



Dave Yost • Auditor of State

WASHINGTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Washington County
205 Putnam Street
Marietta, Ohio 45750

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, the discretely presented component unit, each major fund, and the aggregate discretely present component unit and remaining fund information of Washington County, Ohio (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of WASCO, Inc., which represents 35 percent of assets, 37 percent of net position, and 86 percent of revenues for the discretely presented component units of the County. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the County, is based solely on the report of other auditors. We conducted our audit 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. The other auditors audited the financial statements of WASCO, Inc., in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate discretely presented component unit and remaining fund information of Washington County, Ohio, as of December 31, 2014, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Motor Vehicle and Gasoline Tax Fund, Board of Developmental Disabilities Fund, County Home Fund, and Mental Health and Addiction Recovery Board Fund thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

The Schedule of Federal Awards Expenditures (the Schedule) 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 the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2015, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

August 19, 2015

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Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The discussion and analysis of Washington County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position increased \$2,244,026. Net position of governmental activities increased \$2,061,239 or 1.2 percent from 2013. Net position of the business-type activity increased \$182,787, which represents a 4.2 percent increase from 2013.
- At the end of the current year, the County reported unrestricted net position for governmental activities of \$14,826,007.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$29,601,448, an increase of \$602,843 from the prior year.

Using This Annual Financial Report

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the County as a financial whole or as an entire operating entity.

The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the whole County, presenting an aggregate view of the County's finances as well as a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's most significant funds. Non-major funds are presented separately from major funds in total and in one column.

County-Wide Financial Statements

The County-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The *Statement of Net Position* and the *Statement of Activities* answer this question.

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. The statement of activities presents information showing how the County's net position changed during the current year. These statements are prepared using the accrual basis of accounting similar to the accounting method used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses, regardless of when the cash is received or paid.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The change in net position is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or diminished. However, in evaluating the overall position of the County, nonfinancial information such as changes in the County's tax base and the condition of the County's capital assets will also need to be evaluated.

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

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

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The County's Sewer system is reported here.

Component Units - The County's financial statements include financial data of the WASCO, Inc. Sheltered Workshop and the Southeastern Ohio Port Authority. These component units are described in the notes to the financial statements. Component units are separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or projects. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements provide detailed information about the County's major funds. Based on the restriction on the use of moneys, the County has established many funds that account for the multitude of services provided to our residents. The County's major governmental funds are the General Fund and the Motor Vehicle and Gasoline Tax, Board of Developmental Disabilities, County Home, and Mental Health and Addiction Recovery Board Special Revenue Funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year end balances available for spending. These funds are reported on the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services being provided, along with the financial resources available.

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

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds - The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements. The County uses an enterprise fund to account for the Sewer Fund operations. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities. The Internal Service Fund was used to account for the operation of the County's workers' compensation program through a retrospective rating plan. The County discontinued using this plan starting in 2009.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the County's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information relating to the modified approach to reporting infrastructure.

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net position for 2014 compared to 2013:

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Totals	
	2014	2013	2014	2013	2014	2013
Assets						
Current and						
Other Assets	\$48,245,640	\$47,213,732	\$621,349	\$379,891	\$48,866,989	\$47,593,623
Capital Assets, Net	146,293,916	145,220,925	7,544,263	7,753,757	153,838,179	152,974,682
<i>Totals Assets</i>	<u>194,539,556</u>	<u>192,434,657</u>	<u>8,165,612</u>	<u>8,133,648</u>	<u>202,705,168</u>	<u>200,568,305</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding	0	78,319	0	0	0	78,319
Liabilities						
Current and						
Other Liabilities	3,778,802	3,370,194	53,965	59,179	3,832,767	3,429,373
Long-Term Liabilities	4,598,355	5,100,207	3,625,513	3,771,122	8,223,868	8,871,329
<i>Total Liabilities</i>	<u>8,377,157</u>	<u>8,470,401</u>	<u>3,679,478</u>	<u>3,830,301</u>	<u>12,056,635</u>	<u>12,300,702</u>
Deferred Inflows of Resources						
Property Taxes	9,041,220	8,982,635	0	0	9,041,220	8,982,635
Net Position						
Net Investment in						
Capital Assets	142,155,427	140,654,811	3,919,415	3,983,320	146,074,842	144,638,131
Restricted	20,139,745	20,382,416	0	0	20,139,745	20,382,416
Unrestricted	14,826,007	14,022,713	566,719	320,027	15,392,726	14,342,740
<i>Total Net Position</i>	<u>\$177,121,179</u>	<u>\$175,059,940</u>	<u>\$4,486,134</u>	<u>\$4,303,347</u>	<u>\$181,607,313</u>	<u>\$179,363,287</u>

As noted earlier, the County's net position, when reviewed over time, may serve as a useful indicator of the County's financial position. In the case of the County, assets exceeded liabilities by \$181,607,313 (\$177,121,179 in governmental activities and \$4,486,134 in the business-type activity) as of December 31, 2014. By far, the largest portion of the County's net position (80.3 percent) reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, infrastructure, and vehicles), which is reduced by related debt used to acquire those assets which is still outstanding at year end. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$20,139,745 or 11.1 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted net position, \$15,392,726 or 8.5 percent, is to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net position for 2014 compared to 2013:

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services	\$7,433,304	\$6,592,056	\$965,751	\$838,563	\$8,399,055	\$7,430,619
Operating Grants, Contributions, and Interest	22,293,038	21,929,308	0	12,507	22,293,038	21,941,815
Capital Grants, Contributions, and Interest	92,693	1,270,223	0	0	92,693	1,270,223
<i>Total Program Revenues</i>	<u>29,819,035</u>	<u>29,791,587</u>	<u>965,751</u>	<u>851,070</u>	<u>30,784,786</u>	<u>30,642,657</u>
General Revenues:						
Property Taxes	8,851,181	8,376,806	0	0	8,851,181	8,376,806
Permissive Sales Taxes	13,179,493	11,819,116	0	0	13,179,493	11,819,116
Intergovernmental	1,847,843	1,642,343	0	0	1,847,843	1,642,343
Gain on Sale of Capital Assets	33,552	38,632	0	0	33,552	38,632
Interest	111,342	194,443	0	0	111,342	194,443
Contributions and Donations	12,000	0	0	0	12,000	0
Rent	1,252,408	0	0	0	1,252,408	0
Insurance Recoveries	18,659	365,812	0	0	18,659	365,812
Miscellaneous	779,117	941,202	108,830	7,063	887,947	948,265
<i>Total General Revenues</i>	<u>26,085,595</u>	<u>23,378,354</u>	<u>108,830</u>	<u>7,063</u>	<u>26,194,425</u>	<u>23,385,417</u>
<i>Total Revenues</i>	<u>55,904,630</u>	<u>53,169,941</u>	<u>1,074,581</u>	<u>858,133</u>	<u>56,979,211</u>	<u>54,028,074</u>
Program Expenses						
General Government:						
Legislative and Executive	6,939,079	6,406,442	0	0	6,939,079	6,406,442
Judicial	2,771,071	2,914,805	0	0	2,771,071	2,914,805
Public Safety	9,980,302	9,656,132	0	0	9,980,302	9,656,132
Public Works	8,033,921	5,756,551	0	0	8,033,921	5,756,551
Health:						
Alcohol, Drug, and Mental Health	1,853,174	1,473,232	0	0	1,853,174	1,473,232
Board of Developmental Disabilities	9,371,349	8,639,109	0	0	9,371,349	8,639,109
County Home	3,057,658	2,932,255	0	0	3,057,658	2,932,255
Other Health	285,228	285,397	0	0	285,228	285,397
Human Services:						
Child Support Enforcement	897,972	856,042	0	0	897,972	856,042
Children Services	2,815,572	2,481,991	0	0	2,815,572	2,481,991
Job and Family Services	4,578,511	4,282,108	0	0	4,578,511	4,282,108
Other Human Services	1,803,688	1,707,443	0	0	1,803,688	1,707,443
Economic Development and Assistance	811,073	1,440,398	0	0	811,073	1,440,398
Intergovernmental	465,215	581,317	0	0	465,215	581,317
Interest and Fiscal Charges	179,578	197,791	0	0	179,578	197,791
Sewer	0	0	891,794	906,348	891,794	906,348
<i>Total Program Expenses</i>	<u>\$53,843,391</u>	<u>\$49,611,013</u>	<u>\$891,794</u>	<u>\$906,348</u>	<u>\$54,735,185</u>	<u>\$50,517,361</u>

Washington County, Ohio
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Changes in Net Position (continued)

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
<i>Net Increase (Decrease) in Net Position</i>	\$2,061,239	\$3,558,928	\$182,787	(\$48,215)	\$2,244,026	\$3,510,713
<i>Net Position Beginning of Year</i>	175,059,940	171,501,012	4,303,347	4,351,562	179,363,287	175,852,574
<i>Net Position End of Year</i>	<u>\$177,121,179</u>	<u>\$175,059,940</u>	<u>\$4,486,134</u>	<u>\$4,303,347</u>	<u>\$181,607,313</u>	<u>\$179,363,287</u>

Governmental Activities

The operating grants, contributions and interest category of program revenues were the largest program revenues, accounting for \$22,293,038 or 39.9 percent of total governmental activities revenues. The major recipients of intergovernmental program revenues were the Job and Family Services, Mental Health, Motor Vehicle and Gasoline Tax, Board of Developmental Disabilities, Community Development Block Grants, Child Support Enforcement Agency, and Children Services governmental activities. This category of program revenues consists of grants, entitlements, interest earned on restricted monies, motor vehicle license taxes, and gasoline excise taxes.

Property tax revenues account for \$8,851,181 or 15.8 percent of total governmental activities revenues. Another major component of governmental activities revenues was permissive sales taxes, which accounted for \$13,179,493 or 23.6 percent of total revenues.

The County's direct charges to users of governmental services made up \$7,433,304 or 13.3 percent of total governmental activities revenues. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Health programs accounted for \$14,567,409, or 27.1 percent of total expenses for governmental activities. Other major program expenses for governmental activities include human service programs, which accounted for \$10,095,743, or 18.8 percent of total expenses.

Board of Developmental Disabilities program expenses increased \$732,240 in 2014 from 2013. According to the Board Business Director, this was largely due to additional waiver match requirements in contacted services and the accounting for the entire health insurance premium being paid up front by the Board as opposed to reflecting the employer share only in the prior year accounting period.

Public works program expenses increased \$2,277,370 in 2014 from 2013. According to the County Engineer, this is due to more state and federal grant funding received for bridge and road improvements than that acquired in a typical year.

Economic Development and Assistance expenses decreased \$629,325 in 2014 from 2013. According to the Commissioners' Clerk, this decrease is due largely to "one time" funds expended in 2013 for the Ingenuity Center (including CDBG funds) and Broadband from project grants and the timing of other grant fund expenditures.

Business-Type Activity

The net position for business-type activities increased \$182,787 during 2014. Charges for services accounted for \$965,751, or 89.9 percent of revenues. This increased \$127,188 from 2013.

Washington County, Ohio
Management's Discussion and Analysis
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Sewer enterprise expenses decreased \$14,554 from 2013, an immaterial amount.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2014	2014	2013	2013
General Government:				
Legislative and Executive	\$6,939,079	\$3,581,621	\$6,406,442	\$2,920,442
Judicial	2,771,071	1,126,459	2,914,805	1,298,769
Public Safety	9,980,302	8,456,726	9,656,132	8,250,624
Public Works	8,033,921	2,079,692	5,756,551	(961,876)
Health:				
Alcohol, Drug, and Mental Health	1,853,174	(87,892)	1,473,232	13,508
Board of Developmental Disabilities	9,371,349	3,460,519	8,639,109	3,255,389
County Home	3,057,658	2,350,633	2,932,255	2,287,872
Other Health	285,228	87,197	285,397	78,059
Human Services:				
Child Support Enforcement	897,972	(130,279)	856,042	(210,569)
Children Services	2,815,572	1,344,832	2,481,991	1,270,580
Job and Family Services	4,578,511	157,209	4,282,108	226,882
Other Human Services	1,803,688	1,441,229	1,707,443	1,375,265
Economic Development and Assistance	811,073	(169,104)	1,440,398	(109,623)
Intergovernmental	465,215	145,936	581,317	(73,687)
Interest and Fiscal Charges	179,578	179,578	197,791	197,791
Total Expenses	<u>\$53,843,391</u>	<u>\$24,024,356</u>	<u>\$49,611,013</u>	<u>\$19,819,426</u>

Charges for services, operating grants, and capital grants of \$29,819,035 or 55.4 percent of the total costs of services, are received and used to fund governmental activities expenses of the County. Remaining governmental activities expenses are funded by property taxes, permissive sales taxes, unrestricted intergovernmental revenues, gains on the sale of capital assets, interest, unrestricted donations, insurance recoveries, and miscellaneous revenues.

The \$5,810,457 in net cost of services for health expenses demonstrates the costs of services that are not supported from state and federal resources. As such, the taxpayers have approved property tax levies for programs including the Board of Developmental Disabilities and the County Home.

Financial Analysis of County Funds

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

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

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

As of December 31, 2014, the County's governmental funds reported a combined ending fund balance of \$29,601,448, an increase of \$602,843 in comparison with the prior year. Of that total ending fund balance, \$973,555 is nonspendable, \$15,708,088 is restricted, \$1,191,740 is committed, \$1,680,940 is assigned, and \$10,047,125 is unassigned, as defined in (GASB) Statement No. 54.

The General Fund is the primary operating fund of the County. At the end of 2014, the unassigned fund balance was \$10,047,125, while total fund balance was \$12,150,176. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 47.9 percent to total General Fund expenditures, while total fund balance represents 57.9 percent of that same amount. The County's General Fund balance increased \$28,793 during 2014.

The fund balance of the Motor Vehicle and Gasoline Tax Special Revenue Fund increased \$73,213 during 2014 due to keeping the expenditures under revenues.

The fund balance of the Board of Developmental Disabilities Special Revenue Fund increased \$235,697 during 2014. After consulting with the Board Business Director, it was determined that this was primarily due to an increase in intergovernmental revenues from various sources as compared to the prior year.

The fund balance of the County Home Special Revenue Fund decreased \$515,560 during 2014. According to the County Home Administrator, this decrease is largely a result of expenditures for needed capital and maintenance projects related to the County Home building itself.

The fund balance of the Mental Health and Addiction Recovery Board Special Revenue Fund increased \$201,972 during 2014, mainly due to an increase in intergovernmental revenues and the timing of when the disbursements were made.

As of December 31, 2014, net position for the County's enterprise fund was \$4,486,134. Of that total, \$566,719 represents unrestricted net position.

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 Board of County Commissioners adopts a permanent annual operating budget for the County on or about January 1.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

For the General Fund, budget basis revenue was \$22,315,298, above final estimates of \$21,797,713. Final estimated revenues were above original estimates of \$20,042,054, due to a combination of factors, primarily due to an increase of \$410,350 in sales taxes, \$764,232 in charges for services, and \$422,000 in rent revenue. The sales taxes and charges for services that were received during 2014 were above estimates. Actual expenditures for the year were \$21,591,099, under final estimated appropriations of \$22,945,305, of which \$713,294, \$202,778, and \$371,710 was under spending for legislative and executive, judicial, and public safety, respectively. The original appropriations were increased \$1,256,495 mainly due to an increase of \$533,415 in public works and an increase in public safety of \$494,405.

Capital Assets and Debt Administration

Capital Assets - The County's capital assets for governmental and business-type activities as of December 31, 2014, were \$153,838,179 (net of accumulated depreciation). This includes land and land improvements, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, infrastructure, and vehicles.

For governmental activities, the most significant capital asset additions during 2014 included the addition of buildings and improvements, several new vehicles, and equipment for the highway department.

The County uses the modified approach to present county roads and bridges (infrastructure). Disclosures about the condition assessments and maintenance costs regarding the County's infrastructure can be found in the Required Supplementary Information.

Note 9 (Capital Assets) provides capital asset activity during 2014.

Debt Administration - As of December 31, 2014, the County had total bonded debt outstanding of \$3,352,170. All of this debt is expected to be repaid through governmental activities. The County's long-term general obligation bonded debt decreased \$428,296 during 2014. Other governmental outstanding long-term debt included OPWC loans of \$148,320 and capital leases of \$481,959. The business-type activity had outstanding debt consisting of OPWC loans of \$665,787, OWDA Loans of \$2,258,561, and FHA loans of \$700,500.

In addition, the County's long-term obligations include compensated absences for sick leave benefits. Additional information on the County's long-term obligations can be found in Notes 14 and 15 of this report.

Economic Factors

The unemployment rate for the County is currently 5.2 percent, which is a decrease from 6.5 percent a year ago. This rate is higher than the State's current rate of 4.7 percent and less than the current national rate of 5.4 percent. The level of unemployment trending downward is consistent with what has been seen nationally and across the State. Notably, the unemployment level remains below many surrounding counties in southeast Ohio.

Washington County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The County's \$1.230 billion tax base is a 10.8% increase from the \$1.110 billion value from the prior year. This is attributable to the triennial update of property values as ordered by the state which generally increased residential and agricultural values and the addition to the tax duplicate of a previously exempt power plant which contributed significantly to the increase of public utility personal property values of \$44 million dollars, or 32% in that category alone. Valuations increased in the aggregate for the year and are at an all-time high.

The County's permissive sales tax revenues in governmental activities increased from 2013 to 2014 by 8.0% on a cash basis, significantly exceeding estimates.

Various economic factors were considered in the preparation of the County's 2014 budget and will be considered in the preparation of future budgets. Appropriate measures will continue to be taken to ensure spending is within available resources.

Requests 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 information should be addressed to: William D. McFarland, Washington County Auditor, 205 Putnam Street, Marietta, Ohio 45750.

Washington County, Ohio
Statement of Net Position
December 31, 2014
August 31, 2014 - WASCO, Inc. Component Unit

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
Assets					
Equity in Pooled Cash and Cash Equivalents	\$26,858,243	\$331,647	\$27,189,890	\$0	\$0
Cash and Cash Equivalents	0	0	0	629,502	209,588
Cash and Cash Equivalents in Segregated Accounts	88,519	0	88,519	0	0
Accounts Receivable	69,599	82,496	152,095	436,594	500
Internal Balances	548	(548)	0	0	0
Intergovernmental Receivable	7,148,022	0	7,148,022	0	135,141
Property Taxes Receivable	9,628,129	0	9,628,129	0	0
Sales Taxes Receivable	3,542,429	0	3,542,429	0	0
Prepaid Items	295,845	205	296,050	19,570	3,513
Materials and Supplies Inventory	588,248	2,191	590,439	12,900	0
Special Assessments Receivable	0	205,358	205,358	0	0
Investments in Segregated Accounts	26,058	0	26,058	0	0
Non-Depreciable Capital Assets	129,265,987	379,120	129,645,107	0	124,950
Depreciable Capital Assets, Net	17,027,929	7,165,143	24,193,072	291,239	2,130,874
<i>Total Assets</i>	<u>194,539,556</u>	<u>8,165,612</u>	<u>202,705,168</u>	<u>1,389,805</u>	<u>2,604,566</u>
Liabilities					
Accounts Payable	640,179	9,401	649,580	45,536	38,891
Contracts Payable	566,242	0	566,242	0	95,472
Accrued Wages Payable	591,714	2,982	594,696	67,074	0
Retainage Payable	13,471	0	13,471	0	0
Leave Benefits Payable	1,112,740	4,459	1,117,199	107,874	2,360
Intergovernmental Payable	848,020	31,615	879,635	12,699	26,959
Accrued Interest Payable	6,436	5,508	11,944	0	0
Long-Term Liabilities:					
Due Within One Year	547,636	433,387	981,023	9,293	0
Due In More Than One Year	4,050,719	3,192,126	7,242,845	2,780	458,719
<i>Total Liabilities</i>	<u>8,377,157</u>	<u>3,679,478</u>	<u>12,056,635</u>	<u>245,256</u>	<u>622,401</u>
Deferred Inflows of Resources					
Property Taxes	9,041,220	0	9,041,220	0	0
Net Position					
Net Investment in Capital Assets	142,155,427	3,919,415	146,074,842	279,166	1,797,105
Restricted for:					
Capital Projects	241,773	0	241,773	0	0
Debt Service	465,783	0	465,783	0	0
Road and Bridge Projects	5,234,607	0	5,234,607	0	0
Mental Health	1,080,488	0	1,080,488	0	0
County Home	2,771,372	0	2,771,372	0	0
Developmental Disabilities	4,620,042	0	4,620,042	0	0
Real Estate Assessment	1,626,757	0	1,626,757	0	0
Child Support Enforcement	664,924	0	664,924	0	0
Job and Family Services	77,951	0	77,951	0	0
Children Services	642,106	0	642,106	0	0
Court and Corrections	586,260	0	586,260	0	0
Sheriff Operations	152,527	0	152,527	0	0
911 Operations	313,478	0	313,478	0	0
Economic Development	898,732	0	898,732	0	0
Senior Services	354,598	0	354,598	0	0
Unclaimed Monies	89,462	0	89,462	0	0
Other Purposes	318,885	0	318,885	0	0
Unrestricted	14,826,007	566,719	15,392,726	865,383	185,060
<i>Total Net Position</i>	<u>\$177,121,179</u>	<u>\$4,486,134</u>	<u>\$181,607,313</u>	<u>\$1,144,549</u>	<u>\$1,982,165</u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
Statement of Activities
For the Year Ended December 31, 2014
For the Fiscal Year Ended August 31, 2014 - WASCO, Inc. Component Unit

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$6,939,079	\$3,276,861	\$80,597	\$0
Judicial	2,771,071	1,457,613	186,999	0
Public Safety	9,980,302	1,360,957	162,619	0
Public Works	8,033,921	174,864	5,736,335	43,030
Health:				
Alcohol, Drug, and Mental Health	1,853,174	0	1,941,066	0
Board of Developmental Disabilities	9,371,349	359,761	5,551,069	0
County Home	3,057,658	428,696	278,329	0
Other Health	285,228	198,031	0	0
Human Services:				
Child Support Enforcement	897,972	49,494	978,757	0
Children Services	2,815,572	6,554	1,464,186	0
Job and Family Services	4,578,511	99,015	4,322,287	0
Other Human Services	1,803,688	16,458	346,001	0
Economic Development and Assistance	811,073	5,000	925,514	49,663
Intergovernmental	465,215	0	319,279	0
Interest and Fiscal Charges	179,578	0	0	0
<i>Total Governmental Activities</i>	53,843,391	7,433,304	22,293,038	92,693
Business-Type Activity				
Sewer	891,794	965,751	0	0
<i>Total Primary Government</i>	<u>\$54,735,185</u>	<u>\$8,399,055</u>	<u>\$22,293,038</u>	<u>\$92,693</u>
Component Units				
WASCO, Inc.	\$3,343,762	\$3,445,752	\$0	\$0
Southeastern Ohio Port Authority	<u>\$605,701</u>	<u>\$5,541</u>	<u>\$530,318</u>	<u>\$9,611</u>

General Revenues

Property Taxes Levied for:

General Purposes

County Home

Board of Developmental Disabilities

Senior Services

Bond Retirement

Sales Taxes Levied for General Purposes

Grants and Entitlements not Restricted to Specific Programs

Contributions and Donations

Gain on Sale of Capital Assets

Interest

Rent

Insurance Recoveries

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activity	Total	WASCO, Inc.	Southeastern Ohio Port Authority
(\$3,581,621)	\$0	(\$3,581,621)	\$0	\$0
(1,126,459)	0	(1,126,459)	0	0
(8,456,726)	0	(8,456,726)	0	0
(2,079,692)	0	(2,079,692)	0	0
			0	
87,892	0	87,892	0	0
(3,460,519)	0	(3,460,519)	0	0
(2,350,633)	0	(2,350,633)	0	0
(87,197)	0	(87,197)	0	0
130,279	0	130,279	0	0
(1,344,832)	0	(1,344,832)	0	0
(157,209)	0	(157,209)	0	0
(1,441,229)	0	(1,441,229)	0	0
169,104	0	169,104	0	0
(145,936)	0	(145,936)	0	0
(179,578)	0	(179,578)	0	0
(24,024,356)	0	(24,024,356)	0	0
0	73,957	73,957	0	0
(24,024,356)	73,957	(23,950,399)	0	0
0	0	0	101,990	0
0	0	0	0	(60,231)
2,466,187	0	2,466,187	0	0
1,916,184	0	1,916,184	0	0
3,213,163	0	3,213,163	0	0
878,185	0	878,185	0	0
377,462	0	377,462	0	0
13,179,493	0	13,179,493	0	0
1,847,843	0	1,847,843	0	0
12,000	0	12,000	0	0
33,552	0	33,552	4,931	0
111,342	0	111,342	485	5
1,252,408	0	1,252,408	0	0
18,659	0	18,659	0	0
779,117	108,830	887,947	1,227	14,360
26,085,595	108,830	26,194,425	6,643	14,365
2,061,239	182,787	2,244,026	108,633	(45,866)
175,059,940	4,303,347	179,363,287	1,035,916	2,028,031
<u>\$177,121,179</u>	<u>\$4,486,134</u>	<u>\$181,607,313</u>	<u>\$1,144,549</u>	<u>\$1,982,165</u>

Washington County, Ohio
Balance Sheet
Governmental Funds
December 31, 2014

	General	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities
Assets			
Equity in Pooled Cash and Cash Equivalents	\$10,045,701	\$2,748,498	\$3,733,462
Cash and Cash Equivalents in Segregated Accounts	33,227	0	0
Investments in Segregated Accounts	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	89,462	0	0
Materials and Supplies Inventory	124,780	437,329	0
Receivables:			
Property Taxes	2,729,894	0	3,500,082
Sales Taxes	3,542,429	0	0
Accounts	24,699	15,621	1,315
Intergovernmental	913,648	2,675,485	1,482,421
Interfund	24,586	0	0
Prepaid Items	207,869	6,566	8,083
<i>Total Assets</i>	<u>\$17,736,295</u>	<u>\$5,883,499</u>	<u>\$8,725,363</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$260,887	\$45,406	\$81,471
Contracts Payable	40,548	379,752	0
Accrued Wages Payable	250,848	40,769	114,564
Retainage Payable	0	0	0
Leave Benefits Payable	0	0	0
Interfund Payable	0	0	0
Intergovernmental Payable	362,182	56,939	176,062
<i>Total Liabilities</i>	<u>914,465</u>	<u>522,866</u>	<u>372,097</u>
Deferred Inflows of Resources			
Property Taxes	2,565,458	0	3,288,207
Unavailable Revenue	2,106,196	1,503,958	1,077,121
<i>Total Deferred Inflows of Resources</i>	<u>4,671,654</u>	<u>1,503,958</u>	<u>4,365,328</u>
Fund Balances			
Nonspendable	422,111	443,895	8,083
Restricted	0	3,412,780	3,979,855
Committed	0	0	0
Assigned	1,680,940	0	0
Unassigned	10,047,125	0	0
<i>Total Fund Balances</i>	<u>12,150,176</u>	<u>3,856,675</u>	<u>3,987,938</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$17,736,295</u>	<u>\$5,883,499</u>	<u>\$8,725,363</u>

See accompanying notes to the basic financial statements.

County Home	Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
\$2,684,134	\$722,867	\$6,725,597	\$26,660,259
0	0	55,292	88,519
0	0	26,058	26,058
0	0	0	89,462
13,600	0	12,539	588,248
2,087,739	0	1,310,414	9,628,129
0	0	0	3,542,429
3,497	0	24,467	69,599
134,356	386,581	1,555,531	7,148,022
0	0	1,092	25,678
7,947	3,989	61,391	295,845
<u>\$4,931,273</u>	<u>\$1,113,437</u>	<u>\$9,772,381</u>	<u>\$48,162,248</u>
\$35,903	\$8,063	\$208,449	\$640,179
98,523	0	47,419	566,242
45,323	5,225	134,985	591,714
8,675	0	4,796	13,471
0	0	81	81
0	0	25,130	25,130
75,536	5,756	171,545	848,020
<u>263,960</u>	<u>19,044</u>	<u>592,405</u>	<u>2,684,837</u>
1,961,483	0	1,226,072	9,041,220
260,612	285,110	1,601,746	6,834,743
<u>2,222,095</u>	<u>285,110</u>	<u>2,827,818</u>	<u>15,875,963</u>
21,547	3,989	73,930	973,555
2,423,671	805,294	5,086,488	15,708,088
0	0	1,191,740	1,191,740
0	0	0	1,680,940
0	0	0	10,047,125
<u>2,445,218</u>	<u>809,283</u>	<u>6,352,158</u>	<u>29,601,448</u>
<u>\$4,931,273</u>	<u>\$1,113,437</u>	<u>\$9,772,381</u>	<u>\$48,162,248</u>

Washington County, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2014*

Total Governmental Fund Balances		\$29,601,448
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		146,293,916
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Delinquent Property Taxes	586,909	
Sales Taxes	1,358,406	
Intergovernmental	4,881,440	
Charges for Services	6,949	
Rent	706	
Miscellaneous	333	6,834,743
An internal service fund is used by management to charge the costs of providing workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		108,522
Leave Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(1,112,659)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Refunding Bonds Payable	(3,242,701)	
OPWC Loans Payable	(148,320)	
Energy Conservation Bonds Payable	(109,469)	
Accrued Interest Payable	(6,436)	
Capital Leases Payable	(481,959)	
Compensated Absences Payable	(615,906)	(4,604,791)
 Net Position of Governmental Activities		 \$177,121,179

See accompanying notes to the basic financial statements.

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Washington County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	County Home
Revenues				
Property Taxes	\$2,464,563	\$0	\$3,226,956	\$1,925,040
Sales Taxes	12,973,256	0	0	0
Charges for Services	4,072,932	117,094	401,411	416,571
Licenses and Permits	3,127	0	0	0
Fines and Forfeitures	102,568	52,290	0	0
Intergovernmental	1,829,174	5,937,111	5,454,407	263,607
Interest	111,614	10,696	0	0
Rent	552,673	0	0	12,125
Contributions and Donations	12,000	0	34,722	130
Miscellaneous	462,023	17,541	254,837	10,112
<i>Total Revenues</i>	<u>22,583,930</u>	<u>6,134,732</u>	<u>9,372,333</u>	<u>2,627,585</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	6,364,573	0	0	0
Judicial	2,187,012	0	0	0
Public Safety	9,130,800	0	0	0
Public Works	2,305,073	6,063,179	0	0
Health:				
Alcohol, Drug, and Mental Health	0	0	0	0
Board of Developmental Disabilities	0	0	9,139,046	0
County Home	0	0	0	3,143,145
Other Health	110,252	0	0	0
Human Services:				
Child Support Enforcement	0	0	0	0
Children Services	0	0	0	0
Job and Family Services	0	0	0	0
Other Human Services	584,800	0	0	0
Economic Development and Assistance	147,565	0	0	0
Capital Outlay	0	0	0	0
Intergovernmental	0	0	0	0
Debt Service:				
Principal Retirement	132,730	18,540	0	0
Interest and Fiscal Charges	21,146	0	0	0
<i>Total Expenditures</i>	<u>20,983,951</u>	<u>6,081,719</u>	<u>9,139,046</u>	<u>3,143,145</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,599,979</u>	<u>53,013</u>	<u>233,287</u>	<u>(515,560)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	39,168	20,200	2,410	0
Insurance Recoveries	18,659	0	0	0
Transfers In	0	0	0	0
Transfers Out	(1,629,013)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,571,186)</u>	<u>20,200</u>	<u>2,410</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	28,793	73,213	235,697	(515,560)
<i>Fund Balances Beginning of Year</i>	<u>12,121,383</u>	<u>3,783,462</u>	<u>3,752,241</u>	<u>2,960,778</u>
<i>Fund Balances End of Year</i>	<u>\$12,150,176</u>	<u>\$3,856,675</u>	<u>\$3,987,938</u>	<u>\$2,445,218</u>

See accompanying notes to the basic financial statements.

Mental Health and Addiction Recovery Board	Other Governmental Funds	Total Governmental Funds
\$0	\$1,263,824	\$8,880,383
0	0	12,973,256
0	1,481,960	6,489,968
0	265,458	268,585
0	442,795	597,653
2,131,114	8,298,350	23,913,763
0	204	122,514
0	862,382	1,427,180
0	6,619	53,471
1,294	32,977	778,784
<u>2,132,408</u>	<u>12,654,569</u>	<u>55,505,557</u>
0	881,125	7,245,698
0	572,725	2,759,737
0	1,000,521	10,131,321
0	0	8,368,252
1,960,436	0	1,960,436
0	0	9,139,046
0	0	3,143,145
0	174,806	285,058
0	904,932	904,932
0	2,683,954	2,683,954
0	4,490,370	4,490,370
0	1,211,576	1,796,376
0	713,171	860,736
0	66,383	66,383
0	465,215	465,215
0	420,000	571,270
0	90,076	111,222
<u>1,960,436</u>	<u>13,674,854</u>	<u>54,983,151</u>
<u>171,972</u>	<u>(1,020,285)</u>	<u>522,406</u>
0	0	61,778
0	0	18,659
30,000	1,599,013	1,629,013
0	0	(1,629,013)
<u>30,000</u>	<u>1,599,013</u>	<u>80,437</u>
201,972	578,728	602,843
<u>607,311</u>	<u>5,773,430</u>	<u>28,998,605</u>
<u>\$809,283</u>	<u>\$6,352,158</u>	<u>\$29,601,448</u>

Washington County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2014*

Net Change in Fund Balances - Governmental Funds \$602,843

*Amounts reported for governmental activities
in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Asset Additions	2,670,037	
Current Year Depreciation	<u>(1,491,560)</u>	1,178,477

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the proceeds and the loss on sale of assets:

Disposal of Capital Assets	(43,708)	
Proceeds from Sale of Capital Assets	<u>(61,778)</u>	(105,486)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund:

Delinquent Property Taxes	(29,202)	
Sales Tax	206,237	
Intergovernmental	267,168	
Charges for Services	(98,339)	
Fines and Forfeitures	(41)	
Rent	706	
Miscellaneous	<u>333</u>	346,862

Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities:

General Obligation Bonds Payable	165,000	
Refunding Bonds Payable	205,000	
OPWC Loan Payable	18,540	
Energy Conservation Bonds Payable	50,000	
Capital Lease Payable	<u>132,730</u>	571,270

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Bond Premium Amortization	10,809	
Accrued Interest Payable	1,667	
Amortization of Deferred Amount on Refunding	(78,319)	
Amortization of Discount	<u>(2,513)</u>	(68,356)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:

Vacation Benefits Payable	(163,428)	
Compensated Absences Payable	<u>(77,714)</u>	(241,142)

The internal service fund used by management to charge the costs of insurance and workers' compensation to individual funds is not reported in the statement of activities eliminated. The expenses of the internal service fund is allocated among governmental activities.

(223,229)

Change in Net Position of Governmental Activities

\$2,061,239

See accompanying notes to the basic financial statements.

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$2,490,955	\$2,486,755	\$2,470,688	(\$16,067)
Sales Taxes	12,011,750	12,422,100	12,672,085	249,985
Charges for Services	3,120,749	3,884,981	4,072,752	187,771
Licenses and Permits	3,000	3,000	3,127	127
Fines and Forfeitures	104,000	103,314	100,699	(2,615)
Intergovernmental	1,858,587	1,827,536	1,851,628	24,092
Interest	98,065	102,154	111,437	9,283
Rent	132,687	554,687	552,673	(2,014)
Contributions and Donations	0	12,000	12,000	0
Miscellaneous	222,261	401,186	468,209	67,023
<i>Total Revenues</i>	<u>20,042,054</u>	<u>21,797,713</u>	<u>22,315,298</u>	<u>517,585</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	7,291,773	7,498,190	6,784,896	713,294
Judicial	2,410,916	2,407,337	2,204,559	202,778
Public Safety	9,281,126	9,775,531	9,403,821	371,710
Public Works	1,786,244	2,319,659	2,310,911	8,748
Health	114,264	114,264	110,252	4,012
Human Services	656,921	682,758	629,094	53,664
Economic Development and Assistance	147,566	147,566	147,566	0
<i>Total Expenditures</i>	<u>21,688,810</u>	<u>22,945,305</u>	<u>21,591,099</u>	<u>1,354,206</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,646,756)</u>	<u>(1,147,592)</u>	<u>724,199</u>	<u>1,871,791</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	2,000	12,391	12,391	0
Insurance Recoveries	8,833	17,119	18,659	1,540
Advance In	0	17,267	17,267	0
Transfers Out	(2,946,044)	(1,629,013)	(1,629,013)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,935,211)</u>	<u>(1,582,236)</u>	<u>(1,580,696)</u>	<u>1,540</u>
<i>Net Change in Fund Balance</i>	(4,581,967)	(2,729,828)	(856,497)	1,873,331
<i>Fund Balance Beginning of Year</i>	8,659,104	8,659,104	8,659,104	0
Prior Year Encumbrances Appropriated	<u>1,590,933</u>	<u>1,590,933</u>	<u>1,590,933</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$5,668,070</u>	<u>\$7,520,209</u>	<u>\$9,393,540</u>	<u>\$1,873,331</u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)*
Motor Vehicle and Gasoline Tax Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$15,000	\$107,850	\$110,173	\$2,323
Fines and Forfeitures	40,000	48,560	51,911	3,351
Intergovernmental	5,540,000	5,395,234	5,577,132	181,898
Interest	12,000	10,696	10,696	0
Miscellaneous	2,000	16,888	17,516	628
<i>Total Revenues</i>	5,609,000	5,579,228	5,767,428	188,200
Expenditures				
Current:				
Public Works	6,199,064	8,213,355	6,158,316	2,055,039
Debt Service:				
Principal Retirement	18,540	18,540	18,540	0
<i>Total Expenditures</i>	6,217,604	8,231,895	6,176,856	2,055,039
<i>Excess of Revenues Under Expenditures</i>	(608,604)	(2,652,667)	(409,428)	2,243,239
Other Financing Sources				
Proceeds from Sale of Capital Assets	0	28,500	28,500	0
<i>Net Change in Fund Balance</i>	(608,604)	(2,624,167)	(380,928)	2,243,239
<i>Fund Balance Beginning of Year</i>	2,495,817	2,495,817	2,495,817	0
Prior Year Encumbrances Appropriated	311,728	311,728	311,728	0
<i>Fund Balance End of Year</i>	\$2,198,941	\$183,378	\$2,426,617	\$2,243,239

See accompanying notes to the basic financial statements.

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)*
Board of Developmental Disabilities Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$3,216,600	\$3,216,600	\$3,236,378	\$19,778
Charges for Services	255,000	255,000	387,479	132,479
Intergovernmental	4,947,443	4,655,424	5,274,763	619,339
Contributions and Donations	35,000	35,000	34,722	(278)
Miscellaneous	45,500	45,500	255,157	209,657
<i>Total Revenues</i>	8,499,543	8,207,524	9,188,499	980,975
Expenditures				
Current:				
Health	9,074,887	9,874,929	9,498,692	376,237
<i>Excess of Revenues Under Expenditures</i>	(575,344)	(1,667,405)	(310,193)	1,357,212
Other Financing Sources				
Proceeds from Sale of Capital Assets	0	0	2,410	2,410
<i>Net Change in Fund Balance</i>	(575,344)	(1,667,405)	(307,783)	1,359,622
<i>Fund Balance Beginning of Year</i>	3,263,885	3,263,885	3,263,885	0
Prior Year Encumbrances Appropriated	438,845	438,845	438,845	0
<i>Fund Balance End of Year</i>	<u>\$3,127,386</u>	<u>\$2,035,325</u>	<u>\$3,394,947</u>	<u>\$1,359,622</u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)*
County Home Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$1,918,400	\$1,918,400	\$1,930,655	\$12,255
Charges for Services	301,268	301,268	430,850	129,582
Intergovernmental	270,441	270,441	263,607	(6,834)
Rent	17,005	17,005	12,125	(4,880)
Contributions and Donations	0	0	130	130
Miscellaneous	0	0	10,112	10,112
<i>Total Revenues</i>	2,507,114	2,507,114	2,647,479	140,365
Expenditures				
Current:				
Health	4,088,883	4,088,883	3,221,278	867,605
<i>Net Change in Fund Balance</i>	(1,581,769)	(1,581,769)	(573,799)	1,007,970
<i>Fund Balance Beginning of Year</i>	2,908,575	2,908,575	2,908,575	0
Prior Year Encumbrances Appropriated	87,398	87,398	87,398	0
<i>Fund Balance End of Year</i>	<u>\$1,414,204</u>	<u>\$1,414,204</u>	<u>\$2,422,174</u>	<u>\$1,007,970</u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
*Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Mental Health and Addiction Recovery Board Fund
For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$1,754,000	\$1,773,015	\$2,092,904	\$319,889
Miscellaneous	0	0	1,294	1,294
<i>Total Revenues</i>	1,754,000	1,773,015	2,094,198	321,183
Expenditures				
Current:				
Health	1,947,689	2,293,672	2,024,869	268,803
<i>Excess of Revenues Over (Under) Expenditures</i>	(193,689)	(520,657)	69,329	589,986
Other Financing Sources				
Transfers In	45,000	30,000	30,000	0
<i>Net Change in Fund Balance</i>	(148,689)	(490,657)	99,329	589,986
<i>Fund Balance Beginning of Year</i>	550,536	550,536	550,536	0
Prior Year Encumbrances Appropriated	19,148	19,148	19,148	0
<i>Fund Balance End of Year</i>	<u>\$420,995</u>	<u>\$79,027</u>	<u>\$669,013</u>	<u>\$589,986</u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2014

	Business-Type Activity	Governmental Activities
	Sewer Enterprise Fund	Internal Service Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$331,647	\$108,522
Receivables:		
Accounts	82,496	0
Special Assessments	205,358	0
Prepaid Items	205	0
Materials and Supplies Inventory	2,191	0
<i>Total Current Assets</i>	<u>621,897</u>	<u>108,522</u>
Noncurrent Assets:		
Non-Depreciable Capital Assets	379,120	0
Depreciable Capital Assets, Net	7,165,143	0
<i>Total Noncurrent Assets</i>	<u>7,544,263</u>	<u>0</u>
<i>Total Assets</i>	<u>8,166,160</u>	<u>108,522</u>
Liabilities		
Current Liabilities:		
Accounts Payable	9,401	0
Accrued Wages Payable	2,982	0
Vacation Benefits Payable	4,459	0
Intergovernmental Payable	31,615	0
Accrued Interest Payable	5,508	0
Interfund Payable	548	0
Current Portion of OWDA Loan Payable	370,926	0
Current Portion of OPWC Loans Payable	46,961	0
Current Portion of FHA Loan Payable	15,500	0
<i>Total Current Liabilities</i>	<u>487,900</u>	<u>0</u>
Long-Term Liabilities (Net of Current Portion):		
Compensated Absences Payable	665	0
OWDA Loans Payable	1,887,635	0
OPWC Loans Payable	618,826	0
FHA Sewer Loan Payable	685,000	0
<i>Total Long-Term Liabilities</i>	<u>3,192,126</u>	<u>0</u>
<i>Total Liabilities</i>	<u>3,680,026</u>	<u>0</u>
Net Position		
Net Investment in Capital Assets	3,919,415	0
Unrestricted	566,719	108,522
<i>Total Net Position</i>	<u>\$4,486,134</u>	<u>\$108,522</u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Business-Type Activity	Governmental Activities
	Sewer Enterprise Fund	Internal Service Fund
Operating Revenues		
Charges for Services	\$965,751	\$0
Other	677	0
<i>Total Operating Revenues</i>	<u>966,428</u>	<u>0</u>
Operating Expenses		
Personal Services	97,295	0
Fringe Benefits	50,942	0
Contractual Services	394,541	0
Materials and Supplies	20,436	0
Depreciation	231,488	0
Other	6,634	0
<i>Total Operating Expenses</i>	<u>801,336</u>	<u>0</u>
<i>Operating Income</i>	<u>165,092</u>	<u>0</u>
Non-Operating Revenue (Expenses)		
Other Non-Operating Revenues	108,153	0
Other Non-Operating Expenses	0	(223,229)
Interest and Fiscal Charges	(90,458)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>17,695</u>	<u>(223,229)</u>
<i>Change in Net Position</i>	182,787	(223,229)
<i>Net Position Beginning of Year</i>	<u>4,303,347</u>	<u>331,751</u>
<i>Net Position End of Year</i>	<u><u>\$4,486,134</u></u>	<u><u>\$108,522</u></u>

See accompanying notes to the basic financial statements.

Washington County, Ohio
Statement of Cash Flows
Sewer Enterprise Fund
For the Year Ended December 31, 2014

	Business-Type Activity
	Sewer Enterprise Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$890,600
Cash Payments for Employee Services and Benefits	(145,965)
Cash Payments for Goods and Services	(422,273)
Other Operating Revenues	677
Other Operating Expenses	(6,839)
<i>Net Cash Provided by Operating Activities</i>	316,200
Cash Flows from Capital and Related Financing Activities	
Intergovernmental	8,660
Special Assessments	28,477
Payments for Capital Acquisitions	(21,994)
Proceeds from OWDA Loan	14,243
Principal Paid on Debt	(159,832)
Interest and Fiscal Charges Paid on Debt	(90,316)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(220,762)
<i>Net Increase in Cash and Cash Equivalents</i>	95,438
<i>Cash and Cash Equivalents Beginning of Year</i>	236,209
<i>Cash and Cash Equivalents End of Year</i>	\$331,647
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$165,092
Adjustments:	
Depreciation	231,488
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(4,588)
Increase in Delinquent Sewer Receivable	(70,254)
Increase in Prepaid Items	(205)
Increase in Materials and Supplies Inventory	(505)
Decrease in Accounts Payable	(544)
Increase in Accrued Wages Payable	420
Increase in Vacation Benefits Payable	1,987
Decrease in Compensated Absences Payable	(20)
Increase in Interfund Payable	548
Decrease in Intergovernmental Payable	(7,219)
<i>Net Cash Provided by Operating Activities</i>	\$316,200
Noncash Capital Financing Activities:	

During 2014, the Motor Vehicle and Gasoline Tax Fund transferred capital assets to the Sewer Enterprise Fund in the amount of \$16,322.

See accompanying notes to the basic financial statements.

Washington County, Ohio
Statement of Assets and Liabilities
Agency Funds
December 31, 2014

Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,997,479
Cash and Cash Equivalents in Segregated Accounts	984,842
Investments in Segregated Accounts	30,435
Receivables:	
Property Taxes	46,385,800
Accounts	338,579
Special Assessments	369,058
Intergovernmental	<u>2,721,502</u>
<i>Total Assets</i>	<u><u>\$52,827,695</u></u>
Liabilities	
Intergovernmental Payable	\$50,759,949
Undistributed Monies	<u>2,067,746</u>
<i>Total Liabilities</i>	<u><u>\$52,827,695</u></u>

See accompanying notes to the basic financial statements.

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Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2014

NOTE 1 - REPORTING ENTITY

Washington County, Ohio (the County), was created July 26, 1778, by Governor Aurther St. Clair. The County was the first county formed in the Northwest Territory and is composed of twenty-two townships. The County is governed by a board of three County Commissioners elected by the voters of the County. An elected County Auditor serves as chief fiscal officer. In addition, there are seven other elected administrative officials. These officials are: County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, and Sheriff. Also elected are two Common Pleas Court Judges and a Probate and Juvenile Court Judge. The County Commissioners serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the County.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the County are not misleading.

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Washington County, this includes the Board of Developmental Disabilities, the Children Services' Board, the Mental Health and Addiction Recovery Board, and all departments and activities that are directly operated by the elected County Officials.

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 program's governing board and (1) the County is able to significantly influence the programs of services performed or provided by the organization; or (2) the County is legally entitled to or can 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 may also include organizations that are fiscally dependent upon the County in that the County approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government.

Discretely Presented Component Units

Wasco, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. Wasco, Inc., under a contractual agreement with the Washington County Board of Developmental Disabilities, provides sheltered employment for developmentally disabled or handicapped adults in Washington County. The Washington County Board of Developmental Disabilities provides Wasco, Inc. with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of Wasco, Inc. Based on the significant services and resources provided by the County to Wasco, Inc., and the sole purpose of Wasco, Inc. being to provide assistance to the developmentally disabled and handicapped adults of Washington County, Wasco, Inc. is presented as a component unit of Washington County. Wasco, Inc. operates on a fiscal year ending August 31. The financial statements of Wasco, Inc. are prepared in accordance with Governmental Accounting Standards Board Statement 34 following the governmental model of reporting. Separately issued financial statements can be obtained from Wasco, Inc., Marietta, Ohio.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2014

Southeastern Ohio Port Authority (the Authority) was created during 2003, pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution, and research and development interest of Southeastern Ohio, including rendering financial and other assistance to such enterprises situated in the region and to induce the location in Southeastern Ohio of other manufacturing, commerce, distribution, and research entities; to purchase, subdivide, sell, and lease real property in Southeastern Ohio; and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio. The Authority's Board of Directors consists of the number of Directors it deems necessary. They are appointed by the Washington County Commissioners. The County assumes the responsibility to provide financial support to the Authority and has guaranteed the debt of the Authority; therefore, it is included as a discretely presented component unit. Separately issued financial statements can be obtained from the Authority in Marietta, Ohio.

The following potential component units have been excluded from the County's financial statements:

- Washington County Career Center
- Washington County Agricultural Society
- Washington County Historical Society
- Washington State Community College
- Washington County Cooperative Extension
- Marietta Tourist and Convention Bureau
- Washington County Law Library

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statements:

Washington County General Health District The District is governed by the Board of Health which oversees the operation of the District and is elected by a regional advisory council composed of township trustees, mayors of participating municipalities, and one County Commissioner. The council adopts its own budget and operates autonomously from the County. Funding is based on a rate per taxable valuation, along with state and federal grants applied for by the District.

Washington County Soil and Water Conservation District The Soil and Water Conservation District is statutorily created as a separate and distinct political subdivision of the State. The five supervisors of the Soil and Water Conservation District are elected officials authorized to contract and sue on behalf of the District. The supervisors adopt their own budget, authorize District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

The County is associated with certain organizations which are defined as jointly governed organizations and insurance purchasing pools. These organizations are presented in Notes 19 and 21 to the Basic Financial Statements. The organizations are:

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2014

Buckeye Hills-Hocking Valley Regional Development District
Joint Solid Waste District
Washington-Morgan Community Action Corporation
Washington County Family and Children First Council
Wood, Washington, and Wirt Planning Commission
Buckeye Hills Resource Conservation and Development Council (RC&D)
Mid Eastern Ohio Regional Council of Governments (MEORC)
Ohio Valley Employment Resource (OVER)
County Risk Sharing Authority, Inc. (CORSA)
County Employee Benefits Consortium of Ohio, Inc. (CEBCO)

The County is associated with the Washington County Public Library, which is classified as a related organization. Additional information concerning the related organization is presented in Note 20.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the County's accounting policies are described below.

A. Basis of Presentation

The County's basic financial statements consist of government-wide 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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2014

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. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

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

Motor Vehicle and Gasoline Tax Fund This fund accounts for revenue derived from motor vehicle licenses, gasoline taxes, grants, permissive sales taxes, and interest. Expenditures in this fund are restricted by state law to County road and bridge repair/improvements programs.

Board of Developmental Disabilities Fund This fund accounts for the operation of a school and the costs of administering a sheltered workshop for the developmentally disabled residents of the County. Revenue sources are federal and state grant monies and a county-wide property tax levy.

County Home Fund This fund accounts for property tax revenues and other resources used to finance the operation of the County Home.

Mental Health and Addiction Recovery Board Fund This fund accounts for all state, federal, and local funds that have been expended primarily to pay the cost of contracts with local mental health agencies that provide services to the public at large.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is a description of the County's Enterprise Fund:

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Sewer Fund This fund accounts for sanitary sewer services provided to County individual and commercial users. The costs of providing these services are financed primarily through user charges.

Internal Service Funds Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The Internal Service Fund was used to account for the operation of the County's workers' compensation program through a retrospective rating plan.

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

The County's fiduciary funds are all classified as agency funds. The agency funds account for assets held by the County as agent for the Board of Health and other districts and entities and for various taxes, assessments, and state shared resources collected on behalf of and distributed to other local governments.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: sales tax (see Note 8), interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees, and rentals.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes delinquent property taxes, sales taxes, intergovernmental grants, charges for services, rent, and miscellaneous revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

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E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. 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 expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund, program, department, and object level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2014 upon which the final appropriations were based.

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.

F. Cash and Cash Equivalents

To improve cash management, cash received by the County Treasurer is pooled. Cash balances, except cash held by a fiscal agent or held in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through the County's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Various departments within the County have segregated bank accounts for monies held separate from the County's central bank account. These accounts are presented as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited with the County Treasurer.

During 2014, investments were limited to certificates of deposit, which are reported at cost, and in a Federal National Mortgage Note accounted for in the Children Services Special Revenue Fund. These investments are reported at fair value, which is based on quoted market prices. The County Court Agency Fund certificates of deposit and the investment of the Children Services Special Revenue Fund are reflected as "Investments in Segregated Accounts".

Investment procedures are restricted by the provisions of the Ohio Revised Code. County policy requires interest earned on investments to be credited to the General Fund except where there is a legal requirement or there are bond proceeds for capital improvements. Interest revenue credited to the General Fund during 2014 amounted to \$111,614, which includes \$73,376 assigned from other County funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the County are considered to be cash equivalents.

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G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by the creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the County are reported as restricted.

I. Receivables and Payables

Receivables and payables are recorded on the County's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

Using these criteria, the County has elected to not record child support arrearages. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net position and in the fund.

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The County was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest costs incurred during the construction of capital assets utilized by the enterprise funds are also capitalized.

All reported capital assets are depreciated except for land, infrastructure, and construction in process. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activity Estimated Lives</u>
Land Improvements	40-100 Years	n/a
Buildings and Improvements	40-100 Years	40-100 Years
Machinery and Equipment	5-10 Years	5-10 Years
Furniture and Fixtures	5-20 Years	n/a
Vehicles	8 Years	8 Years
Business-Type Infrastructure	N/A	40 Years

The County's infrastructure consists of County roads and bridges, certain culverts, and sewer systems. The County reports infrastructure acquired prior to December 31, 1980.

County road and bridges (infrastructure reported in the Governmental activities column of the statement of net position) are presented using the modified approach and therefore these assets are not depreciated. In addition, expenditures made by the County to preserve existing roads or bridges are expensed rather than capitalized. Only expenditures for additions or improvements are capitalized. Additional disclosures about the condition assessments and maintenance cost regarding the County's roads and bridges appear in the Required Supplementary Information.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "leave benefits payable", rather than long term liabilities, as the balances are to be used by the employees in the year following the year benefits are earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the County's termination policy. The County records a liability for accumulated, unused sick leave for all employees of the County after ten years of service.

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N. Accrued Liabilities and Long-term Obligations

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

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

O. Fund Balance

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

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

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

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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.

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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. State statute authorizes the County Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The County Commissioners assigned fund balance to cover a gap between estimated revenue and appropriations in 2015's appropriated budget.

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

The County applies restricted resources first when expenditures are incurred for purposes for which 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.

P. Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for disaster services, dog and kennel, litter control, marriage license, and urban mass transportation.

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for wastewater treatment. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

R. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

S. Bond Premiums and Discounts

Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. On the government fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are issued.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. The County did not have any extraordinary or special items in 2014.

U. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For 2014, the County implemented Governmental Accounting Standard Board (GASB) *Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees."* This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The implementation of this statement did not result in any change in the County's financial statements.

NOTE 4 - FUND BALANCES

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

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Fund Balances	General	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	County Home	Mental Health and Addiction Recovery Board	Nonmajor Governmental Funds	Total
Nonspendable:							
Inventory	\$124,780	\$437,329	\$0	\$13,600	\$0	\$12,539	\$588,248
Prepays	207,869	6,566	8,083	7,947	3,989	61,391	295,845
Unclaimed monies	89,462	0	0	0	0	0	89,462
Total Nonspendable	422,111	443,895	8,083	21,547	3,989	73,930	973,555
Restricted for:							
County Home Operations	0	0	0	2,423,671	0	0	2,423,671
Road and Bridge Maintenance	0	3,412,780	0	0	0	0	3,412,780
Developmental Disabilities	0	0	3,979,855	0	0	0	3,979,855
Mental Health Operations	0	0	0	0	805,294	0	805,294
Job and Family Services							
Operations	0	0	0	0	0	186,255	186,255
Litter Control	0	0	0	0	0	801	801
Capital Improvements	0	0	0	0	0	295,395	295,395
Bond Retirement	0	0	0	0	0	390,478	390,478
Sheriff Operations	0	0	0	0	0	152,841	152,841
Disaster Services	0	0	0	0	0	100,711	100,711
911 Operations	0	0	0	0	0	310,749	310,749
Dog and Kennel	0	0	0	0	0	140,733	140,733
Senior Citizens	0	0	0	0	0	102,697	102,697
Marriage Licenses	0	0	0	0	0	824	824
Senior Services	0	0	0	0	0	70,371	70,371
Child Support Services	0	0	0	0	0	412,411	412,411
Court Operations	0	0	0	0	0	555,633	555,633
Economic Development	0	0	0	0	0	160,732	160,732
Children Services							
Operations	0	0	0	0	0	579,218	579,218
Real Estate Assessments	0	0	0	0	0	1,626,639	1,626,639
Total Restricted	0	3,412,780	3,979,855	2,423,671	805,294	5,086,488	15,708,088
Committed to:							
Capital Projects	0	0	0	0	0	1,160,455	1,160,455
Background Investigations	0	0	0	0	0	31,285	31,285
Total Committed	0	0	0	0	0	1,191,740	1,191,740
Assigned to:							
2015 Appropriations	1,234,827	0	0	0	0	0	1,234,827
Purchases on Order	446,113	0	0	0	0	0	446,113
Total Assigned	1,680,940	0	0	0	0	0	1,680,940
Unassigned:	10,047,125	0	0	0	0	0	10,047,125
Total Fund Balances	\$12,150,176	\$3,856,675	\$3,987,938	\$2,445,218	\$809,283	\$6,352,158	\$29,601,448

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP).
4. Unrecorded cash and interest, segregated accounts, and prepaid items are reported on the balance sheet (GAAP basis) but not on the budgetary basis.
5. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.
6. Advances in are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

Net Change in Fund Balances					
General and Major Special Revenue Funds					
	General	Motor Vehicle and Gasoline Tax	Board of Developmental Disabilities	County Home	Mental Health and Addiction Recovery Board
GAAP Basis	\$28,793	\$73,213	\$235,697	(\$515,560)	\$201,972
Net Adjustment for Revenue Accruals Beginning of the Year:	(281,817)	(375,979)	(193,256)	14,279	(38,210)
Unrecorded Cash	84,445	9,874	0	0	0
Unreported Interest	9,260	0	0	0	0
Agency Fund					
Cash Allocation	77,861	0	101,401	60,499	0
Prepaid Items	201,919	9,816	27,129	10,527	4,283
End of the Year:					
Unrecorded Cash	(43,986)	(1,199)	0	0	0
Unreported Interest	(9,432)	0	0	0	0
Segregated Accounts	(33,227)	0	0	0	0
Agency Fund					
Cash Allocation	(71,736)	0	(91,979)	(54,884)	0
Prepaid Items	(207,869)	(6,566)	(8,083)	(7,947)	(3,989)
Net Adjustment for Expenditure Accruals	15,271	222,295	(132,156)	126,363	(10,873)
Net Adjustment for Proceeds from Sale of Capital Assets	(26,777)	8,300	0	0	0
Advances In	17,267	0	0	0	0
Encumbrances	(616,469)	(320,682)	(246,536)	(207,076)	(53,854)
Budget Basis	<u>(\$856,497)</u>	<u>(\$380,928)</u>	<u>(\$307,783)</u>	<u>(\$573,799)</u>	<u>\$99,329</u>

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NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories, active and inactive. 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.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed 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 obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2) above and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;

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9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. Commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase.
 - b. Bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and,
12. One percent of the County's average portfolio in debt interests rated at the time of purchase in the three categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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. Other than corporate notes, commercial paper, and bankers' acceptances, an investment 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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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, \$31,000,015 of the County's bank balance of \$29,628,188 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County has no deposit policy for custodial credit 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 105 percent of the deposits being secured.

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Investments As of December 31, 2014, the County had the following investment:

	<u>Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Association Note	\$25,310	7/28/2015

Interest Rate Risk The County's investment policy does not address interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and that an investment must be purchased with the expectation that it will be held to maturity. The intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk The Federal National Mortgage Association Note carried a credit rating by Moody's of Aaa. The County has no investment policy that would limit its investment choices other than the restrictions contained in State statute.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no investment policy dealing with investment custodial credit risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The County places no limit on the amount it may invest in any one issuer. The County has 100 percent in Federal National Mortgage Association Note.

NOTE 7 - RECEIVABLES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes were levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

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The full tax rate for all County operations for the year ended December 31, 2014, was \$10.05 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

Real Property	\$1,048,479,840
Public Utility Personal Property	<u>181,941,190</u>
Total	<u><u>\$1,230,421,030</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which were measurable as of December 31, 2014, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Washington County, Ohio
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B. Intergovernmental Receivables

Governmental Activities	<u>Amounts</u>
Motor Vehicle License Tax	\$1,175,918
Gas Excise Tax	1,123,198
Homestead and Rollback	930,259
Community Development Block Grants	738,000
Casino Tax	357,751
Local Government	312,618
Ohio Department of Transportation Road Resurfacing Grant	296,994
Waiver Services	268,470
Children Services Reimbursements	267,809
Child Support Enforcement Agency Reimbursements	265,939
Board of Developmental Disabilities Reimbursements	193,038
Board of Developmental Disabilities State Subsidy	175,956
Continuum of Care	152,333
Targeted Case Management	125,929
Board of Developmental Disabilities Tax Equity	76,268
Permissive Motor Vehicle License Tax	75,871
Mental Health Treatment Grants	73,575
Pathways II Grant	64,121
Mental Health Prevention Grants	50,847
Special Education Part B- IDEA	43,126
Community Collaborative Grant	41,500
Therapy Services Reimbursements	35,785
Mental Health Title XX	30,124
Community Corrections Grant	30,000
Prisoner Care	27,213
Emergency Management Performance Grant	24,603
Mental Health Block Grants	20,943
Victims of Crime Act - Victim Assistance	20,085
Job and Family Services Reimbursements	16,894
Board of Developmental Disabilities Family Support	16,533
Municipal Court Disbursements	15,754
Continuum of Care - Alcohol or Drug	14,237
National Service Grants	13,616
Early Childhood Special Education	11,468
Board of Developmental Disabilities Title XX	11,351
Transitions Developmental Disabilities Case Management Subsidy	9,794
Defense of Indigents Reimbursements	8,396
Waiver Administration	5,526
School Lunch Reimbursements	4,710
Litter Control Grant	4,705
Miscellaneous	3,583
Bullet Proof Vest Partnership Grant	3,426
Criminal Justice Services - Forensic Monitoring	3,022
Selective Traffic Enforcement Program	1,814
Impaired Driving Enforcement Program	1,661
Online Pollworker Training Grant	1,260
Wayne National Forest Grant	1,145
Election Expense Reimbursement	577
Estate Tax	277
Total Intergovernmental Receivable	<u><u>\$7,148,022</u></u>

Washington County, Ohio
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 December 31, 2014

NOTE 8 - PERMISSIVE SALES AND USE TAX

In 1983, the County Commissioners, by resolution, imposed a one percent tax on all retail sales 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. At the November 1989 general election, an additional one-half percent tax was approved by the voters of the County. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management (OBM) 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. OBM then has five days in which to draw the warrant payable to the County.

A receivable is recognized at year end for amounts that will be received from sales which occurred during 2014.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$1,099,719	\$0	\$0	\$1,099,719
Infrastructure	127,641,590	473,190	(77,260)	128,037,520
Construction in Progress	156,684	802,538	(830,474)	128,748
Total Non-Depreciable Capital Assets	<u>128,897,993</u>	<u>1,275,728</u>	<u>(907,734)</u>	<u>129,265,987</u>
Depreciable Capital Assets:				
Land Improvements	701,180	0	0	701,180
Buildings and Improvements	22,724,050	1,010,523	0	23,734,573
Machinery and Equipment	7,154,114	286,502	(83,378)	7,357,238
Furniture and Fixtures	1,411,424	32,455	0	1,443,879
Vehicles	5,918,513	895,303	(229,957)	6,583,859
Total Depreciable Capital Assets	<u>37,909,281</u>	<u>2,224,783</u>	<u>(313,335)</u>	<u>39,820,729</u>
Accumulated Depreciation:				
Land Improvements	(494,850)	(27,066)	0	(521,916)
Buildings and Improvements	(11,265,831)	(614,989)	0	(11,880,820)
Machinery and Equipment	(4,620,722)	(395,675)	65,726	(4,950,671)
Furniture and Fixtures	(913,884)	(58,731)	0	(972,615)
Vehicles	(4,291,062)	(395,099)	219,383	(4,466,778)
Total Accumulated Depreciation	<u>(21,586,349)</u>	<u>(1,491,560)*</u>	<u>285,109</u>	<u>(22,792,800)</u>
Total Depreciable Capital Assets, Net	<u>16,322,932</u>	<u>733,223</u>	<u>(28,226)</u>	<u>17,027,929</u>
Governmental Capital Assets, Net	<u>\$145,220,925</u>	<u>\$2,008,951</u>	<u>(\$935,960)</u>	<u>\$146,293,916</u>

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* Depreciation expense was charged to governmental activities as follows:

General Government:	
Legislative and Executive	\$235,050
Judicial	14,049
Public Safety	475,401
Public Works	297,004
Health:	
Mental Health and Addiction Recovery Board	1,261
Board of Developmental Disabilities	160,384
County Home	104,621
Human Services:	
Child Support Enforcement	634
Children Services	108,090
Job and Family Services	75,715
Other Human Services	19,351
Total Depreciation Expense	<u>\$1,491,560</u>

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
Business-Type Activity:				
Non-Depreciable Capital Assets:				
Land	\$379,120	\$0	\$0	379,120
Construction in Progress	2,151,299	15,494	(2,166,793)	0
Total Non-Depreciable Capital Assets	<u>2,530,419</u>	<u>15,494</u>	<u>(2,166,793)</u>	<u>379,120</u>
Depreciable Capital Assets:				
Buildings and Improvements	609,681	6,500	0	616,181
Machinery and Equipment	497,361	0	0	497,361
Infrastructure	7,457,434	2,166,793	0	9,624,227
Vehicles	22,819	16,322	0	39,141
Total Depreciable Capital Assets	<u>8,587,295</u>	<u>2,189,615</u>	<u>0</u>	<u>10,776,910</u>
Accumulated Depreciation:				
Buildings and Improvements	(365,968)	(17,171)	0	(383,139)
Machinery and Equipment	(411,177)	(9,509)	0	(420,686)
Infrastructure	(2,582,628)	(202,526)	0	(2,785,154)
Vehicles	(20,506) *	(2,282)	0	(22,788)
Total Accumulated Depreciation	<u>(3,380,279)</u>	<u>(231,488)</u>	<u>0</u>	<u>(3,611,767)</u>
Total Depreciable Capital Assets, Net	<u>5,207,016</u>	<u>1,958,127</u>	<u>0</u>	<u>7,165,143</u>
Business-Type Capital Assets, Net	<u>\$7,737,435</u>	<u>\$1,973,621</u>	<u>(\$2,166,793)</u>	<u>\$7,544,263</u>

* Prior years balance was increased \$16,322 for a non-cash transfer of a fully depreciated vehicle from governmental activities.

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NOTE 10 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. During 2014, the County contracted with the County Risk Sharing Authority, Inc. (CORSA), an insurance purchasing pool (see Note 21), for liability, auto, and crime insurance. CORSA, a non-profit corporation sponsored by the County Commissioners of Ohio, was created to provide affordable liability, property, casualty, and crime insurance coverage for its members and was established May 12, 1987. Coverage provided by the program and applicable deductibles are as follows:

	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$1,000,000 each occurrence	\$2,500
Law Enforcement Liability	1,000,000 each occurrence	2,500
Automobile Liability	1,000,000 each occurrence	2,500
Errors and Omissions Liability	1,000,000/1,000,000	2,500
Property Damage Liability	110,198,856	2,500
Equipment Breakdown	1,000,000	2,500
Crime	1,000,000	2,500
Stop Gap Liability	1,000,000	2,500
Professional Liability	1,000,000	2,500
Medical Professional Liability	2,000,000	2,500

Settled claims have not exceeded coverage in any of the last three years. There has been no significant reduction in coverage from the prior year.

The County pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. The Ohio Revised Code authorizes OPERS to calculate employee contribution rates for public safety employees and limits the law enforcement rate to the public safety rate plus an additional percentage not to exceed two percent. For the year ended December 31, 2014, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12 percent and 13 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2014, member and employer contribution rates were consistent across all three plans

The County's 2014 contribution rate was 14 percent, except for those plan members in public safety or law enforcement, for whom the County's contribution was 18.1 percent of covered payroll. The portion of the County's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the County's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remains at 2 percent. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012, were \$2,592,214, \$2,589,801, and \$1,892,383, respectively. For 2014, 89.72 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the Member-Directed Plan for 2014 were \$69,038 made by the County and \$49,312 made by plan members.

B. State Teachers Retirement System

Plan Description – Certified teachers, employed by the school for developmental disabilities, participates 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 and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The County's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$91,999 and \$0 for the year ended December 31, 2014, \$73,975 and \$0 for the year ended December 31, 2013, and \$76,225 and \$11 for the year ended December 31, 2012. For 2014, 96.51 percent has been contributed for the DB plan with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for 2014 were \$49 made by the County and \$39 made by the plan members. No member contributions were made for 2014 for the defined contribution portion of the Combined Plan.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for 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. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

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

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

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through 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 covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remains at 2 percent for both plans as recommended by the OPERS actuary.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$415,092, \$192,131, and \$803,723, respectively. For 2014, 89.72 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

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.

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B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012, were \$7,081, \$5,986, and \$6,182, respectively. For 2014, 96.52 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

NOTE 13 - OTHER EMPLOYER BENEFITS

A. Deferred Compensation Plan

Washington County employees and elected officials may participate in a state-wide deferred compensation plan created in accordance with Internal Revenue Code Section 457 offered by the State of Ohio. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

B. Compensated Absences

County employees follow various personnel policies as established by the County Commissioners, union agreements, or departmental mandates. Some employees of the Board of Developmental Disabilities, Child Support Enforcement, departments are represented by union agreements. Employees of Mental Health, Job and Family Services, Sheriff, Engineer, Board of Developmental Disabilities (union and non-union), Children's Services, County Home departments follow their own departmental policies. All other County employees follow the Commissioners policy

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Each employee accrues 4.6 hours of sick time for each two week pay period worked. Accrual continues during periods of approved paid leave. Unused sick leave is cumulative without limit. Job and Family Services, the Board of Developmental Disabilities (union employees), and Child Support Enforcement employees earn annual leave based on their length of service and can be converted to extended illness leave at the rate of three days credit for each two days of unused leave converted. Upon retirement, with 10 years of service with the County, the State, or any of its political subdivisions, all employees, except for Job and Family Services, Board of Developmental Disabilities employees (non-union and union), Child Support Enforcement (union), and Children Services (hired prior to July 3, 2013) are paid 25% of their sick leave up to a maximum of 240 hours. Board of Developmental Disabilities non-union employees, with 10 years of service with the County, are paid 50% of their sick leave up to a maximum of 480 hours. Board of Developmental Disabilities union employees are paid 25% of their annual leave balance not to exceed 480 hours. Children's Services employees hired prior to July 3, 2013, with 10 years of service with the County, are paid 100% of their sick balances that they had accrued at June 22, 2013. In addition to each employee's June 22, 2013 sick leave balance they are paid 25% of the value of the sick leave accrued but unused between June 23, 2013 and the time of retirement or 240 hours; the lessor of the two numbers. The maximum of such payment shall not exceed 1,000 hours. Child Support Enforcement union employees are paid their total hours times 2/3 times 50% of the final rate of pay up to a maximum of 500 hours. Job and Family Services employees are paid their total hours times 2/3 times 50% of the final rate of pay up to a maximum of three times the employee's annual leave entitlement.

Unused vacation time and compensatory time are paid to a terminated employee at varying rates depending on length of service and department policy.

C. Insurance Benefits

During 2014, the County participated with the County Employee Benefits Consortium of Ohio, Inc. (CEBCO) (a risk-sharing pool – see Note 21). CEBCO charges a fixed premium per month per enrolled employee. The premiums, along with an administrative charge, are paid into each participating County funds and, in turn, the premiums are paid to CEBCO. Premiums charged by CEBCO are based upon the County's claims experience. An excess coverage policy covers annual individual claims in excess of \$75,000 with an unlimited maximum. CEBCO retains liability for claims that exceed the expected losses and charged premiums.

The County provides employee medical/surgical benefits to employees, except Children Services, through Anthem Blue Cross/Blue Shield. The plan has \$1,000 single and \$2,000 family deductible limits. Except for employees of the Mental Health, Soldiers Relief, and Health Department, the County pays 80 percent of the total monthly premium for both single and family coverage. The County pays 100 percent for both single and family coverage for employees of the Mental Health Department and Soldiers Relief. The County pays 81 percent for both single and family coverage for employees of the Health Department. Premiums are paid from the same funds that pay the employee's salaries.

The County provides employee life insurance and accidental death and dismemberment insurance to employees, except for life insurance for Children Services and Board of Developmental Disability, through Dearborn National in the amount of \$10,000 each employee and \$35,000 for management employees at the Job and Family Services.

For the employees of the Children Services Department, medical/surgical benefits is provided through Medical mutual of Ohio, dental is provided through Delta Dental, and life insurance through American United Life for \$25,000. The County Board of Developmental Disabilities provides life insurance to their employees through CBA Benefit Services, in the amount of \$20,000.

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Dental insurance is provided to employees of the Department of Job and Family Services, Child Support Enforcement Agency, the Health Department, and the Children Services Board. Vision insurance is provided to employees of the Department of Job and Family Services and the Child Support Enforcement Agency. Dental insurance is provided to employees of the Board of Developmental Disabilities through CBA Benefit Services.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the County entered into agreements to lease radio equipment, server equipment, and ballot equipment. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations in the financial statements. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds.

Equipment acquired by leases has been capitalized in the government wide statements for governmental activities in the amount of \$589,537 as of December 31, 2014, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements for governmental activities. During 2013, the County entered into a capital lease for the purchase of radio equipment from Motorola for \$481,121. The radio equipment acquired by lease in the amount of \$301,121 has not been capitalized but a capital leases payable has been recorded in the government-wide statements. Governmental activities capitalized leased assets are reflected net of accumulated depreciation for a book value of \$441,850 as of December 31, 2014. Principal payments for all capital leases during 2014 totaled \$132,730 for governmental activities.

Future minimum lease payments through 2022 are as follows:

Year	Governmental Activities	
	Principal	Interest
2014	\$84,330	\$2,573
2015	43,944	13,877
2016	45,478	12,344
2017	47,065	10,756
2018	48,708	9,114
2019-2022	212,434	18,853
Total	\$481,959	\$67,517

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NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the County's long-term obligations during the year consisted of the following:

	Original Issue Amount	Principal Outstanding 12/31/13	Additions	Deductions	Principal Outstanding 12/31/14	Amounts Due within One Year
Governmental Activities:						
General Obligation Bonds:						
2006 Energy Conservation Bonds - 5.00%	\$440,000	\$155,000	\$0	\$50,000	\$105,000	\$50,000
Bond Premium		6,802	0	2,333	4,469	0
2011 - Various Purpose Refunding Bonds:						
Serial - 2%-2.50%	1,195,000	870,000	0	170,000	700,000	170,000
Term - 2.75%	110,000	110,000	0	0	110,000	0
Term - 2.90%	115,000	115,000	0	0	115,000	0
Term - 3.60%	250,000	250,000	0	0	250,000	0
Bond Premium		15,918	0	1,241	14,677	0
Bond Discount		(10,002)	0	(780)	(9,222)	0
2004 - Capital Facilities Jail Bonds:						
Serial - 2%-4.25%	2,090,000	165,000	0	165,000	0	0
Bond Premium		6,430	0	6,430	0	0
Bond Discount		(1,733)	0	(1,733)	0	0
2012 - Capital Facilities Jail Refunding Bonds:						
Serial - 1%-2.50%	2,055,000	2,055,000	0	0	2,055,000	215,000
Term - 1.00%	125,000	35,000	0	35,000	0	0
Bond Premium		8,051	0	805	7,246	0
Total General Obligation Bonds		<u>3,780,466</u>	<u>0</u>	<u>428,296</u>	<u>3,352,170</u>	<u>435,000</u>
2012 - Resurfacing OPWC Loan - 0%	185,400	166,860	0	18,540	148,320	9,270
Capital Leases		614,689	0	132,730	481,959	84,330
Compensated Absences - Sick Leave		538,192	125,401	47,687	615,906	19,036
Total Governmental Activities		<u>\$5,100,207</u>	<u>\$125,401</u>	<u>\$627,253</u>	<u>\$4,598,355</u>	<u>\$547,636</u>

(continued)

Washington County, Ohio
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	Original Issue Amount	Principal Outstanding 12/31/13	Additions	Deductions	Principal Outstanding 12/31/14	Amounts Due within One Year
Business-Type Activities:						
OPWC Loans:						
1995 - Devola Sewer Loan - 0%	\$328,552	\$16,428	\$0	\$8,214	\$8,214	\$8,214
1999 - Cherry Blossom Sewer Loan - 2.00%	80,370	27,549	0	2,172	25,377	4,410
1998 - Barlow Vincent Sewer Plant Loan - 0%	225,000	45,000	0	5,625	39,375	11,250
2012 Woodlawn Acres Sewer Improvements Loan - 0%	649,433	440,512	0	7,342	433,170	14,684
2011 Sanitary System Improvements Loan - 0%	168,053	163,852	0	4,201	159,651	8,403
Total OPWC Loans		<u>693,341</u>	<u>0</u>	<u>27,554</u>	<u>665,787</u>	<u>46,961</u>
1997 - FHA Sewer Loan - 0%	873,000	715,500	0	15,000	700,500	15,500
OWDA Loans:						
2004 - OWDA Sewer Loan - 3.41%	283,227	172,219	0	13,896	158,323	7,126
2009 - OWDA River Sewer Rehabilitation Loan - 1.50%	283,024	232,976	0	12,986	219,990	6,566
2010 - OWDA Devola Sanitary Sewer Improvements Design Loan - 4.42%	441,506	357,702	14,243	19,874	352,071	352,071
2010 - OWDA Lift Station and Sewer Improvements Loan - 1.50%	227,595	202,724	0	10,212	192,512	5,163
2011 - OWDA Devola Lift Station Improvements Loan - 3.20%	1,556,231	1,395,975	0	60,310	1,335,665	0
Total OWDA Loans		<u>2,361,596</u>	<u>14,243</u>	<u>117,278</u>	<u>2,258,561</u>	<u>370,926</u>
Compensated Absences - Sick Leave		<u>685</u>	<u>0</u>	<u>20</u>	<u>665</u>	<u>0</u>
Total Business-Type Activities		<u>\$3,771,122</u>	<u>\$14,243</u>	<u>\$159,852</u>	<u>\$3,625,513</u>	<u>\$433,387</u>

A. Governmental Activities

The 2011 Various Purpose Refunding Bonds are unvoted and are being retired from the General Bond Retirement Fund with general property tax revenues for the Juvenile Center portion and from with rental payments received from the Job and Family Services Special Revenue Fund for their portion. The 2004 Capital Facilities Jail Refunding Bonds are unvoted and was retired from the General Bond Retirement Fund with general property tax revenues in 2014. The 2004 Jail bonds consisted of serial and term bonds. The term bonds and part of the serial bonds were refunded in 2012. The 2012 Capital Facilities Jail Refunding Bonds are unvoted and will be retired from the General Bond Retirement Fund with general property tax revenues. The Energy Conservation Bonds are unvoted and will be retired with monies realized through energy savings. The Resurfacing OPWC loan is unvoted and will be retired from the Motor Vehicle and Gasoline Tax Fund. The capital leases are being paid for by the General Fund. Compensated absences for sick leave liabilities will be paid from the General Fund and the Mental Health, Job and Family Services, Child Support Enforcement Agency, Motor Vehicle and Gasoline Tax, County Home, Board of Developmental Disabilities, Children Services, Dog and Kennel, 911, Court Corrections, Sheriff, Disaster Services, Retired Senior Volunteer Program, and Real Estate Assessment Special Revenue Funds.

2011 Refunding Bonds:

On November 11, 2011, the County issued refunding bonds of \$1,670,000 consisting of \$1,195,000 in serial bonds and \$475,000 in term bonds. The bonds were sold at a premium and discount of \$18,605 and \$11,690, respectively, and will be amortized over the term of the bonds.

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Mandatory Redemptions The Refunding Bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 of the year shown in, and according to, the following schedule:

<u>Year</u>	<u>Amount</u>
2019	\$55,000

The remaining principal balance of \$55,000 is scheduled to be paid at the stated maturity of the corresponding Term Bond.

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 of the year shown in, and according to, the following schedule:

<u>Year</u>	<u>Amount</u>
2021	\$55,000

The remaining principal balance of \$60,000 is scheduled to be paid at the stated maturity of the corresponding Term Bond.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 of the year shown in, and according to, the following schedule:

<u>Year</u>	<u>Amount</u>
2023	\$60,000
2024	60,000
2025	65,000

The remaining principal balance of \$65,000 is scheduled to be paid at the stated maturity of the corresponding Term Bond.

Term bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement for the corresponding Term Bonds.

Optional Redemption The bonds maturing on or after December 1, 2019, are also subject to prior redemption, by and at the sole option of the County, in whole or in part as selected by the County (in whole multiples of \$5,000), on any date on or after December 1, 2018, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

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2012 Refunding Bonds:

On April 11, 2012, the County issued refunding bonds of \$2,180,000 consisting of \$2,055,000 in serial bonds and \$125,000 in term bonds. The refunding bonds will mature on December 1, 2023. These bonds were issued to advance refund part of the 2004 Capital Facilities Jail Bonds. The advance refunded portion of the bonds, as well as the unamortized premium and discount of these advance refunded bonds, were removed from the financial statements of the County. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$271,364. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for 2014 was \$78,319. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$150,984. The issuance resulted in an economic gain of \$134,130. At the date of the refunding, \$2,127,271 (including underwriter fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2004 bonds. As of December 31, 2014, all of the refunded bonds were retired, and the balance of the irrevocable trust account was \$0.

Mandatory Redemptions The bonds that matured on December 1, 2014, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation. The mandatory redemption occurred on December 1, 2014 at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, of \$35,000.

Optional Redemption The bonds maturing on or after December 1, 2019, are also subject to prior redemption on or after June 1, 2019, by and at the sole option of the County, either in whole or in part (as selected by the County) on any date and in integral multiples of \$5,000, at par plus accrued interest to the redemption date.

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2014, are as follows:

Year Ended December 31,	Energy Conservation Bonds		
	Principal	Interest	Total
2015	\$50,000	\$5,250	\$55,250
2016	55,000	2,750	57,750
	\$105,000	\$8,000	\$113,000

Year Ended December 31,	Various Purpose Refunding Bonds				
	Serial		Term		Total
	Principal	Interest	Principal	Interest	
2015	\$170,000	\$31,135	\$0	\$0	\$201,135
2016	175,000	27,735	0	0	202,735
2017	180,000	24,235	0	0	204,235
2018	175,000	19,735	0	0	194,735
2019	0	0	55,000	15,360	70,360
2020-2024	0	0	290,000	52,763	342,763
2025-2026	0	0	130,000	7,020	137,020
	\$700,000	\$102,840	\$475,000	\$75,143	\$1,352,983

Washington County, Ohio
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Year Ended December 31,	Capital Facilities Jail Refunding Bonds		
	Serial		
	Principal	Interest	Total
2015	\$215,000	\$40,840	\$255,840
2016	215,000	38,475	253,475
2017	220,000	35,250	255,250
2018	220,000	30,850	250,850
2019	225,000	26,450	251,450
2020-2023	960,000	57,488	1,017,488
	\$2,055,000	\$229,353	\$2,284,353

OPWC:

In June 2012, the County entered into a loan with the Ohio Public Works Commission (OPWC) in the amount of \$185,400 at zero percent interest for the purpose of resurfacing certain county roads. Principal payments are due July 1 of each year through 2023.

Principal requirements to retire the Resurfacing OPWC Loan at December 31, 2014, are as follows:

Year Ended December 31,	Principal
2015	\$9,270
2016	18,540
2017	18,540
2018	18,540
2019	18,540
2020-2023	64,890
Total	\$148,320

B. Business-Type Activity

The Ohio Public Works Commission Devola loan, Woodlawn Acres loan, and part of the Cherry Blossom loan will be repaid using revenue from a special assessment assessed upon property owners. In the event of default of the property owners, the County would pay the loan using the operating revenues of the sewer district. The Barlow Vincent Sewer loan, Sanitary System Improvements loan, parts of the Cherry Blossom loan, the OWDA Loans, and the FHA loans will be repaid using operating revenues of the sewer district. All of the loans are recorded in the Sewer Enterprise Fund. All of the loans are general obligations except the OWDA Loans.

OWDA:

The 2004 Ohio Water Development Authority (OWDA) Sewer Loan relates to a project for engineering design of various Sewer projects. The loan is payable solely from net revenues along with a onetime charge of \$1,000 per household to the residents in the Oxbow area. The loan is payable through 2024.

The 2009 Ohio Water Development Authority (OWDA) Riverview Sewer Rehabilitation Loan relates to the rehabilitation of sewer lines in the Riverview Community. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements. The loan is payable through 2030.

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The 2010 Ohio Water Development Authority (OWDA) Devola Sanitary Sewer Improvements Phase II Design Loan relates to the rehabilitation of sewer lines in the Devola Community. As of December 31, 2014, this loan has not been fully drawn down and no amortization schedule exists. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 2010 Ohio Water Development Authority (OWDA) Lift Station and Sewer Improvements Loan relates to the rehabilitation of sewer lines for the Oxbow Sanitary Sewer System. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements. The loan is payable through 2031.

The 2011 Ohio Water Development Authority (OWDA) Devola Life Station and Sewer Improvements Loan relates to the rehabilitation of sewer lines for the Devola Sanitary Sewer System. As of December 31, 2014, this loan has not been fully drawn down and no amortization schedule exists. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The County has pledged future customer revenues, net of specified operating expenses, to repay \$2,258,561 in OWDA loans issued from 2004 to 2011. Proceeds from these loans provided financing for various sewer projects. The loans are payable solely from customer net revenues and are payable through 2044. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require more than 35 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans is \$2,338,942. Principal and interest payments for the current year were \$175,121, net revenues were \$504,733, and total revenues were \$1,074,581.

The following is a summary of the County's future annual principal and interest requirements to retire the loans:

Year Ended December 31,	Principal	Interest	Total
2015	\$81,316	\$37,802	\$119,118
2016	94,178	42,261	136,439
2017	95,628	40,461	136,089
2018	92,478	38,700	131,178
2019	88,354	36,844	125,198
2020-2024	453,267	155,064	608,331
2025-2029	406,274	107,196	513,470
2030-2034	338,624	61,400	400,024
2035-2039	220,919	13,534	234,453
2040-2044	66,074	0	66,074
Total	<u>\$1,937,112</u>	<u>\$533,262</u>	<u>\$2,470,374</u>

C. Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total valuation of the County. The Code further provides that the total shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The County's total debt margin was \$26,272,684 and the unvoted debt margin was \$9,316,368 at December 31, 2014.

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NOTE 16 - INTERFUND TRANSFERS AND BALANCES

Interfund balances, as of December 31, 2014, consist of the following individual interfund receivables and payables:

Interfund Payable	Interfund Receivable		
	General	Other Governmental Funds	Total
Other Governmental Funds	\$24,038	\$1,092	\$25,130
Sewer	548	0	548
	\$24,586	\$1,092	\$25,678

The interfund receivables/payables are due to lags between the dates interfund goods and services are provided, transactions were recorded in the accounting system, and payments between funds were made. Also, the General Fund made an advance (short-term loan) to the Sheriff Special Revenue Funds.

Interfund transfers for the year ended December 31, 2014, consisted of the following:

Transfer Out	Transfer In		
	Mental Health and Addiction Recovery Board	Other Nonmajor Governmental	Total
General Fund	\$30,000	\$1,599,013	\$1,629,013

Transfers were 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 authorizations.

NOTE 17 - SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2014, the County had a contractual purchase commitment as follows:

Projects	Purchase Commitments	Amounts Paid as of 12/31/2014	Amount Remaining on Contract
<i>County Home Boiler Replacement Project:</i>			
County Home Fund	\$106,500	\$106,248	\$252
<i>County Home Barn Siding Project:</i>			
County Home Fund	31,450	18,500	12,950
<i>2016 County Revaluation:</i>			
Real Estate Assessment Funds	1,090,000	389,348	700,652
Total All Projects	\$1,227,950	\$514,096	\$713,854

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B. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds:	
General	\$616,469
Motor Vehicle and Gasoline Tax	320,682
Board of Developmental Disabilities	246,536
County Home	207,076
Mental Health and Addiction	
Recovery Board	53,854
Nonmajor Governmental Funds	<u>1,137,569</u>
Total Governmental Funds	<u>2,582,186</u>
Enterprise Fund:	
Sewer	<u>63,811</u>
Total	<u><u>\$2,645,997</u></u>

NOTE 18 - FINANCIAL GUARANTEE

In April 2014, Washington County guaranteed one year of debt payments equal to \$55,291.79 of the Southeastern Ohio Port Authority's Rural Industrial Park Loan of \$484,970. The guaranteed will remain in effect until the debt is paid in full. The Southeastern Ohio Port Authority is a discretely presented component unit of the County. The County assumes the responsibility to provide financial support to the Authority and has guaranteed the debt of the Authority. The Rural Industrial Park Loan was issued for the completion of the Ingenuity Center located at 300 Commerce Drive in Marietta, Ohio. The Center was built to bring job opportunities to the area by offering manufacturing, distribution, and office space for lease. Under the agreement, principal and interest payments are not required until September 1, 2019, unless the Center is leased. In the event that the Authority cannot lease the Center in order to make the loan payments, the County will be responsible for one year of payments. The County entered into an agreement with the Authority to receive reimbursements for any payments that may be made. The Loan is secured by the Center's mortgage. If the Authority cannot make the loan payments and a sale of the property takes place, the County will be reimbursed for the payments made with proceeds received in excess of the balance owed by the Authority. It was determined that it was not likely the County would be required to pay the loan payments and, therefore, no liability was recognized in the statements.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2014

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Developmental District serves as the Area Agency on Aging for Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and implementing plans and programs. The District is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens Council, one member from the City of Marietta Council, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The District administers County Community Development Block Grant and Issue II monies. During 2014, the District received \$47,375 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

B. Joint Solid Waste District

The County is a member of the Joint Solid Waste District which consists of Washington, Guernsey, Monroe, Morgan, Muskingum, and Noble Counties. The purpose of the District is to make disposal of waste in the six-county area more comprehensive in terms of recycling, incinerating, and land filling. The District provides for management strategies and local government funding on behalf of the participating counties regarding contractual arrangements with private solid waste disposal facilities, which would assure continued access to adequate disposal capacity for the District. The District was created in 1989 as required by the Ohio Revised Code.

The Joint Solid Waste District is governed and operated through three groups. An eighteen-member board of directors, composed of the three Commissioners from each County, is responsible for the District's financial matters. Financial records were maintained by Muskingum County until May 1993 at which time Noble County assumed the responsibility. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no contributions were received from the County in 2014. No future contributions by the County are anticipated. A thirty-one member policy committee composed of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the Policy Committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

C. Washington-Morgan Community Action Corporation

The Community Action Corporation of Washington-Morgan Counties is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program, the Community Action Bus Line (CABL), the Child Development Program, the Senior Nutrition Program, Women, Infants and Children's Supplemental Nutrition Program, the Home Weatherization Assistance and Energy Program, the Job Training and Partnership Act Program, Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program, and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract with the City of Marietta and Washington and Morgan Counties, provides administrative services to these governments in specific programs. The continued existence of the Corporation is not dependent on the County's continued participation and no equity interest exists.

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D. Washington County Family and Children First Council

The Washington County Family and Children First Council provide services to multi-need youth in Washington County. Members of the Council include the Washington County Health Department, the Regional Office of Youth Services, the Washington County Juvenile Court, the Washington County Mental Health Board, Washington County Children Services, the General Health District, a representative from the City of Marietta Health Department, and a representative of the Washington County School Districts. The operation of the Council is controlled by an advisory committee which consists of a representative from each agency. In 2014, the County contributed \$164,066.

E. Wood, Washington, and Wirt Planning Commission

The Wood, Washington, and Wirt Planning Commission was created to fulfill the requirements governing urban transportation planning under the Federal Highway Administration and Urban Mass Transportation Administration program regulations in Wood, Washington, and Wirt Counties. The Commission was formed pursuant to West Virginia Code Sections and Ohio Revised Code Section 713.30 and serves as a form of a regional planning commission. The Commission is composed of representatives from county and city governments and a cross section of members from the community appointed by the governmental units. Currently, the Commission has eight governmental representatives and one Washington County Commissioner serves on the Commission. Revenues are derived from Federal Highway and Federal Transportation Administration Grants distributed by the States of Ohio and West Virginia. Local governments contribute a ten percent local match. In 2014, the County contributed \$5,940 to the Commission. The continued existence of the Commission is not dependent on the County's continued participation and no equity interest exists.

F. Buckeye Hills Resource Conservation and Development Council (RC&D)

RC&D is a 501 (c) (3) non-profit entity, serving a nine county region in southeastern Ohio including Athens, Belmont, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties. The Council was created to identify and solve problems in rural communities including human, economic, natural resources and environmental issues. The RC&D is sponsored by the Boards of County Commissioners and the Soil and Water Conservation Districts in the nine counties, along with the Muskingum Watershed Conservancy District and the Rush Creek Conservancy District. The governing body of RC&D is the Executive Council, made up of 29 members that include three representatives from each county and one representative from each conservancy district. The Executive Council exercises total control over the operations of RC&D including budgetary, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Executive Council. During 2014, the Council received \$800 in administrative fees from Washington County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

G. Mid Eastern Ohio Regional Council of Governments (MEORC)

The Mid Eastern Ohio Regional Council of Governments is a regional council of governments created pursuant to Ohio Revised Code Chapter 167. Participating counties include Belmont, Carroll, Coshocton, Fairfield, Guernsey, Harrison, Hocking, Holmes, Jefferson, Knox, Licking, Monroe, Morgan, Muskingum, Noble, Perry, Tuscarawas, and Washington Counties. MEORC was created to provide the best possible services to persons with developmental disabilities in their respective counties. Each county has representation on the MEORC board. Member counties have a contract between its county BDD board and the MEORC for MEORC to provide supported living services or housing to eligible persons in the member counties. To obtain financial information, write to the Mid East Ohio Regional Council, Cathy Henthorn, who serves as Director of Financial Operations, 1 Avalon Road, Mt. Vernon, Ohio 43050.

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H. Ohio Valley Employment Resource (OVER)

The Ohio Valley Employment Resource (OVER) is a jointly governed organization whereby the three county commissioners from Monroe, Morgan, Noble, and Washington Counties serve on the governing board. OVER was formed for the purpose of creating and providing employment and training programs in response to local need, a part of which is implementation of the Workforce Investment Act, P.L. 105-220. The continued existence of OVER is not dependent upon the County's continued participation and no equity interest or debt exists.

NOTE 20 - RELATED ORGANIZATION

The Washington County Public Library is statutorily created as a separate and distinct political subdivision of the State governed by a board of trustees consisting of seven members. The Washington County Commissioners appoint three members and the Court of Common Pleas appoints the remaining members. The County made no contributions to the Public Library. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the County for operational subsidies. Although the County does serve as the taxing authority of the Library, this is strictly a ministerial function. Once the board of trustees has determined that a levy is necessary, its amount, and its duration, the County must place the levy before the voters. The Library may issue debt or the County may provide facilities for the Library through the issuance of debt if the voters agree.

NOTE 21 - INSURANCE PURCHASING POOLS

A. County Risk Sharing Authority, Inc. (CORSA)

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. 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 County does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The County's payment for insurance to CORSA in 2014 was \$300,038.

B. County Employee Benefits Consortium of Ohio, Inc. (CEBCO)

The County participates in the County Employee Benefits Consortium of Ohio, Inc. (CEBCO), an Ohio not-for-profit corporation, and insurance purchasing pool with membership open to Ohio political subdivisions, to collectively pool resources to purchase employee benefits. The County pays, on a monthly basis the annual actuarially determined funding rate. Components of the funding rate include the claims fund contribution, incurred but not reported claims, a claims contingency reserve fund, as well as the fixed cost of the consortium.

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The business and affairs of the consortium are governed by a board composed of representatives of counties that participate in the program. Two thirds of the directors are County Commissioners of the member Counties and one third are employees of member Counties. Each member of the consortium is entitled to one vote. At all times one director is required to be a member of the board of directors of the County Commissioners Association of Ohio and another is required to be a board member of the County Risk Sharing Authority, Inc.

Upon withdrawal from the Consortium, the County will be responsible for paying the funding rates and assessments, if any, that were applicable during the term of the agreement and shall remain responsible for any assessments made by the board for one or more years of the County's participation in CEBCO.

NOTE 22 - RELATED PARTY TRANSACTIONS

Wasco, Inc., a discretely presented component unit of Washington County, received contributions from the County for facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of its program. These contributions are reflected as operating revenues and operating expenses at cost or fair market value, as applicable, in the Basic Financial Statements in the amount of \$694,774.

NOTE 23 - FOOD STAMPS

The County's Department of Job and Family Services distributes, through contracting issuance centers, federal food stamps to entitled recipients within Washington County. The receipt and issuance of the stamps have the characteristics of a federal grant. However, the Department of Job and Family Services merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements, as the only economic interest related to these stamps rests with the ultimate recipient.

NOTE 24 - CONTINGENT LIABILITIES

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

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, any potential liability would not have a material effect on the County's financial condition.

NOTE 25 - WASCO, INC.

A. Reporting Entity

WASCO, Inc. (the "Organization") is a component unit of Washington County, Ohio. While the organization is technically a governmental unit, it operates as a not-for-profit entity due to its inconsequential size relative to the Primary Government (see Basis of Accounting). The primary purpose of the organization is to provide services to mentally/physically handicapped individuals by providing jobs for these individuals that are commensurate to their varying levels of ability. To provide these jobs, the organization operates various quasi-businesses within Washington County. These include cleaning and maintenance services, production and assembly services, food services, and mailing services. The revenues from these operations are the primary funding for the organization.

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B. Summary of Significant Accounting Policies

Basis of Accounting

Governmental Accounting Standards Board (GASB) Statement No. 14 established standards for determining which organizations should be included in the financial reporting entity and for reporting the financial information of those organizations. The statement defines the Governmental Financial Reporting Entity as being made up of two parts, units for which the Primary Government is financially accountable and units that must be included to keep the financial statements from being misleading or incomplete because of the nature or significance of their relationship to the Primary Government.

Based on the above criteria, it has been determined that the Organization is a component unit of Washington County, Ohio. However, due to the inconsequential size of the Organization, relative to the Primary Government, the statements are presented with accounting principles generally accepted in the United States of America.

Therefore, the Organization maintains its records on the accrual basis of accounting. Revenues are recognized when earned without regard to when the revenues are received. Income from grants is recognized in the period in which the funds are expended. Expenses are recognized when the obligation is incurred without regard to when the expenses are paid.

Cash and Cash Equivalents

The Organization maintains its cash in financial institutions. For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying amount approximates fair value because of the short maturity of those instruments. The balances are insured by the Federal Deposit Insurance Corporation up to a coverage limit. Deposits in interest-bearing accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"), up to a coverage limit of \$250,000 through December 31, 2014. As of the end of the fiscal year, and from time to time throughout the fiscal year, the Organization may have cash in a financial institution in excess of FDIC limits.

Accounts Receivable

Accounts receivable are shown at their net realizable value. Fair value approximates carrying value. Uncollectible accounts are charged to operations during the period they are determined to be uncollectible. Bad debt expense for the fiscal years ended August 31, 2014, and 2013, amounted to \$41 and \$149, respectively.

Inventory

Inventory consists of gasoline, food-service items and miscellaneous snack food items for resale, and is carried at the lower of cost or market. Cost is determined on a first-in, first-out basis.

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Capital Assets

All capital assets are recorded at cost or at fair value (if donated) and are depreciated over their estimated useful lives using the straight-line method. Buildings have an estimated useful life of forty years. No tangible assets, other than buildings, have an estimated useful life of longer than ten years. The Organization's policy is to capitalize assets with a cost or fair value greater than \$1,000. Repairs and maintenance are charged to operations when incurred. All additions and improvements to existing assets are capitalized. When capital assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities.

Depreciation for the fiscal years ended August 31, 2014, and 2013, was \$41,395 and \$36,956, respectively. Depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Federal Income Tax

The Internal Revenue Service has ruled that the Organization is a tax-exempt organization as defined under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income taxes has been made in the financial statements.

Generally accepted accounting principles require the Organization to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying statement of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statement of activities. The Organization believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded.

In general, the Organization is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years before 2010.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. Total advertising costs for the periods ending August 31, 2014, and 2013, were \$2,271 and \$6,285, respectively.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform to the presentation in the current period financial statements. These reclassifications had no effect on the statements of financial position or statements of cash flows.

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Temporarily and Permanently Restricted Funds

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net position is reclassified to unrestricted net position. Restricted donations whose restrictions are satisfied in the same fiscal year are recorded as unrestricted funds.

C. Contract Income/Major Customer

A large portion of WASCO, Inc.'s revenue is generated through a series of contracts with the Ohio Department of Transportation (ODOT). The contracts call for the custodial upkeep of local rest areas and the local Ohio Department of Transportation building. For 2014 and 2013, sales to ODOT totaled 21% and 19%, respectively, of total revenue. For the fiscal years ended August 31, 2014, and 2013, 24% and 11%, respectively, of the total accounts receivable were due from ODOT.

D. Related Party Transactions

The Washington County Board of Developmental Disabilities (WCBDD) provides facilities, utilities, IT support, and salaries for supervision of programs to WASCO, Inc. Based on calculations prepared by the WCBDD, the value of in-kind contributions provided to WASCO, Inc. was \$694,774 and \$647,258 for the fiscal years ended August 31, 2014, and 2013, respectively. These amounts are included on the supplemental schedule of administrative expenses, Schedule XI.

A significant portion of WASCO, Inc.'s revenue is generated through a series of contracts with WCBDD. For the fiscal years ended August 31, 2014, and 2013, sales to WCBDD totaled 37% and 40%, respectively, of total revenue. At fiscal year end, WASCO, Inc. had a trade receivable from the County in the amount of \$187,225 at August 31, 2014, and \$247,778 at August 31, 2013.

E. Restrictions on Net Assets

The Organization has three vehicles in its possession that are restricted in terms of disposition. They were acquired by WASCO, Inc. using grants from the Ohio Department of Transportation (ODOT). The assets have been recorded at cost. Disposition restrictions exist until the assets' age and/or mileage meet requirements as specified by ODOT. WASCO, Inc. is restricted from selling these assets until the grant has expired.

The Organization was required by ODOT to purchase certain pieces of equipment for use on contracts with ODOT. At September 1, 2012, this equipment was restricted in terms of use and disposition by the contracts held with ODOT. During the fiscal year ended August 31, 2013, equipment with a net book value of \$24,878 was released from these restrictions by the revised ODOT contracts.

The net book value of assets restricted at fiscal year end is as follows:

	<u>2014</u>	<u>2013</u>
Capital Assets	\$77,627	\$89,861

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F. Lease Commitments

WASCO, Inc. has an agreement with the City of Marietta to lease harbor space. Beginning in 2010, WASCO, Inc. agreed to clean various restroom facilities for the City of Marietta in lieu of rent. This agreement was renewed through 2019 during the current fiscal year.

G. Long-Term Debt

A summary of the Organization's long-term debt, and collateral pledged thereon, consisted of the following at August 31, 2014 and 2013:

	2014	2013
Obligation under installment contract (vending 1), due in monthly installments of \$231, including interest at 11%, through January 2015, collateralized by equipment.	\$923	\$2,234
Obligation under installment contract (vending 2), due in monthly installments of \$131, including interest at 11%, through February 2015, collateralized by equipment.	657	3,690
Obligation under installment contract (mower 1), payable in monthly installments of \$281, no interest is being charged, through April 2015, collateralized by equipment.	2,249	5,624
Obligation under installment contract (mower 2), payable in monthly installments of \$182, no interest is being charged, through April 2015, collateralized by equipment.	1,456	3,641
Obligation under installment contract (Briggs & Stratton), payable in monthly installments of \$334, no interest is being charged, through May 2016, collateralized by equipment.	6,788	0
	12,073	15,189
Less current maturities	(9,293)	(9,542)
Total long-term debt	\$2,780	\$5,647

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Aggregate maturities required of long-term debt at August 31, 2014 are due in future fiscal years as follows:

<u>Fiscal Year Ending August 31,</u>	<u>Amount</u>
2015	\$9,293
2016	<u>2,780</u>
	<u><u>\$12,073</u></u>

H. Subsequent Events

Management has evaluated its operations and has determined that there are no material events occurring after August 31, 2014, that would be required to be disclosed in the financial statements. This evaluation was made as of December 23, 2014, the date the financial statements were available to be issued.

NOTE 26 - SOUTHEASTERN OHIO PORT AUTHORITY

A. Reporting Entity

The Southeastern Ohio Port Authority, Washington County (the Port Authority), was created during 2003 by the Washington County Commissioners pursuant to Sections 4582.202 through 4582.58, inclusive of the Ohio Revised Code, for the purpose of promoting the manufacturing, commerce, distribution, research, and development interests of Southeastern Ohio, including rendering financial and other assistance to such enterprises situated in the region. Other purposes include inducing the location in Southeastern Ohio of other manufacturing, commerce, distribution, and research entities to purchase, subdivide, sell, and lease real property in Southeastern Ohio. The Port Authority also strives to erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio.

The Port Authority Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Washington County Commissioners. As such, it is considered a discretely presented component unit of Washington County. Currently, fifteen (17) Directors serve on the Board.

The Port Authority's management believes these financial statements present all activities for which the Southeastern Ohio Port Authority is financially accountable.

B. Summary of Significant Accounting Policies

The financial statements of the Port Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Port Authority's accounting policies are described below.

Basis of Presentation

The Port Authority's financial statements consist of government-wide statements, including the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows.

Measurement Focus

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Port Authority are included on the Statement of Net Position.

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The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The Statement of Cash Flows provides information about how the Port Authority finances and meets the cash flow needs.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Port Authority receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Port Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Port Authority on a reimbursement basis.

Expenses On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgetary Process

The Ohio Revised Code requires that the Port Authority Board of Directors prepare an annual budget.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function level, and appropriations may not exceed estimated resources. The Board of Directors must annually approve appropriation measures and subsequent amendments.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

Encumbrances The Ohio Revised Code requires the Port Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

Cash

Cash assets are maintained in non-interest bearing and interest bearing checking, savings, and money market accounts.

The Port Authority had no investments during the year or at year end.

Receivables and Payables

Receivables and payables are recorded on the Port Authority's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and, in the case of receivables, collectability.

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Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. All capital assets are depreciated, except for land and construction in progress. Depreciation is computed using the straight-line method over five years of the useful lives for Machinery and Equipment and over 50 years for Buildings.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "accrued leave benefits payable". The balances are to be used by employees in the year following the year in which the benefit was earned.

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and liabilities used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Port Authority does not have restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Port Authority. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority. Revenues and expenses not meeting these definitions are reported as non-operating.

Estimates

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

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Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence. The Port Authority did not have any extraordinary or special items in 2014.

C. Deposits and Investments

State statutes classify monies held by the Port Authority into three categories.

1. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Port Authority Treasury, in commercial accounts payable or that can be withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
2. Inactive deposits are public deposits that the Port Authority has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.
3. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

Interim monies may be deposited or invested in the following securities:

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

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8. Securities lending agreements in which the Port Authority lends securities and the eligible institution agrees to simultaneously exchange similar 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.

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. Historically, the Port Authority has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity.

Investment may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, all of the Port Authority's bank balances of \$212,744 were covered by the FDIC. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Port Authority to a successful claim by the FDIC.

The Port Authority has no deposit policy for custodial credit 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 105 percent of the deposits being secured.

D. Receivables

Receivables at December 31, 2014, consisted of accounts and intergovernmental receivables. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables arising from grants awarded to the Port Authority follows:

	<u>Amounts</u>
Clean Ohio Assistance Grant	\$95,472
Third Frontier Grant	<u>39,669</u>
Total Intergovernmental Receivable	<u><u>\$135,141</u></u>

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E. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
Non-Depreciable Capital Assets:				
Land	\$124,950	\$0	\$0	\$124,950
Construction in Progress	1,939,182	216,780	(2,155,962)	0
Total Non-Depreciable Capital Assets	2,064,132	216,780	(2,155,962)	124,950
Depreciable Capital Assets:				
Buildings	0	2,155,962	0	2,155,962
Machinery and Equipment	7,510	5,916	0	13,426
Total Depreciable Capital Assets	7,510	2,161,878	0	2,169,388
Accumulated Depreciation:				
Buildings	0	(30,543)	0	(30,543)
Machinery and Equipment	(7,050)	(921)	0	(7,971)
Total Accumulated Depreciation	(7,050)	(31,464)	0	(38,514)
Total Depreciable Capital Assets, Net	460	2,130,414	0	2,130,874
Capital Assets, Net	\$2,064,592	\$2,347,194	(\$2,155,962)	\$2,255,824

F. Risk Management

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port Authority contracts with Peoples Insurance Agency who, on behalf of the Port Authority, negotiates property and casualty insurance coverage with Cincinnati Insurance Company and CAN Insurance Company for management and professional insurance coverage. The following lists the coverage limits and deductibles:

Property (\$500 deductible):	
Building	\$2,250,000
Contents	50,000
Crime (\$250 Deductible):	
Employee Dishonesty / Forgery or Alteration	50,000
General Liability:	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Products-Completed Operations Aggregate Limit	2,000,000
Personal & Advertising Injury Limit	1,000,000
Damage to Rented Premises	100,000
Medical Expense Limit	5,000
Directors & Officers Liability:	
Each Occurrence	1,000,000
Scheduled Retention	2,500

Bond Coverage for the Secretary/Treasurer is included in Non-Profit Organization and Management Liability Insurance Policy.

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There were no significant reductions in coverage from prior years. Settlements have not exceeded coverage in any of the last three years.

The Port Authority pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

G. Defined Benefit Pension Plan

Plan Description – The Port Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. The Ohio Revised Code authorizes OPERS to calculate employee contribution rates for public safety employees and limits the law enforcement rate to the public safety rate plus an additional percentage not to exceed two percent. For 2013, member and employer contribution rates were consistent across all three plans.

The Port Authority's 2014 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2014, the portion of employer contribution allocated to health care was 2 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2 percent. Employer contribution rates are actuarially determined.

The Port Authority's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012, were \$7,177, \$15,527, and \$12,498, respectively. The full amount has been contributed for 2014, 2013, and 2012.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2014

H. Postemployment Benefits

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

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remains at 2 percent for both plans as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The Port Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012, were \$1,196, \$1,194, and \$756, respectively. The full amount has been contributed for 2014, 2013, and 2012.

Washington County, Ohio
Notes to the Basic Financial Statements
 December 31, 2014

I. Significant Commitments

As of December 31, 2014, the Port Authority had a contractual purchase commitment as follows:

<u>Project</u>	<u>Purchase Commitment</u>	<u>Amounts Paid as of 12/31/2014</u>	<u>Amount Remaining on Contract</u>
Environmental Study for Kardex on Greene Street	\$200,000	\$183,036	\$16,964

J. Long-Term Obligations and Other Obligations

Changes in the Port Authority's long-term obligations during the year consisted of the following:

	<u>Principal Outstanding 12/31/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 12/31/14</u>	<u>Amounts Due within One Year</u>
Peoples Bank Loan - 5.25%	\$321,601	\$733,046	\$1,054,647	\$0	\$0
Rural Industrial Development Loan - 3%	<u>0</u>	<u>458,719</u>	<u>0</u>	<u>458,719</u>	<u>0</u>
	<u>\$321,601</u>	<u>\$1,191,765</u>	<u>\$1,054,647</u>	<u>\$458,719</u>	<u>\$0</u>

In April 2014, the Port Authority entered into a Bridge Loan with Peoples Bank, National Association, in the amount of \$862,500 at a 5.25% interest rate for the purpose of construction of the Ingenuity Center. The loan was repaid during the year. The loan was repaid using grant monies.

On April 1, 2014, the Port Authority received a \$484,970 Rural Industrial Park Loan from the Ohio Department of Development for completion of the Ingenuity Center located at 300 Commerce Drive in Marietta, Ohio. Only \$458,719 was needed and received. Under the agreement, principal and interest payments are not required until September 1, 2019, unless the Center is leased. Upon that event, payments will begin and a new amortization schedule will be created. Currently, principal and interest payments required to retire the debt is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$0	\$0
2016	0	0
2017	0	0
2018	0	0
2019	13,180	4,538
2020-2024	214,341	51,425
2025-2029	<u>231,198</u>	<u>16,849</u>
	<u>\$458,719</u>	<u>\$72,812</u>

Conduit Debt

Pursuant to State statute, the Port Authority has issued revenue bonds, hospital revenue bonds, and obtained an Ohio Water Development Authority (OWDA) loan to provide financial assistance to private sector entities for new construction or improvements. Neither the Port Authority, the State, or any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

Washington County, Ohio
Notes to the Basic Financial Statements
December 31, 2014

As of December 31, 2014, there are \$140,895,000 of 2012 Hospital Facilities Revenue Refunding and Improvement Bonds outstanding. These Bonds mature in various annual amounts through 2042, interest is due semiannually at rates ranging from 3% to 6%.

The Southeastern Ohio Port Authority entered into a private/public partnership with Eramet Marietta, LLC, Americas Styrenics, Solvay Advanced Polymers, and Energizer for the construction and lease of Good River Distribution, LLC. Good River Distribution, LLC, is a water production facility located across from the aforementioned industries on the banks of the Ohio River. The Good River Distribution, LLC, water production facility provides process water and fire water to the partner industries. Good River Distribution, LLC, is owned by the Southeastern Ohio Port Authority until such time as the lease repayments are complete.

During 2012, Southeastern Ohio Port Authority obtained a state assistance Revenue Bond, Series 2012 in the amount of \$4,175,000 to acquire, install, and construct a water screening, service water supply, and pumping system. The interest rate is 4.375% and the maturity date is June, 2027. As of December 31, 2014, \$3,760,000 of the revenue bond is outstanding.

During 2012, Southeastern Ohio Port Authority obtained a loan in the amount of \$6,000,000 from the OWDA for construction, maintenance, and operation of Good River Distribution, LLC. The loan will be repaid solely by lease payments received from members of Good River Distribution, LLC. The maturity date is January, 2028. As of December 31, 2014, \$5,257,712 remains on the loan.

K. Subsequent Event

On January 1, 2015, the Port Authority and Marietta Area Health Care, Inc. issued \$60,000,000 in Hospital Facilities Improvement Bonds.

Washington County, Ohio
Required Supplemental Information
Condition Assessments of the County's Infrastructure
Report Using the Modified Approach
December 31, 2014

The County reports its roads and bridges infrastructure assets using the modified approach. The following disclosures pertain to the condition assessments and budgeted versus actual expenditures for the preservation of these assets.

County Roads

The Washington County Engineer uses a pavement management system to evaluate the condition of the County's nearly 341 miles of roads considering pavement surface type, condition, traffic factors, maintenance history and professional judgment. All County Roads are rated once every two years, the system rates the condition as follows:

Condition Category	Condition Index Range	Description of Condition
Failed	<30	Impassable, unsafe, needs major reconstruction
Poor	30-45	Passable, marginally safe, needs major repair
Fair	46-60	Average, functions as designed, needs routine maintenance and repair
Good	61-85	Safe and very suitable for its purpose, needs preventative maintenance
Excellent	>85	New or like new, no repair needed

It is the goal of the Washington County Engineer that 90% of the County roads are rated at fair or better condition.

Bridges

Bridges are evaluated annually as required by law and following the Ohio Department of Transportation inspection and inventory guidelines. Bridges are rated by a general appraisal as follows:

Bridge General Appraisal Rating	Description of Condition
9	Excellent, new or like new
8	Very good, no problems
7	Good, minor deterioration of structural elements
6	Satisfactory, minor deterioration of structural elements
5	Fair, still functioning as designed, minor section loss to structural elements, non-structural deterioration
4	Poor, needs major repair or manitenance, to continue to function, load reduction may be needed.
3	Serious, needs major rehabilitation to continue to function, may need load reduction
2	Critical, not functioning as designed, load reduction, replacement needed
1	Closed

It is the goal to maintain the Washington County bridges such that 90% have general appraisals of 5 or higher.

Washington County, Ohio
Required Supplemental Information
Condition Assessments of the County's Infrastructure
Report Using the Modified Approach
December 31, 2014

The following summarized the road and bridge conditions as of December 31, 2014, 2013, and 2012:

Condition Category	Road Condition as of December 31,					
	2014		2013		2012	
	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation	Percent of Roads	Percent Accumulation
Excellent	43%	100%	63%	100%	54%	100%
Good	55%	57%	35%	37%	43%	46%
Fair	2%	2%	2%	2%	3%	3%
Poor	0%	0%	0%	0%	0%	0%
Failed	0%	0%	0%	0%	0%	0%

99.95% of the roads were rated in 2014 as fair or better condition, exceeding the goal of 90% rated as fair or better.

Bridge General Appraisal	Bridge Condition as of December 31,					
	2014		2013		2012	
	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation	Percent of Bridges	Percent Accumulation
9	4%	4%	3%	3%	2%	2%
8	17%	21%	15%	18%	13%	15%
7	40%	61%	38%	56%	50%	65%
6	30%	91%	35%	91%	27%	92%
5	7%	98%	5%	96%	7%	99%
4	2%	100%	4%	100%	1%	100%
3	0%	100%	0%	100%	0%	100%
2	0%	100%	0%	100%	0%	100%
1	0%	100%	0%	100%	0%	100%

97.64% of the bridges were rated in 2014 as having a general appraisal of 5 or greater, exceeding the stated goal of 90%

Budget versus actual expenditures for roads and bridges maintenance for 2014, 2013, 2012, 2011, and 2010:

<u>Total Road and Bridge Maintenance Expense</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Difference</u>
2014	\$5,374,935	\$3,905,964	\$1,468,971
2013	4,607,435	3,556,188	1,051,247
2012	4,418,737	3,568,781	849,956
2011	4,423,983	3,644,083	779,900
2010	5,940,672	4,467,918	1,472,754

WASHINGTON COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass-Through Entity Number or Grant Year	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1415-11-5441	10.561	\$450,212
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Cash Assistance:			
School Breakfast Program	2013/2014	10.553	22,135
National School Lunch Program	2013/2014	10.555	36,189
Summer Food Service Program for Children	2013/2014	10.559	44,542
Total Child Nutrition Cluster			<u>102,866</u>
Total U.S. Department of Agriculture			553,078
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants - State's Program	B-P-11-1CY-1 B-C-12-1CY-1 B-F-12-1CY-1 B-W-12-1CY-1 B-F-13-1CY-1	14.228	61,348 15,734 103,401 227,102 119,000
Total Community Development Block - State's Program			<u>526,585</u>
HOME Investment Partnerships Program	B-C-12-1CY-2	14.239	<u>167,001</u>
Total U.S. Department of Housing and Urban Development			693,586
<u>UNITED STATES DEPARTMENT OF INTERIOR</u>			
<i>Passed through the Ohio Department of Natural Resources</i>			
Payments in Lieu of Taxes	2014	15.226	<u>45,897</u>
Total United States Department of Interior			45,897
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through Ohio Department of Public Safety</i>			
<i>Passed Through Ohio Attorney General's Office:</i>			
Crime Victim Assistance	2014VAGENE253 2015VAGENE253	16.575	16,422 5,464
Total Crime Victim Assistance			<u>21,886</u>
Total U.S. Department of Justice			21,886
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	PID #83703 PID #89347 PID #90272	20.205	43,030 709,452 49,663
Total Highway Planning and Construction			<u>802,145</u>
Federal Transit - Formula Grants	OH-90-X799-00	20.507	207,174

WASHINGTON COUNTY

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

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number or Grant Year	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF TRANSPORTATION (Continued)</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
State and Community Highway Safety	HVEO-2014-84-00-00-00411-00	20.600	\$20,253
	STEP-2015-84-00-00-00596-00		1,814
Total State and Community Highway Safety			22,067
National Priority Safety Programs	IDEP-2015-84-00-00-00435-00	20.616	1,661
Total U.S. Department of Transportation			1,033,047
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	2014	84.027	38,544
Special Education - Preschool Grants	2014	84.173	10,365
Total Special Education Cluster			48,909
<i>Passed Through Ohio Department of Health</i>			
Special Education - Grants for Infants and Families	08410021HG0615	84.181	69,901
Total U.S. Department of Education			118,810
<u>U.S. ELECTION ASSISTANCE COMMISSION</u>			
<i>Passed through the Ohio Secretary of State:</i>			
Help America Vote Act Requirements Payments	2014	90.401	1,576
Total United States Election Assistance Commission			1,576
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Social Services Block Grant</i>			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Social Services Block Grant	2014	93.667	41,666
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Social Services Block Grant	G-1415-11-5441	93.667	427,477
<i>Passed Through Ohio Department of Mental Health and Addiction Services:</i>			
Social Services Block Grant	2014/2015	93.667	38,286
Total Social Services Block Grant			507,429
<i>Title XIX - Medical Assistance Program</i>			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Medical Assistance Program	2014	93.778	161,156
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Medical Assistance Program	G-1415-11-5441	93.778	555,207
Medical Assistance Program	G-1415-11-5443	93.778	39,607
Total Title XIX - Medical Assistance Program			755,970
<i>Passed Through Ohio Department of Mental Health and Addiction Services:</i>			
Block Grants for Prevention and Treatment of Substance Abuse	2014/2015	93.959	126,000
<i>Passed Through Ohio Department of Mental Health and Addiction Services:</i>			
Block Grants for Community Mental Health Services	2014/2015	93.958	22,043

WASHINGTON COUNTY

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

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number or Grant Year	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Promoting Safe and Stable Families	5AU-14-100-22-084 2015 G-1415-11-5443	93.556	\$19,378 9,058 <u>77,745</u>
Total Promoting Safe and Stable Families			<u>106,181</u>
Temporary Assistance for Needy Families	G-1415-11-5441 G-1415-11-5443	93.558	1,991,477 <u>5,930</u>
Total Temporary Assistance for Needy Families			<u>1,997,407</u>
Child Support Enforcement	G-1415-11-5441	93.563	526,081
Child Care and Development Block Grant	G-1415-11-5441	93.575	62,241
Community - Based Child Abuse Prevention Grants	G-1415-11-5443	93.590	703
Stephanie Tubbs Jones Child Welfare Services Program	G-1415-11-5443	93.645	54,851
Foster Care - Title IV-E	G-1415-11-5443	93.658	393,179
Adoption Assistance	G-1415-11-5443	93.659	309,870
Chafee Foster Care Independence Program	G-1415-11-5443	93.674	18,541
<i>Passed Through Ohio Secretary of State:</i>			
Voting Access for Individuals with Disabilities - Grants to States	HHS Grant Funds	93.617	<u>15,952</u>
Total U.S. Department of Health and Human Services			4,896,448
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>			
<i>Direct Award:</i>			
Retired and Senior Volunteer Program	13SRNOH008	94.002	46,020
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	EMW-2013-EP-00060-S01 EMW-2014-EP-00064-S01	97.042	22,362 <u>24,603</u>
Total Emergency Management Performance Grants			<u>46,965</u>
Port Security Grant Program	EMW-2013-PU-00085-01	97.056	199,000
Homeland Security Grant Program	EMW-2011-SS-00070	97.067	<u>37,156</u>
Total U.S. Department of Homeland Security			<u>283,121</u>
Total Federal Awards Expenditures			<u><u>\$7,693,469</u></u>

The Notes to the Federal Awards Expenditures Schedule are an integral part of this Schedule.

WASHINGTON COUNTY

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

The County passes certain federal awards received from the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As Note A describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE C – CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

NOTE D – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has a revolving loan fund (RLF) program to provide low-interest loans to eligible persons for water and sewer rehabilitation. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. Loans repaid, including interest, are used to make additional loans. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property. At December 31, 2014, the gross amount of loans outstanding under this program was \$2,076.

NOTE E – MATCHING REQUIREMENTS

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

NOTE F - MEDICAL ASSISTANCE PROGRAM CFDA #93.778

During the calendar year, the County Board of Developmental Disabilities received a settlement for the 2009 Cost Report from the Ohio Department of Developmental Disabilities (CFDA #93.778) in the amount of \$9,205. The Cost Report settlement was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule of Federal Awards Expenditures since the underlying expenses occurred in the prior reporting periods.

Also during the calendar year, the County Board of Developmental Disabilities received notice of a liability owed to the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount of \$323. The MAC Reconciliation liability was to correct manual data entry errors of the Medicaid Eligibility Rates from Excel into the new RMTS system. This liability is not listed on the County's Schedule of Federal Awards Expenditures since the underlying expenses incurred in the prior reporting periods and the liability was invoices by the Ohio Department of Developmental Disabilities.



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*

Washington County
205 Putnam Street
Marietta, Ohio 45750

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, the discretely presented component unit, each major fund, and the aggregate discretely presented component unit and remaining fund information of Washington 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 and have issued our report thereon dated August 19, 2015. Our report refers to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits from the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of WASCO, Inc., as described in our report on the County's financial statements. The financial statements of WASCO, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

August 19, 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

Washington County
205 Putnam Street
Marietta, Ohio 45750

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Washington County, Ohio (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 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.

The County's basic financial statements include the operations of WASCO, Inc., a discretely presented component unit. Our audit of Federal awards, described below, did not include the operations of WASCO, Inc., because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of Federal awards for the year ended December 31, 2014, it was not subject to OMB Circular A-133 audit requirements.

Opinion on Each Major Federal Program

In our opinion, Washington County complied, in all material respects, with the 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 over 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

August 19, 2015

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • State Administrative Matching Grants for the Supplemental Nutrition Program, CFDA #10.561 • Temporary Assistance for Needy Families, CFDA #93.558 • Child Support Enforcement Program, CFDA # 93.563 • Social Services Block Grant, CFDA #93.667 • Medical Assistance Program, CFDA #93.778 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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WASHINGTON 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; Explain
2007-001	Finding for recovery for public monies illegally expended was issued against Jolena Best, former CSEA Fiscal Communication Supervisor, in the amount of \$468, in favor of the CSEA Fund of Washington County	No	Not corrected. As of December 31, 2014, the County has recovered \$160.
2009-001	Finding for recovery for public property converted or misappropriated was issued against Charles Moody, former Maintenance Supervisor, in the amount of \$67,593, in favor of the General Fund of Washington County.	No	Not corrected. As of December 31, 2014 the County has recovered \$53,170.
2013-001	Federal noncompliance, Questioned Cost, Material Weakness: 2 C.F.R. 225, Appendix C for paying an amount in excess of the cost allocation plan by CSEA .	Yes	N/A

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Dave Yost • Auditor of State

WASHINGTON COUNTY FINANCIAL CONDITION

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 1, 2015