



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 aggregate remaining fund information of Fayette County, Ohio (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with 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
Aggregate 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 Fund, 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 Fund to be presented as a major enterprise fund and financial information about Fayette County Memorial Hospital fund to be part of the business-type activities, thus increasing that business-type activity's assets, receipts and expenses, and changing its net position. The amount by which this departure would affect the assets, fund balances, net position, revenue, and expenses of the business-type activities and the omitted major fund 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, 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, 2014, or the changes in financial position or cash flows thereof for the year then ended in accordance with the basis of account 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, 2014, 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 financial position of the governmental activities, each major fund, except the Fayette County Memorial Hospital, and the and the aggregate remaining fund information of the Fayette County, Ohio (the County), as of and for the year ended as of December 31, 2014, and the respective changes in financial position and, thereof and the respective budgetary comparisons for the General, Board of Developmental Disabilities, Job and Family Services, and Motor Vehicle Gas Tax funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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

We audited to opine on the County's financial statements that collectively comprise its basic financial statements. The Schedule of Federal Award Expenditures presents additional analysis as required by the

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and 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.

We applied no procedures to the Management's Discussion & Analysis presented on pages 5-13 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 28, 2015

FAYETTE COUNTY

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

As Management of Fayette County (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2014. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review notes to the financial statements to enhance their understanding of the County's performance.

- . In total, net cash position increased \$890,633.
- . Net cash position of governmental activities increased \$1,229,353 which represents a 7.56% increase from 2013. Net cash position of business-type activities decreased \$338,720 which represents an 8.66% decrease from 2013.
- . At the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$17,471,178. Of this \$6,488,150 is available for spending at the government's discretion. Business-type Funds reported a combined ending fund balance of \$3,573,374.
- . There were two in additions to the County's total long-term debt during the current fiscal year. The Good Hope Sewer Project was completed and the County incurred debt to the OWDA in the amount of \$92,264. The County also financed a Hangar for the use of MedFlight at the Job Ready Site in the amount of \$96,000. Reductions in long-term debt during 2014 amounted to \$1,135,144.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

FAYETTE COUNTY

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

Reporting the Government as a Whole

The statement of net position and the statement of activities reflect how the County did financially during 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the County at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the County's general receipts.

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

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

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

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

Reporting the County's Most Significant Funds

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

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

FAYETTE COUNTY

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

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

The cash basis governmental fund financial statements can be found on pages 18-19 of this report.

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

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-50 of this report.

Government-Wide Financial Analysis

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

FAYETTE COUNTY

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

The Government as a Whole

	Governmental Activities 2014	Governmental Activities 2013
Cash	\$17,471,178	\$16,241,825
Total Assets	17,471,178	16,241,825
Restricted for:		
Special Revenue	10,032,497	9,262,990
Capital Projects	67,740	355,068
Debt Service	872,321	877,428
Unrestricted	6,498,620	5,746,339
Total Net Position	<u>\$17,471,178</u>	<u>\$16,241,825</u>

	Business-type Activities 2014	Business-type Activities 2013
Cash	\$3,573,373	\$3,912,094
Total Assets	3,573,373	3,912,094
Unrestricted	3,573,373	3,912,094
Total Net Position	<u>\$3,573,373</u>	<u>\$3,912,094</u>

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

For governmental activities, total assets increased \$1,229,353 (7.56%). There was a minimal change from 2013 to 2014 in total assets. For business-type activities, total assets decreased \$338,720 (8.66%). The decrease was due to activity in the Water Revenue Fund.

FAYETTE COUNTY

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

FAYETTE COUNTY'S CHANGES IN GOVERNMENTAL ACTIVITY NET POSITION

	Governmental Activities 2014	Governmental Activities 2013
Receipts:		
Program Receipts:		
Charges for Services	\$4,067,510	\$4,677,819
Operating grants and contributions	6,392,782	5,232,055
Capital grants and contributions	834,911	1,397,922
General receipts:		
Property Taxes	4,137,010	3,807,148
Sales and other taxes	8,434,915	7,562,632
MVGT Fuel Tax	3,446,461	3,415,493
State and Local Government	277,800	326,080
Unrestricted investment earnings	61,984	117,276
Grants and contributions not		
Restricted to specific programs	654,312	835,573
Other	1,480,770	1,701,479
Total receipts	29,788,455	29,073,477
Disbursements:		
General government	3,946,134	3,997,461
Judicial	2,209,028	2,130,872
Public Safety	3,166,118	2,874,908
Public Works	5,432,604	5,293,648
Health	4,356,453	4,646,050
Human Services	5,876,666	5,511,269
Conservation and Recreation	868,168	875,682
Economic Development & Assist.	69,784	51,127
Urban Redevelopment & Housing	822,409	1,020,403
Other Expenditures		4,128
Capital Outlay	1,217,819	1,125,895
Debt Service	1,027,174	1,268,690
Total Disbursements	28,992,357	28,800,133
Increase/Decrease in net position	796,098	273,344
Transfers	0	14,078
Refunding Escrow Agent	0	
Advances	0	0
Proceeds of Loans	433,255	279,611
Proceeds of Refunding Bonds		0
Change in net position	1,229,353	567,033
Net position End of Prior Year	16,241,825	15,674,792
Net position End of Current Year	<u>\$ 17,471,178</u>	<u>\$16,241,825</u>

The County's governmental receipts are mainly from property and sales tax and operating grants and contributions. These receipts comprise 63% of the County's receipts for governmental activities. These revenue sources remained fairly consistent with modest increases from 2013 in property tax and Sales Tax; however, there was a sizable decrease in Capital Grants and Contributions due to fewer project in the current fiscal year. Charges for services comprise 14% of total governmental revenue.

FAYETTE COUNTY

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

The majority of the County's disbursements for governmental activities decreased from 2013 by less than 1%. Human Services comprise 20% of disbursements. Health represents 15% of total government activities disbursements.

FAYETTE COUNTY'S CHANGES IN BUSINESS TYPE NET ASSETS-

	Business-Type Activities 2014	Business-Type Activities 2013
Receipts:		
Program Receipts:		
Charges for Services	\$2,235,723	\$2,451,823
Capital Grants and Contrib.		11,204
Total receipts	\$2,235,723	\$2,463,027
Disbursements:		
Sanitary Sewer Revenue	649,851	563, 229
Sanitary Revenue Waste	888,901	975, 534
Water District Revenue	1,129,648	411, 958
Total Disbursements	2,668,400	1,950,721
Increase/Decrease in net position	(432,677)	512,306
Transfers		(14,078)
Advances	0	0
Proceeds of Loans	92,264	119,225
Other	1,692	7,588
Refunding Escrow Agent		0
Change in net position	(338,721)	625,042
Net position End of Prior Year	3,912,094	3,287,052
Net position End of Current Year	<u>\$ 3,573,373</u>	<u>\$3,912,094</u>

Business-type activities derive their receipts from charges for services. These revenue sources decreased by 9% from 2013. Disbursements for business-type activities derive from three activities: sanitary sewer, sanitary waste, and water. Disbursements from Water District Revenue accounts for 42% of total enterprise fund disbursements. This fund increased disbursements by \$717,690 or 174% mostly due to principal payments beginning on Madison Mills Water .

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund cash balances of \$17,471,178 an increase of \$1,229,353 in comparison with the prior year. Approximately \$6,488,150 constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

FAYETTE COUNTY

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

Ending fund cash balances increased due to decreases in expenditures and an increase in revenue.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,488,150 with receipts of \$13,307,241 and disbursements of \$11,263,698.

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

At the end of the current fiscal year, the County's proprietary funds reported combined ending fund cash balances of \$3,573,374, a decrease of \$338,720 in comparison with the prior year. Approximately \$3,573,374 constitutes unrestricted fund balance, which is available for spending at the government's discretion.

Ending fund cash balances decreased modestly.

Governmental Activities

If you look at the Statement of Activities on pages 16 and 17, you will see that the first column lists the major services provided by the County. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and human services which account for 18.73% and 20.27% of all governmental disbursements, respectively. General government and public health also represent a significant cost, about 13.77% and 15.02% respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the County that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in the table below.

	Governmental Activities			
	Total Cost Of Services	Total Cost Of Services	Net Cost of Services	Net Cost of Services
	2014	2013	2014	2013
General Government	\$3,946,134	\$3,997,461	\$2,943,277	\$2,821,719
Judicial	2,209,028	2,130,872	1,607,608	1,493,735
Public Safety	3,166,118	2,874,908	2,429,041	2,110,239
Public Works	5,432,604	5,293,648	2,743,172	2,893,954
Health	4,356,453	4,646,050	2,259,535	2,560,767
Human Services	5,876,666	5,511,269	2,825,077	2,913,969
Conservation and Recreation	868,168	875,682	682,011	632,113
Economic Development and Assist	69,784	51,127	32,263	32,655
Urban Redevelopment and Housing	822,409	1,020,403	513,249	690,567
Other	0	4,128	(564,629)	4,128
Capital Outlay	1,217,819	1,125,895	1,199,376	97,049
Principal Retirement	922,341	1,139,838	585,086	1,112,592
Interest and Fiscal Charges	104,833	128,852	104,833	128,852
Total Expenses	\$28,992,357	\$28,800,133	\$17,697,154	\$17,492,338

FAYETTE COUNTY

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

The dependence upon property and sales tax receipts is apparent as over 61% of governmental activities are supported through these general receipts.

Business-type Activities

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

The Government's Funds

Total governmental funds had receipts of \$29,788,455 and disbursements of \$28,992,357.

General Fund receipts were more than disbursements by \$2,043,543, indicating that the General Fund is in a positive spending situation. The General Fund also saw a moderate increase of \$752,281.

General Fund Budgetary Highlights

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

The difference between the original budget and final amended budget was an increase of \$503,455. The program differences are as follows:

- . Legislative and Executive increased by \$38,893
- . Judicial increased by \$14,360
- . Public Safety increased by \$165,546
- . Conservation and Recreation increased by \$99,972
- . Public Works decreased by \$52,526
- . Public Health increased by \$4,520
- . Urban Redevelopment and Housing increased by \$1,858
- . Capital Outlay increased by \$230,832

All programs spent less than budget.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2014 the County's outstanding debt included \$2,147,687 in general obligation bonds issued for improvements to buildings, structures and roads; \$1,320,000 in enterprise general obligation bonds for improvements in water and sewer facilities; \$56,000 in special assessment bonds for improvements in water systems and storm sewers and \$5,175,489 in OWDA, OPWC and other loans. For further information regarding the Government's debt, refer to Notes 6 and 7 to the basic financial statements.

FAYETTE COUNTY

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

Economic Factors and Next Year's Budget and Rates

The Unemployment rate for the County at December 31, 2014 was 3.9%, compared to 5.4% a year earlier. This drop of 1.5% is attributed to the general improvement in the economy and some local companies rehiring.

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

The County has two malls which have the potential to generate sales tax income for the county. The mall on State Route 41 continues to struggle. It has experienced some growth, mostly of smaller businesses. A new pet food store and a new bar and grill was added in 2014. In July 2013 a 30,000 Sq. Ft. Woodbury Store for outdoorsmen opened has been pretty successful. The other main draw is Lucky You, a skilled gaming establishment.

The Tanger mall on Old Route 35 is showing a 100% occupancy and continues to be strong. The change in sales tax revenue has had a positive impact on county receipts. The County Sales tax revenue increased by 7% in 2014, and has greatly improved cash flow for County Government Services.

The Eastway Ranch of Opportunity, a facility for troubled girls, opened in 2013 and employs about 60 plus with the potential to employ 200. Jobs range from food service through Mental Health Professionals and includes a horse therapy program.

A new nursing home facility in the area of US Rt 35 and St Rt 62 opened in 2014.

Changes in the economy of Fayette County were mostly minor. YUSA Corporation has begun using more robotics and are currently employing approximately 300 to 400 which is down from last year's employment totals.

The owner of Ohio Truck Parts has bought the old Mac Tools facility and plans to renovate and convert part of the space to expand his business. There is a potential for approximately 20 additional jobs.

The Job Ready Site in northern Fayette County has the potential to be a major work site. The site continues to be promoted to businesses by the consulting firm. There continues to be interest in the site, but nothing has been confirmed.

Each of these factors was considered in preparing the County's budget for the 2015 year.

Request for information

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

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Fayette County, Ohio
Statement of Net Position - Cash Basis
December 31, 2014

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash	\$17,360,332	\$3,573,373	\$20,933,705
Cash with Fiscal Agent	110,846		110,846
<i>Total Assets</i>	<u>\$17,471,178</u>	<u>\$3,573,373</u>	<u>\$21,044,551</u>
Net Assets			
Restricted for:			
Special Revenue	\$10,032,497		\$10,032,497
Capital Projects	67,740		67,740
Debt Service	872,321		872,321
Unrestricted	<u>6,498,620</u>	<u>3,573,373</u>	<u>10,071,993</u>
<i>Total Net Position</i>	<u>\$17,471,178</u>	<u>\$3,573,373</u>	<u>\$21,044,551</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2014

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
General Government				
Legislative and Executive	\$3,946,134	\$733,916	\$256,707	\$12,234
Judicial	2,209,028	401,025	191,072	9,323
Public Safety	3,166,118	605,414	126,023	5,640
Public Works	5,432,604	689,348	1,902,325	97,759
Health	4,356,453	567,452	1,454,767	74,699
Human Services	5,876,666	710,785	2,226,255	114,549
Conservation and Recreation	868,168	169,921	15,676	560
Economic Development and Assistance	69,784	8,126	27,955	1,440
Urban Redevelopment and Housing	822,409	128,388	172,030	8,742
Other Expenses	0	53,135	1,529	509,965
Capital Outlay	1,217,819	0	18,443	0
Debt Service				
Principal Retirement	922,341		0	
Interest and Fiscal Charges	104,833		0	
<i>Total Governmental Activities</i>	<u>28,992,357</u>	<u>4,067,510</u>	<u>6,392,782</u>	<u>834,911</u>
Business Type Activities				
Sewer	649,851	445,880		-
Sanitary Revenue Waste	888,901	942,398		-
Water	1,129,648	847,445		-
<i>Total Business-Type Activities</i>	<u>2,668,400</u>	<u>2,235,723</u>	<u>0</u>	<u>-</u>
<i>Total Primary Government</i>	<u>\$31,660,757</u>	<u>\$6,303,233</u>	<u>\$6,392,782</u>	<u>\$834,911</u>

General Receipts
Property Taxes Levied for:
 General Purposes
 Debt Service
Sales Tax
MVGTT Fuel Tax
Grants and Entitlements not Restricted to Specific Programs
Earnings on Investments
State and Local Government
Miscellaneous
Proceeds of Loans

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

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$2,943,277)		(\$2,943,277)
(1,607,608)		(1,607,608)
(2,429,041)		(2,429,041)
(2,743,172)		(2,743,172)
(2,259,535)		(2,259,535)
(2,825,077)		(2,825,077)
(682,011)		(682,011)
(32,263)		(32,263)
(513,249)		(513,249)
564,629		564,629
(1,199,376)		(1,199,376)
(922,341)		(922,341)
(104,833)		(104,833)
(17,697,154)	0	(17,697,154)
0	(203,971)	(203,971)
	53,497	53,497
0	(282,203)	(282,203)
0	(432,677)	(432,677)
(17,697,154)	(432,677)	(18,129,831)
3,689,890		3,689,890
447,120		447,120
8,434,915		8,434,915
3,446,461		3,446,461
654,312		654,312
61,984		61,984
277,800		277,800
1,480,770	1,692	1,482,462
433,255	92,264	525,519
18,926,507	93,956	19,020,463
1,229,353	(338,721)	890,632
16,241,825	3,912,094	20,153,919
<u>\$17,471,178</u>	<u>\$3,573,373</u>	<u>\$21,044,551</u>

Fayette County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2014

	General	CB/DD Fund	Job & Family Svs Fund	MVGT Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$6,488,150	\$3,031,761	\$331,337	\$1,766,139	\$5,742,945	\$17,360,332
Cash and Cash Equivalents with Fiscal/Escrow Agents	10,470	100,376				110,846
Investments						0
<i>Total Assets</i>	<u>\$6,498,620</u>	<u>\$3,132,137</u>	<u>\$331,337</u>	<u>\$1,766,139</u>	<u>\$5,742,945</u>	<u>\$17,471,178</u>
Fund Balances						
Nonspendable	\$10,470					\$10,470
Restricted		3,132,137	331,337	1,766,139	5,738,954	10,968,567
Committed					1,491	1,491
Assigned	239,592				2,500	242,092
Unassigned (Deficit)	6,248,558					6,248,558
<i>Total Fund Balances</i>	<u>\$6,498,620</u>	<u>\$3,132,137</u>	<u>\$331,337</u>	<u>\$1,766,139</u>	<u>\$5,742,945</u>	<u>\$17,471,178</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds
As of and For the Year Ended December 31, 2014

	General	CB/DD Fund	Job and Family Services Fund	MVGT Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$1,663,586	\$2,026,304			\$120,435	\$3,810,325
Sales Tax	8,107,432			\$327,483		8,434,915
Charges for Services	2,103,259	90,438	0	365,223	1,140,401	3,699,321
Licenses and Permits	2,285				0	2,285
Fines and Forfeitures	127,862			39,052	198,992	365,906
Intergovernmental	929,544	1,884,412	2,037,046	3,446,461	3,308,802	11,606,265
Special Assessments	0				326,685	326,685
Earnings of Investments	54,652	0		7,249	83	61,984
Donations					96,702	96,702
Other	318,621	71,179	853,705	13,148	127,414	1,384,067
<i>Total Receipts</i>	<u>13,307,241</u>	<u>4,072,333</u>	<u>2,890,751</u>	<u>4,198,616</u>	<u>5,319,514</u>	<u>29,788,455</u>
Disbursements						
Current:						
General Government:						
Legislative and Executive	3,353,097				593,037	3,946,134
Judicial	1,757,095				451,933	2,209,028
Public Safety	2,892,743				273,375	3,166,118
Public Works	693,758			4,603,933	134,913	5,432,604
Health	735,428	3,500,016			121,009	4,356,453
Human Services	323,930		2,834,500		2,718,236	5,876,666
Conservation and Recreation	841,019				27,149	868,168
Economic Development and Assistance	0				69,784	69,784
Urban Redevelopment and Housing	398,654				423,755	822,409
Capital Outlay	267,974				910,412	1,178,386
Other					39,433	39,433
Debt Service:						
Principal Retirement					922,341	922,341
Interest and Fiscal Charges					104,833	104,833
<i>Total Disbursements</i>	<u>11,263,698</u>	<u>3,500,016</u>	<u>2,834,500</u>	<u>4,603,933</u>	<u>6,790,210</u>	<u>28,992,357</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,043,543</u>	<u>572,317</u>	<u>56,251</u>	<u>(405,317)</u>	<u>(1,470,696)</u>	<u>796,098</u>
Other Financing Sources (Uses)						
Proceeds of Loans					433,255	433,255
Transfers In	214,360		78,381	59,000	1,476,237	1,827,978
Transfers Out	(1,485,040)				(342,938)	(1,827,978)
Advances In	96,000				138,582	234,582
Advances Out	(116,582)				(118,000)	(234,582)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,291,262)</u>	<u>0</u>	<u>78,381</u>	<u>59,000</u>	<u>1,587,136</u>	<u>433,255</u>
<i>Net Change in Fund Balances</i>	752,281	572,317	134,632	(346,317)	116,440	1,229,353
<i>Fund Balances Beginning of Year</i>	<u>5,746,339</u>	<u>2,559,820</u>	<u>196,705</u>	<u>2,112,456</u>	<u>5,626,505</u>	<u>16,241,825</u>
<i>Fund Balances End of Year</i>	<u>\$6,498,620</u>	<u>\$3,132,137</u>	<u>\$331,337</u>	<u>\$1,766,139</u>	<u>\$5,742,945</u>	<u>\$17,471,178</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (under) Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$1,613,910	\$1,663,586	\$1,663,586	\$0
Sales Tax	7,370,000	8,107,432	8,107,432	0
Charges for Services	1,755,146	1,862,949	1,883,458	20,509
Licenses and Permits	1,850	2,210	2,285	75
Fines and Forfeitures	150,000	127,862	127,862	0
Intergovernmental	848,590	929,544	929,544	0
Payments in Lieu of Taxes				0
Special Assessments	-	-	-	0
Earnings of Investments	60,000	52,740	54,648	1,908
Rentals				0
Other	214,000	310,327	318,621	8,294
<i>Total Receipts</i>	12,013,496	13,056,650	13,087,436	30,786
Disbursements				
Current:				
General Government				
Legislative and Executive	5,480,402	5,519,295	3,414,936	2,104,359
Judicial	1,881,437	1,895,797	1,789,071	106,726
Public Safety	2,770,214	2,935,760	2,939,800	(4,040)
Public Works	823,380	770,854	759,818	11,036
Health	733,668	738,188	736,528	1,660
Human Services	338,727	338,727	338,977	(250)
Conservation and Recreation	759,922	859,894	850,842	9,052
Urban Redevelopment and Housing	402,065	403,923	398,654	5,269
Capital Outlay	115,300	346,132	273,566	72,566
<i>Total Disbursements</i>	13,305,115	13,808,570	11,502,192	2,306,378
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,291,619)	(751,920)	1,585,244	2,337,164
Other Financing Sources (Uses)				
Sale of Capital Assets				0
Transfers In	200,000	214,360	214,360	0
Transfers Out	(978,380)	(1,284,663)	(1,254,400)	30,263
Advances In	70,000	96,000	96,000	0
Advances Out			(116,582)	(116,582)
<i>Total Other Financing Sources (Uses)</i>	(708,380)	(974,303)	(1,060,622)	(86,319)
<i>Net Change in Fund Balance</i>	(1,999,999)	(1,726,223)	524,622	2,250,845
<i>Unencumbered Fund Balance Beginning of Year</i>	1,703,408	5,355,057	5,355,057	0
Reserve for Prior Year Encumbrances		51,877	51,877	0
Unexpended Prior Year encumbrances		0	0	0
<i>Unencumbered Fund Balance End of Year</i>	(\$296,591)	\$3,680,711	\$5,931,556	\$2,250,845

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
Fayette County Board of Developmental Disabilities
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (under) Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$2,000,891	\$2,026,305	\$2,026,305	\$0
Charges for Services	68,104	90,438	90,438	0
Intergovernmental	1,540,365	1,884,412	1,884,412	0
Other	0	71,179	71,179	0
<i>Total Receipts</i>	<u>3,609,360</u>	<u>4,072,334</u>	<u>4,072,334</u>	<u>0</u>
Disbursements				
Current:				
General Government				
Health	3,878,049	3,878,049	3,500,016	378,033
<i>Total Disbursements</i>	<u>3,878,049</u>	<u>3,878,049</u>	<u>3,500,016</u>	<u>378,033</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(268,689)</u>	<u>194,285</u>	<u>572,318</u>	<u>378,033</u>
<i>Net Change in Fund Balance</i>	(268,689)	194,285	572,318	378,033
<i>Unencumbered Fund Balance Beginning of Year</i>	2,073,840	2,459,444	2,459,444	0
Prior Year Encumbrances Appropriated				0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$1,805,151</u>	<u>\$2,653,729</u>	<u>\$3,031,762</u>	<u>\$378,033</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
Fayette County Department of Job and Family Services
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (under) Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	2,414,113	2,037,046	2,037,046	0
Other Income	785,484	929,513	853,705	(75,808)
<i>Total Receipts</i>	<u>3,199,597</u>	<u>2,966,559</u>	<u>2,890,751</u>	<u>(75,808)</u>
Disbursements				
Human Services	3,199,597	3,163,263	2,834,500	328,763
<i>Total Disbursements</i>	<u>3,199,597</u>	<u>3,163,263</u>	<u>2,834,500</u>	<u>328,763</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>(196,704)</u>	<u>56,251</u>	<u>252,955</u>
Other Financing Sources (Uses)				
Transfers In	78,771	78,381	78,381	0
<i>Total Other Financing Sources (Uses)</i>	<u>78,771</u>	<u>78,381</u>	<u>78,381</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	78,771	(118,323)	134,632	252,955
<i>Unencumbered Fund Balance Beginning of Year</i>	196,704	196,704	196,704	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$275,475</u>	<u>\$78,381</u>	<u>\$331,336</u>	<u>\$252,955</u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
MVGT
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (under) Positive (Negative)
	Original	Final		
Receipts				
Sales Tax	\$ 305,000	\$ 327,483	\$ 327,483	0
Charges for Services	370,000	365,223	365,223	0
Fines and Forfeitures	40,000	39,052	39,052	0
Intergovernmental	3,300,000	3,446,461	3,446,461	0
Earnings of Investments	15,000	7,249	7,249	0
Other	<u>13,148</u>	<u>13,148</u>	<u>13,148</u>	<u>0</u>
<i>Total Receipts</i>	<u>4,030,000</u>	<u>4,198,616</u>	<u>4,198,616</u>	<u>0</u>
Disbursements				
Public Works	4,385,352	4,965,352	4,836,273	129,079
<i>Total Disbursements</i>	<u>4,385,352</u>	<u>4,965,352</u>	<u>4,836,273</u>	<u>129,079</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(355,352)</u>	<u>(766,736)</u>	<u>(637,657)</u>	<u>129,079</u>
Other Financing Sources (Uses)				
Transfers In	59,000	59,000	59,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>59,000</u>	<u>59,000</u>	<u>59,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(296,352)	(707,736)	(578,657)	129,079
<i>Fund Cash Balance - beginning of year</i>	<u>1,998,604</u>	<u>2,112,455</u>	<u>2,112,455</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$1,702,252</u></u>	<u><u>\$1,404,719</u></u>	<u><u>\$1,533,798</u></u>	<u><u>\$129,079</u></u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2014

	Water District Revenue	Non Major Enterprise Funds	Total Enterprise Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	2,957,731	615,642	3,573,373
<i>Total Assets</i>	<i>\$2,957,731</i>	<i>\$615,642</i>	<i>\$3,573,373</i>
Net Position			
Unrestricted	2,957,731	615,642	3,573,373
<i>Total Net Position</i>	<i>\$2,957,731</i>	<i>\$615,642</i>	<i>\$3,573,373</i>

See accompanying notes to the basic financial statements

Fayette County, Ohio

*Statement of Cash Receipts, disbursements, and changes in Cash Basis Fund Balances - Enterprise Funds
As of and For the Year Ended December 31, 2014*

	<u>Water District Revenue</u>	<u>Total Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
RECEIPTS			
Charges for Services	\$847,444	\$1,388,279	\$2,235,723
Other	802	890	\$1,692
<i>TOTAL RECEIPTS</i>	<u>848,246</u>	<u>1,389,169</u>	<u>2,237,415</u>
EXPENSES			
Personal Services	105,901	329,924	435,825
Contract Services	389,471	734,862	1,124,333
Materials and Supplies	31,365	113,630	144,995
Other Operating Exp	20,579	177,609	198,188
Principal Retirement	435,607	132,222	567,829
<i>Total Operating Disbursements</i>	<u>982,923</u>	<u>1,488,247</u>	<u>2,471,170</u>
<i>Operating Income (Loss)</i>	<u>(134,677)</u>	<u>(99,078)</u>	<u>(233,755)</u>
NON - OPERATING RECEIPTS AND EXPENSES			
Interest and Fiscal Charges	(146,725)	(50,505)	(197,230)
Transfers - In	477,926	182,727	660,653
Transfers - Out	(477,926)	(182,727)	(660,653)
Proceeds of Loans		92,264	92,264
<i>Total Non-Operating Receipts and Expenses</i>	<u>(146,725)</u>	<u>41,759</u>	<u>(104,966)</u>
<i>Income (Loss) before Contributions, Special Item, Extraordinary Item Transfers and Advances</i>	(281,402)	(57,319)	(338,721)
<i>Change in Net Position</i>	(281,402)	(57,319)	(338,721)
<i>Net Position Beginning of Year</i>	<u>3,239,133</u>	<u>672,961</u>	<u>3,912,094</u>
<i>Net Position End of Year</i>	<u><u>\$2,957,731</u></u>	<u><u>\$615,642</u></u>	<u><u>\$3,573,373</u></u>

See accompanying notes to the basic financial statements

Fayette County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2014

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,568,036
Equity in Cash in Segregated Accounts	<u>964,611</u>
<i>Total Assets</i>	<u><u>\$5,532,647</u></u>
Net Position	
Held on Behalf of Others	5,532,647
<i>Total Net Position</i>	<u><u>\$5,532,647</u></u>

See accompanying notes to the basic financial statements

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2014

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-recreation services, maintenance of highways and roads, economic development, and urban redevelopment and housing.

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

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

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

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

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

Fayette Progressive Industries, Inc. is a legally separate, not-for-profit corporation, served by a self-appointed board of trustees. The workshop, under contractual agreement with the Fayette County Board of Developmental Disabilities provides sheltered employment for mentally and/or physically handicapped adults in Fayette County. The Fayette County Board of DD provided the workshop with staff salaries,

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 1 - REPORTING ENTITY (Continued)

transportation, equipment, staff to administer and supervise training programs and other funds necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the mentally and/or physically handicapped adults of Fayette County, the workshop is considered a component unit of Fayette County, however, Fayette Progressive Industries is not presented as a component unit in these financial statements. Separately issued financial statements can be obtained from Fayette Progressive Industries, Inc., 1330 Robinson Road SE, Washington C.H., Ohio 43160.

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

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

Paint Valley ADAMHS – The Paint Valley Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS) of Pike, Fayette, Highland, Pickaway and Ross Counties is a jointly governed organization that is responsible for developing, coordinating, modernizing, funding, monitoring and evaluating a community-based mental health and substance abuse program. The Board consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members are appointed by Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Pike, Fayette, Highland, Pickaway and Ross Counties in the same proportion as each County's population bears to the total population of the five counties combined. The Board received revenue from the participating counties and received federal and state funding through grant monies which are applied for and received by the Board of Trustees. Fayette County contributed \$585,123 to Paint Valley ADAMHS in 2014.

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.

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

The Center's revenue is from per diem charges for inmates to the respective counties and a percent of the county tax base to the total base. Ross County is the fiscal agent of the Center. Fayette County does not have any financial interest or responsibility. During 2014, Fayette County contributed \$158,623 to the Center.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 1 - REPORTING ENTITY (Continued)

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

RPHF Joint Solid Waste District – The RPHF Joint Solid Waste District is a jointly governed organization among Pickaway, Ross, Highland and Fayette Counties. Each of these governments supports the District. The County made no contribution during 2014. The degree of control exercised by any participating County is limited to its representation on the Board. The Board of Directors consists of twelve members, the three County Commissioners of each of the four counties. The District does not have any outstanding debt. The District is self-sufficient, operating entirely on collected fees.

Fayette-Clinton-Fairfield-Ross-Pickaway Job Training Partnership Act (JTPA) – JTPA is a jointly governed organization among five counties in Ohio. The consortium conducts an employment and training administration program under the provisions of JTPA of 1982 and the Job Training Reform Amendments of 1992. The three County Commissioners from each of the four counties comprise the Consortium Board of Governors. The consortium has no outstanding debt. No contributions were made by the County in 2014.

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

West Central Ohio Port Authority – The West Central Ohio Port Authority is a jointly governed organization. It was established under Section 4582.21 of the Ohio Revised Code. Under the Revised Code, the Port Authority is a legally separate entity. The Board of the Authority is comprised of seven members: two members from Champaign County, three from Clark County, and two from Fayette County. The members are appointed by the County Commissioners of each respective county. Fayette County does not approve its budget, nor is it responsible for the Authority's debt. During 2014, the County did not contribute any money to the Authority.

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.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 1 - REPORTING ENTITY (Continued)

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 2014 was \$191,252. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

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

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

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

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

B. Basis of Presentation

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

Government-Wide Financial Statements

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

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

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 FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Fund Accounting

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

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

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

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

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

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

Proprietary: Certain County funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The County classifies these as enterprise funds. The County had one major enterprise fund in 2014.

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

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

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

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

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

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

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

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

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

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 assets/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.

NOTE 4 - EQUITY IN POOLED CASH

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds;

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 4 – EQUITY IN POOLED CASH (Continued)

7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers' acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$24,941,597 of the County's bank balance of \$26,466,354 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.

Investments

The County had no investments during 2014.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

General Fund	\$239,592
Major Special Revenue Funds:	
Motor Vehicle and Gasoline Tax	232,340
Job and Family Services	0
Board of Developmental Disabilities	25,966

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 6 – LONG-TERM DEBT

The County's long-term debt activity for the year ended December 31, 2014, was as follows:

	Interest Rate	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014	Due Within One Year
General Obligation Bonds:						
County Building Improvement	2%	1,010,000		120,000	890,000	120,000
Various Purpose Bonds, Series 2003:						
Commission On Aging	3.30%	137,000		10,000	127,000	10,000
Wet Lancaster Road	3.30%	241,000		20,000	221,000	21,000
Various Purpose Bonds, Series 2008:						
County Buildings	5.35%	140,000		20,000	120,000	25,000
Courthouse Renovation	4.13%	858,571		68,884	789,687	72,100
Total General Obligation Bonds:		2,386,571		238,884	2,147,687	248,100
Governmental Activities Special Assessment Bonds:						
Clinton Avenue Phase I	5.90%	37,000		11,000	26,000	13,000
Various Purpose Bonds, Series 2008						
Clinton Avenue Phase II	5.30%	35,000		5,000	30,000	5,000
Total Governmental Activities Special Assessment Bonds		72,000		16,000	56,000	18,000
Enterprise Bonds:						
Various Refunding Bonds, Series 2008:						
Rattlesnake Sewer WWTP	5.20%	1,430,000		110,000	1,320,000	120,000
Total Enterprise Bonds		1,430,000		110,000	1,320,000	120,000
OWDA Loans:						
Madison Mills Water	3.00%	4,998,920		435,607	4,563,313	222,716
Good Hope Sewer	0.00%	352,172	92,264	22,222	422,214	11,111
Total OWDA Loans:		5,351,092	92,264	457,829	4,985,527	233,827
Other Long-Term Obligations:						
West Lancaster Road OPWC Loan	0.00%	57,500		5,000	52,500	5,000
Rte. 22 Waterline Loan	6.25%	45,606		4,146	41,460	4,146
Med Flight Hangar	4.00%		96,000		96,000	17,706
Job Ready Site Loan	2.99%	303,286		303,286	0	0
Total Other Long Term Obligations		406,392	96,000	312,432	189,960	26,852
Total Long Term Obligations		9,646,055	188,264	1,135,145	8,699,174	646,779

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014
 (Continued)

NOTE 6 – LONG-TERM DEBT (Continued)

FUTURE ANNUAL DEBT SERVICE REQUIREMENTS

Year	<u>General Obligation Bonds</u>		<u>OPWC Loans</u>	<u>Long-Term Notes</u>	
	Principal	Interest	Principal	Principal	Interest
2015	248,100	75,697	5,000	21,852	6,455
2016	258,000	68,333	5,000	22,562	5,489
2017	258,000	60,571	5,000	23,317	4,464
2018	267,400	52,705	5,000	24,095	3,424
2019	277,700	44,379	5,000	24,904	2,352
2020-2024	838,287	86,583	25,000	20,730	3,616
2025-2029	0	0	2,500	0	0
2030-2032	-	-	-	-	-
<hr/>					
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Total	2,147,487	388,268	52,500	137,460	25,800

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

NOTE 6 – LONG-TERM DEBT (Continued)

Year	OWDA Loans		Special Assessment bonds	
	Principal	Interest	Principal	Interest
2015	233,827	68,450	18,000	2,401
2016	477,726	126,827	18,000	1,536
2017	491,494	113,059	5,000	658
2018	505,678	98,876	5,000	508
2019	520,290	84,263	10,000	345
2020-2024	2,545,406	186,196	0	0
2025-2029	111,109	0	0 -	0 -
2030-2034	99,998			
Total	4,985,528	677,671	56,000	5,447

Year	Enterprise Bonds	
	Principal	Interest
2015	120,000	47,755
2016	120,000	44,455
2017	125,000	40,855
2018	120,000	37,105
2019	125,000	33,205
2020-2024	710,000	90,790
2025-2029	0	0
Total	1,320,000	294,165

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

1996 Clinton Avenue Phase I

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

1999 Purchase of Office Building

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 6 – LONG-TERM DEBT (Continued)

1999 Clinton Avenue Phase II

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

1999 Rattlesnake Waste Water Treatment Plant

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

2000 Fayette County Administration Building Rehab

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

2003 Commission on Aging Building Addition

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

2003 West Lancaster Road Relocation

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

2003 West Lancaster Road Relocation

On July 1, 2003 an interest-free Loan/Grant was obtained through 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.

2006 Madison Mills Water

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

2009 Job Ready Site

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

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.

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

NOTE 6 – LONG-TERM DEBT (Continued)

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.

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.

NOTE 7 – SHORT-TERM DEBT

Note Transactions

A summary of the note transactions for the year ended December 31, 2014, follows:

	Balance			Balance	
	December 31,			December 31,	Due
	2013	Additions	Reductions	2014	Within
	<hr/>				
<u>Short-Term Liabilities</u>					
Wildman Ditch	\$21,982	\$16,277	\$ 21,982	\$16,277	\$16,277
Haigler-Long Ditch	16,032	4,757	16,032	4,757	4,757
Morgan Group Drainage	30,395	30,395	30,395	30,395	30,395
Marchant Ditch	7,005	6,215	7,005	6,215	6,215
Anders Drainage Ditch	279,611	279,611	279,611	279,611	279,611
	<hr/>				
Total Short-Term Liabilities	<u>\$355,025</u>	<u>\$337,255</u>	<u>\$355,025</u>	<u>\$337,255</u>	<u>\$337,255</u>

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

NOTE 8 - PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 2012, the next full appraisal is for tax year 2018.

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 8 - PROPERTY TAX (Continued)

The full tax rate applied to real property for the fiscal year ended December 31, 2014 was \$10.25 per \$1,000 of assessed valuation for county wide political subdivisions. After adjustment of the tax rate for increases or decreases in property values, the effective tax rate was \$8.70 per \$1,000 of assessed valuation of real property classified as residential/agricultural and \$8.37 per \$1,000 of assessed valuation for commercial and industrial property.

Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

The tax rate applied to tangible personal property for the fiscal year ended December 31, 2014 was \$10.25 per \$1,000 of assessed valuation.

Real Property – 2014 Valuation	
Residential/Agricultural	\$593,270,150
Commercial/Industrial	
Public Utilities	87,031,410
Tangible Personal Property – 2014 Valuation	
General	<u>0</u>
Total Valuation	\$680,301,560

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

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

NOTE 9 - RISK MANAGEMENT

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

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

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 9 - RISK MANAGEMENT (Continued)

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 2014, 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 10 – DEFINED BENEFIT RETIREMENT PLANS

Ohio Public Employees Retirement System

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

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 10 – DEFINED BENEFIT RETIREMENT PLANS (Continued)

For the year ended December 31, 2014, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.00 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 12.10 percent of the annual covered salary. The County's contribution rate for pension benefits for 2014 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 18.10 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 were \$1,498,446, \$1,464,753, and \$1,417,757 respectively. 100 percent has been contributed for 2014, 2013, and 2012.

State Teachers Retirement System

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

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

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

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

For the year ended December 31, 2014, plan members were required to contribute 10 percent of their annual covered salary and the County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The County's required contributions for pension obligations for the DB Plan for the years ended December 31, 2014, 2013, and 2012 were \$40,409, \$36,997 and \$30,447, respectively. 100 percent has been contributed for 2014, 2013, and 2012.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 11 – POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014 state and local government employers contributed at 14.0%, of earnable salary and public safety and law enforcement employers at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 11 – POST EMPLOYMENT BENEFITS (Continued)

- C. The employer contributions that were used to fund post-employment benefits for the years ended December 31, 2014, 2013, and 2012 were \$412,695, \$407,525, and \$395,303, respectively. The full amount has been contributed for 2014, 2013, and 2012.
- D. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

State Teachers Retirement System

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care or the fiscal years ended December 31, 2014, 2013, and 2012. For the County these amounts equaled \$2,886, \$2,642, and \$2,175, respectively, for fiscal years 2014, 2013, and 2012, respectively; 100 percent has been contributed for 2014, 2013, and 2012.

NOTE 12 - COUNTY SALES TAX

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

Proceeds of the tax are credited to the General Fund and the Motor Vehicle and Gas Tax Special Revenue Fund. Permissive Sales and Use tax revenue for 2014 amounted to \$8,434,915.

NOTE 13 - CONTINGENT LIABILITIES

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

FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 14 - ACCUMULATED UNPAID VACATION, PERSONAL, COMPENSATORY TIME AND SICK LEAVE

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

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 FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 16 – FUND BALANCES

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

Fund Balances	General Fund	Fayette Co. Bd of DD	Department of Job & Family Svs	MVGT	Other Governmental Funds	Total
Nonspendable	0					
EPA Fund	10,470					10,470
<i>Total Nonspendable</i>	<u>10,470</u>	<u>0</u>	<u>0</u>		<u>0</u>	<u>10,470</u>
						<u>0</u>
Restricted for						0
Developmental Disabilities		3,132,137			105,881	3,238,018
Public Safety					613,150	613,150
Children's Services Programs					934,975	934,975
Job and Family Services			331,337		66,253	397,590
Public Works				1,766,139	263,209	2,029,348
Elderly Programs					137,941	137,941
Debt Service Payments					869,821	869,821
Capital Improvements					66,249	66,249
Other Purposes					2,681,475	2,681,475
<i>Total Restricted</i>	<u>0</u>	<u>3,132,137</u>	<u>331,337</u>	<u>1,766,139</u>	<u>5,738,954</u>	<u>10,968,567</u>
						<u>0</u>
Committed to						0
General Drainage Improvements					1,491	1,491
Other purposes						0
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,491</u>	<u>1,491</u>
						<u>0</u>
Assigned to						0
Encumbrances	239,592					239,592
Capital Projects					2,500	2,500
<i>Total Assigned</i>	<u>239,592</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,500</u>	<u>242,092</u>
Unassigned (deficits):	6,248,558					6,248,558
<i>Total Fund Balances</i>	<u>\$6,498,620</u>	<u>\$3,132,137</u>	<u>\$331,337</u>	<u>\$1,766,139</u>	<u>\$5,742,945</u>	<u>\$17,471,178</u>

FAYETTE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

NOTE 17 – INTERFUND TRANSACTIONS

Inter-fund cash transfers and advances for the year ended December 31, 2014 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Advances In</u>	<u>Advances Out</u>
MAJOR FUNDS:				
General	\$ 214,360	\$ 1,485,040	\$ 96,000	\$ 116,582
MVGT	59,000	0	0	0
Job and Family Services	78,381			
Water District	477,926	477,926	0	0
NON-MAJOR FUNDS:				
Special Revenue	816,428	0	42,305	22,000
Debt Service	649,220	330,889	277	0
Capital Projects	10,589	12,049	96,000	96,000
Enterprise	<u>182,727</u>	<u>182,727</u>	<u>0</u>	<u>0</u>
Total	<u>\$2,488,631</u>	<u>\$2,488,631</u>	<u>\$234,582</u>	<u>\$234,582</u>

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

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

NOTE 18 – SUBSEQUENT EVENT

On April 15, 2015, the County Commissioners entered into an agreement with the Fayette County Memorial Hospital Board of Trustees to assist in the Hospital's repayment of \$2,481,159 of note obligations. The County paid \$2,000,000 from the General fund budget stabilization line item, to the Hospital, to retire their (Hospital) note. The Hospital will repay the \$2,000,000 obligation to the County plus interest over eight years. The Hospital has pledged net revenues to secure the obligation.

The Fayette County Memorial Hospital had operating losses of \$2,823,000 for 2014.

These factors could be indicative of the Fayette County Memorial Hospital's inability to continue as a going concern and the separately issued Fayette County Memorial Hospital's audit opinion of December 31, 2014 reflected this going concern issue. Hospital Management is considering several alternatives for mitigating these conditions during the next year, including:

- Evaluation of contribution margins of certain lines of business
- Physician recruitment
- Renegotiation of supplies contracts and vendor agreements
- Flexing staff levels with inpatient census and outpatient needs

The Fayette County Memorial Hospital's financial statements can be obtained from the chief executive officer at 1430 Columbus Avenue, Washington Courthouse, Ohio 43160.

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Job and Family Services:</i>			
Job and Family Services			
Supplemental Nutrition Assistance Program	G-1415-11-5354	10.561	\$ 245,183
FAET Participation Allowance	G-1415-11-5354	10.561	22,133
Total CFDA Number 10.561			267,316
Total U.S. Department of Agriculture			267,316
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Board of Developmental Disabilities			
Social Services Block Grant - Title XX	N/A	93.667	21,932
<i>Passed Through the Ohio Department of Job and Family Services:</i>			
Job and Family Services			
Social Services Block Grant - Title XX	G-1415-11-5354	93.667	243,288
Total CFDA Number 93.667			265,220
<i>Passed Through Ohio Department Developmental Disabilities:</i>			
Board of Developmental Disabilities			
Medical Assistance Program - Title XIX MAC	N/A	93.778	152,120
<i>Passed Through Ohio Department of Aging:</i>			
Passport		93.778	70,589
<i>Passed Through the Ohio Department of Job and Family Services:</i>			
Job and Family Services			
Medical Assistance Program - NET	G-1415-11-5354	93.778	153,448
Medical Assistance Program - Enhanced	G-1415-11-5354	93.778	144,018
Medical Assistance Program - ARP Transportation	G-1415-11-5354	93.778	22
Medical Assistance Program - Title XIX	G-1415-11-5354	93.778	80,440
Total CFDA Number 93.778			600,637
Children's Services Board			
TANF Independent Living	G-1415-11-5354	93.558	2,002
Job and Family Services			
TANF - Administration	G-1415-11-5354	93.558	292,203
TANF - Regular	G-1415-11-5354	93.558	175,036
TANF - Summer Youth	G-1415-11-5354	93.558	144,779
Total CFDA Number 93.558			614,020
Job and Family Services			
Child Care Administration	G-1415-11-5354	93.575	23,073
Child Care	G-1415-11-5354	93.575	32,707
Total CFDA Number 93.575			55,780
Job and Family Services (Continued)			
Federal Child Support	G-1415-11-5354	93.563	536,424
Visitation Access	G-1415-11-5354	93.597	46,073
Children's Services Board			
Child Welfare Services - IV-B	G-1415-11-5354	93.645	4,326
Child Abuse and Neglect	G-1415-11-5354	93.590	1,402
Foster Care	G-1415-11-5354	93.658	55,426
Adoption Assistance, Title IV-E	G-1415-11-5354	93.659	158,872
Non-Recurring Adoption	G-1415-11-5354	93.659	3,000
Total Adoption Assistance Program			161,872
ESSA, Caseworker Visits	G-1415-11-5354	93.556	25,791

(Continued)

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<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	70,061
Total Aging Cluster			84,885
Low-Income Home Energy Assistance Program	ED039817	93.568	1,900
Total U.S. Department of Health and Human Services			2,453,756
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through the Ohio Department of Development:</i>			
Community Development Block Grants - Water/Sewer	B-F-13-1AW-1	14.228	48,230
Community Development Block Grants	B-C-12-1AW-2	14.228	183,407
CHIP CDBG	B-C-12-1AW-1	14.228	74,834
Total CFDA Number 14.228			306,471
EPA WPCLF OWDA Good Hope Sewer		66.458	92,264
Total U.S. Department of Housing and Urban Development			398,735
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	8,966
Total Special Education Cluster			8,966
Total U.S. Department of Education			8,966
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>			
Victim Witness - VOCA	2014VAGENE240/2011 VAGENE240	16.588	51,264
Victim Witness - VAWA	2013-WF-VA5-8411	16.588	35,673
Total CFDA Number 16.588			86,937
Edward Byrne Justice Assistance Grant Formula Program	2013-JG-D01-6300	16.738	15,983
Total U.S. Department of Justice			102,920
FEDERAL AGENCY DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	EMW-2014-FP-00064	97.042	13,242
Total Federal Agency Department of Homeland Security			13,242

(Continued)

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.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	\$ 29,948
Workforce Investment Act - Adult Administration	N/A		3,682
Workforce Investment Act - Adult OMJ Branding	N/A		3,042
			<u>36,672</u>
Workforce Investment Act - Youth	N/A	17.259	42,592
Workforce Investment Act - Youth Administration	N/A		11,673
			<u>54,265</u>
Workforce Investment Act - Dislocated Workers	N/A	17.278	63,425
Workforce Investment Act - Dislocated Workers Administration	N/A	17.278	4,437
			<u>67,862</u>
Total WIA Cluster			<u>158,799</u>
Employment Service Cluster:			
Wagner-Peyser Employment Services Grant	N/A	17.207	18,734
Total U.S. Department of Labor			<u>177,533</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through the Federal Aviation Administration</i>			
Direct from Federal Government			
FAA Reimbursement of Construction Projects	AIP-3-39-0040-0708	20.106	54,809
<i>Passed through the Ohio Department of Transportation</i>			
Highway Planning and Construction Cluster			
FAYVaries 2013 Coor Yankeetown Rd Bridge	PID 94019	20.205	303
FAYVaries 2013 Sollars Rd Bridge	PID 94144	20.205	407,666
SFY 2014 CEAO Safety Study	PID 96361	20.205	16,740
Highway Planning and Construction Cluster			<u>424,709</u>
<i>Passed through the Ohio Traffic Safety Office:</i>			
OTSO HVEO Grant	HVEO-2014-24-00-00-00350-00	20.600	26,616
Total U.S. Department of Transportation			506,134
U.S. ELECTION ASSISTANCE COMMISSION			
<i>Passed through the Ohio Secretary of State</i>			
HAVA Title II - Voter Verification Mailing	SOS 2010-56	90.401	600
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 3,929,202</u></u>

See accompanying notes to the schedule.

FAYETTE COUNTY

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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



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 aggregate remaining fund information of Fayette County, (the County) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 28, 2015, wherein we noted the County uses a special purpose framework other than other than generally accepted accounting principles. We gave 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2014-001.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

September 28, 2015



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Fayette County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Fayette County's major federal programs for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, 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, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

September 28, 2015

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2014-001

Noncompliance

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

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

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

- The County prepared its financial statements in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while presumably material, cannot be reasonably determined at this time.
- Governmental Accounting Standards Board Codification (GASB) Section 2100 requires the County to report its County-owned Hospital (Fayette County Memorial Hospital) in the annual financial report as a blended component unit: as a major enterprise fund and as business type activity in the entity-wide statements. Management has not included the Fayette County Memorial Hospital financial statements as in the Fayette County annual financial report.
- GASB Codification Section 2100 requires 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 Progressive Industries, Inc. financial statement in the Fayette County annual financial report.

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

Officials' Response:

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

3. FINDINGS FOR FEDERAL AWARDS

None

FAYETTE COUNTY

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	ORC 117.38 & OAC 117-2-03(B) Failure to file annual financial report on required accounting basis.	No	Not Corrected – Repeat 2014-001

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FAYETTE COUNTY FINANCIAL CONDITION

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 13, 2015