budgeting, appropriating, contracting and designing management. Each participant’s degree of control is limited to its representation on the Board. Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto and Vinton. Financial statements can be obtained by writing to the Southern Ohio Council of Governments, VA Medical Center, Building 8, 17273 State Route 104, Chillicothe, Ohio, 45601.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the County's accounting policies.

Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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

Fund Financial Statements

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

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

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

Fund Accounting

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

Governmental - Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The following are the County's major governmental funds:

General Fund - The General Fund accounts for and reports all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

County Board of Developmental Disabilities Fund - This fund accounts for and reports monies restricted for providing assistance and training to mentally and developmentally disabled individuals, financed by a County-wide property tax levy and federal and state grants.

Jobs and Family Services Fund - This fund accounts for and reports federal, State, and local monies restricted to provide general relief to paying providers of medical assistance and social services.

Real Estate Assessment Fund - This fund accounts for activities related to appraisal of real property for tax purposes, and periodic county-wide revaluation. Funding is provided through charges to the various political subdivisions during the distribution of their property tax revenue.

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

The nonmajor governmental funds of the County account for and report grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

Proprietary Funds - The County classifies funds financed primarily from user charges for goods or services as proprietary. The proprietary fund is classified as an enterprise fund.

Water District Revenue Fund - This fund accounts for and reports monies used to provide water services to customers in the county.

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

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 not available to support the County's own programs. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are purely custodial in nature and are used to account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, State-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

Basis of Accounting

The County's financial statements are prepared using the cash basis of accounting (See Note 3). Receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

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

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

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

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

Cash and Investments

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through county records. Interest in the pool is presented as “Equity and pooled in Cash and Cash Equivalents”.

Cash and cash equivalents are held separately within departments of the County are recorded as “Cash and Cash Equivalents in Segregated Accounts”.

Cash and cash equivalents that are held by the EPA/Huntington Trust and money market for landfills closure and developmental disabilities trust account are recorded as “Cash and Cash Equivalents with Fiscal Agents” on the financial statements.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2016 were \$102,182, which includes \$66,522 assigned from other County funds.

Inventory and Prepaid Items

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

Capital Assets

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

Inter-fund Receivables/Payables

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

Accumulated Leave

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

Pensions

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

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

Long-term Obligations

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

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and mentally disabled, and activities of the County's courts. None of which is restricted by enabling legislation.

The County's policy is to first apply restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In

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

governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the County. State Statute authorizes the County Auditor to assign fund balance for purchases on order provided amounts have been lawfully appropriated.

Unassigned

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

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

Interfund Transactions

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

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

NOTE 3 - COMPLIANCE

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

Ohio Revised Code, Section 7505.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless funds have been properly certified. The County had commitments of funds during 2016 that were not properly certified, which is contrary to the Ohio Revised Code.

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

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual – budget basis presented for the General Fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances which are treated as expenditures (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). In addition, cash that is held by agency funds on behalf of County funds on a budget basis are allocated and reported on the cash basis in the appropriate County fund. The encumbrances outstanding at year-end and agency fund distributions (budgetary basis) amounted to:

	General Fund	County Board of Developmental Disabilities Fund	Job and Family Services Fund	Real Estate Assessment Fund	Motor Vehicle Gas Tax Fund
Cash Basis	\$934,623	(\$703,213)	(\$44,239)	\$211,931	\$454,099
Encumbrances	(319,498)	0	0	(4,900)	(183,000)
Transfers	250,000	0	0	0	0
Excess of revenues, and other financing sources under expenditures and other financing uses:					
Police Rotary Fund	(48,710)	0	0	0	0
Certificate of Title Administration Fund Annexation Petition Fund	(217,202)	0	0	0	0
	(75)	0	0	0	0
Budget Basis	<u>\$599,138</u>	<u>(\$703,213)</u>	<u>(\$44,239)</u>	<u>\$207,031</u>	<u>\$271,099</u>

NOTE 5 – 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 demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
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 these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Up to 25 percent of the County's average portfolio in either of the following:
 - a. Commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding \$500 million dollars rated at the time of purchase, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;
 - b. Bankers acceptances eligible for purchases by the Federal Reserve System and which mature within 180 days after purchase.
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions doing business under authority granted by the United States provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,
12. Up to one percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$25,324,953 of the County's bank balance of \$26,814,764 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

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

NOTE 6 – LONG-TERM DEBT

The County's long-term debt activity for the year ended December 31, 2016, was as follows:

	Interest Rate	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Governmental Activities:						
General Obligation Bonds:						
County Building Improvement, 2000	2.00%	\$770,000	\$0	\$125,000	\$645,000	\$125,000
Various Purpose Bonds:						
Commission On Aging, 2003	3.30%	117,000	0	12,000	105,000	13,000
West Lancaster Road, 2003	3.30%	200,000	0	21,000	179,000	22,000
County Buildings, 1999	5.35%	95,000	0	25,000	70,000	20,000
Courthouse Renovation, 2013	4.13%	317,587	0	317,587	0	0
Total General Obligation Bonds		<u>\$1,499,587</u>	<u>\$0</u>	<u>\$500,587</u>	<u>\$999,000</u>	<u>\$180,000</u>

(continued)

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

	Interest Rate	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Governmental Activities:						
Special Assessment Bonds:						
Clinton Avenue Phase I, 1996	5.90%	\$13,000	\$0	\$13,000	\$0	\$0
Clinton Avenue Phase II, 1999	5.30%	25,000	0	5,000	20,000	5,000
Total Special Assessment Bonds		<u>38,000</u>	<u>0</u>	<u>18,000</u>	<u>20,000</u>	<u>5,000</u>
Other Long-Term Obligations:						
West Lnacaster Road OPWC Loan, 2003	0.00%	47,500	0	5,000	42,500	5,000
Rte. 22 Waterline Loan, 2004	6.25%	37,314	0	4,146	33,168	4,146
Med Flight Hanger, 2014	4.00%	78,294	0	18,416	59,878	19,171
Total Other Long-Term Obligations		<u>163,108</u>	<u>0</u>	<u>27,562</u>	<u>135,546</u>	<u>28,317</u>
Total Governmental Activities Long-Term Obligations		<u>\$1,700,695</u>	<u>\$0</u>	<u>\$546,149</u>	<u>\$1,154,546</u>	<u>\$213,317</u>
Business Type Activities:						
General Obligation Bonds:						
Refunding Bonds						
Rattlesnake Sewer WWTP, 1999	5.20%	\$1,200,000	\$0	\$120,000	\$1,080,000	\$125,000
OWDA Loans:						
Madison Mills Water, 2006	3.00%	4,114,540	0	462,337	3,652,203	476,311
Good Hope Sewer, 2011	0.00%	399,992	0	22,222	377,770	22,222
Total OWDA Loans		<u>4,514,532</u>	<u>0</u>	<u>484,559</u>	<u>4,029,973</u>	<u>498,533</u>
Total Business Type Long-Term Obligations		<u>\$5,714,532</u>	<u>\$0</u>	<u>\$604,559</u>	<u>\$5,109,973</u>	<u>\$623,533</u>

Future Annual Debt Service Requirements

Year	Governmental Activities						
	General Obligation Bonds		Special Assessment Bonds		OPWC Loans	Long-Term Notes	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2017	\$180,000	\$31,345	\$5,000	\$658	\$5,000	\$23,317	\$4,464
2018	186,000	26,705	5,000	508	5,000	24,095	3,424
2019	193,000	21,737	10,000	345	5,000	24,904	2,352
2020	176,000	16,201	0	0	5,000	4,146	1,251
2021	172,000	10,265	0	0	5,000	4,146	985
2022-2025	92,000	6,602	0	0	17,500	12,438	1,380
Total	<u>\$999,000</u>	<u>\$112,855</u>	<u>\$20,000</u>	<u>\$1,511</u>	<u>\$42,500</u>	<u>\$93,046</u>	<u>\$13,856</u>

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

Year	Business Type Activities			
	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2017	\$125,000	\$40,855	\$498,533	\$106,020
2018	120,000	37,105	512,929	91,624
2019	125,000	33,205	527,761	76,792
2020	130,000	28,893	543,041	61,512
2021	135,000	23,888	558,783	45,770
2022-2026	445,000	38,010	1,233,376	42,398
2027-2031	0	0	111,110	0
2032-2034	0	0	44,440	0
Total	\$1,080,000	\$201,956	\$4,029,973	\$424,116

The County also has two loans from the Ohio Rotary Commission totaling \$387,593. These loans are not due until the property is sold.

2000 Fayette County Administration Building Rehab

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

2003 Commission on Aging Building Addition

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

2003 West Lancaster Road Relocation

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

1999 Purchase of Office Building

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

2013 Courthouse Renovation

On April 12, 2013 bonds were issued for the purpose of renovating and upgrading the systems in the Fayette County Courthouse. General Obligation debt was in the amount of \$1,850,000 with a maturity date of May 1, 2024. The County paid off this debt in 2016.

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

1996 Clinton Avenue Phase I

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

1999 Clinton Avenue Phase II

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

2003 West Lancaster Road Relocation

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

2004 Route 22 Waterline

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

2014 Med Flight Hangar

On December 1, 2014 a loan was obtained for the purpose of building a hangar to be located near the Job Ready Site for the use of Med Flight. The loan was in the amount of \$96,000 and will be paid from the rental received from Med Flight. Maturity date is December 1, 2019.

1999 Rattlesnake Waste Water Treatment Plant

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

2006 Madison Mills Water

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

2011 Good Hope Sewer

On August 8, 2011 a loan in the amount of \$444,435 was obtained through OWDA to install a sanitary sewer system in the unincorporated avenue of Good Hope. This loan will be repaid by user service charges and has a maturity date of January 1, 2034.

NOTE 7 – SHORT-TERM DEBT

Note Transactions

A summary of the note transactions for the year ended December 31, 2016, follows:

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

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Short-Term Liabilities:					
Wildman Ditch	\$11,931	\$7,212	\$11,931	\$7,212	\$7,212
Morgan Group Drainage	30,395	29,698	30,395	29,698	29,698
Marchant Ditch	5,386	4,519	5,386	4,519	4,519
Ander Drainage Ditch	<u>180,306</u>	<u>151,048</u>	<u>180,306</u>	<u>151,048</u>	<u>151,048</u>
Total Short-Term Liabilities	<u>\$228,018</u>	<u>\$192,477</u>	<u>\$228,018</u>	<u>\$192,477</u>	<u>\$192,477</u>

All short-term debt consists of Ditch Improvement notes. They are paid from Special Assessments collected through Real Estate assessments. Interest is paid and any remaining collections are applied to principal.

NOTE 8 - PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

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

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

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

The full tax rate for all County operations for the year ended December 31, 2016, was \$6.79 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

Real Property:	
Residential and Agricultural	\$701,511,200
Commercial/Industrial:	
Public Utility Property	<u>94,063,740</u>
Total Assessed Value	<u><u>\$795,574,940</u></u>

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

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

NOTE 9 - COUNTY SALES TAX

The County Commissioners, by resolution, imposed a one and one half percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the Twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Tax Commissioner shall then, on or before the 20th day of the month in which certification is made, provide for payment to the County.

Proceeds of the tax are credited to the General Fund and the Motor Vehicle and Gas Tax Special Revenue Fund. Permissive Sales and Use tax revenue for 2016 amounted to \$9,560,659.

NOTE 10 – TAX ABATEMENT DISCLOSURE

For 2016, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures." This GASB pronouncement requires disclosure of information about the nature and magnitude of tax abatements. As of December 31, 2016, the County provides tax abatements through the Community Reinvestment Area (CRA) Tax Abatements Program.

Pursuant to Ohio Revised Code Chapter 5709, the County established a Community Reinvestment Area to provide property tax abatements to encourage revitalization of existing buildings and the construction of new structures. Abatements are obtained through application by the property owner, including proof that the improvements have been made, and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's tax bill.

For 2016, the County's property tax revenue was reduced \$70,909 as a result of this CRA tax abatement program.

NOTE 11 - RISK MANAGEMENT

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

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

Under the CORSA program for general liability, auto liability, error and omission for public officials, and law enforcement liability, the County has \$5,000,000 of total liability coverage. The limit applies to any one occurrence of loss, with no annual aggregate except for the Error and Omissions for Public Officials and General Liability on Products and Completed Operations Limit, which both have the same per occurrence and annual aggregate limit. For the General Liability (coverage other than products and completed operations limit), Law Enforcement and Auto Liability, there is no annual aggregate. Property damage is on a replacement cost basis.

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

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

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

Worker's Compensation benefits are provided through the Ohio Bureau of Workers' Compensation. In 2016, the County participated in the County Commissioner's Association of Ohio Workers' Compensation Group Rating Program (CCAO). A workers' compensation group purchasing pool (See Note 1). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate.

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

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

NOTE 12 – DEFINED BENEFIT RETIREMENT PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was \$1,470,663 for 2016.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – County licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

Fayette County
Notes to the Basic Financial Statements
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The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2016, the employer rate was 14 percent and the member rate was 13 percent. The statutory member contribution rate increased to 14 percent on July 1, 2016. The 2016 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$40,811 for 2016.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2015, and the net pension liability for STRS was measured as of June 30, 2015 (the latest date for which information is available). The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the respective measurement dates. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.08284400%	0.00265665%	
Prior Measurement Date	<u>0.08245600%</u>	<u>0.00271122%</u>	
Change in Proportionate Share	<u>0.00038800%</u>	<u>-0.00005457%</u>	
Proportionate Share of the Net Pension Liability	\$14,349,625	\$734,220	\$15,083,845

Actuarial Assumptions - OPERS

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

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

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

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined

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

Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

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

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
County’s proportionate share of the net pension liability	\$22,862,459	\$14,349,625	\$7,169,320

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the

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

discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The following actuarial assumptions for STRS relate to the June 30, 2015, measurement date which is the latest date for which information is available.

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer

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

contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$1,019,887	\$734,220	\$492,646

NOTE 13 – POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

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

Substantially all of the County's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$241,793, \$239,298, and \$412,695, respectively. The full amount has been contributed for all three years.

State Teachers Retirement System of Ohio

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and

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

reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS did not allocate employer contributions to post-employment health care. The County's contributions for health care for the fiscal years ended December 31, 2016, 2015, and 2014 were \$0, \$2,016, and \$2,886, respectively. The full amount has been contributed for all three years.

NOTE 14 - CONTINGENT LIABILITIES

Litigation

The County is a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the County's financial condition.

Federal and State Grants

Amounts grantor agencies pay to the County are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 15- LANDFILL CLOSURE AND POST CLOSURE CARE

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

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

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

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

NOTE 16 – FUND BALANCES

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

Fund Balances	General Fund	County Board of Developmental Disabilities Fund	Job and Family Services Fund	Real Estate Assessment Fund	Motor Vehicle Gas Tax Fund	Nonmajor Governmental Funds	Total
Nonspendable:							
EPA Fund	\$10,470	\$0	\$0	\$0	\$0	\$0	\$10,470
Restricted for:							
Legislative and Executive	0	0	0	1,766,479	0	177,723	1,944,202
Judicial	0	0	0	0	0	620,697	620,697
Public Safety	0	0	0	0	0	823,363	823,363
Public Works	0	0	0	0	2,377,471	272,120	2,649,591
Health	0	2,626,064	0	0	0	86,656	2,712,720
Human Services	0	0	365,186	0	0	929,388	1,294,574
Conservation and Recreation	0	0	0	0	0	314,736	314,736
Economic Development	0	0	0	0	0	17,888	17,888
Urban Redevelopment	0	0	0	0	0	146,126	146,126
Debt Services	0	0	0	0	0	1,248,955	1,248,955
Capital Projects	0	0	0	0	0	9,057	9,057
<i>Total Restricted</i>	<u>0</u>	<u>2,626,064</u>	<u>365,186</u>	<u>1,766,479</u>	<u>2,377,471</u>	<u>4,646,709</u>	<u>11,781,909</u>
Committed to:							
General Drainage Improvements	0	0	0	0	0	1,491	1,491
Assigned to:							
Purchases on Order	319,498	0	0	0	0	0	319,498
Future Appropriations	2,715,241	0	0	0	0	0	2,715,241
<i>Total Assigned</i>	<u>3,034,739</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,034,739</u>
Unassigned:	2,649,657	0	0	0	0	0	2,649,657
<i>Total Fund Balances</i>	<u>\$5,694,866</u>	<u>\$2,626,064</u>	<u>\$365,186</u>	<u>\$1,766,479</u>	<u>\$2,377,471</u>	<u>\$4,648,200</u>	<u>\$17,478,266</u>

NOTE 17 – INTERFUND TRANSACTIONS

Interfund Transfers

During 2016, the following interfund transfers were made:

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

		Transfer From		
		General Fund	Nonmajor Governmental Funds	Total
Transfer To	Job and Family Services	\$70,005	\$0	\$70,005
	Motor Vehicle Gas			
	Tax Fund	59,000	0	59,000
	Nonmajor Governmental Funds	1,173,661	90,618	1,264,279
Total All Funds		\$1,302,666	\$90,618	\$1,393,284

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

Interfund Advances

During 2016, the following advances were made:

		Advances Out		
		General Fund	Nonmajor Governmental Funds	Total
Advances In	General Fund	\$0	\$28,630	\$28,630
	Nonmajor Governmental Funds	24,606	19,000	43,606
	Total All Funds	\$24,606	\$47,630	\$72,236

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

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FAYETTE COUNTY

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services Supplemental Nutrition Assistance Program	G-1617-11-5508	10.561	\$ 173,057
Total Supplemental Nutrition Assistance Program Cluster			173,057
Total U.S. Department of Agriculture			173,057
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department Developmental Disabilities:</i>			
Board of Developmental Disabilities Social Services Block Grant - Title XX	N/A	93.667	24,427
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services Social Services Block Grant - Title XX	G-1617-11-5508	93.667	231,721
Total CFDA Number 93.667			256,148
<i>Passed Through Ohio Department Developmental Disabilities:</i>			
Board of Developmental Disabilities Medical Assistance Program - Title XIX MAC	N/A	93.778	164,500
<i>Passed Through Ohio Department of Aging:</i>			
Passport		93.778	56,615
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Job and Family Services Medical Assistance Program - NET	G-1617-11-5508	93.778	307,077
Medical Assistance Program - Enhanced	G-1617-11-5508	93.778	120,452
Medical Assistance Program - ARP Transportation	G-1617-11-5508	93.778	
Medical Assistance Program - Title XIX	G-1617-11-5508	93.778	578
Total Medicaid Cluster			649,222
Children's Services Board Job and Family Services TANF - Administration	G-1617-11-5508	93.558	180,210
TANF - Regular	G-1617-11-5508	93.558	374,778
TANF - CCMEP Reg	G-1617-11-5508	93.558	2,995
TANF - CCMEP Admin	G-1617-11-5508	93.558	4,018
TANF - Independent Living	G-1617-11-5508	93.558	8
TANF - Summer Youth	G-1617-11-5508	93.558	140,641
TANF - Fraud Awareness	G-1617-11-5508	93.558	2,000
Total Temporary Assistance for Needy Families Cluster			704,650
Job and Family Services Child Care Administration	G-1617-11-5508	93.575	16,004
Child Care NonAdministration	G-1617-11-5508	93.575	36,805
Total Child Care Development Fund Cluster			52,809
Job and Family Services (Continued) Federal Child Support	G-1617-11-5508	93.563	727,240
Visitation Access	G-1617-11-5508	93.597	49,491
Children's Services Board Child Welfare Services - IV-B	G-1617-11-5508	93.645	13,504
Stephanie Tubbs Jones Child Welfare Service Program	G-1617-11-5508	93.645	1,770
Total Children's Services Board			15,274
Child Abuse and Neglect	G-1617-11-5508	93.590	692
Foster Care and IV-E Admin and Training	G-1617-11-5508	93.658	194,562
Adoption Assistance/Foster Care, Title IV-E Non-Recurring Adoption	G-1617-11-5508	93.659	118,039
Total Adoption Assistance Program	G-1617-11-5508	93.659	500
			118,539
ESSA, Caseworker Visits	G-1617-11-5508	93.556	18,177
Promoting Safe and Stable Families	G-1617-11-5508	93.556	14,320
			32,497

(Continued)

FAYETTE COUNTY

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<i>Passed Through Ohio Department of Health:</i>			
Job and Family Services			
Special Programs for the Aging - Nutrition - Title III-B	EL009909	93.044	14,824
Special Programs for the Aging - Nutrition - Title III-C	EL009909	93.045	69,914
Total Aging Cluster			84,738
Low-Income Home Energy Assistance Program	ED054089/EL00909	93.568	3,800
Total U.S. Department of Health and Human Services			2,889,662
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through the Ohio Department of Development:</i>			
Community Development Block Grants/Community Housing Impact and Preservation Program	B-C-15-1AW-1	14.228	282,000
Community Development Block Grants	B-F-15-1AW-1	14.228	71,500
Total CFDA Number 14.228			353,500
Total U.S. Department of Housing and Urban Development			353,500
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Grants to States:			
Special Education - Preschool Grants	7110-PGS1	84.173	8,067
Total Special Education Cluster			8,067
<i>Passed Through Ohio Department of Health:</i>			
Job and Family Services			
Help Me Grow	G-1617-11-5508	84.181	53,067
Total U.S. Department of Education			61,134
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>			
Victim Witness - VOCA	2016-VOCA-19813318	16.588	11,279
Victim Witness - VOCA	2017-VOCA-43558333	16.588	40,708
Victim Witness - VAWA	2015-WF-VA5-8411	16.588	18,331
Total CFDA Number 16.588			70,318
Total U.S. Department of Justice			70,318
FEDERAL AGENCY DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	EMW-2015-EP-00034-SOI	97.042	9,469
Emergency Management Performance Grants	EMC-2016-EP-00003-SOI	97.042	8,209
Total Federal Agency Department of Homeland Security			17,678
U.S. DEPARTMENT OF LABOR			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Adult	N/A	17.258	41,290
Workforce Investment Act - Adult Administration	N/A	17.258	200
			41,490
Workforce Investment Act - Youth	N/A	17.259	63,710
Workforce Investment Act - Youth Administration	N/A	17.259	163
			63,873
Workforce Investment Act - Dislocated Workers	N/A	17.278	26,631
Workforce Investment Act - Dislocated Workers Administration	N/A	17.278	1,058
			27,689

(Continued)

FAYETTE COUNTY

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Total WIA Cluster			133,052
Employment Service Cluster:			
America Job Branding	N/A	17.207	150
Total Department Of Labor			133,202
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through the Federal Aviation Administration</i>			
Direct from Federal Government			
Airport Improvement Program Grant	AIP-3-39-0086-010-2015	20.106	<u>94,622</u>
<i>Passed through the Ohio Department of Transportation</i>			
Highway Planning and Construction Cluster			
Baldwin Bridge FAY-TR-121-015	PID# 93463	20.205	<u>404,931</u>
Highway Planning and Construction Cluster			404,931
Total U.S. Department Of Transportation			499,553
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 4,198,104</u></u>

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FAYETTE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED DECEMBER 31, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Fayette County (the County) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* Uniform Guidance). Because the Schedule presents only a selected portion of the operation of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principle for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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.

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Dave Yost • Auditor of State

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

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

To the Board of 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, each major fund, and the remaining fund information of Fayette County, (the County) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 18, 2017, wherein we noted the County uses a special purpose framework other than other than generally accepted accounting principles. We issued an adverse opinion on business type activities and related major enterprise fund because the County's cash basis financial statements do not include amounts related to the Fayette County Memorial Hospital. In addition, we also noted the County did not include their only legally separate discretely presented component unit, Fayette Progressive Industries, Inc.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider finding 2016-002 and 2016-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Entity's Response to Findings

The County's 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

September 18, 2017



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Fayette County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Fayette County's major federal programs for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Fayette County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2017

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse: Business Type Activities, Discretely Presented Component Unit, Enterprise Fund – Fayette County Memorial Hospital Unmodified: all other opinion units
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA #93.558 TANF CFDA #93.563 Child Support Medicaid Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2016-001

Noncompliance

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

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

The County prepared its financial statements in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while presumably material, cannot be reasonably determined at this time.

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

Officials' Response:

Fayette County will continue to file our year-end financial reports on a Cash Basis. This is done due to the high cost of converting to GAAP.

FINDING NUMBER 2016-002

Material Weakness

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

Governmental Accounting Standards Board (GASB) Codification Section 2100 requires the County to report its County-owned Hospital (Fayette County Memorial Hospital) in the annual financial report as a blended component unit: as a major enterprise fund and as business type activity in the entity-wide statements.

GASB Codification Section 2100 may also require the County to report Fayette Progressive Industries, Inc. in the annual financial report as a discretely presented component unit.

Management has not included the Fayette County Memorial Hospital or the Fayette Progressive Industries, Inc. financial statements in the Fayette County annual financial report, and we have therefore modified our opinion. We cannot reasonably determine the amount by which this departure would affect the assets, liabilities, net position, cash receipts and disbursements of the business type activities and the omitted major fund.

**FINDING NUMBER 2016-002
 (Continued)**

We recommend that the County include the Fayette County Memorial Hospital financial statements in the Fayette County annual financial report. We also recommend that the County review GASB Codification Section 2100 and determine if Fayette Progressive Industries, Inc. should be included in the Fayette County annual financial report.

Officials' Response:

Fayette Progressive Industries – In 2017 Fayette Progressive Industries became a stand-alone agency, operating independently of Fayette County.

Fayette County Memorial Hospital – The possibility exists to make the hospital an independent entity, however, no decisions have been made at this time.

Fayette County does not bring these entities on as component units because we do not file GAAP.

FINDING NUMBER 2016-003

Material Weakness

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

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

2016					
<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
County Board of Developmental Disabilities	Taxes	\$212,254	County Board of Developmental Disabilities	Intergovernmental	\$212,254
Homestead and Rollback was recorded as Taxes and should have been recorded as Intergovernmental.					
Motor Vehicle Gas Tax Fund	Intergovernmental	\$306,647	Motor Vehicle Gas Tax Fund	Charges for Services	\$306,647
The engineer bills entities for services provided, the revenue was recorded as intergovernmental on the financial statements and should have been recorded as charges for services.					
Motor Vehicle Gas Tax Fund	Not Posted	\$0	Motor Vehicle Gas Tax Fund	Intergovernmental	\$404,931
	Not Posted	\$0		Capital Outlay	\$404,931
The County Engineer requested payment for the Ohio Department of Transportation, Baldwin Bridge Project. Payments were made directly to the contractor; however, amounts were not recorded on the County system.					

**FINDING NUMBER 2016-003
(Continued)**

These errors were caused by lack of timely monitoring of the posting of transactions. Failure to accurately post and report receipt and expenditure transactions could result in material errors in the County's financial statements and reduces the ability of Commissioners to monitor financial activity and to make sound decisions which affect the overall, available cash position of the County. The County has corrected the financial statements to address the above posting errors.

We recommend that officials review the chart of accounts, contracts and on behalf payments to assure that items are being posted to the proper account codes and funds.

Officials' Response:

Fayette County will initiate better communication practices, especially with LGS, in preparation of the year-end financial reports, and with the Department of Developmental Disabilities, in hopes of preventing future posting errors.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

FAYETTE COUNTY

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

Finding Number	Finding Summary	Status	Additional Information
2015-001	ORC 117.38 & OAC 117-2-03(B) Failure to file annual financial report on required accounting basis.	Not Corrected	The County files on a cash basis due to the cost of converting to GAAP.
2015-002	Transactions were not posted correctly	Not Corrected	The County is taking steps to correct this going forward. Better communication with the Engineers office is needed to properly record all federal/state funds.
2015-003	Federal schedule did not accurately list all federal expenditures	Corrected	

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FAYETTE COUNTY

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Fayette County will continue to file our year end financial reports on a Cash Basis. This is done due to the high cost of converting to GAAP.	09/30/2017	Fayette County Auditor
2016-002	Fayette Progressive Industries – In 2017 Fayette Progressive Industries became a stand alone agency, operating independently of Fayette County Fayette County Memorial Hospital – The possibility exists to make the hospital an independent entity, however no decisions have been made at this time. Fayette County does not bring these entities on as component units because we do not file GAAP	09/30/2017	Fayette County Auditor
2016-003	Fayette County will initiate better communication practices, especially with LGS, in preparation of the year end financial reports, and with the Department of Developmental Disabilities, in hopes of preventing future posting errors. -County Board of DD Fund, Move \$212,254 from Property Tax Receipts to Intergovernmental Receipts. -MVGT Fund, Record the receipt of \$404,931 to intergovernmental receipts. -MVGT Fund – Move \$306,647 from Intergovernmental Receipts to Charges for Services	09/30/2017	Fayette County Auditor

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Dave Yost • Auditor of State

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 28, 2017